

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2016-2017**

**AUDIT COMMITTEE**

<b>AGENDA ITEM NO.5</b>
<b>DRAFT STATEMENT OF ACCOUNT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2016</b>

**12<sup>th</sup> September 2016**

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

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

**1.0 PURPOSE OF REPORT**

- 1.1 This report provides the Audit Committee with the opportunity to consider the certified draft Statements of Account for 2015/16 financial year in respect of the Council and Central South Consortium Joint Education Service Joint Committee and the Annual Return for Llwydcoed Crematorium 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 2015/16 (Appendix 1);
- (b) Note the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2015/16 (Appendix 2);
- (c) Note the Llwydcoed Crematorium Joint Committee certified Annual Return for the financial year 2015/16 (Appendix 3);
- (d) Consider the impact, if any, upon the Statements of Account and Annual Return 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 28<sup>th</sup> September 2016 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 2016.
- 3.3 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 (28<sup>th</sup> June 2016) and the audited accounts are due to be presented to the meeting scheduled for the 29<sup>th</sup> September 2016.
- 3.4 The Authority has administrative responsibility for the production of the Annual Return for Llwydcoed Crematorium Joint Committee. The Annual Return has replaced the requirement for a full Statement of Accounts for the Crematorium Joint Committee effective from 2015/16 financial year due to the increase in the threshold of gross income or gross expenditure for smaller relevant bodies, from £1m per year to not more than £2.5m. The audited Annual Return is due to be presented to the meeting scheduled for the 20<sup>th</sup> September 2016.
- 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 Annual Return. 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 28<sup>th</sup> September 2016, the Central South Consortium Joint Education Service Joint Committee on the 29<sup>th</sup> September 2016 and the Llwydcoed Crematorium Joint Committee on the 20<sup>th</sup> September 2016.

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, Central South Consortium Joint Education Service Joint Committee and Annual Return for Llwydcoed Crematorium Joint Committee is defined in the Statutory Guidance from the Local Government Measure 2011 and this report provides the opportunity for this Committee to discharge these responsibilities.

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# Statement of Accounts 2015/16

## Appendix 1



## Rhondda Cynon Taf County Borough Council

### Statement of Accounts 2015/16

<b>Contents</b>	<b>Page</b>
Explanatory Foreword	5
Statement of Responsibilities for the Statement of Accounts	13
Certificate of the Group Director Corporate & Frontline Services	14
<i>The Core Financial Statements</i>	
Movement in Reserves Statement	15
Comprehensive Income and Expenditure Statement	19
Balance Sheet	21
Cash Flow Statement	24
<i>Notes to the Core Financial Statements</i>	
1. Accounting Policies	26
2. Accounting Standards Issued, Not Adopted	42
3. Critical Judgements in Applying Accounting Policies	43
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	45
5. Material Items of Income and Expense	46
6. Events After the Balance Sheet Date	46
7. Property, Plant and Equipment	47
8. Heritage Assets	49
9. Long-Term Intangible Assets	50

10. Financial Instruments	51
11. Short-Term Debtors	57
12. Cash and Cash Equivalents	58
13. Assets Held for Sale	58
14. Short-Term Creditors	58
15. Provisions	59
16. Other Long-Term Liabilities	60
17. Usable Reserves	60
18. Unusable Reserves	64
19. Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	69
20. Cash Flow Statement – Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	69
21. Cash Flow Statement – Interest within Operating Activities	69
22. Cash Flow – Investing Activities	70
23. Cash Flow – Financing Activities	70
24. Amounts Reported for Resource Allocation Decisions	71
25. Acquired and Discontinued Operations	72
26. Agency Services	72
27. Road Charging Schemes	72
28. Pooled Budgets	73
29. Members' Allowances	73
30. Officers' Remuneration	74
31. Severance Costs	77

32. External Audit Costs	77
33. Non-Domestic Rates	78
34. Council Tax	78
35. Grant Income	79
36. Related Parties	79
37. Capital Expenditure and Capital Financing	85
38. Leases	86
39. Private Finance Initiative	88
40. Impairment Losses	89
41. Retirement Benefits – Defined Benefit Schemes	90
42. Retirement Benefits – Defined Contribution Schemes	96
43. Contingent Liabilities	96
44. Trust Funds	97
<i>The Supplementary Financial Statements – Group Accounts</i>	99
Statement of Group Accounting Policies	101
Group Movement in Reserves Statement	102
Group Comprehensive Income and Expenditure Statement	107
Group Balance Sheet	109
Group Cash Flow Statement	111
<i>Notes to the Supplementary Financial Statements</i>	
G1. Segmental Analysis (Subsidiary Companies)	112
G2. Long-Term Assets	112
G3. Group Companies Reserve	114



G4. Subsidiary Companies Statutory Accounts	114
G5. Associate Company Statutory Accounts	115
G6. Consolidation Adjustments	115
G7. Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	116
G8. Cash Flow Statement – Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	116
G9. Cash Flow Statement – Interest within Operating Activities	116
G10. Cash Flow Statement – Investing Activities	117
G11. Cash Flow Statement – Financing Activities	117
G12. Adjustments Between Group Accounts and Council Accounts in the Group Movement in Reserves Statement	117
G13. Debtors	118
G14. Creditors	118
G15. Provisions	118
Summary Pension Fund Accounts	120
Annual Governance Statement	133
Auditor General for Wales' Report	160
Glossary of Terms	163

## 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 2015/16 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 based on International Financial Reporting Standards (IFRS).
- Accounts and Audit (Wales) Regulations 2014.

The accounts set out on pages 5 to 159 comply with the above.

### 2. Impact of Current Economic Climate

The economic climate continues to be a significant challenge for this and all other local authorities. At an all Wales level, the then Minister for Public Services (Leighton Andrews, Assembly Minister, AM) announced a decrease in revenue funding for local authorities in Wales for the year 2015/16. The decrease for Rhondda Cynon Taf was 3.6% which was worse than the average reported of 3.4%. 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 £10.720m.

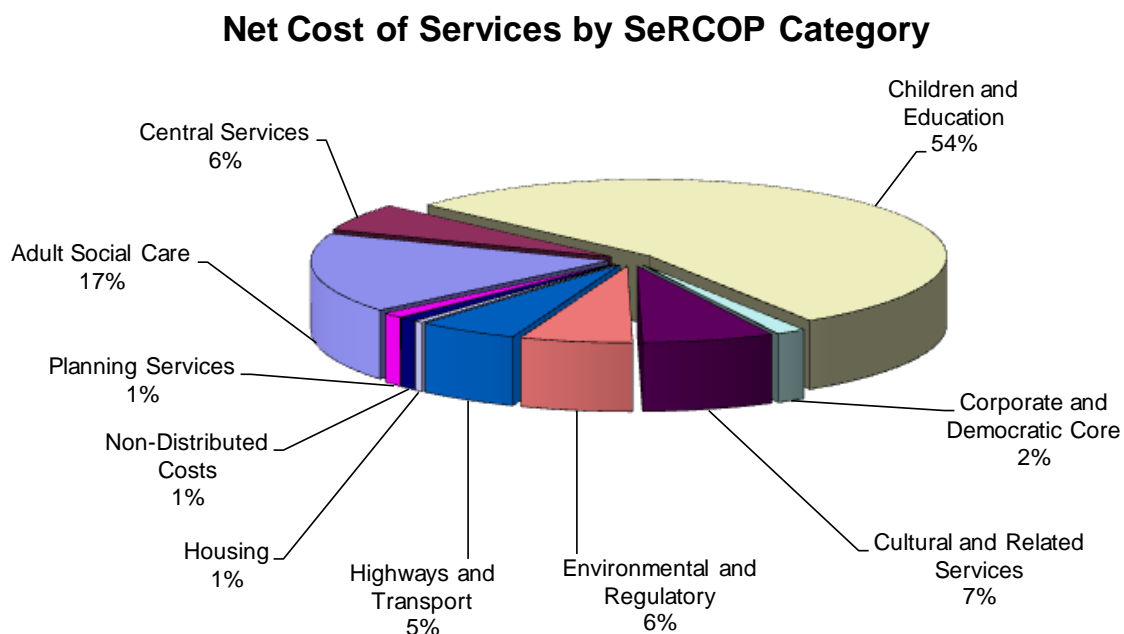
### 3. Explanation of Core Financial Statements

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 2015/16

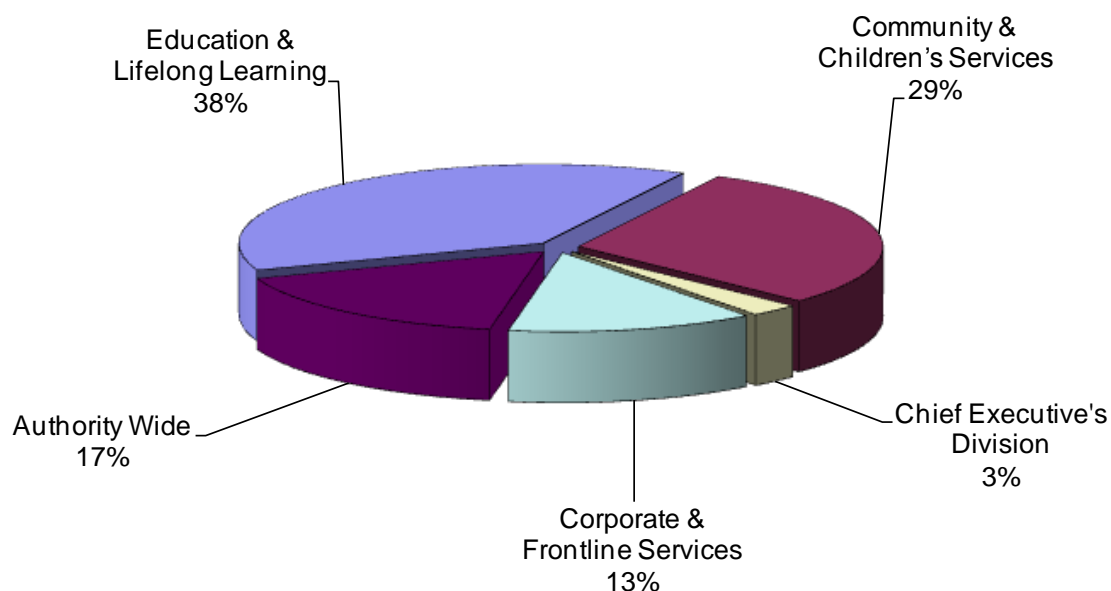
The Comprehensive Income and Expenditure Statement provides an analysis of the Council's gross revenue expenditure and income in accordance with International Financial Reporting Standards. The chart below provides an analysis of the Net Cost of Services (£468m) by Service Reporting Code of Practice (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 2015/16. 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	174,086	174,070	(16)
Community & Children's Services	137,439	134,724	(2,715)
Chief Executive's Division	11,891	11,786	(105)
Corporate & Frontline Services	60,108	59,921	(187)
Authority Wide	72,970	72,069	(901)
<b>Total</b>	<b>456,494</b>	<b>452,570</b>	<b>(3,924)</b>
Investment to reduce streetlight energy costs (Cabinet 21 <sup>st</sup> January 2016)		1,130	1,130
Living wage		201	201
Corporate Plan - Investment Priorities (Council 10 <sup>th</sup> March 2016)		2,374	2,374
<b>Total</b>	<b>456,494</b>	<b>456,275</b>	<b>(219)</b>

### Net Expenditure by Service Group



	£'000
<b>Council Fund Reserves as at 31<sup>st</sup> March 2015</b>	<b>11,001</b>
Revenue Budget Out-turn (Variance as above)	219
Transfer from Council Fund Balance to Earmarked Reserves	(500)
<b>Council Fund Reserves as at 31<sup>st</sup> March 2016</b>	<b>10,720</b>

Gross Expenditure on Services amounted to £705m, this can be analysed over the following expenditure categories:

<b>Type of Expenditure</b>	<b>£'m</b>	<b>%</b>
Employees	285	40
Premises	25	4
Transport	20	3
Supplies and Services	65	9
Payments to Third Parties	101	14
Transfer Payments	101	14
Capital Charges	75	11
Other Operating Costs (e.g. Support Services)	33	5
<b>Total Gross Expenditure</b>	<b>705</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	153	21
Sales, Fees & Charges	37	5
Other Income	47	6
<b>Sub-Total Direct Service Income</b>	<b>237</b>	<b>32</b>
<u>Other Income</u>		
Council Tax	290	40
Non-Domestic Rates	25	3
Non-Ringfenced Government Grants	67	9
Capital Grants and Contributions	115	16
<b>Total Income</b>	<b>734</b>	<b>100</b>

## 5. Summary of Future Revenue and Capital Plans

During 2015/16, 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'

All of these plans and ambitions need to be underpinned by robust financial management. Forward looking financial and service planning arrangements are critical in ensuring the Council's priorities are affordable and to lead the work to become more efficient, transform services and deliver investment priorities.

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

A summary of the latest Capital Programme agreed by Members in March 2016 is as follows:

Group	2016/17	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000
Chief Executive's Division	8,525	8,299	760	17,584
Corporate & Frontline Services	24,205	5,272	3,791	33,268
Corporate Initiatives	2,450	850	850	4,150
Education & Lifelong Learning Services	56,557	45,551	17,868	119,976
Community & Children's Services	10,552	6,468	6,468	23,488
<b>Total</b>	<b>102,289</b>	<b>66,440</b>	<b>29,737</b>	<b>198,466</b>

A summary of the Council's revenue budget for 2016/17 (agreed in March 2016) is outlined below:

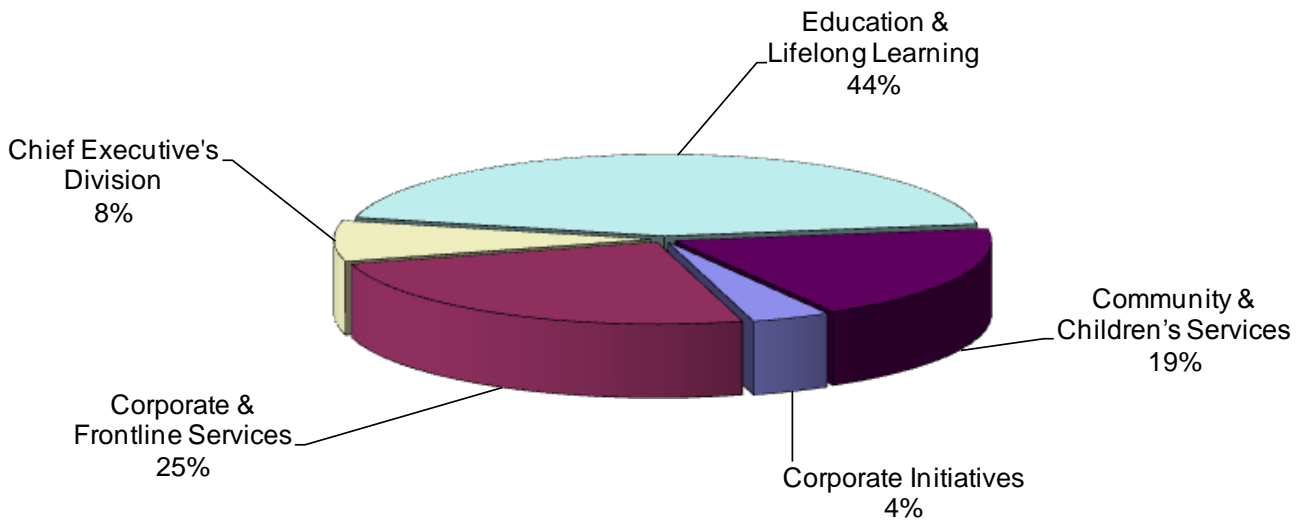
Service Area	£'000
Authority Wide	74,204
Individual Schools Budget	144,922
Community & Children's Services	133,971
Corporate & Frontline Services and Chief Executive's Division	71,225
Education & Lifelong Learning Services	30,509
<b>Total</b>	<b>454,831</b>

## 6. Capital Expenditure and Income 2015/16

During the year the Council spent £66.877m on capital, as summarised below:

Group	£'000	%
Corporate Initiatives	2,923	4
Corporate & Frontline Services	16,458	25
Chief Executive's Division	4,975	8
Education & Lifelong Learning Services	29,668	44
Community & Children's Services	12,853	19
<b>Total</b>	<b>66,877</b>	<b>100</b>

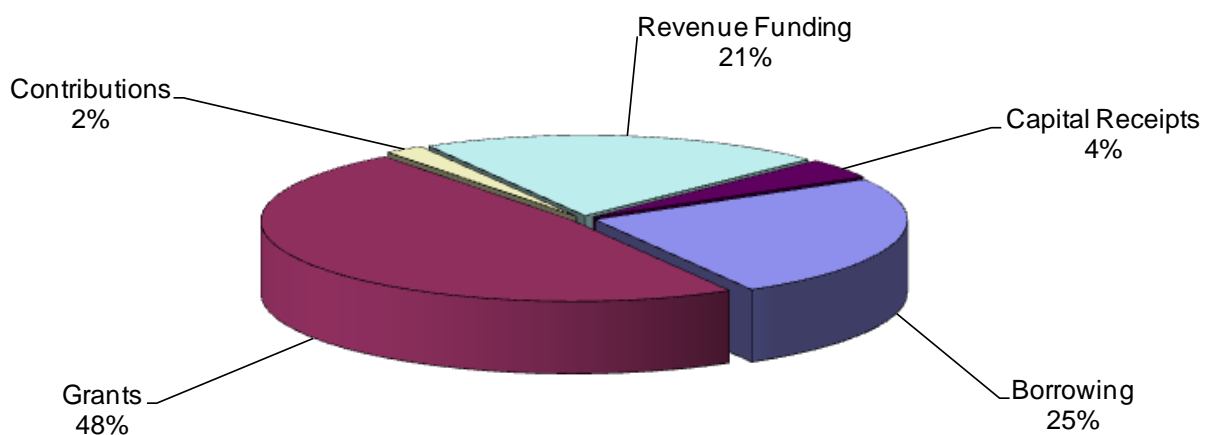
This is represented by the following graph:



In addition, the Council's share of capital expenditure incurred by Joint Committees in which it has an interest was £2,173k. 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	53,030	2,173	55,203
Intangible Long-Term Assets	921	0	921
Revenue Expenditure Funded from Capital under Statute	12,926	0	12,926
<b>Total</b>	<b>66,877</b>	<b>2,173</b>	<b>69,050</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 2016, major capital commitments over the next three years (per the Capital Programme 2016 – 2019) include the following schemes:

Scheme	31/03/16
	£'000
Disabled Facilities Grants/Adaptations (DFGs)	12,000
Vibrant & Viable Places Programme	13,804
Rhondda & Tonyrefail School Modernisation	79,752
Y Pant Comprehensive School	14,200
Aberdare School & Sports Centre	5,353
Fleet Vehicles	7,708
Highways Improvements	9,280
Structures	3,640
Street Lighting	2,464
Transportation Infrastructure	4,492
Asbestos Remediation Works & Management	6,450

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>	£396.0m
<b>Interest Rate Exposure – Borrowing</b>	<b>Range</b>
Limits on total % of borrowing at fixed interest rates	55% - 100%
Limits on total % of borrowing at variable interest rates	10% - 45%
<b>Interest Rate Exposure – Investments</b>	<b>Range</b>
Limits on total % of investments at fixed interest rates	0% - 25%
Limits on total % of investments at variable interest rates	75% - 100%



The Council's borrowing totals £199.3m, of which £196.0m is long-term and £3.3m is short-term. The majority of external borrowing was from the Public Works Loan Board (PWLB) (£111.1m). The remaining balance comprises £87.6m from market loans and £0.6m from other sources.

The Council also has PFI liabilities of £23.8m, £22.5m is a Long-Term Liability and £1.2m is due within one year. In addition there are Finance Lease liabilities of £0.4m 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	797,267
Net Assets as per Balance Sheet	281,722

## 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 28<sup>th</sup> September 2016.

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

### Cllr. Rhys Lewis

#### 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.

**Certificate of the Group Director Corporate & Frontline Services  
Rhondda Cynon Taf CBC on the Accounts of Rhondda Cynon Taf  
CBC, Rhondda Cynon Taf CBC Group Accounts and the Rhondda  
Cynon Taf Pension Fund for 2015/16**

I certify that the accounts set out on pages 5 to 159 present a true and fair view of the financial position of Rhondda Cynon Taf CBC, Rhondda Cynon Taf CBC Group Accounts and the Rhondda Cynon Taf Pension Fund at 31<sup>st</sup> March 2016 and its income and expenditure for the year.

Signature:  Date: 

**Christopher D. Lee**

**Group Director Corporate & Frontline Services**  
Bronwydd House  
Porth  
CF39 9DL

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

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

### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2016

	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 2015</b>	11,001	31,367	76,284	3,711	2,010	4,804	1,120	<b>130,297</b>	55,580	<b>185,877</b>
<b>Movement in reserves during 2015/16:</b>										
(Surplus) or deficit on the provision of services (accounting basis)	(28,870)	0	(124)	0	0	0	0	<b>(28,994)</b>	0	<b>(28,994)</b>
Other comprehensive income and expenditure	0	0	0	0	0	0	0	<b>0</b>	124,839	<b>124,839</b>
<b>Total comprehensive income and expenditure</b>	(28,870)	0	(124)	0	0	0	0	<b>(28,994)</b>	124,839	<b>95,845</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	39,401	0	60	0	0	0	0	<b>39,461</b>	(39,461)	<b>0</b>
Revaluation losses on property, plant & equipment	25,661	0	0	0	0	0	0	<b>25,661</b>	(25,661)	<b>0</b>
Amortisation of intangible assets	1,207	0	0	0	0	0	0	<b>1,207</b>	(1,207)	<b>0</b>
Movement in the Donated Assets Account	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Revenue expenditure funded from capital under statute	12,926	0	0	0	0	0	0	<b>12,926</b>	(12,926)	<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	2	0	0	0	0	2	(2)	0
<b>Insertion of items not debited/ credited to CI&amp;ES:</b>										
Statutory provision for the financing of capital investment	(11,058)	0	(9)	0	0	0	0	(11,067)	11,067	0
Capital expenditure charged against the Council Fund Balances	(13,982)	0	(706)	0	0	0	0	(14,688)	14,688	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>										
Capital grants and contributions unapplied credited to CI&ES	(35,318)	0	0	0	0	35,318	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(33,499)	0	(33,499)	33,499	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	1,960	0	0	0	1,286	0	0	3,246	(3,246)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(2,842)	0	0	(2,842)	2,842	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	31	0	0	31	(31)	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	(50)	0	0	0	0	0	0	(50)	50	0
<b>Adjustments involving the Pensions Reserve:</b>										
Reversal of items relating to retirement benefits debited or credited to the CI&ES	53,690	0	283	0	0	0	0	53,973	(53,973)	0
<i>Continued Overleaf...</i>										

Employer's pensions contributions and direct payments to pensioners payable in the year	(33,670)	0	(173)	0	0	0	0	(33,843)	33,843	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	(549)	0	0	0	0	0	0	(549)	549	0
<b>Adjustment involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,123)	0	8	0	0	0	0	(1,115)	1,115	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>	10,225	0	(659)	0	(1,525)	1,819	0	9,860	85,985	95,845
<b>Transfers to or from Earmarked Reserves</b>	(10,506)	28,501	(17,095)	(124)	0	0	(776)	0	0	0
<b>(Increase) or decrease in the year</b>	(281)	28,501	(17,754)	(124)	(1,525)	1,819	(776)	9,860	85,985	95,845
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>10,720</b>	<b>59,868</b>	<b>58,530</b>	<b>3,587</b>	<b>485</b>	<b>6,623</b>	<b>344</b>	<b>140,157</b>	<b>141,565</b>	<b>281,722</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 2016

2014/15					2015/16		
Gross Exp	Gross Income	Net Exp		Note:	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
31,074	(4,042)	27,032	Central Services to the Public		31,600	(4,402)	27,198
34,902	(6,544)	28,358	Cultural and Related Services		39,462	(5,870)	33,592
43,607	(13,124)	30,483	Environmental and Regulatory Services		42,549	(14,058)	28,491
13,426	(8,527)	4,899	Planning Services		14,085	(8,652)	5,433
308,323	(66,992)	241,331	Children's and Education Services		322,116	(67,881)	254,235
34,404	(9,232)	25,172	Highways and Transport Services		35,491	(9,882)	25,609
87,536	(84,648)	2,888	Housing Services		91,170	(88,967)	2,203
119,604	(38,609)	80,995	Adult Social Care		114,873	(35,952)	78,921
9,083	(1,625)	7,458	Corporate and Democratic Core		8,963	(1,500)	7,463
4,341	(2)	4,339	Non-Distributed Costs		4,549	(5)	4,544
<b>686,300</b>	<b>(233,345)</b>	<b>452,955</b>	<b>Cost of Services</b>		<b>704,858</b>	<b>(237,169)</b>	<b>467,689</b>
			<b>Other Operating Expenditure</b>				
15,473	0	15,473	Precepts	36.3	16,373	0	16,373
11,450	0	11,450	Levies	36.3	11,271	0	11,271
795	0	795	(Gains) or Losses on Disposal of Non-Current Assets		1,962	0	1,962
			<b>Financing and Investment Income and Expenditure</b>				
10,728	0	10,728	Interest Payable and Similar Charges	10.2	10,654	0	10,654
21,742	0	21,742	Net Interest on Net Defined Liability (Asset)	41.0	18,263	0	18,263
0	(29)	(29)	Interest Receivable and Similar Income	10.2	0	(140)	(140)
			<b>Taxation and Non-Specific Grant Income</b>				
0	(110,210)	(110,210)	Council Tax Income	34.0	0	(115,437)	(115,437)
0	(73,533)	(73,533)	NDR Distribution	33.0	0	(67,465)	(67,465)
0	(296,318)	(296,318)	Non-Ringfenced Government Grants		0	(289,677)	(289,677)
0	(20,395)	(20,395)	Capital Grants and Contributions		0	(24,499)	(24,499)
<b>746,488</b>	<b>(733,830)</b>	<b>12,658</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>763,381</b>	<b>(734,387)</b>	<b>28,994</b>
(16,112)	0	(16,112)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		0	(32,369)	(32,369)
45,073	0	45,073	Remeasurement of the Net Defined Benefit Liability		0	(92,470)	(92,470)
<b>28,961</b>	<b>0</b>	<b>28,961</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>0</b>	<b>(124,839)</b>	<b>(124,839)</b>
<b>775,449</b>	<b>(733,830)</b>	<b>41,619</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>763,381</b>	<b>(859,226)</b>	<b>(95,845)</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 2016

31/03/15				31/03/16	
£'000			Note:	£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	7.0		
548,339		Other Land & Buildings		592,170	
421,308		Infrastructure		428,283	
11,415		Vehicles, Plant & Equipment		9,837	
4,418		Community Assets		5,738	
47,515		Assets Under Construction		11,959	
145		Heritage Assets	8.0	145	
2,913		Long-Term Intangible Assets	9.0	2,626	
1,000		Long-Term Investments	10.1	1,000	
2,940		Investment in Subsidiaries		2,940	
1,108		Long-Term Debtors		1,006	
<b>1,041,101</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,055,704</b>
	<b>Current Assets</b>				
7,669		Short-Term Investments	10.1	27,755	
2,751		Assets Held for Sale	13.0	5,411	
967		Short-Term Intangible Assets		819	
933		Inventories		710	
53,247		Short-Term Debtors	11.0	58,670	
4,532		Cash and Cash Equivalents	12.0	4,895	
<b>70,099</b>		<b>TOTAL CURRENT ASSETS</b>			<b>98,260</b>
	<b>Current Liabilities</b>				
(13,634)		Cash and Cash Equivalents	12.0	(14,754)	
(15,124)		Short-Term Borrowing	10.1	(3,312)	
(499)		Other Short-Term Liabilities		(429)	
(5,809)		Short-Term Provisions	15.0	(4,709)	
(63,885)		Short-Term Creditors	14.0	(91,677)	
<b>(98,951)</b>		<b>TOTAL CURRENT LIABILITIES</b>			<b>(114,881)</b>
	<b>Long-Term Liabilities</b>				
(1,921)		Long-Term Provisions	15.0	(1,369)	
(196,109)		Long-Term Borrowing	10.1	(195,958)	
(627,965)		Other Long-Term Liabilities	16.0	(559,657)	
(377)		Donated Asset Account	35.3	(377)	
<b>(826,372)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(757,361)</b>
<b>185,877</b>	<b>NET ASSETS</b>				<b>281,722</b>

Continued Overleaf...

11,001	<b>Usable Reserves</b>	Council Fund Balance	17.1	10,720	
		Earmarked Reserves:	17.2		
31,367		Capital, Treasury and Insurance Reserves	17.2	59,868	
76,284		Other Revenue Related Reserves	17.2	58,530	
3,711		Delegated Schools Reserve	17.3	3,587	
2,010		Usable Capital Receipts Reserve	17.4	485	
4,804		Capital Grant Unapplied Account	17.5	6,623	
1,120		MGCC Insurance Reserve	17.6	344	
<b>130,297</b>			<b>TOTAL USABLE RESERVES</b>		
188,673	<b>Unusable Reserves</b>	Revaluation Reserve	18.1	214,171	
35		Deferred Capital Receipts Reserve		22	
465,730		Capital Adjustment Account	18.2	452,176	
(5,816)		Financial Instruments Adjustment Account	18.3	(5,766)	
(587,885)		Pensions Reserve	18.4	(515,545)	
(616)		Unequal Pay Back Pay Account	18.5	(67)	
(4,541)		Short-Term Accumulating Compensated Absence Account	18.6	(3,426)	
<b>55,580</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>141,565</b>
<b>185,877</b>		<b>TOTAL RESERVES</b>			<b>281,722</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 2015/16

2014/15			2015/16	
£'000		Note:	£'000	£'000
12,658	Net (Surplus) or Deficit on the Provision of Services		28,994	
(78,207)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	19.0	(123,846)	
25,112	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	20.0	25,785	
<b>(40,437)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(69,067)</b>
51,163	Investing Activities	22.0	56,693	
(10,495)	Financing Activities	23.0	13,131	69,824
<b>231</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>757</b>
8,871	Cash and Cash Equivalents at the Beginning of the Reporting Period	12.0		9,102
<b>9,102</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	12.0		<b>9,859</b>

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

#### 1.1 Changes to Accounting Policies

##### **Minimum Revenue Provision/Provision for the Repayment of Debt (MRP)**

In 2015/16, there was a review of the basis of providing for MRP on Supported Borrowing, in line with the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008. The revised method is a more prudent way of extinguishing debt over the life of the assets. Please see note 1.22 for details.

##### **Infrastructure Assets**

From 2016/17 there will be a change in accounting policy relating to the valuation of infrastructure assets. The change will require the establishment of a separate asset, the Highways Network Asset, in accordance with the components classified in the Code of Practice on Transport Infrastructure Assets. The Highways Network Asset is to be valued at depreciated replacement cost rather than at historical cost, which will result in a significant increase in its value on the Balance Sheet.

#### 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 on Local Authority Accounting.

### **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, 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 3.5% (3.2% in 2014/15).
- 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.

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## 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 in the second 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 2015/16 charge for which the allowances will be surrendered in 2016/17. 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:

<b>Asset Type</b>	<b>£'000</b>
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 "current value". Specialist items (e.g. schools and cemeteries) are valued on a depreciated replacement cost basis (DRC). This method of valuation calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life. This cost calculation is known as Modern Equivalent Valuation (MEV). Investment properties are generally valued on the basis of open market value (OMV). Infrastructure assets are included at historic cost, and adjusted to reflect depreciation. Adopted roads, built by private developers, are deemed to have zero historical cost to the Council and therefore are not recognised in the Statement of Accounts.

Where assets are not in use but do not meet the criteria for Assets Held for Sale (see note 1.17.5), then they are classed as Surplus Assets within the Property, Plant and Equipment and Other Land and Building categories. From 2015/16 Surplus Assets need to be valued at fair value. Fair value is the price that would be received between willing market participants. The highest and best use of the asset needs to be considered. Inputs to the valuation techniques in respect of these assets are categorised as the following hierarchy levels:

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

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

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

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

In the accounts there are approximately 141 Surplus Assets with a recurring fair value of £1.9m. Most of the assets are valued at level 2 inputs, with the exception of one asset which has been valued at £800k using level 3 inputs. For this asset an adjustment has been made to the level 2 inputs to take into account the condition of the asset.



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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 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. These assets are measured at the lower of the value they had when it was agreed they would be sold and fair value less costs to sell. The valuation in the balance sheet can be split as follows:

	<b>£'000</b>
Fair value	3,474
Total value in Balance Sheet	5,411

The non-recurring fair value is measured using level 2 in the input hierarchy (refer to note 1.17.2 for explanation of levels). Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to long-term assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations), and their recoverable amount at the date of the decision not to sell.

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

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

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

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

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

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

### **1.18 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 the Council's accounting treatment is as follows:

**Supported Borrowing:** Up to 2015/16, the Council has repaid supported borrowing debt using Option 2 of the above guidance, referred to as the Capital Financing Requirement (CFR) Method. Under this method the amount of debt has been written down annually by 4% on a reducing balance basis.

During 2015/16, a review of the method of charging MRP on supported borrowing was undertaken and options were considered in line with Welsh Government guidance. The conclusion of the review was to introduce an amended policy effective from the financial year 2015/16. The new method is straight line over 40 years, linked broadly to the lives of the Councils assets.

As a result, for 2015/16 onwards, the outstanding debt for supported borrowing will be written down through MRP over a fixed period of 40 years.

The Council has introduced a method which is more prudent and ensures that the debt will be fully extinguished over the life of the asset.

**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.

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
- Finance cost – interest costs 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 as part of the service charge each year as the actual costs are borne by the private contractor and are not separately identifiable.

#### **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)
- Education School Improvement Service (ESIS) (non-operational from September 2012)
- Welsh Purchasing Consortium
- Regional Adoption Service

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements. This standard sets out the overall requirements for financial statements. The changes to be introduced to the 2016/17

Code as a result of the Telling the Story consultation will make substantial changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis. The format of the Pension Fund Account and the Net Assets Statement will also change.

Other minor accounting standard changes are:

- IFRS11 Joint Arrangements
- IAS 16 Property Plant, Equipment
- IAS 38 Intangible Assets
- IAS 19 Employee Benefits.

The issues included in the Annual Improvements to IFRSs 2010-2012 cycle are:

- IFRS 2: Definition of vesting condition
- IFRS 3: Accounting for contingent consideration in a business combination
- IFRS 8: Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13: Short-term receivables and payables
- IAS 16: Revaluation method - proportionate restatement of accumulated depreciation
- IAS 24: Key management personnel
- IAS 38: Revaluation method - proportionate restatement of accumulated amortisation

The issues included in the Annual Improvements to IFRSs 2012-2014 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 between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

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

The Code requires implementation from 1<sup>st</sup> April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

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

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



### **3.1 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 £22.3m. 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 30th September 1992 and a Scheme of Arrangement was put in place in January 1994. The scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As creditors of MMI, the Council is legally bound by the Scheme and in November 2012, the scheme was triggered.

Future claim settlements by MMI will be made at a level of 75% with the funding of the remaining 25% being met from the former authorities' funds.

Correspondence from the scheme administrator states that it is not possible to guarantee that the initial and second levy, paid in February 2014 and May 2016, will be sufficient but they are the best estimates given the current position. The scheme requires the administrator to review the Levy at least once a year.

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**

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

The Balance Sheet includes land at St Margaret's Catholic School and playing fields at both St John Baptist Church in Wales High School and Cardinal Newman

Comprehensive School, as ownership lies with the Council. When reviewing the existing criteria, the Council does not consider it has any voluntary controlled schools.

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

This Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31<sup>st</sup> March 2016 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 2015/16, AON Hewitt advised that the funded proportion of the Council's net pensions liability had increased by £12.3m due to estimates being corrected as a result of experience and increased by £76.5m 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 “current value”. Valuations are undertaken in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). Within the computation of the current value valuation, assumptions are made upon the useful lives of assets which could be subject to change in future years.

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

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

### **6.0 Events After the Balance Sheet Date**

The draft, unaudited Statement of Accounts was authorised for issue by the Group Director Corporate & Frontline Services, as Chief Finance Officer, on 30<sup>th</sup> June 2016. 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 2016, 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 2016 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 2015/16:**

	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 2015	598,675	551,612	37,806	4,810	47,355	<b>1,240,258</b>	23,113
Joint Committees	851	0	166	162	162	<b>1,341</b>	0
Opening Balance							
Additions	23,735	13,737	5,163	202	10,806	<b>53,643</b>	0
Donations	0	0	0	0	0	<b>0</b>	0
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	19,334	0	0	0	0	<b>19,334</b>	(426)
Revaluation Increases/ (Decreases) Recognised in the (Surplus)/Deficit on the Provision of Services	(22,247)	0	(2)	(15,734)	0	<b>(37,983)</b>	0
Derecognition – Disposals	(2,218)	0	(4,699)	0	0	<b>(6,917)</b>	0
Derecognition - Other	0	0	(2,752)	0	0	<b>(2,752)</b>	0
Assets Reclassified (to)/from Held for Sale	(5,112)	0	0	(1)	0	<b>(5,113)</b>	0
Other Reclassifications	20,663	8,456	0	16,853	(46,363)	<b>(391)</b>	0
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>	0
<b>At 31<sup>st</sup> March 2016</b>	<b>633,681</b>	<b>573,805</b>	<b>35,682</b>	<b>6,292</b>	<b>11,960</b>	<b>1,261,420</b>	<b>22,687</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2015	(51,140)	(130,304)	(26,394)	(554)	(2)	<b>(208,394)</b>	(425)
Joint Committees	(47)	0	(163)	0	0	<b>(210)</b>	0
Opening Balance							
Depreciation Charge	(13,452)	(15,218)	(3,986)	0	0	<b>(32,656)</b>	(433)
Depreciation written out of the Revaluation Reserve	12,226	0	0	0	0	<b>12,226</b>	429
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	3,027	0	0	0	0	<b>3,027</b>	10
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	776	0	0	0	0	<b>776</b>	0
Impairment (Losses)/Reversals Recognised in the (Surplus)/Deficit on the Provision of Services	6,587	0	(2,754)	0	0	<b>3,833</b>	0
Derecognition – Disposals	123	0	4,700	0	0	<b>4,823</b>	0
Derecognition - Other	0	0	2,752	0	0	<b>2,752</b>	0
Assets Reclassified (to)/from Held for Sale	0	0	0	0	0	<b>0</b>	0
Other Reclassifications	389	0	0	0	0	<b>389</b>	0
Other Movements in Cost or Valuation	0	0	0	0	1	<b>1</b>	0
<b>At 31<sup>st</sup> March 2016</b>	<b>(41,511)</b>	<b>(145,522)</b>	<b>(25,845)</b>	<b>(554)</b>	<b>(1)</b>	<b>(213,433)</b>	<b>(419)</b>
<b>Net Book Value:</b>							
<b>At 31<sup>st</sup> March 2016</b>	<b>592,170</b>	<b>428,283</b>	<b>9,837</b>	<b>5,738</b>	<b>11,959</b>	<b>1,047,987</b>	<b>22,268</b>
<b>At 31<sup>st</sup> March 2015</b>	<b>548,339</b>	<b>421,308</b>	<b>11,415</b>	<b>4,418</b>	<b>47,515</b>	<b>1,032,995</b>	<b>22,688</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 2016 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £77.7m. Similar commitments at 31<sup>st</sup> March 2015 were £57.9m.

The total contract values as at 31<sup>st</sup> March 2016 are:

<b>Scheme</b>	<b>£'000</b>
Aberdare School & Sports Centre	52,478
Y Pant Redevelopment	19,632
Treorchy Primary School	2,385
Upper Boat Gyrotory	1,573
Porth Station Park & Ride	1,133
Pontypridd Bus Improvements	533

## 7.4 Revaluations

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

The significant assumptions applied in estimating the current values are:

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

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 Current Value as at:	
31 <sup>st</sup> March 2016	184,360
31 <sup>st</sup> March 2015	398,850
31 <sup>st</sup> March 2014	44,080
31 <sup>st</sup> March 2013	127,110
31 <sup>st</sup> March 2012	147,051
<b>Total Cost or Valuation</b>	<b>901,451</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 2015/16 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 two key financial systems: the payroll system and the accounting system. The cost of these systems is written off over five years. The annual amortisation of these costs range from £6k to £189k 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 2015/16 was £1.2m.

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

	2014/15	2015/16			
	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	10,777	5,016	6,843	591	12,450
Accumulated Amortisation	(8,393)	(4,493)	(5,044)	0	(9,537)
<b>Net carrying amount at start of year</b>	<b>2,384</b>	<b>523</b>	<b>1,799</b>	<b>591</b>	<b>2,913</b>
Additions: Purchases	1,673	131	789	0	920
Transfers	0	0	0	(86)	(86)
Amortisation for the Period	(1,144)	(188)	(933)	0	(1,121)
<b>Net Carrying Amount at end of year</b>	<b>2,913</b>	<b>466</b>	<b>1,655</b>	<b>505</b>	<b>2,626</b>
Gross Carrying Amounts	12,450	5,147	7,632	505	13,284
Accumulated Amortisation	(9,537)	(4,681)	(5,977)	0	(10,658)
<b>Total</b>	<b>2,913</b>	<b>466</b>	<b>1,655</b>	<b>505</b>	<b>2,626</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>31/03/15</b>	<b>31/03/16</b>	<b>31/03/15</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments: Loans and Receivables	1,000	1,000	7,669	27,755
Debtors: Financial Assets Carried at Contract Amounts	1,108	1,006	53,247	58,670
<b>Total</b>	<b>2,108</b>	<b>2,006</b>	<b>60,916</b>	<b>86,425</b>

<b>Liabilities</b>	<b>Long-Term</b>		<b>Current</b>	
	<b>31/03/15</b>	<b>31/03/16</b>	<b>31/03/15</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowings: Financial Liabilities at Amortised Cost	196,109	195,958	15,124	3,312
Other Liabilities: PFI and Finance Lease liabilities	24,325	22,910	1,196	1,243
Creditors: Financial Liabilities at Amortised Cost	0	0	13,626	15,172
<b>Total</b>	<b>220,434</b>	<b>218,868</b>	<b>29,946</b>	<b>19,727</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**

	2014/15			2015/16		
	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	10,728	0	10,728	10,654	0	10,654
Impairment Losses	0	0	0	0	0	0
<b>Total Expense in (Surplus) or Deficit on the Provision of Services</b>	<b>10,728</b>	<b>0</b>	<b>10,728</b>	<b>10,654</b>	<b>0</b>	<b>10,654</b>
Interest Income	0	(29)	(29)	0	(140)	(140)
Interest Income Accrued on Impaired Financial Assets	0	0	0	0	0	0
<b>Total Income in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>(29)</b>	<b>(29)</b>	<b>0</b>	<b>(140)</b>	<b>(140)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>10,728</b>	<b>(29)</b>	<b>10,699</b>	<b>10,654</b>	<b>(140)</b>	<b>10,514</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:

- Loans borrowed by the Council have been valued by discounting the contractual cashflows over the whole life of the instrument at the appropriate market rate for Local Authority loans.
- No early repayment or impairment is recognised.
- Where a financial instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

	31/03/15		31/03/16	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	111,061	183,368	111,075	186,766
Market Debt	87,561	136,685	87,554	134,789
Local Authority Debt	11,790	11,790	0	0
Other Debt	821	821	641	641
PFI and Finance Lease	25,521	25,521	24,153	24,153
Trade Creditors	13,626	13,626	15,172	15,172
<b>Total</b>	<b>250,380</b>	<b>371,811</b>	<b>238,595</b>	<b>361,521</b>

	31/03/15		31/03/16	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	8,610	8,669	28,740	28,755

The fair values for PWLB debt and market debt have been calculated using level 2 in the fair value hierarchy. Please see note 1.17 in the accounting policies for the explanation of these levels.

#### 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 and also included within quarterly performance reports.

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

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

## **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 credit ratings agencies. 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.

	31/03/16	Historical Experience of Default	Adjustment for Market Conditions at 31/03/16	Estimated Maximum Exposure to Default at 31/03/16	Estimated Maximum Exposure to Default at 31/03/15
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	28,755	0	0	0	0
Trade Debtors	7,348	0.64	0.64	47	44

The 0.64% Historical Experience of Default represents debt written off in 2015/16 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 £7.3m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/15	31/03/16
	£'000	£'000
Less than 3 months	535	571
3 – 6 months	273	198
6 months to 1 year	354	310
More than 1 year	963	1,007
<b>Total</b>	<b>2,125</b>	<b>2,086</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:

	31/03/15	31/03/16
	£'000	£'000
Less than 1 year	13,603	1,802
Between 1 and 2 years	1,359	3,350
Between 2 and 5 years	6,094	4,199
Between 5 and 10 years	8,422	8,734
More than 10 years	205,451	203,483
<b>Total</b>	<b>234,929</b>	<b>221,568</b>

The maturity analysis of financial assets is as follows:

	31/03/15	31/03/16
	£'000	£'000
Maturity greater than one year	1,000	1,000
Maturity less than one year	7,610	27,740

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:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	5
Increase in interest receivable on variable rate investments	N/A
Impact on Comprehensive Income and Expenditure Statement	5
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	27,424

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

## 11.0 Short-Term Debtors

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

<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
34,347	Central Government Bodies	31,329
3,435	Other Local Authorities	2,020
1,430	NHS Bodies	2,871
655	Public Corporations and Trading Funds	23
13,380	Other Entities and Individuals	22,427
<b>53,247</b>	<b>Total</b>	<b>58,670</b>

## 12.0 Cash and Cash Equivalents

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

<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
4,532	Cash Held by the Council	4,895
(13,634)	Bank Current Accounts	(14,754)
<b>(9,102)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(9,859)</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 2016 adjusted for unrepresented cheques.

## 13.0 Assets Held for Sale

The movement on Assets Held for Sale is as follows:

	<b>Current</b>	
	<b>2014/15</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>4,274</b>	<b>2,751</b>
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	1,698	5,503
Revaluation Gains	278	93
Impairment Losses	(5)	(1,394)
Assets Declassified as Held for Sale:		
Property, Plant and Equipment	(1,254)	(389)
Assets Sold	(2,240)	(1,153)
<b>Balance at 31<sup>st</sup> March</b>	<b>2,751</b>	<b>5,411</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>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
(14,377)	Central Government Bodies	(13,677)
(8,665)	Other Local Authorities	(3,187)
(7,041)	NHS Bodies	(1,199)
(255)	Public Corporations and Trading Funds	(196)
(33,547)	Other Entities and Individuals	(73,418)
<b>(63,885)</b>	<b>Total</b>	<b>(91,677)</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:

Short-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Equal Pay	Joint Committees	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2015</b>	<b>(2,375)</b>	<b>(2,818)</b>	<b>(616)</b>	<b>0</b>	<b>(5,809)</b>
Additional provisions made in 2015/16	(5)	(2,619)	(17)	(15)	<b>(2,656)</b>
Amounts used in 2015/16	372	2,325	566	0	<b>3,263</b>
Unused amounts reversed in 2015/16	0	493	0	0	<b>493</b>
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>(2,008)</b>	<b>(2,619)</b>	<b>(67)</b>	<b>(15)</b>	<b>(4,709)</b>

Long-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2015</b>	<b>(471)</b>	<b>(1,450)</b>	<b>(1,921)</b>
Additional provisions made in 2015/16	(87)	(4,381)	<b>(4,469)</b>
Amounts used in 2015/16	284	2,663	<b>2,947</b>
Unused amounts reversed in 2015/16	0	2,074	<b>2,074</b>
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>(274)</b>	<b>(1,094)</b>	<b>(1,369)</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.

<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
(3,605)	Rhondda Cynon Taf	(3,298)
(663)	Mid Glamorgan	(415)
<b>(4,268)</b>	<b>Insurance Provision</b>	<b>(3,713)</b>

### 15.3 Equal Pay

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

### 16.0 Other Long-Term Liabilities

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

<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
(587,885)	Pension Liability (IAS19)	(515,545)
(23,764)	PFI	(22,521)
(9)	Local Authority Mortgage Scheme	(11)
(560)	Finance Leases	(389)
(15,747)	Opencast Works Redevelopment Bonds	(21,191)
<b>(627,965)</b>	<b>Total</b>	<b>(559,657)</b>

### 17.0 Usable Reserves

<b>31/03/15</b>			<b>31/03/16</b>
<b>£'000</b>			<b>£'000</b>
11,001	Council Fund Balance	17.1	10,720
31,367	Capital, Treasury and Insurance Reserves	17.2	59,868
76,284	Other Revenue Related Reserves	17.2	58,530
3,711	Delegated Schools Reserve	17.3	3,587
2,010	Usable Capital Receipts Reserve	17.4	485
4,804	Capital Grant Unapplied Account	17.5	6,623
1,120	MGCC Insurance Reserve	17.6	344
<b>130,297</b>	<b>Total Usable Reserves</b>		<b>140,157</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 2015</b>	<b>11,001</b>
Revenue Budget Outturn	219
Transfer from Council Fund Balance to Earmarked Reserves	(500)
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>10,720</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 2015/16. All earmarked reserves are deemed to be revenue reserves.

**Capital, Treasury and Insurance Reserves**

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/15	Out	In	31/03/16
		£'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>18,359</b>	(5,876)	28,597	<b>41,080</b>
<b>Treasury Management Reserve</b>	Funding for known and potential future pressures upon the Capital Financing budget.	<b>2,399</b>	0	4,001	<b>6,400</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>10,609</b>	(61)	1,840	<b>12,388</b>
<b>Total</b>		<b>31,367</b>	<b>(5,937)</b>	<b>34,438</b>	<b>59,868</b>

**Other Revenue Related Reserves**

Reserve	Purpose	Balance at 31/03/15	Transfers Out	Transfers In	Balance at 31/03/16
		£'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.	8,534	0	187	8,721
<b>Revenue Budget Strategy 2015/16</b>	Earmarked Reserve released to fund the 2015/16 Budget Strategy	4,396	(4,396)	0	0
<b>Revenue Budget Strategy 2016/17</b>	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2016/17 Budget Strategy.	0	0	2,147	2,147
<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.	2,278	(2,278)	1,620	1,620
<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.	5,379	(5,379)	3,759	3,759
<b>E-Government/ Service Re-engineering</b>	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering.	339	(339)	0	0
<b>Financial Management and Human Resources Risk Management</b>	Resources set aside as cover for future liabilities relating to various risks identified and being managed.	34,331	(24,690)	11,951	21,592
<b>Development Fund</b>	To support improvement in the delivery of the Council's business in line with key priorities.	713	(713)	0	0
<b>Social Inclusion</b>	To fund activities and projects carried out to improve social inclusion.	131	(131)	0	0
<b>Prior Year Commitments</b>	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	12,426	(6,425)	7,603	13,604
<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.	5,127	(2,147)	1,921	4,901
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes.	2,630	(1,237)	793	2,186
<b>Total</b>		<b>76,284</b>	<b>(47,735)</b>	<b>29,981</b>	<b>58,530</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 2015/16, 17 of the Council's 126 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 109 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	31/03/15	2015/16 Movement	31/03/16
	£'000	£'000	£'000
Primary	4,336	(177)	4,159
Secondary	(1,077)	249	(828)
Special	463	(193)	270
Nursery	(11)	(3)	(14)
<b>Total</b>	<b>3,711</b>	<b>(124)</b>	<b>3,587</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:

2014/15		2015/16
£'000		£'000
<b>104</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>2,010</b>
	<u>Receipts During the Year:</u>	
4,717	Sale of assets	1,284
12	Mortgage repayments	20
32	Repayment of discount (Right to Buys)	13
	<u>Application during the Year:</u>	
(2,697)	Financing of capital expenditure	(2,842)
(158)	Financing of historical capital expenditure	0
<b>2,010</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>485</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.

2014/15		2015/16
£'000		£'000
2,524	Balance at 1 <sup>st</sup> April	4,804
26,837	Grants received	35,318
(24,557)	Grants utilised to fund capital expenditure	(33,499)
4,804	Balance at 31 <sup>st</sup> March	6,623

### 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.

2014/15		2015/16
£'000		£'000
1,281	Balance at 1 <sup>st</sup> April	1,120
(161)	Increase/(Decrease) in Reserve	(776)
1,120	Balance at 31 <sup>st</sup> March	344

### 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.

31/03/15			31/03/16
£'000			£'000
188,673	Revaluation Reserve	18.1	214,171
35	Deferred Capital Receipts Reserve		22
465,730	Capital Adjustment Account	18.2	452,176
(5,816)	Financial Instruments Adjustment Account	18.3	(5,766)
(587,885)	Pensions Reserve	18.4	(515,545)
(616)	Unequal Pay Back Pay Account	18.5	(67)
(4,541)	Short-Term Accumulating Compensated Absence Account	18.6	(3,426)
55,580	<b>Total Unusable Reserves</b>		<b>141,565</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.

2014/15		2015/16	
£'000		£'000	£'000
<b>178,834</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>188,673</b>	
39,811	Upward revaluation of assets	51,660	
(23,699)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(19,291)	
<b>194,946</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>221,042</b>
(5,023)	Difference between Current Value Depreciation and Historical Cost Depreciation	(5,493)	
(1,250)	Accumulated Gains on Assets sold or scrapped	(1,378)	
<b>(6,273)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(6,871)</b>
<b>188,673</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>214,171</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.

2014/15 £'000		2015/16	
		£'000	£'000
<b>454,944</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>465,730</b>	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
21,839	Charges for depreciation and impairment of Long-Term Assets*	(39,461)	
(58,303)	Revaluation losses on Property, Plant and Equipment	(25,661)	
(1,144)	Amortisation of Intangible Assets	(1,207)	
(8,586)	Revenue Expenditure Funded from Capital Under Statute	(12,926)	
(5,512)	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	(3,246)	
6,273	Adjusted items written out of the Revaluation Reserve	6,871	
<b>409,511</b>	<b>Net written out amount of the cost of Long-Term Assets consumed in the year</b>		<b>390,100</b>
	Capital Financing Applied in the Year:		
2,697	Use of the Capital Receipts Reserve to finance new Capital Expenditure	2,842	
26,837	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	35,318	
(2,280)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,819)	
15,523	Statutory provision for the financing of capital investment charged against the Council Fund	11,067	
12,773	Capital Expenditure charged against the Council Fund	14,688	
(12)	Private mortgage repayments	(20)	
<b>55,538</b>			<b>62,076</b>
<b>681</b>	Movement in the Donated Assets Account Credited to the Comprehensive Income and Expenditure Statement		<b>0</b>
<b>465,730</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>452,176</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.

2014/15		2015/16
£'000		£'000
<b>(5,868)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(5,816)</b>
52	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	50
<b>(5,816)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(5,766)</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.

2014/15		2015/16
£'000		£'000
<b>(522,966)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(587,885)</b>
(45,073)	Actuarial gains or losses on Pensions Assets and Liabilities	92,470
(54,443)	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	(53,973)
34,597	Employer's pensions contributions and direct payments to pensioners payable in the year	33,843
<b>(587,885)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(515,545)</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.

2014/15 £'000		2015/16	
		£'000	£'000
(129)	<b>Balance at 1<sup>st</sup> April</b>		<b>(616)</b>
(624)	Increase in Provision for Back Pay in relation to Equal Pay cases	(17)	
137	Cash settlements paid in the year	566	
(487)	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>549</b>
<b>(616)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(67)</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.

2014/15 £'000		2015/16	
		£'000	£'000
<b>(4,484)</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>(4,541)</b>
4,484	Settlement or cancellation of accrual made at the end of the preceding year	4,541	
(4,541)	Amounts accrued at the end of the current year	(3,426)	
(57)	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		<b>1,115</b>
<b>(4,541)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(3,426)</b>

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

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(36,464)	Depreciation and Impairment	(72,984)
(1,144)	Amortisation	(1,307)
(9,623)	(Increase)/Decrease in Creditors	(35,110)
1,478	Increase/(Decrease) in Debtors	2,908
(164)	Increase/(Decrease) in Stock	(223)
(23,622)	Movement in Pension Liability	(16,493)
4,734	Contribution to Provisions	1,711
(58)	Short-Term Accumulated Absence Accrual	(221)
5,379	Revenue Grant Earmarked Reserves	3,759
(5,511)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	3,247
2,280	Capital Grants Unapplied	1,819
(8,586)	Revenue Expenditure Funded from Capital Under Statute	(12,926)
(6,906)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	1,974
<b>(78,207)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(123,846)</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>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
4,717	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	1,286
20,395	Any other items for which the cash effects are investing or financing cash flows	24,499
<b>25,112</b>		<b>25,785</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>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(14)	Interest received	(21)
8,643	Interest paid	8,608
<b>8,629</b>	<b>Interest within Operating Activities</b>	<b>8,587</b>

**22.0 Cash Flow Statement - Investing Activities**

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
73,860	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	68,433
3,413	Purchase and Redemption of Short-Term and Long-Term Investments	20,086
(4,717)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,286)
(21,393)	Other receipts from Investing Activities	(30,540)
<b>51,163</b>	<b>Net Cash Flows from Investing Activities</b>	<b>56,693</b>

**23.0 Cash Flow Statement - Financing Activities**

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(48,323)	Cash receipts of Short and Long-Term Borrowing	(3,380)
1,150	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases and on Balance Sheet PFI contracts	1,196
36,678	Repayments of Short and Long-Term Borrowing	15,315
<b>(10,495)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>13,131</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 2015/16	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	(48,536)	(77,091)	(60,410)	(10,862)	(78,266)	(275,165)
Costs:						
Employees	169,610	82,759	28,313	11,421	16,349	308,452
Premises	19,285	7,189	5,816	427	(1,921)	30,796
Transport	967	3,616	20,429	107	249	25,368
Supplies & Services	28,080	23,008	23,541	3,721	(1,733)	76,617
Third Party Payments	2,093	94,049	11,546	249	11,442	119,379
Transfer Payments	635	593	40	3	99,964	101,235
Other Costs e.g. Support Services	274	317	27,187	6,564	(179)	34,163
Capital Charges	1,662	296	3,533	188	29,751	35,430
<b>Net Controllable Costs</b>	<b>174,070</b>	<b>134,736</b>	<b>59,995</b>	<b>11,818</b>	<b>75,656</b>	<b>456,275</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						100,807
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement						(89,393)
<b>Net Cost of Services</b>						<b>467,689</b>

Reconciliation to Subjective 2015/16	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	(78,416)	0	0	34,162	(44,254)	0	(44,254)
Surplus or Deficit on Associates and Joint Ventures	0	286	0	0	286	0	286
Interest and Investment Income	(140)	0	140	0	0	(140)	(140)
Income from Council Tax	(4,107)	0	4,107	0	0	(115,437)	(115,437)
Government Grants and Contributions	(192,501)	(12,443)	0	0	(204,944)	(381,641)	(586,585)
<b>Total Income</b>	<b>(275,164)</b>	<b>(12,157)</b>	<b>4,247</b>	<b>34,162</b>	<b>(248,912)</b>	<b>(497,218)</b>	<b>(746,130)</b>
Employee Expenses	308,452	33,771	(33,670)	0	308,553	18,263	326,816
Other Service Expenses	366,729	14,233	(26,900)	0	354,062	0	354,062
Support Service Recharges	34,162	0	0	(34,162)	0	0	0
Depreciation, Amortisation and Impairment	0	64,960	0	0	64,960	0	64,960
Interest Payments	10,654	0	(21,628)	0	(10,974)	10,654	(320)
Precepts & Levies	11,442	0	(11,442)	0	0	27,644	27,644
Gain/Loss on Disposal of Long Term Assets	0	0	0	0	0	1,962	1,962
<b>Total Operating Expenses</b>	<b>731,439</b>	<b>112,964</b>	<b>(93,640)</b>	<b>(34,162)</b>	<b>716,601</b>	<b>58,523</b>	<b>775,124</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>456,275</b>	<b>100,807</b>	<b>(89,393)</b>	<b>0</b>	<b>467,689</b>	<b>(438,695)</b>	<b>28,994</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.

Houses into Homes is a recyclable loans initiative whereby Rhondda Cynon Taf CBC, in a regional group with Merthyr Tydfil County Borough Council, receives grant funding from Welsh Government to provide loans to empty property owners. This is an agency arrangement as Rhondda Cynon Taf CBC is administrator of the scheme.

## 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 42.5%. 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.

2014/15			2015/16	
£'000	£'000		£'000	£'000
		<b>Funding provided to the pooled budget:</b>		
(1,245)		Rhondda Cynon Taf CBC	(988)	
(1,407)		Other Partners	(1,666)	
	<b>(2,652)</b>			<b>(2,654)</b>
		<b>Expenditure met from the pooled budget:</b>		
1,261		Rhondda Cynon Taf CBC	977	
1,425		Other Partners	1,648	
	<b>2,686</b>			<b>2,625</b>
	<b>34</b>	<b>Net (Surplus)/Deficit arising on the pooled budget during the year</b>		<b>(29)</b>
	<b>16</b>	<b>Rhondda Cynon Taf CBC share of 42.5% of net (Surplus)/Deficit arising on the pooled budget</b>		<b>(12)</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).

	2014/15	2015/16
	£'000	£'000
Allowances	1,265	1,254
Expenses	21	15
<b>Total</b>	<b>1,286</b>	<b>1,269</b>

Details of all remuneration and allowances paid annually by the Council to each Councillor and Co-opted Member will be published on the Council's website following the end of each financial year and in any event by 30<sup>th</sup> September.

### 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 with the median salary being £19,742. 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 2015/16 the Council paid 10,990 employees (11,415 2014/15), paying total remuneration of £230m (excluding employer's national insurance and pension contributions) (£243m 2014/15). Within this, the following remuneration payments were made within the categories specified:

Remuneration Band	2014/15	2015/16		
	No. of Employees	No. of Employees		
	Total	At 31/03/16	Left in Year	Total
£60,000 - £64,999	50	49	13	62
£65,000 - £69,999	22	15	6	21
£70,000 - £74,999	12	7	9	16
£75,000 - £79,999	7	3	4	7
£80,000 - £84,999	10	4	2	6
£85,000 - £89,999	9	4	3	7
£90,000 - £94,999	1	2	2	4
£95,000 - £99,999	1	0	1	1
£100,000 - £104,999	2	2	2	4
£105,000 - £109,999	0	1	0	1
£110,000 - £114,999	1	1	0	1
£115,000 - £119,999	4	0	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	1	0	1
£130,000 - £134,999	0	0	0	0
£135,000 - £169,999	0	0	2	2
<b>Total</b>	<b>119</b>	<b>89</b>	<b>44</b>	<b>133</b>

Officers employed by Voluntary Aided Schools have been excluded.

During 2015/16 Senior Leadership Team membership has been revised. As a result four officers have been removed from the table above and included in the table below.

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)	2014/15			2015/16				
	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions	Salary	Taxable Benefits in Kind	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
	£'000			£'000				
Chief Executive to 31/08/2015	142	30	172	59	0	59	13	72
Chief Executive – Returning Officer to 31/08/2015	7	0	7	4	0	4	0	4
Acting Chief Executive wef 01/09/2015	0	0	0	83	0	83	18	101
Group Director Corporate Services	66	14	80	0	0	0	0	0
Group Director Corporate & Frontline Services	47	10	57	113	0	113	24	137
Group Director Environmental Services	81	10	91	0	0	0	0	0
Group Director Community & Children's Services to 30/11/2014	57	16	73	0	0	0	0	0
Group Director Community & Children's Services from 01/09/2014	66	14	80	113	0	113	24	137
Director of Education & Lifelong Learning to 31/08/2015	113	24	137	47	0	47	10	57

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Service Director - Schools & Access & Inclusion to 31/08/2015	0	0	0	31	0	31	7	38
Acting Director of Education & Lifelong Learning wef 01/09/2015	0	0	0	50	0	50	11	61
Director of Legal & Democratic Services	92	19	111	92	0	92	20	112
Director of Legal & Democratic Services - Deputy Returning Officer	1	0	1	1	0	1	0	1
Director of Legal & Democratic Services - Returning Officer	0	0	0	0	0	0	0	0
Director of Human Resources	73	15	88	55	0	55	12	67
Director of Regeneration & Planning	85	18	103	85	0	85	18	103
Head of Public Relations & Strategy	36	7	43	0	0	0	0	0
Service Director - Cabinet Office & Public Relations	27	6	33	65	0	65	14	79
Director - Highways & Streetcare	0	0	0	85	0	85	18	103
Service Director - Public Health & Protection	0	0	0	74	0	74	16	90
Director of Corporate Estates to 12/11/2015	0	0	0	52	0	52	11	63
Director of Corporate Estates & Procurement Services from 13/11/2015	0	0	0	35	0	35	8	43

### 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.

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£							£'000	
£0 - £20,000	36	59	644	287	680	346	4,585	2,782
£20,001 - £40,000	40	23	164	146	204	169	5,479	4,636
£40,001 - £60,000	2	0	54	53	56	53	2,780	2,535
£60,001 - £80,000	0	0	18	29	18	29	1,205	1,999
£80,001 - £100,000	0	0	10	13	10	13	904	1,134
£100,001 - £150,000	0	0	9	13	9	13	1,090	1,572
£150,001 - £200,000	0	0	0	5	0	5	0	847
£200,001 - £250,000	0	0	0	1	0	1	0	203
£250,001 - £300,000	0	0	1	0	1	0	295	0
<b>Total</b>	<b>78</b>	<b>82</b>	<b>900</b>	<b>547</b>	<b>978</b>	<b>629</b>	<b>16,338</b>	<b>15,708</b>

During 2015/16, the Council saved annual payroll costs of £13,322k (£14,480k 2014/15) through Voluntary Redundancy and Voluntary Early Retirement.

### 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:

	2014/15	2015/16
	£'000	£'000
<b>Fees Payable to Wales Audit Office</b>		
External audit services carried out by the Appointed Auditor for the year	258	258
Statutory Inspections	100	100
Certification of Grant Claims and Returns for the year	105	95
Other services provided by Wales Audit Office during the year	4	0
<b>Total</b>	<b>467</b>	<b>453</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 2015/16 was 48.2p (47.3p for 2014/15). The total rateable value as at 31<sup>st</sup> March 2016 was £136.8m (£135.6m as at 31<sup>st</sup> March 2015).

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 2015/16 rates is £52.4m (£49.2m in 2014/15). The contribution back to the Council from the pool in the year amounted to £67.5m (£73.5m in 2014/15) and the amount paid to the pool amounted to £52.1m (£52.6m in 2014/15). 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 2015/16 was calculated to be £73,297.81 (compared with £72,557.42 for 2014/15). 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	252	37,721	21,233	14,159	7,976	5,611	2,917	1,036	173	25
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

The resultant number of Band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2015/16 was 97%.

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

<b>Council Tax Analysis</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collectable	110,210	115,437
<b>Net Proceeds from Council Tax</b>	<b>110,210</b>	<b>115,437</b>
Less Payable:		
Police and Crime Commissioner for South Wales	(13,811)	(14,649)
Community Councils	(1,662)	(1,724)
<b>Total</b>	<b>94,737</b>	<b>99,064</b>

### 35.0 Grant Income

The Council credited the grants, contributions and donations (Notes 35.1 to 35.3) to the Comprehensive Income and Expenditure Statement in 2015/16:

#### 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 £191m in 2015/16 (in 2014/15 these grants and contributions amounted to £154m).

#### 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>31/03/15</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>
Noddfa House Day Centre	0	0
Other Donations	377	377
<b>Total</b>	<b>377</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).

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Non-Ringfenced Government Grants	(296,318)	(289,677)
Capital Grants and Contributions	(20,395)	(24,499)
Credited to Services	(153,954)	(152,712)
<b>Total</b>	<b>(470,667)</b>	<b>(466,888)</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 2015/16.

Category of Organisation	2014/15			2015/16		
	Payments to Organisations	Payments from Organisations	Outstanding Debtors at 31st March	Payments to Organisations	Payments from Organisations	Outstanding Debtors at 31st March
	£'000	£'000	£'000	£'000	£'000	£'000
Charitable Organisations	(1,298)	42	46	(1,582)	22	1
Community Councils, Associations & Services	(1,418)	307	87	(1,234)	90	19
Educational & Cultural Establishments	(205)	117	132	(177)	274	5
Government Bodies, Associations & Staff	(2,467)	1,725	716	(2,969)	2,632	106
National Health Service Bodies & Support Groups	(5,341)	13	1	(5,201)	151	54
Private Companies	(334)	70	19	(1,732)	80	15
Public Houses, Halls & Institutes	(40)	10	5	(20)	6	1
Sports & Social Clubs	(11)	11	0	(26)	22	3

### 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:

	2014/15	2015/16
	£'000	£'000
Police and Crime Commissioner for South Wales	13,811	14,649
Community Councils	1,662	1,724
<b>Total</b>	<b>15,473</b>	<b>16,373</b>

An analysis of levies is given in the following table:

	2014/15	2015/16
	£'000	£'000
South Wales Fire and Rescue Service	10,941	10,732
Coroner	456	488
Brecon Beacons National Park	53	51
Glamorgan Archives Joint Committee	0	0
<b>Total</b>	<b>11,450</b>	<b>11,271</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 £1.6m (£1.4m in 2014/15) in respect of administration and support during financial year 2015/16. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2016 is £8.6m (£1.8m as at 31<sup>st</sup> March 2015).

### 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 2015/16 the following related party transactions took place with these companies.

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

The Council paid Amgen Cymru £9,142k (£9,158k in 2014/15) in respect of waste management and waste disposal charges, with £43k (£220k in 2014/15) due to the company at the year-end.

Amgen Cymru paid the Council £512k (£969k in 2014/15) in respect of goods and services, with £69k (£26k in 2014/15) due to the Council at the year-end.

### **Amgen Rhondda Ltd.**

The Council paid Amgen Rhondda £175k (£50k in 2014/15) in respect of site management fees, with nil (nil in 2014/15) outstanding at 31<sup>st</sup> March 2016.

### **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 2015/16, the Council was charged £1,020k (£708k in 2014/15) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2016 was £449k (£84k in 2014/15).

Capita Glamorgan Consultancy Ltd paid the Council £2k (£1k in 2014/15) in respect of goods and services, with nil (nil in 2014/15) 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 17 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 2015/16, the Council contributed to the Joint Committee an amount of £170k (£170k in 2014/15). 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 2015/16, the Council charged Llwydcoed Crematorium £26k (£26k in 2014/15) in respect of central establishment charges. As at 31<sup>st</sup> March 2016 the Council held cash balances relating to the Crematorium of £1,013k (£1,438k in 2014/15). 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 2015/16, the Council received income of £853k from CSCJES (incurred expenditure of £993k in 2014/15) in respect of advisory and training services. The Council also charged CSCJES £110k (£91k in 2014/15) in respect of central establishment charges. As at 31<sup>st</sup> March 2016 the Council held net cash balances relating to CSCJES of £21,256k (£94k overdrawn in 2014/15). 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 2015/16, the Council purchased goods of £1,377k (£2,114k in 2014/15) from Catalogue Supplies Service. At year-end, the Council owed £51k (£134k in 2014/15) to the Joint Committee. These transactions have been eliminated from the financial statements.

The Catalogue Supplies Service became non-operational from 1<sup>st</sup> April 2016.

## **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.

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

The Welsh Purchasing Consortium is administered by Cardiff City and 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 2015/16, the Council contributed a negligible amount (£12k in 2014/15) to the Welsh Purchasing Consortium. This transaction has been eliminated from the financial statements.

The WPC became non-operational from 1<sup>st</sup> April 2016.

### **Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC)**

The Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC) is administered by the Vale of Glamorgan Council and is comprised of the adoption services of the Vale of Glamorgan Council, Rhondda Cynon Taff CBC, Merthyr Tydfil CBC and Cardiff City and County Council. It is one of five regional Collaboratives which form part of the National Adoption Service in Wales (NAS). The Council consolidates 35% of the assets, liabilities and transactions of VVC into its financial statements.

During 2015/16, the Council contributed £371k to the Vale, Valleys and Cardiff Regional Adoption Collaborative. This transaction has been eliminated from the financial statements.

The Collaborative became operational on 1<sup>st</sup> June 2015, with 2015/16 being the first year for VVC's inclusion in RCT's Statement of Accounts.

## **36.7 Partnership Agreement**

### **Biogen Tomorrow's Valley Food Waste Plant**

The Biogen Food Waste Plant became fully operational on the 19<sup>th</sup> July 2015. The 3 local authorities who form the Hub (Rhondda Cynon Taf CBC, Merthyr CBC and Newport City Council) send a combined annual contracted guaranteed minimum tonnage of 13,500 tonnes to be treated at the facility. In 2015/16 a total amount of £830k associated costs have been incurred (this includes the interim services period before the main site became operational and the main contract period). The Welsh Government has contributed £86k Revenue Support during 2015/16. In August 2015, the Welsh Government transferred £1,304k to the Hub for Pre-Payment for Services, which was directly passed to Biogen in the same month.

## **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.

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Opening Capital Financing Requirement	370,244	386,418
<b>Capital Investment:</b>		
Property, Plant & Equipment	62,045	53,030
Intangible Assets	1,083	921
Revenue Expenditure Funded from Capital Under Statute	8,399	12,926
	<b>71,527</b>	<b>66,877</b>
<b>Sources of Finance:</b>		
Capital Receipts	(2,697)	(2,842)
Government Grants and Other Contributions	(24,557)	(33,499)
	<b>(27,254)</b>	<b>(36,341)</b>
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(12,585)	(13,982)
Minimum Revenue Payment	(15,514)	(11,058)
	<b>(28,099)</b>	<b>(25,040)</b>
<b>Closing Capital Financing Requirement</b>	<b>386,418</b>	<b>391,914</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	(4,136)	312
Increase in underlying need to borrowing (unsupported by government financial assistance)	21,460	6,553
Finance Leases	(1)	(173)
Private Finance Initiative (PFI)	(1,149)	(1,196)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>16,174</b>	<b>5,496</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:

	<b>31/03/15</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>
Other Land and Buildings	157	152

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:

	31/03/15	31/03/16
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	559	387
Finance costs payable in future years	1,751	1,298
<b>Minimum Lease Payments</b>	<b>2,311</b>	<b>1,686</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/15	31/03/16	31/03/15	31/03/16
	£'000	£'000	£'000	£'000
Less than 1 year	30	23	1	1
1 to 5 years	152	113	5	4
Greater than 5 years	2,129	1,550	554	383
<b>Total</b>	<b>2,311</b>	<b>1,686</b>	<b>560</b>	<b>388</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 printers.

	31/03/15			31/03/16		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	27	41	68	29	127	156
1 to 5 years	2,057	3,362	5,419	674	3,193	3,867
Greater than 5 years	2,967	1,428	4,395	8,509	1,347	9,856
<b>Total</b>	<b>5,051</b>	<b>4,831</b>	<b>9,882</b>	<b>9,212</b>	<b>4,667</b>	<b>13,879</b>

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

	31/03/15	31/03/16
	£'000	£'000
Minimum Lease Payments	2,378	2,658

**38.3 Sub-Leases**

The Council has sub-let office accommodation at Ty Pennant and Valleys Innovation Centre. Non-cancellable sub-lease payments of £397k per annum are expected to be received until expiry of the lease agreement, as shown in the table below:

	2014/15	2015/16
	£'000	£'000
Less than 1 year	367	397
1 to 5 years	801	651
Greater than 5 years	0	0
<b>Total</b>	<b>1,168</b>	<b>1,048</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 2015	23,113
Revaluations	(426)
<b>At 31<sup>st</sup> March 2016</b>	<b>22,687</b>
<b>Depreciation and Impairments</b>	
At 1 <sup>st</sup> April 2015	(425)
Charge for 2015/16	(433)
Revaluations	439
<b>At 31<sup>st</sup> March 2016</b>	<b>(419)</b>
<b>Net Book Value At 31<sup>st</sup> March 2016</b>	<b>22,268</b>
<b>Net Book Value At 31<sup>st</sup> March 2015</b>	<b>22,688</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:

<b>PFI Liabilities</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Liability as at 1<sup>st</sup> April</b>	<b>26,110</b>	<b>24,961</b>
Repayments during the year	(1,149)	(1,196)
<b>Liability as at 31<sup>st</sup> March</b>	<b>24,961</b>	<b>23,765</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:

<b>Period</b>	<b>Principal</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 year	1,243	948	2,359	<b>4,550</b>
2 – 5 years	5,486	3,277	10,039	<b>18,802</b>
6 – 10 years	8,183	2,772	14,027	<b>24,982</b>
11 – 15 years	8,852	1,004	14,204	<b>24,060</b>
<b>Total</b>	<b>23,764</b>	<b>8,001</b>	<b>40,629</b>	<b>72,394</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 2016 the balance on the PFI equalisation earmarked reserve is £8.7m.

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.

During the year, the Council decided to proceed to voluntarily terminate the PFI agreement. The termination process is ongoing and anticipated to conclude during financial year 2016/17.

#### **40.0 Impairment Losses**

During 2015/16, the Council has recognised an impairment loss of £14.1m (a loss of £10.3m in 2014/15) 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 and 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:

	2014/15	2015/16		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
Current Service Cost	28,352	31,000	248	31,248
Past Service Cost	4,349	4,440	22	4,462
Discontinued Joint Committee	0	0	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	21,742	18,250	13	18,263
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>54,443</b>	<b>53,690</b>	<b>283</b>	<b>53,973</b>
<b><i>Remeasurement of the Net Defined Benefit Liability Comprising:</i></b>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(73,596)	(2,810)	(9)	(2,819)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	125,977	(76,910)	(235)	(77,145)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(7,309)	(12,490)	(16)	(12,506)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>99,515</b>	<b>(38,520)</b>	<b>23</b>	<b>(38,497)</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	(54,443)	(53,690)	(283)	(53,973)
Actual amount charged against the Council Fund Balance for pensions in the year:	0	0	0	0
Employers' contributions payable to scheme	(34,597)	(33,670)	(173)	(33,843)

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2016 is a gain of £92.2m (£45.1m loss in 2014/15).



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 2016 is a loss of £86.2m.

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

	2014/15	2015/16		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,234,997</b>	<b>1,395,860</b>	<b>3,864</b>	<b>1,399,724</b>
Current Service Cost	28,352	31,000	248	31,248
Interest Cost on Defined Obligation	52,279	44,030	128	44,158
Contributions by scheme participants	8,619	8,170	80	8,250
<b><i>Remeasurement (Gains) and Losses</i></b>				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	125,977	(76,910)	(235)	(77,145)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(7,309)	(12,490)	(16)	(12,506)
Benefits paid	(47,497)	(48,290)	(79)	(48,369)
Past service costs	4,349	4,440	22	4,462
Business combinations	0	0	0	0
Consolidation Adjustment	(43)	0	0	0
Discontinued Joint Committee	0	0	0	0
<b>Balance at 31<sup>st</sup> March</b>	<b>1,399,724</b>	<b>1,345,810</b>	<b>4,012</b>	<b>1,349,822</b>

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

	2014/15	2015/16		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>712,031</b>	<b>808,470</b>	<b>3,369</b>	<b>811,839</b>
Interest Income	30,537	25,780	115	25,895
<b>Remeasurement (Gains) and Losses:</b>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	73,596	2,810	9	2,819
Employer contributions	34,597	33,670	173	33,843
Contributions by scheme participants	8,619	8,170	80	8,250
Benefits paid	(47,497)	(48,290)	(79)	(48,369)
Consolidation Adjustment	(44)	0	0	0
<b>Balance at 31<sup>st</sup> March</b>	<b>811,839</b>	<b>830,610</b>	<b>3,667</b>	<b>834,277</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 £28.7m (£104.1m gain in 2014/15).

**41.5 Scheme History**

	2011/12	2012/13	2013/14	2014/15	2015/16
	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of the Defined Obligation	(1,160,989)	(1,323,155)	(1,234,997)	(1,399,724)	(1,349,822)
Fair Value of Plan Assets	557,549	648,436	712,031	811,839	834,277
<b>Surplus/(Deficit)</b>	<b>(603,440)</b>	<b>(674,719)</b>	<b>(522,966)</b>	<b>(587,885)</b>	<b>(515,545)</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 £515.5m 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:

<b>Fair Value of Scheme Assets</b>		
	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
UK Equities	500,938	509,808
Overseas Equities	1,147,728	1,194,382
UK Fixed Interest Gilts	208,144	195,240
UK Index Linked Gilts	0	0
UK Corporate Bonds	242,101	231,299
Overseas Government Bonds	22,526	27,723
Overseas Corporate Bonds	37,577	25,668
Property	134,011	154,639
Cash and Net Current Assets	95,942	89,719
<b>Total</b>	<b>2,388,967</b>	<b>2,428,478</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 2016.

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:

	31/03/15	31/03/16
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	23.0	23.1
Women	25.9	26.0
Longevity at 65 for future pensioners:		
Men	25.2	25.3
Women	28.3	28.4
Rate of inflation (RPI)	2.9%	2.9%
Rate of inflation (CPI)	1.8%	1.8%
Rate of increase in salaries	3.3%	3.3%
Rate of increase in pensions	1.8%	1.8%
Rate for discounting scheme liabilities	3.2%	3.5%
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)	(1,366,280)	(1,299,400)	(4,165)	(3,961)	(1,370,445)	(1,303,361)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	(1,338,620)	(1,327,180)	(4,089)	(4,037)	(1,342,709)	(1,331,217)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	(1,353,570)	(1,312,510)	(4,119)	(4,007)	(1,357,689)	(1,316,517)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(1,306,880)	(1,359,370)	(3,981)	(4,146)	(1,310,861)	(1,363,516)

#### 41.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2017

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2017 are estimated to be £30.9m. 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 2015/16, the Council paid £12.3m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% from 1<sup>st</sup> April 2015 to 31<sup>st</sup> August 2015 increased to 16.48% from 1<sup>st</sup> September 2015 of pensionable pay. The figures for 2014/15 were £11.5m 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 2015/16 these amounted to £911k (£884k in 2014/15).

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 2016. 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 ceased to write new insurance business from 30th September 1992 and a Scheme of Arrangement was put in place in January 1994. The scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As creditors of MMI, the Council is legally bound by the Scheme and in November 2012, the scheme was triggered.

Future claim settlements by MMI will be made at a level of 75% with the funding of the remaining 25% being met from the former authorities' funds.

Correspondence from the scheme administrator states that it is not possible to guarantee that the initial and second levy, paid in February 2014 and May 2016, will be sufficient but they are the best estimates given the current position. The scheme requires the administrator to review the Levy at least once a year. Given the uncertainty regarding how sufficient the initial clawback will be, a contingent liability exists as the Council could be subject to further clawback dependent upon the resources of MMI, the insurer.

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

### **43.3 Former Leisure Facility Aberdare**

The Council is currently in the process of demolishing a former leisure facility (Sobell), and during the year identified additional and unavoidable costs associated with the safe removal of asbestos, the costs of which are included the Council's Capital Programme. It has not yet been possible to determine the full extent of its use in all parts of the building, and therefore it is not possible to estimate the total cost for safe removal and disposal. A programme of sampling, testing and subsequent removal and disposal is ongoing.

### **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 2016 are shown as follows and are not included in the Council's Balance Sheet. The 2015/16 figures for the "Education and Miscellaneous" funds and the "Rhondda Cynon Taf Charity for the Visually Impaired" fund are draft subject to audit, by the Council's Internal Audit department. The Welsh Church Act figures stated as at 31<sup>st</sup> March 2015 have been audited, however, the figures as at 31<sup>st</sup> March 2016 are not yet available.

	Description	31/03/15	31/03/16
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	181	235
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	156	136
Welsh Church Act Fund	Fund established under the Welsh Church Act for various charitable aims within the counties of Rhondda Cynon Taf, Merthyr Tydfil and Bridgend	12,039	Not Yet Available

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 2016 is £277k (£286k at 31<sup>st</sup> March 2015). 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 difference between these accounts are:

- 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 2015/16 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.

The individual financial statements of Cynon Valley Waste Disposal Company and Amgen Rhondda Limited have been prepared in compliance with UK Accounting Standards, including Financial Reporting Standard 102 (FRS102). The companies have adopted FRS102 from 1<sup>st</sup> April 2014, and the accounts have been consolidated for the first time on this basis for 2015/16. There are no material changes to the basis of preparation of the accounts arising on transition to FRS102.

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

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

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## **Statement of Group Accounting Policies**

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

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

Certain 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. Basis of Consolidation**

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

### **4. 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 2016

	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 2015</b>	11,001	31,367	76,284	3,711	2,010	4,804	1,120	130,297	58,424	188,721	(914)	187,807
<b>Movement in reserves during 2015/16:</b>												
(Surplus) or deficit on the provision of services (accounting basis)	(36,961)	0	(124)	0	0	0	0	(37,085)	0	(37,085)	8,052	(29,033)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	126,121	126,121	(338)	125,783
Total comprehensive income and expenditure	(36,961)	0	(124)	0	0	0	0	(37,085)	126,121	89,036	7,714	96,750
<b>Adjustments between Group Accounts and Authority Accounts:</b>	8,091	0	0	0	0	0	0	8,091	0	8,091	(8,091)	0
<b>Net Increase or decrease before transfers</b>	(28,870)	0	(124)	0	0	0	0	(28,994)	126,121	97,127	(377)	96,750
<b>Adjustments between accounting basis and funding under regulations:</b>	0	0	0	0	0	0	0	0	0	0	0	0
<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	39,399	0	60	0	0	0	0	39,459	(39,459)	0	0	0

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Revaluation losses on property, plant & equipment	25,661	0	0	0	0	0	0	0	25,661	(25,661)	0	0	0
Amortisation of intangible assets	1,207	0	0	0	0	0	0	0	1,207	(1,207)	0	0	0
Movement in the Donated Assets Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	12,926	0	0	0	0	0	0	0	12,926	(12,926)	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	2	0	0	0	0	0	2	(2)	0	0	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>													
Statutory provision for the financing of capital investment	(11,058)	0	(9)	0	0	0	0	0	(11,067)	11,067	0	0	0
Capital expenditure charged against the Council Fund Balances	(13,982)	0	(706)	0	0	0	0	0	(14,688)	14,688	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>													
Capital grants and contributions unapplied credited to CI&ES	(35,318)	0	0	0	0	35,318	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(33,499)	0	0	(33,499)	33,499	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	1,960	0	0	0	1,286	0	0	0	3,246	(3,246)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(2,842)	0	0	0	(2,842)	2,842	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	31	0	0	0	31	(31)	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	(50)	0	0	0	0	0	0	(50)	50	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	53,690	0	283	0	0	0	0	53,973	(53,973)	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(33,670)	0	(173)	0	0	0	0	(33,843)	33,843	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	(549)	0	0	0	0	0	0	(549)	549	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	(1,121)	0	8	0	0	0	0	(1,113)	1,113	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>	10,225	0	(659)	0	(1,525)	1,819	0	<b>9,860</b>	87,267	<b>97,127</b>	(377)	<b>96,750</b>
<b>Transfers to or from Earmarked Reserves</b>	(10,506)	28,501	(17,095)	(124)	0	0	(776)	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Increase or decrease in the year</b>	(281)	28,501	(17,754)	(124)	(1,525)	1,819	(776)	<b>9,860</b>	87,267	<b>97,127</b>	(377)	<b>96,750</b>
<b>Balance as at the end of the current reporting period</b>	<b>10,720</b>	<b>59,868</b>	<b>58,530</b>	<b>3,587</b>	<b>485</b>	<b>6,623</b>	<b>344</b>	<b>140,157</b>	<b>145,691</b>	<b>285,848</b>	<b>(1,291)</b>	<b>284,557</b>

## Group Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2016

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.

2014/15			Note:	2015/16		
Gross Exp	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
31,074	(4,042)	27,032	Central Services to the Public	31,600	(4,402)	27,198
34,902	(6,544)	28,358	Cultural and Related Services	39,462	(5,870)	33,592
43,263	(12,836)	30,427	Environmental and Regulatory Services	42,574	(14,046)	28,528
13,426	(8,527)	4,899	Planning Services	14,085	(8,652)	5,433
308,323	(66,992)	241,331	Children's and Education Services	322,116	(67,881)	254,235
34,404	(9,232)	25,172	Highways and Transport Services	35,491	(9,882)	25,609
87,536	(84,648)	2,888	Housing Services	91,170	(88,967)	2,203
119,604	(38,609)	80,995	Adult Social Care	114,873	(35,952)	78,921
9,083	(1,625)	7,458	Corporate and Democratic Core	8,963	(1,500)	7,463
4,341	(2)	4,339	Non-Distributed Costs	4,549	(5)	4,544
<b>685,956</b>	<b>(233,057)</b>	<b>452,899</b>	<b>Cost of Services</b>	<b>704,883</b>	<b>(237,157)</b>	<b>467,726</b>
			<b>Other Operating Expenditure</b>			
15,473	0	15,473	Precepts	16,373	0	16,373
11,450	0	11,450	Levies	11,271	0	11,271
795	0	795	(Gains) or Losses on Disposal of Long-Term Assets	1,962	0	1,962
			<b>Financing and Investment Income and Expenditure</b>			
10,728	0	10,728	Interest Payable and Similar Charges	10,654	0	10,654
21,742	0	21,742	Net Interest on Net Defined Liability (Asset)	18,263	0	18,263
0	(32)	(32)	Interest Receivable and Similar Income	0	(145)	(145)
			<b>Taxation and Non-Specific Grant Income</b>			
0	(110,210)	(110,210)	Council Tax Income	0	(115,437)	(115,437)
0	(73,533)	(73,533)	NDR Distribution	0	(67,465)	(67,465)
0	(296,318)	(296,318)	Non-Ringfenced Government Grants	0	(289,677)	(289,677)
0	(20,395)	(20,395)	Capital Grants and Contributions	0	(24,499)	(24,499)
<b>746,144</b>	<b>(733,545)</b>	<b>12,599</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>763,406</b>	<b>(734,380)</b>	<b>29,026</b>

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0	(2)	(2)	<b>Associates and Joint Ventures Accounted for on an Equity Basis</b>	0	(55)	(55)
			<b>Tax Expenses</b>			
0	(39)	(39)	Taxation of Group Entities	50	0	50
0	(1)	(1)	Share of Taxation of Associates and Joint Ventures	12	0	12
<b>746,144</b>	<b>(733,587)</b>	<b>12,557</b>	<b>Group (Surplus) or Deficit</b>	<b>763,468</b>	<b>(734,435)</b>	<b>29,033</b>
0	(16,112)	(16,112)	<b>(Surplus) or Deficit on Revaluation of Property, Plant &amp; Equipment Assets</b>	0	(33,656)	(33,656)
45,073	0	45,073	<b>Remeasurement of the Net Defined Benefit Liability</b>	0	(92,127)	(92,127)
<b>45,073</b>	<b>(16,112)</b>	<b>28,961</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(125,783)</b>	<b>(125,783)</b>
<b>791,217</b>	<b>(749,699)</b>	<b>41,518</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>763,468</b>	<b>(860,218)</b>	<b>(96,750)</b>

## Group Balance Sheet as at 31<sup>st</sup> March 2016

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.

31/03/15			31/03/16
£'000		<i>Note:</i>	£'000      £'000
	<b><u>Long-Term Assets</u></b>	Property, Plant & Equipment	<i>G 2.0</i>
549,993		Other Land & Buildings	594,905
421,308		Infrastructure	428,283
12,789		Vehicles, Plant & Equipment	11,065
626		Landfill Cells	437
4,418		Community Assets	5,738
47,515		Assets Under Construction	11,959
145		Heritage Assets	145
2,913		Long-Term Intangible Assets	2,626
1,000		Long-Term Investments	1,000
198		Investment in Associates and Joint Ventures	242
1,108		Long-Term Debtors	1,006
<b>1,042,013</b>		<b>TOTAL LONG-TERM ASSETS</b>	<b>1,057,406</b>
	<b><u>Current Assets</u></b>	Short-Term Investments	27,755
7,669		Assets Held for Sale	5,411
2,751		Short-Term Intangible Assets	819
967		Inventories	710
933		Short-Term Debtors	<i>G 13.0</i> 59,521
54,306		Cash and Cash Equivalents	7,435
6,002			
<b>72,628</b>		<b>TOTAL CURRENT ASSETS</b>	<b>101,651</b>
	<b><u>Current Liabilities</u></b>	Cash and Cash Equivalents	(13,910)
(13,042)		Short-Term Borrowing	(3,312)
(15,124)		Other Short-Term Liabilities	(429)
(499)		Short-Term Provisions	<i>G 15.0</i> (4,709)
(5,809)		Short-Term Creditors	<i>G 14.0</i> (93,594)
(65,407)			
<b>(99,881)</b>		<b>TOTAL CURRENT LIABILITIES</b>	<b>(115,954)</b>
	<b><u>Long-Term Liabilities</u></b>	Long-Term Provisions	<i>G 15.0</i> (2,123)
(2,502)		Long-Term Borrowing	(195,958)
(196,109)		Other Long-Term Liabilities	(560,088)
(627,965)		Donated Asset Account	(377)
(377)			
<b>(826,953)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>	<b>(758,546)</b>
<b>187,807</b>	<b>NET ASSETS</b>		<b>284,557</b>

11,001	<b>Usable</b>	Council Fund Balance		10,720	
	<b>Reserves</b>	Earmarked Reserves:			
31,367		Capital, Treasury and Insurance Reserves		59,868	
76,284		Other Revenue Related Reserves		58,530	
3,711		Delegated Schools Reserve		3,587	
2,010		Usable Capital Receipts Reserve		485	
4,804		Capital Grant Unapplied Account		6,623	
1,120		MGCC Insurance Reserve		344	
<b>130,297</b>		<b>TOTAL USABLE RESERVES</b>			<b>140,157</b>
188,673	<b>Unusable</b>	Revaluation Reserve		215,453	
35	<b>Reserves</b>	Deferred Capital Receipts Reserve		22	
468,574		Capital Adjustment Account	G 6.0	455,020	
(5,816)		Financial Instruments Adjustment Account		(5,766)	
(587,885)		Pensions Reserve		(515,545)	
(616)		Unequal Pay Back Pay Account		(67)	
(4,541)		Short-Term Accumulating Compensated Absence Account		(3,426)	
(914)		Group Companies Reserve	G 3.0	(1,291)	
<b>57,510</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>144,400</b>
<b>187,807</b>	<b>TOTAL RESERVES</b>				<b>284,557</b>

## Group Cash Flow Statement 2015/16

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

2014/15			2015/16	
£'000		<i>Note:</i>	£'000	£'000
12,599	Net (Surplus) or Deficit on the Provision of Services		29,033	
(77,630)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	<i>G 7.0</i>	(125,503)	
25,112	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>	25,785	
<b>(39,919)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(70,685)</b>
51,265	Investing Activities	<i>G 10.0</i>	56,989	
(10,495)	Financing Activities	<i>G 11.0</i>	13,131	70,120
<b>851</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>(565)</b>
6,189	Cash and Cash Equivalents at the Beginning of the Reporting Period			7,040
<b>7,040</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>			<b>6,475</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 2015	603,722	551,612	42,204	1,084	4,810	47,353	<b>1,250,785</b>
Joint Committees Opening Balance	851	0	166	0	162	162	<b>1,341</b>
Additions	23,735	13,737	5,459	0	202	10,806	<b>53,939</b>
Donations	0	0	0	0	0	0	<b>0</b>
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	19,334	0	0	0	0	0	<b>19,334</b>
Revaluation Increases/ (Decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(22,247)	0	(2)	0	(15,734)	0	<b>(37,983)</b>
Derecognition – Disposals	(2,218)	0	(4,699)	0	0	0	<b>(6,917)</b>
Derecognition - Other	0	0	(2,752)	0	0	0	<b>(2,752)</b>
Assets reclassified (to)/from held for Sale	(5,112)	0	0	0	(1)	0	<b>(5,113)</b>
Other reclassifications	20,663	8,456	0	0	16,853	(46,363)	<b>(391)</b>
Other Movements in Cost or Valuation	(1,930)	0	0	(1)	0	2	<b>(1,929)</b>
<b>At 31<sup>st</sup> March 2016</b>	<b>636,798</b>	<b>573,805</b>	<b>40,376</b>	<b>1,083</b>	<b>6,292</b>	<b>11,960</b>	<b>1,270,314</b>

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<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2015	(54,533)	(130,304)	(29,418)	(458)	(554)	0	<b>(215,267)</b>
Joint Committees	(47)	0	(163)	0	0	0	<b>(210)</b>
Opening Balance							
Depreciation charge	(13,643)	(15,218)	(4,429)	(189)	0	0	<b>(33,479)</b>
Depreciation written out of the Revaluation Reserve	12,226	0	0	0	0	0	<b>12,226</b>
Depreciation written out to the (Surplus) / Deficit on the Provision of Services	3,027	0	0	0	0	0	<b>3,027</b>
Impairment (Losses) / Reversals recognised in the Revaluation Reserve	776	0	0	0	0	0	<b>776</b>
Impairment (Losses) / Reversals recognised in the (Surplus)/Deficit on the Provision of Services	6,587	0	(2,753)	0	0	0	<b>3,834</b>
Derecognition – Disposals	123	0	4,700	0	0	0	<b>4,823</b>
Derecognition - Other	0	0	2,752	0	0	0	<b>2,752</b>
Assets reclassified (to)/from held for Sale	0	0	0	0	0	0	<b>0</b>
Other reclassifications	389	0	0	0	0	0	<b>389</b>
Other Movements in Cost or Valuation	3,202	0	0	1	0	(1)	<b>3,202</b>
<b>At 31<sup>st</sup> March 2016</b>	<b>(41,893)</b>	<b>(145,522)</b>	<b>(29,311)</b>	<b>(646)</b>	<b>(554)</b>	<b>(1)</b>	<b>(217,927)</b>
<b>Net Book Value:</b>							
<b>At 31<sup>st</sup> March 2016</b>	<b>594,905</b>	<b>428,283</b>	<b>11,065</b>	<b>437</b>	<b>5,738</b>	<b>11,959</b>	<b>1,052,387</b>
<b>At 1<sup>st</sup> April 2015</b>	<b>549,993</b>	<b>421,308</b>	<b>12,789</b>	<b>626</b>	<b>4,418</b>	<b>47,515</b>	<b>1,036,649</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	Rolling Programme	EUV/DRC
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 31st March 2015</b>	<b>1,733</b>	<b>(2,844)</b>	<b>197</b>	<b>(914)</b>
Increase/(Decrease) 2015/16	(443)	21	45	(377)
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>1,290</b>	<b>(2,823)</b>	<b>242</b>	<b>(1,291)</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 2015	March 2016 Draft	March 2015	March 2016 Draft
	£'000	£'000	£'000	£'000
Shareholding	2,806	2,806	133	154
Net Current Assets	1,500	2,209	66	109
Total Assets less Current Liabilities	6,360	6,564	133	154
Net Assets	5,291	5,379	133	154
(Loss)/Profit Before Tax	113	(1)	(115)	21
(Loss)/Profit After Tax	31	(1)	(115)	21
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 2016		Not yet given for year ended 31 <sup>st</sup> March 2016	

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 2014</b>	<b>31<sup>st</sup> December 2015 Draft</b>
	<b>£'000</b>	<b>£'000</b>
Shareholding	27.93%	27.93%
Net Current Assets	593	782
Total Assets less Current Liabilities	710	864
Net Assets	710	864
(Loss)/Profit Before Tax	117	196
(Loss)/Profit After Tax	93	154
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 31st December 2015	

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

	<b>£'000</b>
<b>Balance as at 1st April 2015</b>	<b>468,574</b>
(Gains)/Losses during the year	(13,554)
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>455,020</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>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(37,539)	Depreciation & Impairment	(73,807)
(1,144)	Amortisation	(1,307)
(8,304)	(Increase)/Decrease in Creditors	(35,505)
1,225	Increase/(Decrease) in Debtors	2,699
(164)	Increase/(Decrease) in Stock	(223)
(23,622)	Movement in Pension Liability	(16,486)
5,188	Contribution to Provisions	1,538
(58)	Holiday Pay Accrual	(221)
5,379	Revenue Grant Earmarked Reserves	3,759
(5,511)	Carrying Amount of Long-Term Assets and Assets Held For Sale, Sold or Derecognised	3,247
2,280	Capital Grants Unapplied	1,819
(8,586)	Revenue Expenditure Funded from Capital Under Statute	(12,926)
(6,774)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	1,910
<b>(77,630)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(125,503)</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>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
4,717	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,286
20,395	Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	24,499
<b>25,112</b>		<b>25,785</b>

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

The cash flows for operating activities include the following items:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(17)	Interest received	(26)
8,643	Interest paid	8,608
<b>8,626</b>	<b>Interest within Operating Activities</b>	<b>8,582</b>

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

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
73,962	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	68,729
3,413	Purchase and Redemption of Short-Term and Long-Term Investments	20,086
(4,717)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,286)
(21,393)	Other receipts from Investing Activities	(30,540)
<b>51,265</b>	<b>Net Cash Flows from Investing Activities</b>	<b>56,989</b>

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

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(48,323)	Cash Receipts of Short-Term and Long-Term Borrowing	(3,380)
1,150	Cash Payments for the reduction of the outstanding liabilities Relating to Finance Leases and on Balance Sheet PFI Contracts	1,196
36,678	Repayments of Short-Term and Long-Term Borrowing	15,315
<b>(10,495)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>13,131</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>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(50)	Amgen Rhondda supplies to the Council	(175)
(8,665)	Amgen Cymru supplies to the Council	(8,417)
814	Council supplies to Amgen Cymru	501
<b>(7,901)</b>	<b>Net Expenditure</b>	<b>(8,091)</b>

**G 13.0 Debtors**

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

2014/15		2015/16
£'000		£'000
34,347	Central Government Bodies	31,329
2,578	Other Local Authorities	1,034
1,430	NHS Bodies	2,871
655	Public Corporations and Trading Funds	23
15,296	Other Entities and Individuals	24,264
<b>54,306</b>	<b>Total</b>	<b>59,521</b>

**G 14.0 Creditors**

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

2014/15		2015/16
£'000		£'000
(15,100)	Central Government Bodies	(14,715)
(8,400)	Other Local Authorities	(3,045)
(7,041)	NHS Bodies	(1,199)
(255)	Public Corporations and Trading Funds	(196)
(34,611)	Other Entities and Individuals	(74,439)
<b>(65,407)</b>	<b>Total</b>	<b>(93,594)</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	Insurance Claims	Equal Pay	Joint Committees	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2015</b>	<b>(2,375)</b>	<b>(2,818)</b>	<b>(616)</b>	<b>0</b>	<b>(5,809)</b>
Additional provisions made in 2015/16	(5)	(2,619)	(17)	(15)	(2,656)
Amounts used in 2015/16	372	2,325	566	0	3,263
Unused amounts reversed in 2015/16	0	493	0	0	493
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>(2,008)</b>	<b>(2,619)</b>	<b>(67)</b>	<b>(15)</b>	<b>(4,709)</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 1st April 2015</b>	<b>(471)</b>	<b>(1,450)</b>	<b>(539)</b>	<b>(42)</b>	<b>(2,502)</b>
Additional provisions made in 2015/16	(87)	(4,381)	(216)	0	(4,684)
Amounts used in 2015/16	284	2,663	0	42	2,989
Unused amounts reversed in 2015/16	0	2,074	0	0	2,074
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>(274)</b>	<b>(1,094)</b>	<b>(755)</b>	<b>0</b>	<b>(2,123)</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 (2014/15 £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 and Investments**

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

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

- Baillie Gifford (Global Equities and High Alpha Equities)
- Newton (High Alpha Equities)
- BlackRock (UK Equities)
- Invesco (UK Equities)
- Legal & General (Passive Equities)
- BMO Global Asset Management (Bonds) (Formerly known as F & C)
- CBRE (Property)

During 2015/16, a local Pension Board was established in accordance with the Public Service Pensions Act 2013 to assist Rhondda Cynon Taf CBC as 'scheme manager' with achieving effective and efficient governance and administration of the Rhondda Cynon Taf Pension Fund.

**Fund Account**

2014/15			2015/16	
£'000		Note:	£'000	£'000
	<b><u>Dealings with members, employers and others directly involved with the fund</u></b>			
	<b>Contributions</b>			
(95,017)	Employer contributions	8.0	(85,799)	
(26,834)	Member contributions	8.0	(25,663)	
<b>(121,851)</b>				<b>(111,462)</b>
(4,068)	<b>Transfers in from other pension funds</b>		(45,973)	
(8,050)	<b>Other income</b>		(9,112)	
<b>(12,118)</b>				<b>(55,085)</b>
	<b>Benefits</b>			
91,700	Pensions		94,818	
25,886	Commutation of pensions and lump sum retirement benefits		24,198	
2,855	Lump sum death benefits		2,684	
<b>120,441</b>		8.0		<b>121,700</b>
	<b>Payments to and on account of leavers</b>			
169,078	Transfers out to other pension funds		8,136	
220	Other payments		487	
<b>169,298</b>				<b>8,623</b>
8,010	Management Expenses	9.0		9,718
<b>163,780</b>				<b>(26,506)</b>
	<b><u>Returns on Investments</u></b>			
	<b>Investment income</b>			
(23,865)	Income from fixed interest securities		(23,137)	
(28,935)	Dividends from equities		(31,142)	
2	Income from index-linked securities		0	
(8,278)	Income from pooled investment vehicles		(8,677)	
(89)	Interest on cash deposits		(93)	
<b>(61,165)</b>				<b>(63,049)</b>
(275,103)	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>		13,034	
				<b>13,034</b>
1,363	<b>Taxes on income</b>			1,610
<b>(334,905)</b>	<b>Net Returns on Investments</b>			<b>(48,405)</b>
<b>(171,125)</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>(74,911)</b>
<b>(2,237,112)</b>	<b>Opening Net Assets</b>			<b>(2,408,237)</b>
<b>(2,408,237)</b>	<b>Closing Net Assets</b>			<b>(2,483,148)</b>

**Net Assets Statement**

31/03/2015			31/03/2016	
£'000		Note:	£'000	£'000
	<b>Investment Assets</b>			
	<b>Fixed interest securities</b>			
230,670	Public sector		242,357	
279,678	Corporate bonds		272,346	
		4.0		<b>514,703</b>
1,385,794	<b>Equities</b>	4.0		<b>1,412,631</b>
	<b>Index linked securities</b>			
0	Public sector		0	
		4.0		<b>0</b>
	<b>Pooled investment vehicles</b>			
68,830	Open ended investment companies		59,862	
194,041	Managed funds		232,587	
134,011	Property		162,106	
		4.0		<b>454,555</b>
<b>99,024</b>	<b>Cash deposits</b>			<b>86,063</b>
	<b>Other investment balances</b>			
6,140	Accrued interest		5,753	
6,338	Investment debtors		7,662	
2,192	Tax recoverable		2,940	
				<b>16,355</b>
<b>2,406,718</b>				<b>2,484,307</b>
	<b>Investment Liabilities</b>			
(5,297)	Investment creditors			<b>(5,828)</b>
<b>2,401,421</b>	<b>Net investment assets</b>			<b>2,478,479</b>
	<b>Current Assets</b>			
5,489	Contributions due from employers	10.0	5,118	
2,281	Cash balances		2,161	
0	Amount owed from RCTCBC		389	
3,567	Other current assets		1,600	
				<b>9,268</b>
	<b>Current Liabilities</b>			
(3,731)	Current liabilities		(4,599)	
(790)	Amount owed to RCT		0	
				<b>(4,599)</b>
<b>2,408,237</b>	<b>Net assets of the scheme available to fund benefits at period end</b>			<b>2,483,148</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 2015/16 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 2016 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 2016.

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 £1,273k (£1,200k in 2014/15) and the market value of separately invested AVCs at the Balance Sheet date was £6,939k (£6,909k in 2014/15).



## **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 2015/16 amounted to £0.7m (£0.6m in 2014/15).

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	2,229
Market Value of Assets	2,080	1,569
Funding Deficit	585	660
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**

	2014/15		2015/16	
	£'000	£'000	£'000	£'000
<b><u>Equities</u></b>				
UK	355,911		360,050	
Overseas	1,029,883		1,052,581	
		<b>1,385,794</b>		<b>1,412,631</b>
<b><u>Fixed interest</u></b>				
UK	466,233		242,357	
Overseas	44,115		272,346	
		<b>510,348</b>		<b>514,703</b>
<b><u>Index linked</u></b>				
UK	0		0	
Overseas	0		0	
		<b>0</b>		<b>0</b>
<b><u>Pooled investments</u></b>				
UK - property	123,525		153,427	
Overseas - property	10,486		8,679	
UK – other	145,027		145,808	
Overseas - other	117,844		146,641	
		<b>396,882</b>		<b>454,555</b>
<b>Total long-term investments</b>		<b>2,293,024</b>		<b>2,381,889</b>

The Fund does not participate in any stock lending arrangements. All investments held are quoted investments with the exception of property, which is valued at Fair Value, and no assets 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	
	31/03/2015 £'000	31/03/2016 £'000	31/03/2015 %	31/03/2016 %
Baillie Gifford (Equities)	500,376	510,410	20.9	20.7
Baillie Gifford (High Alpha Equities)	490,510	489,916	20.5	19.9
Newton (High Alpha Equities)	391,312	404,498	16.4	16.4
Invesco (UK Equities)	133,811	131,535	5.6	5.3
BlackRock (UK Equities)	118,218	117,889	5.0	4.8
L&G (Passive Equities)	60,230	101,052	2.5	4.1
BMOgam (Bonds)	521,906	531,141	21.9	21.5
CBRE (Property)	136,172	162,530	5.7	6.6
Internal	36,389	18,621	1.5	0.7
<b>Total</b>	<b>2,388,924</b>	<b>2,467,592</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 Pension Fund Investment and Administration Panel. The underlying investments are further diversified by country and industry sector.

Each manager's performance is monitored quarterly by the Investments 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 £375k (£348k in 2014/15) 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 01/04/15	Purchases	Sales	Change in Market Value	Market Value 31/03/16
	£'000	£'000	£'000	£'000	£'000
Baillie Gifford (Equities)	479,351	91,312	(50,737)	(24,185)	495,741
Baillie Gifford (High Alpha Equities)	485,168	69,372	(60,675)	(12,526)	481,339
Newton (High Alpha Equities)	374,921	90,992	(69,135)	(15,264)	381,514
Invesco (UK Equities)	133,811	1,698	0	(3,974)	131,535
BlackRock (UK Equities)	115,184	16,952	(12,264)	(5,973)	113,899
L&G (Passive Equities)	60,230	40,586	(457)	693	101,052
BMOgam (Bonds)	510,348	580,540	(555,670)	(20,515)	514,703
CBRE (Property)	134,011	29,806	(12,345)	10,634	162,106
<b>Total</b>	<b>2,293,024</b>	<b>921,258</b>	<b>(761,283)</b>	<b>(71,110)</b>	<b>2,381,889</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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	8,541	8,171	29,046	28,243	33,142	33,015
Admitted	3,091	3,281	13,437	13,814	12,258	12,707
Scheduled	15,202	14,211	52,534	43,742	75,041	75,978
<b>Total</b>	<b>26,834</b>	<b>25,663</b>	<b>95,017</b>	<b>85,799</b>	<b>120,441</b>	<b>121,700</b>

Included in employer contributions are £10,879k of deficit funding contributions (£16,811k in 2014/15) and £26k of augmented contributions (£262k in 2014/15).

## 9.0 Management Expenses

The management expenses borne by the Fund are set out below:

	2014/15	2015/16
	£'000	£'000
Fund management expenses	6,196	7,781
Investment administration expenses	144	134
Pensions administration expenses	1,670	1,803
<b>Total</b>	<b>8,010</b>	<b>9,718</b>

The 2015/16 CIPFA Accounting Code of Practice have amended the classification of management expenses. The 2015/16 and the 2014/15 costs have been re-categorised in line with these changes. Management Expenses represents 0.39% (0.33% in 2014/15) of the value of the Pension Fund as at 31<sup>st</sup> March 2016.

## 10.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.6m (£1.4m in 2014/15). 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 £5.1m (£5.5m in 2014/15), of which £3.8m related to employer contributions and £1.3m to employee contributions.

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

## 11.0 Membership of the Fund

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

	2015	2016
Active Employers	43	46
Contributors	26,677	25,501
Pensioners	15,320	15,830
Dependants	2,590	2,640
Deferred Beneficiaries	19,937	22,358

## **12.0 Group Transfers**

The Fund transferred £1.8m of assets to Cardiff City and County Council in respect of traffic wardens and £0.8m to the Greater Manchester Pension Fund in respect of the final balance for the Probation Service.

The Fund received £40.0m from the Greater Gwent Pension Fund in respect of Newport University transferring to the University of South Wales and received £0.5m from Cardiff and Vale of Glamorgan Pension Fund, in respect of 101 Call Centre staff transferring to the South Wales Police. £1.5m was received from Greater Gwent in respect of the transfer relating to Monwel Hankinson (GWICES).

## **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 2016 amounted to £16.5m with the institutions shown in the table below.

<b>Institution</b>	<b>Balance at 31/03/16 £'000</b>	<b>Maturity Date</b>
Chorley Council	1,500	01/04/2016
Debt Management Account Deposit Facility	3,000	05/04/2016
Debt Management Account Deposit Facility	3,810	06/04/2016
London Borough of Bromley	5,000	04/04/2016
Perth and Kinross Council	2,150	01/04/2016
Redditch Borough Council	1,000	05/04/2016
<b>Total</b>	<b>16,460</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 2016/17 financial year. The possible impact of movements is shown in the following tables:



Asset type	31/03/16	Change %	Value on	Value on
	Value		increase	decrease
	£'000		£'000	£'000
UK Equities	505,858	10.29	557,911	453,805
Overseas Equities	1,199,224	10.18	1,321,305	1,077,143
Bonds	514,703	5.96	545,378	484,026
Property	162,106	2.8	166,645	157,567
Cash	85,702	0.12	85,805	85,599
<b>Total</b>	<b>2,467,593</b>		<b>2,677,044</b>	<b>2,258,140</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 2016/17 financial year would have the following effect:

Asset type	31/03/16	Value on	Value on
	Value	increase	decrease
	£'000	£'000	£'000
Fixed interest securities	514,702	519,849	509,555
Cash deposits & balances	85,702	86,559	84,845
<b>Total</b>	<b>600,404</b>	<b>606,408</b>	<b>594,400</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 6.44% would have the following effect:

Asset type	31/03/16	Value on	Value on
	Value	increase	decrease
	£'000	£'000	£'000
Overseas Equities	1,052,581	1,120,367	984,795
Overseas Fixed Interest	272,346	289,885	254,807
Overseas Pooled Property	8,679	9,238	8,120
<b>Total</b>	<b>1,333,606</b>	<b>1,419,490</b>	<b>1,247,722</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 and 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 2016.

<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 2016 (and up to the date of approval of the 2015/16 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 2016. The Council's 'review of effectiveness' describes the arrangements in place, challenges their effectiveness and where necessary provides recommendations for improvement. In addition, before setting out the 2015/16 review, an up date on the implementation of recommendations made within the 2014/15 AGS is shown in Table 1 below.

Table 1 – Progress made on implementing recommendations within the 2014/15 AGS

<b>2014/15 AGS Recommendation Made</b>	<b>Progress made during 2015/16</b>
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.	Education remained a Council priority during 2015/16, a central element of which were actions to address the Estyn Report

2014/15 AGS Recommendation Made	Progress made during 2015/16
<p>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.</p>	<p>Adult and Children's Services remained a Council priority during 2015/16, central elements of which were actions to address the CSSIW Report</p>
<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>	<p>Implemented.</p>
<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>	<p>Work in respect of this report is ongoing.</p> <p>There have been issues in relation to the correlation of the records required for this report and it is anticipated that these will be resolved during 2016/17.</p>

<b>2014/15 AGS Recommendation Made</b>	<b>Progress made during 2015/16</b>
<p>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.</p>	<p>The 2014/15 Annual Report was presented to Cabinet one month earlier than the previous year. Similarly, following review by Cabinet, the report was also scrutinised by the relevant scrutiny committees one month earlier than the previous year.</p>
<p>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.</p>	<p>The draft Annual Scrutiny Report for 2015/16 was reported to the Overview and Scrutiny Committee on the 20<sup>th</sup> April 2016. Elected Member feedback received at this meeting will be incorporated into a final version of the annual report before being presented to the Council's AGM in May 2016.</p>
<p>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.</p>	<p>Implemented – Audit Committee meeting held on 7<sup>th</sup> December 2015.</p>
<p>More detailed information in respect of actions taken to manage strategic risks should be incorporated into the quarterly performance reports.</p>	<p>Incorporated into the Council's quarterly Performance Reports during 2015/16.</p>

### 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 ([SIP](#)). 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": *"People in Rhondda Cynon Taf are safe, healthy and prosperous."*
- 3.3.3 The Single Integrated Plan is used as a strategic driver for the Council's Corporate Performance Report<sup>1</sup> and helps inform the the University Health Board's corporate priorities and the Police & Crime Commissioner's Crime Reduction Plan.

#### **Single Integrated Plan – Annual Report**

- 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'.
- 3.3.5 Due to changes regarding the partnership structures and the preparatory work for the Wellbeing of Future Generations (Wales) Act 2015, a review of the Single Integrated Plan was undertaken for the period March 2014 - March 2016.
- 3.3.6 The Review of the Single Integrated Plan 2014-16 was approved by the Local Service Board in April 2016. The review evaluated the impact that "Delivering Change" has had during 2014-16, as follows:
- *The Single Integrated Plan has provided a strategic focus to partnership working.*
  - *Although in most cases, it cannot be directly attributable solely to the work of the local partner organisations, some improvements have been seen with regards to population measures e.g. smoking rates; teenage conceptions; qualifications gained and educational attainment.*
  - *The continuation of excellent partnership relationships in Rhondda Cynon Taf have led to a number of collaborative initiatives, such as the Cwm Taf Multi-Agency Safeguarding Hub (launched in May 2015) and the 'Housing and Health Action Areas' project.*

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<sup>1</sup> Corporate Performance Report – a public document produced annually and approved by the Full Council of RCTCBC each year, setting out an assessment of performance for the previous year and priorities for the financial year ahead

- *Many of the priorities included in the Single Integrated Plan will take generations to change the population measures associated with them. However, since 2013 and the publication of 'Delivering Change', partnerships have grown stronger across the region and the next 5-10 years offer opportunities in how we work together and challenge each other to achieve the best outcomes possible.*

- 3.3.7 In its 'forward look', the Review of the Single Integrated Plan 2014-16 focussed on the preparatory work required for the Wellbeing of Future Generations Act and other relevant Welsh Government legislation, including the changing strategic partnership landscape, a different way of working together and with communities, work required to undertake assessments of wellbeing for the area and the requirement to produce a 'Wellbeing Plan' by April 2018.
- 3.3.8 During 2015/16, members of both the Merthyr Tydfil and Rhondda Cynon Taf Local Service Boards agreed a mandate to review the effectiveness and governance of partnership delivery structures, with recognition of the upcoming requirements to establish a Public Services Board, as set out in the Wellbeing of Future Generations (Wales) Act 2015. The outcomes for this piece of work were:
- Improved, sustainable and clear governance arrangements with appropriate accountability and clarity;
  - Sustainable, effective meeting structures with appropriate attendance at the right level required to deliver outcomes; and
  - Identification of collaborative opportunities and efficiencies or potential savings.
- 3.3.9 Initially, this review was focussed on strategic partnerships i.e. Local Service Boards and the Cwm Taf Regional Collaboration Board; community safety; public protection / safeguarding and mental health. A small working group has undertaken the key tasks of the review, including: studying exact legislative requirements, considering the best commissioning arrangements, looking at ensuring governance and accountability, and encouraging innovation; with the overall aim of streamlining the existing partnership meeting structure so it is effective and sustainable.
- 3.3.10 As a result, members of both Merthyr Tydfil and Rhondda Cynon Taf Local Service Boards (LSBs) have agreed to the establishment of one Cwm Taf Public Service Board from the 1<sup>st</sup> April 2016, which will replace both LSBs and the Cwm Taf Regional Collaboration Board. Other strategic partnerships have also been streamlined and agreed to merge across the region in future.
- 3.3.11 The Cwm Taf Public Services Board (PSB) will be a merged Public Services Board, covering the areas of Merthyr Tydfil and Rhondda Cynon Taf (RCT). The PSB will aim to act as the principal strategic leadership forum for the planning, commissioning and delivery of public services across organisational boundaries to achieve better outcomes for the people of Cwm Taf. It will seek to understand the major issues faced by each partner organisation, to become a more transparent Board through publishing data and performance, and will aim to deliver a preventative agenda.

- 3.3.12 The PSB is required to publish an assessment, on the state of wellbeing of the area it covers, by April 2017. The PSB will use the assessment (and the knowledge / expertise of the Board members) to agree joint objectives that contribute to the seven national wellbeing goals within the Wellbeing of Future Generations (Wales) Act 2015. The PSB must set out these objectives and the steps they will take to meet them in a Wellbeing Plan by April 2018.
- 3.3.13 '*Delivering Change*' continued to be the strategic document for the Local Service Board (and the Council) during 2015/16.

### **Setting Rhondda Cynon Taf County Borough Council's Priorities**

#### 2015/16

- 3.3.14 In accordance with the underpinning guidance set out in the Local Government (Wales) Measure 2009, the Council produced a 'Corporate Performance Report 2015/16'. The steps taken to produce this document were:
- Draft evaluations of performance for 2014/15 and six draft priority plans for 2015/16 were considered by scrutiny working groups; and
  - The abovementioned documents were used to produce a draft 'Corporate Performance Report 2015/16' that was scrutinised by the Finance and Performance Scrutiny Committee on the 15<sup>th</sup> June 2015 ([Link to document](#)) and then approved by Council on 24<sup>th</sup> June 2015 ([Link to document](#)).

In addition, the Council also produced a Summary version of the 'Corporate Performance Report 2015/16' ([Link to document](#)) but this was not subject to scrutiny prior to being published.

- 3.3.15 During 2015/16 the Finance and Performance Scrutiny Committee received quarterly updates on the Council's financial and operational performance, including progress reports on its six priority areas.

#### 2016/17 Onwards

- 3.3.16 During 2015/16, the Council consulted on and agreed a document called 'Corporate Plan 2016 – 2020' that set out its vision over the medium term that includes three priorities, People, Place and Economy, plus an overarching priority of Living Within Our Means.
- 3.3.17 As part of the above process, a draft document was subject to a period of public consultation and scrutiny by the Finance and Performance Scrutiny Committee (on 15<sup>th</sup> June 2015), before a final version was approved by Council on 24<sup>th</sup> February 2016 ([Link to document](#)).
- 3.3.18 In addition, although the Council has put in place clear arrangements for the monitoring of its priorities for People, Place and Economy, further clarity is



needed around how it intends to report up dates in respect of Living Within Its Means.

**RECOMMENDATIONS**

- Although the Council made arrangements for its draft Corporate Performance Report 2015/16 to be scrutinised by elected Councillors prior to approval, an associated summarised version was also produced but was not scrutinised prior to publication. To ensure that future summary Corporate Performance Reports are tested for, amongst other things, fairness, balance and factual accuracy, the Council should make arrangements for its scrutiny function to review and challenge their content prior to publication.
- The Council has clearly set out its arrangements for the monitoring and reporting of the three priorities (People, Place and Economy) within its Corporate Plan. However, the Corporate Plan also contains a cross-cutting priority, Living Within Our Means, and the Council should set out how progress is to be monitored for this area of work.

3.3.17 In addition to the ‘internal’ scrutiny of performance, the Council is also subject to external inspection from its regulatory bodies, namely the Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales (CSSIW). These regulators focus on the work undertaken across the Council and link directly with some of the Council’s priorities. The following work has been undertaken by regulators during 2015/16:

**Wales Audit Office**

3.3.18 ISA260 Report - The [Audit of Financial Statements Report](#) (2014/15) was presented to the 30<sup>th</sup> September 2015 Council meeting. 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 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.*

3.3.19 Improvement audit and assessment 2015/16 – the following work has been undertaken:

<b>Area</b>	<b>Status / Outcome</b>
Improvement Plan audit	Certificate of compliance issued
Assessment of Performance audit	Certificate of compliance issued

<b>Area</b>	<b>Status / Outcome</b>
<p>Governance review - Review of the Council's strategic approach to asset management</p>	<p>Overall conclusion reported was:  <i>The Council has begun to engage its communities in taking a proactive approach to the future management of its assets, but there is scope to strengthen performance reporting arrangements to better support oversight and decision making in relation to asset management</i></p>
<p>Financial resilience assessment</p>	<p>Overall conclusion reported was:  <i>Overall we concluded that the Council has robust arrangements for financial planning, management and governance, however, there is scope to enhance the links between the Council's Corporate and Medium Term Financial Planning processes. We came to this conclusion based on our findings in relation to financial planning, financial control, and financial governance arrangements.</i></p>
<p>Governance review - Review of decision-making arrangements in relation to service change proposals</p>	<p>Overall conclusion reported was:  <i>The Council has strengthened its decision-making processes in relation to service change but corporate arrangements for assessing the impact of service changes are underdeveloped.</i></p>
<p>Performance management review - 'Review of the Council's arrangements for managing improvement</p>	<p>Overall conclusion reported was:  <i>The Council is strengthening its arrangements for managing improvement but needs to continue to develop its approach to assessing the delivery of outcomes for citizens.</i></p>
<p>Annual Improvement Report</p>	<p>Overall conclusions reported were:  <i>With a strong corporate focus upon the effective use of its resources, supported by strengthened service planning and governance arrangements, the Council is well placed to overcome some significant future challenges</i></p> <p><u>Performance</u></p> <p><i>The Council is strengthening its arrangements for managing improvement and has achieved improvement in its schools and children's services, but it has significant challenges to overcome in preparation for the implementation of the Social Services and Well</i></p>

	<p><i>Being (Wales) Act</i></p> <p><u><i>Use of resources</i></u></p> <p><i>The Council maintains a strong corporate focus upon the effective use of its resources but recognises that there is scope to clarify planning and reporting arrangements to provide assurance that its improvement priorities inform decisions regarding resource allocation</i></p> <p><u><i>Governance</i></u></p> <p><i>The Council continues to strengthen its governance arrangements and is making progress in addressing proposals for improvement, but further work is needed in order for it to evaluate the impact of service change</i></p>
<u>Follow up work from 2014/15</u>	
Local authority arrangements to support safeguarding of children	Overall conclusion reported was: <i>The Council is strengthening its corporate arrangements to support the safeguarding of children and is making progress in addressing our previous proposals for improvement.</i>
Good Scrutiny? Good Question? Auditor General for Wales improvement study: Scrutiny in Local Government	The WAO findings have been included within the Annual Improvement Report

3.3.20 Where the WAO have published reports in respect of the Council, the Council has in the last quarter of the financial year reported these to Audit Committee and will refer to a Scrutiny Committee(s) where deemed relevant. However, the Council has not formally set out its arrangements for the notification and subsequent monitoring of recommendations made by the WAO.

**RECOMMENDATION**

The Council should formalise its arrangements for the notification and monitoring of WAO recommendations so that elected Members and officers are fully aware of and understand the process.

**Estyn** - There was no specific work undertaken by Estyn at the Council during 2015/16 other than routine termly catch up visits.

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

- 3.3.21 Annual Council Performance Evaluation Report 2014/15 - The CSSIW Annual Performance Report 2014/15 was reported to the Children & Young People Scrutiny Committee on 21<sup>st</sup> December 2015. Although not in relation to 2015/16, this is the latest published report for this regulator ([Link to document](#)).

### **Working in collaboration**

- 3.3.22 In the current austere climate within which the Council operates, the potential benefits of working collaboratively with partners could be an avenue by which the Council continues to provide quality services to its citizens. In March 2015, a new way of working with partner organisations, the voluntary sector and community groups was launched called 'RCT Together'. The approach set out a new way of engaging with the community on the challenges of public service delivery, and working with communities and the voluntary sector to explore alternative models of service delivery for maintaining services and facilities.
- 3.3.23 During 2015/16, the approach delivered a number of 'transfers', for example, Maerdy Library to a community group, 'Friends of Ferndale', who transformed their facility into a Community Hub; the Muni Arts Centre in Pontypridd, which is now run through a community enterprise; and Abercynon Paddling Pool. Case studies of the approach are available here: [Case studies](#).
- 3.3.24 The processes linked to 'RCT Together' have been refined during the year to help ensure they remain fit for purpose. This has included launching a 'Community Enabling Fund' that allowed community groups to access up to £10,000 of grant funding linked to service or asset transfer. A Voluntary Sector Liaison Steering Group was also established, Chaired by an RCT Cabinet Member, and made up of representatives of the voluntary sector that provide support to community groups and third sector organisations e.g. Interlink RCT, Coalfields Regeneration Trust.

### **RECOMMENDATION**

The Council should build on the positive work undertaken through RCT Together by evaluating the impact of its work to date, including specific engagement with those groups that are now delivering services / activities from facilities previously operated by the Council.

- 3.3.25 During 2015/16 the Council also worked in partnership with a number of organisations to deliver services, for example, Central South Consortium Joint Education Service and the Cwm Taf Safeguarding Board. In addition, the Cwm Taf Multi Agency Safeguarding Hub was launched in May 2015, the Welsh Government Intermediate Care Fund has led to a number of joint health and social care projects and a Joint Commissioning Statement for Older People's Services 2015-25, produced in collaboration with Merthyr Tydfil Council, Cwm

Taf University Health Board and the third sector. The Vale, Valleys and Cardiff Regional Adoption Collaborative was also launched in June 2015.

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 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.

3.4.4 Forward work programmes for Cabinet, Overview and Scrutiny Committee and Scrutiny Committees are available on the Council's internet site. However, at the Overview and Scrutiny Committee of the 29<sup>th</sup> July 2015, the Committee expressed that it was difficult to fully and effectively plan due to items considered by Cabinet not always being published in advance in a work programme. As a result the Cabinet Member for Council Business attended the Overview and Scrutiny Committee of the 18<sup>th</sup> November 2015 to acknowledge Scrutiny's concerns and, with the support of the Council Leader, provided assurance that improvements would be made to Cabinet work programming (to amongst other things support the engagement of scrutiny). Potential items for future consideration are now included in Cabinet Reports with the aim of informing pre-scrutiny. For 2016/17, status updates on the development of Executive business will be made available on the Council's website.

3.4.5 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Council's Senior Leadership Team. The Council's Chief Executive retired in September 2015 and an interim Chief Executive is currently in post.

3.4.6 During 2015/16 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. Up dates to the General Scheme of Delegation of Executive and Non-Executive Functions was reported to Cabinet on 17<sup>th</sup> March 2016. The Council will need to ensure that appropriate support and guidance is in place for officers and elected Members as part implementing the up dated arrangements.

#### 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 continued to have designated 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. A revised format was introduced for the year, following consultation with the Finance and Performance Scrutiny Committee, that aimed to further improve and 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). Rhondda Cynon Taff County Borough Council is required to agree, publish and maintain an annual Schedule of Member Remuneration, which sets out details of the specific payments that it intends to make to Elected Members and Co-opted Members in accordance with the levels of remuneration and allowances determined by the Independent Remuneration Panel for Wales.

- 3.4.10 The Schedule of Member Remuneration provides details of the remuneration of Councillors through the payment of a Basic, Senior or Civic Salary and fees which are payable to statutory Co-opted Members. The Schedule of Member Remuneration also provides details of the Care, Travel and Subsistence Allowances which are payable to Councillors and statutory Co-opted Members.
- 3.4.11 The details of all remuneration and allowances paid annually by the Council to each Councillor and Co-opted Member are published on the [Council's Internet site](#) following the end of each financial year and in any event by 30 September.
- 3.4.12 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.
- 3.4.13 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 draft Statement of Accounts for 2015/16.

#### School Governors

- 3.4.14 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'.
- 3.4.15 The Council offers a Service Level Agreement for governor support services and 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).
- 3.4.16 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 & Procedure
- 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 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.

**Defined standards of behaviour for officers**

3.5.6 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.



- 3.5.7 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

- 3.5.8 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

- 3.5.9 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).
- 3.5.10 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).
- 3.5.11 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 2015/16 one case was investigated (no maladministration found and the case was closed by the Ombudsman) and 15 were referred back to the Council by the Ombudsman.
- 3.5.12 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; and
  - Challenge decisions.
- 3.5.13 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.
- 3.5.14 The [Social Services Annual Complaints Report 2014/15](#) was presented to Cabinet on 24<sup>th</sup> September 2015. The annual report outlines some of the lessons

learned as a result of stage one complaints and the practice recommendations arising from stage two complaints. Implementation of the recommendations is monitored by the Complaints Team.

- 3.5.15 The conclusion from the annual report was that:  
*'Social Services continue to provide a robust and effective complaints procedure in line with the statutory requirements. Complaints are seen as providing valuable customer feedback, with the information from complaints providing valuable lessons learnt when planning and improving services to meet the needs of our customers.'*
- 3.5.16 In addition to the annual report, the Representations & Complaints Unit provides the Corporate Parenting Board with quarterly reports that provide 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).
- 3.5.17 No quarterly update, providing information relating to Adults Services is provided / reported to any forum at present, however complaint reporting will feed in to a wider 'Quality Assurance Framework' during 2016/17 which will identify priority areas for improvement across Adult's and Children's Services.

### 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, 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 2015 in readiness for the 2015/16 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.
- 3.6.4 At the Council's Annual General Meeting held on 20<sup>th</sup> May 2015, a report was presented entitled '[Proposed Scrutiny Structure](#)'. The report provided Members with a proposed Scrutiny Committee Structure that intended to support the Council in developing a more outcome focussed approach to its scrutiny arrangements. The proposed scrutiny structure was as follows:

- Overview and Scrutiny Committee;
- Finance and Performance Scrutiny Committee;
- Public Service Delivery, Communities and Prosperity (and Crime and Disorder);
- Children and Young People; and
- Health and Well-Being.

3.6.5 The report concluded:

*“The Council has a well established scrutiny structure that has supported its scrutiny function in making positive contributions to service delivery over a number of years.*

*More recently, the changing financial and legislative environment together with external reviews of scrutiny arrangements across public services in Wales are providing a clear driver for local government to improve its approach in this area.*

*Rhondda Cynon Taf acknowledges this, has recognised where it needs to improve and is in the process of addressing a number of these areas.*

*The proposed revision to the Scrutiny Structure whilst only one element of a larger programme of work, will provide a sound platform to support the Council in developing a more outcome focussed approach to its scrutiny arrangements and at the same time enable the continuation of a rigorous approach to scrutiny.”*

3.6.6 Since this time, each Scrutiny Committee has undertaken a review of its work during 2015/16; this has culminated in a draft ‘Overview and Scrutiny Draft Annual Report for 2015/16’ being prepared and presented to the 20<sup>th</sup> April 2016 Overview and Scrutiny Committee. The Committee provided comments on the draft document that included the need to prepare an Executive Summary and explore more customer / user feedback in their work during 2016/17. It was agreed that this information be added to the final version that is to be reported to the Council’s Annual General Meeting in May 2016.

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

3.6.7 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).

3.6.8 Where decisions were taken by Council and / or Cabinet throughout 2015/16, 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.

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Develop and maintain an effective scrutiny function which encourages constructive challenge

- 3.6.9 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) object 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 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.
- 3.6.10 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.
- 3.6.11 For the 2015/16 financial year, there was 1 call-in:
- Home to School Transport: Maintaining the Existing Service but Reducing the Subsidy for Discretionary Travel – a Public Consultation on a Proposed New Policy
    - Considered by the Overview and Scrutiny Committee on the 27th May 2015, the outcome of which was not to refer the matter back to Cabinet for reconsideration.
    - On the 16<sup>th</sup> March 2016, 'A Record or urgent decision of the Leader of the Council' set out that due to stronger progress made in delivering efficiencies; a better than forecast settlement from the Welsh Government; and less challenging forecasts of future settlements, the Council now has greater financial flexibility. As a result, the Leader in consultation with Cabinet and the Senior Leadership Team, took the decision to overturn the decision taken by Cabinet on 8<sup>th</sup> September 2015 ([Link to document](#)).
- 3.6.12 The Overview and Scrutiny Committee and the scrutiny committees, scrutinised areas as set out in their agreed work programmes for the year 2015/16.
- 3.6.13 A draft Overview and Scrutiny Draft Annual Report for 2015/16', summarising the work undertaken during 2015/16, was reported to the Overview and Scrutiny Committee on 20<sup>th</sup> April 2016.

Develop and maintain an effective Audit Committee

- 3.6.14 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 2015/16. A workplan was developed in consultation with the Chairperson of Audit Committee that aimed to assist the Audit Committee in discharging its responsibilities. The Council's Audit Committee met on 7 occasions during 2015/16.

Arrangements to safeguard elected councillors against conflicts of interest

- 3.6.15 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.

Embedding risk management into the culture of the Council

- 3.6.16 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.
- 3.6.17 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 distinction between strategic and operation risks. 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 / Delivery Plans.
- 3.6.18 Strategic risks are now embedded into the reporting arrangements of quarterly performance reports and detailed 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 consideration of strategic risks in parallel with performance is considered a positive step forward; however, given the comprehensive nature of the quarterly Performance Report, the Council should re-assess where and how the reporting of risk will have the most impact.

**RECOMMENDATION**

The consideration of strategic risks in parallel with performance is a positive step taken by the Council. However, the comprehensive nature of the Council's quarterly Performance Report may result in key messages around strategic risks being missed. Therefore, the Council should re-consider where and how strategic risks are reported to ensure they have appropriate coverage and scrutiny.

### 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 Council 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, the Advanced Charter in 2010 and has maintained this following a further review in 2014.
- 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) is one 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 not a Member has conducted their duties. It is a review of training and development needs and is held in confidence between the reviewer and the reviewee.

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### 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.
- 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 and flexible approach. The Human Resources Service is working to help ensure these processes are embedded into the culture of services.
- 3.7.12 The Workforce Development Strategy, associated guides and support and training programmes will be key as the Council plans to improve services at the same time as managing significant on-going reductions in funding.
- 3.7.13 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 which was launched during 2015/16. These modules focussed on maximising attendance and associated people management topics. The modules were mandatory and were deployed to all managers with responsibility for managing absence.
- 3.7.14 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. Whilst there have been improvements in these communication channels, the challenge is to continue to develop the culture across the Council of involving 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

- 3.7.15 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 timely closure of accounts.

### Ensuring an organisation structure is in place to encourage development

- 3.7.16 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.

- 3.7.17 In a challenging and rapidly changing environment where resources are limited and efficiencies are sought and where priorities and objectives change, the concept of development may seem off-limits. To respond to these challenges and ensure all employees are confident and capable within their roles, development needs are more pertinent than ever.
- 3.7.18 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.
- 3.7.19 Approaches such as apprenticeship programmes, graduate programmes and supporting Government initiatives such as Get Britain Working demonstrated a forward thinking approach by the Council. 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' and care to work programmes 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.
- 3.7.20 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 2015/16

- 3.8.3 In 2015/16 the Council undertook a wide range of consultation:
- Consultation(s) in relation to the Council's service change proposals.
  - Annual Budget Consultation, including town centre roadshows and a new online budget simulator.
  - Improved engagement with younger people through a number of youth events and the setting up of a Youth Forum.
  - Continued support for engaging with Older People, through an SLA with Age Connect Morgannwg.
  - Supporting the engagement requirements of the SSWB Act.
  - Supported a large range of service consultation, for example, town centres, events, tourism and regeneration.
  - Consulted on the Corporate Plan.
- 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 Senior Leadership Team and/or Cabinet to inform decision making.

- 3.8.5 Increased Partnership working with joint quarterly Public Engagement Group Meetings and further development of the online partnership engagement hub – [www.cwmhafhub.co.uk](http://www.cwmhafhub.co.uk)

#### Public Engagement

- 3.8.6 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 during 2015/16 and they are due to continue in 2016/17.
- 3.8.7 In addition to the public engagement events, the Council launched 'RCT Together' during March 2015 (refer to paragraph 3.3.24). 'RCT Together' forms the Council's new approach to engaging with its residents and communities through multiple channels about how they can work together to explore alternative delivery models, which could help maintain services, facilities and alternative modules of service delivery in the future.
- 3.8.8 Under the Cwm Taf Collaboration Board, partners developed a Joint Public Engagement Strategy with the Strategy underpinned by the National Principles of Public Engagement in Wales.

- 3.8.9 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

- 3.8.10 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 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.
- 4.2 The directors of the companies are responsible for ensuring there are sound governance arrangements including a robust system of internal control.
- 4.3 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.
- 4.4 During 2015/16, there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

### **5. Pension Fund**

- 5.1 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 introduced a number of changes to public service pension schemes, including some significant changes for the governance of such schemes. In accordance with the Act, the Pension Fund appointed a Local Pension Board to assist Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manger' in:
- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
  - Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager.
- 5.3 The Pension Board is made up of two employer representatives and two member representatives.
- 5.4 The Rhondda Cynon Taf Pension Fund was part of the submission for an all Wales Investment Pool in February 2016. The response from the UK Government was positive and the eight contributing Welsh Funds must now submit a more detailed business case by July 2016.

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### Assurance Summary

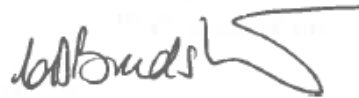
The Council's governance arrangements throughout 2015/16 have helped the delivery of key services to our citizens. The Council's internal quality assurance systems have identified robust systems of control and areas of good practice. They have also identified areas for improvement and strengthening, and the Council is committed to implementing the necessary recommendations.

It is also proposed over the coming year to take steps to address the recommendations made by external regulators and ensure that the recommendations identified within this Annual Governance Statement 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 2015/16 it is concluded that sound governance arrangements are in place, key systems are operating as intended and there are no fundamental weaknesses.



Leader



Chief Executive

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## **Auditor General for Wales' 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 2016 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 2015-16 based on International Financial Reporting Standards (IFRSs)

### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

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 Financial Reporting Council'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 2016 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 2015-16.

### **Opinion on the accounting statements of Rhondda Cynon Taf County Borough Council Group**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Rhondda Cynon Taf county Borough Council Group as at 31 March 2016 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 2015-16.

### **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 2016 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 2015-16.

**Opinion on other matters**

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

**Matters on which I report by exception**

I have nothing to report in respect of the 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 does not reflect compliance with guidance.

**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.

**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.

**Non-Recurring Fair Values**

These relate to assets that are measured at fair value due to particular circumstances. The assets which meet the criteria for assets held for sale are valued at the lower non-recurring value less cost to sell, and its carrying value.

**Operating Leases**

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

**Pooled Budget**

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

**Post Balance Sheet Events**

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

**Precepts**

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

**Prior Year Adjustment**

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

**Projected Unit Method**

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

**Provision**

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

**Public Works Loan Board (PWLB)**

This is a Government agency that provides loans to local authorities for periods between 1 and 50 years.

**Recurring Fair Value**

These relate to assets that are measured at the end of each accounting period, within the rolling programme of valuations.

**Related Party**

A related party exists where there is control or influence by one party over another.

**SeRCOP**

The Service Reporting Code of Practice for Local Authorities 2015/16.

**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.

**CENTRAL SOUTH  
CONSORTIUM  
JOINT EDUCATION SERVICE  
JOINT COMMITTEE**

**DRAFT  
STATEMENT OF ACCOUNTS**

**2015/16**

<b>Contents</b>	<b>Page</b>
Explanatory Foreword	2
Statement of Responsibilities for the Statement of Accounts	7
Certificate of the Group Director - Corporate and Frontline Services	8
Movement in Reserves Statement	9
Comprehensive Income and Expenditure Account	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Core Financial Statements	13
Annual Governance Statement	36
Independent Auditor's Report	47

## Explanatory Foreword

### 1. Introduction

The Central South Consortium Joint Education Service was created on 1<sup>st</sup> September 2012 to provide a range of school improvement services within the local authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

The Consortium is managed and administered by the Central South Consortium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of five members, one from each Local Authority. Rhondda Cynon Taf CBC became the Host Authority upon formation of the Joint Committee.

The information contained in these accounts allows the user to see the nature of the transactions from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 and its financial composition as at that date.

These accounts will present:

- the financial statements legally required and their supporting notes; and
- the accounting policies that have been applied when preparing the accounts.

### 2. Summary of Financial Performance

The table shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016:

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Employees	3,897	3,945	48
Premises	459	585	126
Transport	57	25	(32)
Supplies & Services	449	676	227
Third Party Payments	60	361	301
Support Services	110	90	(20)
	<b>5,032</b>	<b>5,682</b>	<b>650</b>
<b>Income</b>			
Local Authority Contributions	(4,416)	(4,416)	0
Grants & Other Income	(616)	(1,341)	(725)
	<b>(5,032)</b>	<b>(5,757)</b>	<b>(725)</b>
<b>Net Expenditure</b>	<b>0</b>	<b>(75)</b>	<b>(75)</b>

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

- Employees – Includes £100k funding of the £291k redundancy costs relating to the service restructure. See explanatory foreword Note 7 for further explanation of the service restructure.
- Premises – the decision to rent out the middle floor of Ty Dysgu was changed resulting in additional costs higher than budget.
- Transport – Staggered appointments, vacancies and changes in working practices have reduced costs.
- Supplies & Services –
  - Unbudgeted costs incurred in relation to the cost of running courses at the Hubs, offset by income reported below.
- Third Party Payments –
  - Costs of additional responsibilities passed to the consortium including Governor Support.
  - Cost of additional School Improvement work commissioned during the year including “Closing the Gap” and “Regional working”.
  - Commitment for School Improvement activities planned for from 2016-17 earmark reserves.
- Support Services – SLA for support functions received from the Host Authority.
- Income –
  - Increased restaurant and conference centre income due to high volume of conference centre bookings.
  - Additional income not budgeted in respect of the Hubs Courses offsetting expenditure outlined above.

In addition, the following categories of income and expenditure relating to specific grants were processed through the consortium accounts:



	<b>Actual £'000</b>
<b>Expenditure</b>	
Employees	3,271
Premises	39
Transport	41
Supplies & Services	77,226
Third Party Payments	530
	<b>81,107</b>
<b>Income</b>	
Grants & Other Income	(81,107)
<b>Net Expenditure</b>	<b>0</b>

As at 31<sup>st</sup> March 2016, the Central South Consortium held General Reserves of £129k. Movements on reserves are detailed within the Movement in Reserves Statement.

### 3. **Capital Expenditure 2015/16**

No expenditure this financial year.

### 4. **Pensions Assets and Liabilities**

As a result of International Accounting Standard (IAS) 19 "Employee Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the balance sheet date. Please refer to note 18.0 to the Core Financial Statements for further details.

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

	<b>£'000</b>
Net Assets/(Liabilities) excluding Pensions Reserve	366
Net Assets/(Liabilities) as per Balance Sheet	(154)

### 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 and 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 and Frontline Services**

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

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

### **Comprehensive Income and Expenditure Statement**

This statement is prepared to record income and expenditure on an accruals basis. It includes items such as salaries and wages, running costs of the service and income received. The statement is based upon International Financial Reporting Standards (IFRS).

### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows into operating and investing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded from the recipients of services provided.

## **Annual Governance Statement**

This statement sets out the framework within which Rhondda Cynon Taf CBC, as administering authority, manages and reviews internal control. It outlines the main components of the framework, including the arrangements for Internal Audit and how the consortium has complied with the various elements of the framework.

### **6. Grant Funding Changes**

Until 2012/13 the Welsh Government paid education grants directly to the individual authorities. From 2013/14 these grants were paid to the consortium who then allocate the funding to the authorities and schools. These transactions are recognised in the accounts of the Joint Committee from 2013/14 and impact upon:

- Comprehensive Income and Expenditure Statement:  
:
  - Receipt of grant from Welsh Government in 'Grants & Other Income'; and
  - Payment of grant to local authorities in 'Supplies & Services'.
- Balance Sheet:
  - Outstanding receipts due from Welsh Government in Debtors; and
  - Outstanding payments due to local authorities in Creditors.

### **7. Service Restructure**

On its formation the consortium was organised in two distinct units, with the School Improvement Service (SIS) providing the school monitoring functions on behalf of the five Local Authorities, and the Learning & Innovation Network for Schools (LiNKS) offering support services and courses to schools.

Following the publication of the 'National Model for Regional Working' by the Welsh Government in February 2014 the service has been restructured into a single operating unit, effective from the 2015/16 financial year.

The impact on the accounts are as follows:

- General Reserves were previously allocated separately to the SIS and LiNKS units. These have been combined into a single reserve on the 2014/15 balance sheet onwards.

- Redundancy payments totalling £291k were incurred during 2015/16. The Joint Committee has agreed to meet these costs through an annual contribution from the revenue budget until 2022/23.

## **Statement of Responsibilities for the Statement of Accounts Central South Consortium Joint Education Service**

### **The Council's Responsibilities**

The Council is required:

- To make arrangements for the proper administration of the Joint Committee's 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 and Frontline Services.
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

### **The Joint Committee's Responsibilities**

- To approve the accounts.

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

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

### **Interim Chair of Central South Consortium Joint Education Service Joint Committee**

Cllr Huw David  
Bridgend County Borough Council  
Civic Offices  
Angel Street  
Bridgend  
CF31 4WB

## The Group Director - Corporate and Frontline Services' Responsibilities

The Group Director is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the period ended 31<sup>st</sup> March 2016.

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

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

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

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

### Certificate of the Group Director – Corporate and Frontline Services as Treasurer of the Joint Committee

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31<sup>st</sup> March 2016 and its income and expenditure for the period then ended.

Signed: 

Date: 30/6/16

**Christopher D. Lee**

**Group Director – Corporate and Frontline Services**

Bronwydd House

Porth

CF39 9DL

## Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2016

	CSEC General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total CSEC Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	16.1	16.2		17.0	
<b>Balance as at 1<sup>st</sup> April 2015</b>	<b>53</b>	<b>437</b>	<b>490</b>	<b>(1,034)</b>	<b>(544)</b>
<b>Movement in reserves during 2015/16</b>					
Surplus or (deficit) on the provision of services (accounting basis)	(411)	0	(411)	0	(411)
Other comprehensive income and expenditure	0	0	0	801	801
<b>Total comprehensive income and expenditure</b>	<b>(411)</b>	<b>0</b>	<b>(411)</b>	<b>801</b>	<b>390</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>					
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CI&ES	912	0	912	(912)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(563)	0	(563)	563	0
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(17)	0	(17)	17	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	<b>(79)</b>	<b>0</b>	<b>(79)</b>	<b>469</b>	<b>390</b>
Transfers to or from Earmarked Reserves	154	(154)	0	0	0
<b>Increase or (decrease) in the Year</b>	<b>75</b>	<b>(154)</b>	<b>(79)</b>	<b>469</b>	<b>390</b>
<b>Balance as at 31<sup>st</sup> March 2016</b>	<b>128</b>	<b>283</b>	<b>411</b>	<b>(565)</b>	<b>(154)</b>

## Comprehensive Income and Expenditure Statement for the Period ended 31<sup>st</sup> March 2016

Year ended 31/03/15 £'000		Year ended 31/03/16 £'000	Note
	<b>Expenditure</b>		
7,781	Employees	7,525	3.0
556	Premises	624	4.0
88	Transport	67	5.0
64,934	Supplies & Services	77,841	6.0
900	Third Party Payments	890	
109	Support Services	90	
<b>74,368</b>		<b>87,037</b>	
	<b>Income</b>		
(5,178)	Local Authority Contributions	(4,608)	
(68,791)	Grants & Other Income	(82,034)	
<b>(73,969)</b>		<b>(86,642)</b>	7.0
<b>399</b>	<b>Net Cost of Services</b>	<b>395</b>	
0	Interest Receivable and Similar Income	(6)	24.0
2	Interest Payable and Similar Charges	0	24.0
17	Net Interest on Net Defined Liability	22	18.2
<b>418</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>411</b>	
206	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	(801)	18.2
<b>624</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(390)</b>	



## Balance Sheet at 31<sup>st</sup> March 2016

31/03/15 £'000		31/03/16 £'000	Note
662	<b>Long Term Assets</b> Debtors	853	12.0
1	<b>Current Assets</b> Inventories	1	11.0
11,864	Debtors	25,079	13.0
<b>11,865</b>	<b>Total Current Assets</b>	<b>25,080</b>	
(12,099)	<b>Current Liabilities</b> Creditors	(25,567)	14.0
<b>(234)</b>	<b>Net Current Assets</b>	<b>(487)</b>	
<b>428</b>	<b>Total Assets Less Current Liabilities</b>	<b>366</b>	
(972)	<b>Long-Term Liabilities</b> Defined Benefit Pension Scheme Liability	(520)	18.5
<b>(544)</b>	<b>Net Assets/(Liabilities)</b>	<b>(154)</b>	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
53	General Reserves	128	16.1
438	Earmarked Reserves	283	16.2
	<b>Unusable Reserves</b>		
(972)	Pensions Reserve	(520)	18.5
(63)	Short-Term Accumulating Compensated Absence Account	(45)	17.2
<b>(544)</b>	<b>Total Reserves</b>	<b>(154)</b>	

## Cash Flow Statement for the Period ended 31<sup>st</sup> March 2016

Year ended 31/03/15 £'000		Year ended 31/03/16 £'000	Note
	<b>Operating Activities</b>		
	Cash Outflows		
7,815	Cash Paid to and on Behalf of Employees	7,216	
66,959	Other Operating Cash Payments	66,027	
2	Interest Paid	0	
	Cash Inflows		
(78,184)	Cash Received for Goods & Services	(94,399)	
0	Interest Received	(6)	
<b>(3,408)</b>		<b>(21,162)</b>	21.0
<b>(3,408)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(21,162)</b>	21.0
	<b>Analysis of Changes in Cash and Cash Equivalents</b>		
3,314	Balance as at 1 <sup>st</sup> April	(94)	8
(3,408)	Net Cash (Inflows)/Outflows	(21,162)	
<b>(94)</b>	<b>Cash Balance Owed To/(From) Host Authority</b>	<b>(21,256)</b>	

*All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account.*

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2015/16 based on International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP).

### 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

All cash transactions are administered by Rhondda Cynon Taf CBC as Central South Consortium does not operate its own bank account.

### 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 Reserves**

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

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Joint Committee.

#### **1.6 Income**

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

#### **1.7 Cost of Support Services**

The costs of support services have been charged to the Consortium in line with agreed Service Level Agreements.

#### **1.8 Employee Benefits**

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

##### **Pensions**

The Joint Committee participates in two separate pension schemes.

Staff on Teachers Terms & Conditions - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency sets contribution rates on the basis of a notional fund. Whilst this is a defined benefit scheme, the Teachers Pensions Agency is unable to identify the Joint Committee's share of the underlying assets and liabilities and accordingly, the Joint Committee has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations

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

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (3.3% 2014/15).
- The Rhondda Cynon Taf Pension fund is a multi-employer scheme. The assets of the Fund are not formally allocated to any employer within the fund, and are not the legal property of any employer within the Fund. For the purpose of completing the calculations for each triennial valuation of the Fund, the actuary calculates a notional allocation of assets for each employer. The assets of the pension fund notionally attributed to the Joint Committee are included in the Balance Sheet at their fair value:

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

- The change in the net pensions liability is analysed into the following components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked plus administration expenses.
  - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net Interest – interest on the present value of liabilities and interest on the net changes in those liabilities over the period, calculated using the discount rate at the start of the period, offset by interest applied to assets and the net changes in the assets over the period using the discount rate at the start of the period – represented in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

- Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their financial / demographic or experience assumptions – debited or credited to the Pensions Reserve.
- Contributions Paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

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

### **Discretionary Benefits**

The Joint Committee is able to make discretionary awards of retirement benefits in the event of early retirements. Any such liabilities arising are accrued in the year of decision to make the award in line with the LGPS scheme rules.

### **Accumulated Absences**

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

## **1.9 Government Grants and Other Contributions**

Grants and other contributions relating to capital and revenue expenditure shall be accounted for on an accruals basis and recognised

in the Comprehensive Income and Expenditure Statement when there is reasonable assurance that;

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

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

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 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.

## **1.10 Leases**

Whether a lease is a finance or operating lease depends upon the substance of the transaction rather than the legal form. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

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

### **Finance Leases**

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

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

### **Operating Leases**

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

Where the Joint Committee is lessee, lease payments are recognised as an expense in the Comprehensive Income and Expenditure Statement

on a straight-line basis unless another systematic basis is more representative of the benefits received.

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

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

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

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

Two types of events can be identified;

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

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

This Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Joint Committee's Balance Sheet at 31<sup>st</sup> March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **2.1 Pensions Liability**

- Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages,



mortality rates and expected returns on pension fund assets. AON Hewitt is engaged to provide the Joint Committee with advice about the assumptions to be applied.

- The effects on the net pensions liability of changes in individual assumptions can be measured, however the assumptions interact in complex ways.

### 3.0 Officers' Emoluments

2014/15 £'000	Salaries & Wages	2015/16 £'000
4,532	Advisors	5,258
709	Administration	898
237	Management	307
179	Finance Team	200
48	Catering Staff	22
39	Site Staff	54
18	Cleaning Staff	12
620	Agency	93
1,390	Employee Redundancy	291
35	Employee Insurance	35
41	Employee Advertising	28
<b>7,848</b>	<b>Sub Total</b>	<b>7,198</b>
(67)	IAS 19 adjustments	327
<b>7,781</b>	<b>Total</b>	<b>7,525</b>

### 4.0 Premises Costs

2014/15 £'000		2015/16 £'000
277	Rent	322
55	Repair and Maintenance	92
49	Electricity and Gas	37
5	Cleaning Materials	9
170	Rates and Water Charges	164
<b>556</b>	<b>Total</b>	<b>624</b>

### 5.0 Transport

2014/15 £'000		2015/16 £'000
86	Car Allowances	67
2	Vehicle Hire	0
<b>88</b>	<b>Total</b>	<b>67</b>

**6.0 Supplies and Services**

2014/15 £'000		2015/16 £'000
2,586	Office Expenses	1,515
1,525	Consultants Fees	1,076
146	Grants & Subscriptions	1
134	Office Equipment	21
132	Computer Costs	40
48	Catering Costs	27
59	Photocopying	44
4	Subscriptions	1
37	Marketing	19
16	Audit Fees	17
7	Clothing	8
23	Telephones	22
9	Postage	7
255	Training	320
	Grants paid to local authorities & Schools:	
6,302	SEG	0
0	EIG	39,617
23,082	PDG	27,704
27,685	Foundation Phase	0
2,313	Schools Challenge Cymru	5,885
571	Other	1,517
<b>64,934</b>	<b>Total</b>	<b>77,841</b>

**7.0 Income**

2014/15 £'000		2015/16 £'000
	<b>Contributions</b>	
(1,535)	The City of Cardiff Council	(1,571)
(1,236)	Rhondda Cynon Taf CBC	(1,216)
(698)	Bridgend CBC	(692)
(653)	Vale of Glamorgan Council	(650)
(294)	Merthyr Tydfil CBC	(288)
(762)	Redundancy cost funded from annual revenue budget	(191)
<b>(5,178)</b>	<b>Total Contributions</b>	<b>(4,608)</b>
	<b>Other Income</b>	
(813)	School Income	(532)
(154)	Other	(64)
(67,631)	Grants	(81,262)
(193)	Catering	(176)
<b>(68,791)</b>	<b>Total Other Income</b>	<b>(82,034)</b>
<b>(73,969)</b>	<b>Total Income</b>	<b>(86,642)</b>

## 8.0 Related Party Transactions

In accordance with IAS 24, the Joint Committee has a duty to disclose any material transactions with a "related party". This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

All cash transactions are administered by the host authority as the consortium does not operate its own bank account. At 31<sup>st</sup> March 2016 the Council owes the consortium £21,256k relating to these cash transactions (The consortium owed RCT £94k as at 31<sup>st</sup> March 2015). During 2015/16, Central South Consortium was charged £110k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in table below).

The Joint Committee provides advisory and inspection services to the Local Authorities and its Schools within the Consortium. During the year, transactions with related parties arose as follows:

2014/15		Local Authority	2015/16	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
1,993	(1,827)	The City of Cardiff Council	1,821	(1,784)
344	(1,338)	Rhondda Cynon Taf CBC	955	(102)
649	(808)	Bridgend CBC	771	(785)
727	(767)	Vale of Glamorgan Council	1,077	(694)
211	(402)	Merthyr Tydfil CBC	399	357

In addition, the consortium received various grants from the Welsh Government and paid these to the Local Authorities (including their schools) as follows:

2014/15 £'000	Local Authority	2015/16 £'000
21,717	The City of Cardiff Council	28,852
17,207	Rhondda Cynon Taf CBC	18,750
8,993	Bridgend CBC	9,705
7,483	Vale of Glamorgan Council	8,219
4,592	Merthyr Tydfil CBC	5,565

Pension contributions are made to both the Rhondda Cynon Taf CBC Pension Fund and the Teachers Pension Agency, in respect of Joint Committee employees. See notes 18.0 and 19.0 for further information.

Interests of Members of the Joint Committee are maintained in a register held by their own Local Authority. The following organisations are related parties (by virtue of Member interest in them) with whom the Joint Committee has had dealings:

<b>Category of Organisation</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Educational Establishments	90	60

The table above does not include payments to/from the Local Authorities or schools within the consortium. These are included elsewhere within this note.

### **9.0 Audit Fees**

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
16	Wales Audit Office Fees Relating to External Audit	17

### **10.0 Leases**

The Joint Committee uses general office equipment which is financed under the terms of an operating lease. Operating lease rentals paid to lessors in 2015/16 totalled £2k.

There are no long-term lease agreements at the balance sheet date.

The Joint Committee holds no assets on Finance Leases.

### **11.0 Inventories**

Inventories consist of food stock in respect of the Restaurant.

<b>31/03/15 £'000</b>		<b>31/03/16 £'000</b>
<b>2</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>1</b>
48	Purchases	26
(47)	Recognised as an Expense in the Year	(25)
(2)	Written Off	(1)
<b>1</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>1</b>

### **12.0 Long Term Debtors**

In 2015/16 the Joint Committee incurred redundancy costs totalling £291k. These costs have been funded through a £100k contribution from the 2015/16 revenue budget shown under note 13.0 Short Term Debtors and £191k in Long Term Debtors which will be cleared through further annual contributions until 2022/23.

**13.0 Short Term Debtors**

<b>31/03/15 £'000</b>		<b>31/03/16 £'000</b>
96	Host Authority	105
176	Local Authorities and Schools	16
11,536	Central Government Bodies	24,948
59	Other Entities and Individuals	9
<b>11,867</b>		<b>25,078</b>
(3)	Provision for Bad Debt	1
<b>11,864</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>25,079</b>

**14.0 Creditors**

<b>31/03/15 £'000</b>		<b>31/03/16 £'000</b>
(4)	Host Authority	(6)
(11,887)	Local Authorities and Schools	(25,367)
(18)	Central Government Bodies	(130)
(127)	Other	(19)
(63)	Employee Absences Accrual	(45)
<b>(12,099)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>25,567</b>

All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account. The host authority creditor includes the 'cash' balance owed by the Consortium to Rhondda Cynon Taf CBC.

**15.0 Amounts Reported for Resource Allocation Decisions**

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

<b>Service Information for 2015/16</b>				<b>Core Service</b>	<b>Grants</b>	<b>Total</b>
				<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>				<b>(5,757)</b>	<b>(81,107)</b>	<b>(86,864)</b>
<b>Costs</b>						
Employees				3,945	3,270	7,215
Premises				585	39	624
Transport				25	42	67
Supplies & Services				676	77,226	77,902
Third Party Payments				361	530	891
Support Services				90	0	90
<b>Net Controllable Costs</b>				<b>(75)</b>	<b>0</b>	<b>(75)</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						1089
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement						(619)
<b>Net Cost of Services</b>						<b>395</b>
<b>Reconciliation to Subjective 2015/16</b>						
	<b>Service Analysis</b>	<b>Not Reported to Management</b>	<b>Not Included in CI&amp;ES</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, Charges & Other Service Income	(82,448)	216	0	(82,232)	0	(82,232)
Local Authority Contributions	(4,416)	0	0	(4,416)	0	(4,416)
<b>Total Income</b>	<b>(86,864)</b>	<b>216</b>	<b>0</b>	<b>(86,648)</b>	<b>0</b>	<b>(86,648)</b>
Employee Expenses	7,216	873	(563)	7,526	22	7,548
Other Service Expenses	79,573	0	(62)	79,511	0	79,511
Interest Paid	0	0	6	6	(6)	0
<b>Total Operating Expenses</b>	<b>86,789</b>	<b>873</b>	<b>(619)</b>	<b>87,043</b>	<b>16</b>	<b>87,059</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(75)</b>	<b>1,089</b>	<b>(619)</b>	<b>395</b>	<b>16</b>	<b>411</b>

**16.0 Movement on Usable Reserves**

	<b>General Reserves £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2015	53	437	490
Increase/(Decrease)	75	(154)	(79)
<b>Balance as at 31<sup>st</sup> March</b>	<b>128</b>	<b>283</b>	<b>411</b>

**16.1 CSEC General Reserves**

The Fund Balance is a distributable revenue reserve, which consists of the accumulated surpluses of the Consortium's operations.

	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2015	53
Increase/(Decrease) 2015/16	75
<b>Balance as at 31<sup>st</sup> March</b>	<b>128</b>

**16.2 Earmarked Reserves**

This note sets out the amounts set aside from the General Reserves balance in earmarked reserves to provide financing for future expenditure. All earmarked reserves are deemed to be revenue reserves.

	<b>Balance at 31/03/15 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31/03/16 £'000</b>
Revenue Grant Reserves	305	(305)	89	89
Funding for Specific Projects	133	(133)	194	194
<b>Balance as at 31<sup>st</sup> March</b>	<b>438</b>	<b>(438)</b>	<b>283</b>	<b>283</b>

**17.0 Movements on Unusable Reserves**

<b>Reserve</b>	<b>Pension Reserve £'000</b>	<b>Short-Term Acc Comp Absence Account £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2015	(972)	(63)	(1035)
Increase / (Decrease)	452	17	469
<b>Balance as at 31<sup>st</sup> March</b>	<b>(520)</b>	<b>(46)</b>	<b>(566)</b>

**17.1 Pension Reserve**

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as required by IAS 19 "Employee Benefits". See note 18.0 for further information.

**17.2 Short-Term Accumulating Compensated Absences Account**

The Short-Term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on CSEC Reserves from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March 2016.

	<b>2015/16 £'000</b>
<b>Balance as at 1<sup>st</sup> April 2015</b>	<b>(63)</b>
Settlement or cancellation of accrual made at the end of the preceding year	63
Amounts accrued at the end of the current year	(45)
<b>Balance as at 31<sup>st</sup> March</b>	<b>(45)</b>

**18.0 Retirement Benefits – Defined Benefit Schemes****18.1 Participation in Pension Schemes**

As part of their terms and conditions, the employees of Central South Consortium are offered retirement benefits by the Joint Committee. Although these benefits will not be payable until retirement, the Joint Committee has a commitment to make these payments. The liability for these payments needs to be accounted for at the time future entitlement is earned.

The Joint Committee participates in two pension schemes:

- Teachers – Please refer to note 19.0.
- Other employees – The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit salary scheme, meaning that the Joint Committee and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Joint Committees' accounts are defined by IAS 19 "Employee Benefits".

**18.2 Transactions Relating to Post-Employment Benefits**

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Account when earned by employees, rather



than when benefits are actually paid as pensions. However, the charge required to be made to the Comprehensive Income and Expenditure Account is based on the cash payable in the year. The cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been posted in the year:

<b>Comprehensive Income and Expenditure Account</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Cost of Services:</b>		
Current Service Cost	687	815
Past Service Cost	68	75
Settlements and curtailments	0	0
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	17	22
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>772</b>	<b>912</b>
<b>Remeasurement of the Net Defined Benefit Liability Comprising:</b>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(898)	(26)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	0
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	1,126	(736)
Actuarial (Gains) and Losses Arising on Liabilities – Experience	(22)	(39)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>978</b>	<b>111</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	(772)	(912)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
Employers' Contributions Payable to Scheme	822	563

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2016 is a gain of £801k (£206k loss in 2014/15).

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 2016 is a gain of £220k.

The figures above do not include allowance for any membership (or associated assets) relating to members who have joined the employer but have not yet exercised their option to link their past service rights to their current employment.

### **18.3 Reconciliation of Present Value of the Scheme Liabilities**

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Opening balance at 1 <sup>st</sup> April	9,453	10,968
Current Service Cost	687	815
Interest Cost on Defined Obligation	391	363
Contributions by Scheme Participants	268	269
<i>Remeasurement (Gains) and Losses:</i>		
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	0
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	1,126	(736)
Actuarial (Gains) and Losses Arising on Liabilities – Experience	(22)	(39)
Benefits Paid	(1,003)	(192)
Past Service Costs	68	75
Entity combinations	0	0
Curtailments	0	0
Settlements	0	0
<b>Carried Forward at 31<sup>st</sup> March</b>	<b>10,968</b>	<b>11,523</b>

### **18.4 Reconciliation of Fair Value of the Scheme Assets**

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Opening balance at as at 1 <sup>st</sup> April	8,637	9,996
Interest Income	374	341
<i>Remeasurement (Gains) and Losses</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	898	26
Other	0	
Employer Contributions	822	563
Contributions by Scheme Participants	268	269
Benefits paid	(1,003)	(192)
Entity Combinations	0	0
Settlements	0	0
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>9,996</b>	<b>11,003</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 £0.367m (£1.272m gain in 2014/15).

### 18.5 Scheme History

	2014/15 £'000	2015/16 £'000
Present Value of Defined Obligation	(10,968)	(11,523)
Fair Value of Plan Assets	9,996	11,003
<b>Surplus / (Deficit)</b>	<b>(972)</b>	<b>(520)</b>

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £520k 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.

### 18.6 Local Government Pension Scheme Assets

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

	Fair Value of Scheme Assets	
	2014/15 £'000	2015/16 £'000
UK Equities	500,938	509,808
Overseas Equities	1,147,728	1,194,382
UK Fixed Interest Gilts	208,144	195,240
UK Index Linked Gilts	-	-
UK Corporate Bonds	242,101	231,299
Overseas Government Bonds	22,526	27,723
Overseas Corporate Bonds	37,577	25,668
Property	134,011	154,639
Cash and net current assets	95,942	89,719
<b>Total</b>	<b>2,388,967</b>	<b>2,428,478</b>

### 18.7 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. 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 at 31<sup>st</sup> March 2016.

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 principal assumptions used by the actuary have been:

	<b>31/03/15</b>	<b>31/03/16</b>
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	23.0	23.1
Women	25.9	26.0
Longevity at 65 for future pensioners:		
Men	25.2	25.3
Women	28.3	28.4
RPI Inflation	3.0%	2.9%
CPI Inflation	1.9%	1.8%
Rate of Increase in Salaries	3.4%	3.3%
Rate of Increase in Pensions	1.9%	1.8%
Rate for discounting scheme liabilities	3.3%	3.5%
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 analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	<b>Increase in Assumption £'000</b>	<b>Decrease in Assumption £'000</b>
Longevity (Increase or Decrease in 1 Year)	289	(289)
Rate of Increase in Salaries (increase or decrease by 0.1%)	82	(81)
Rate of Increase in Pensions (increase or decrease by 0.1%)	164	(162)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(242)	247

### **18.8 Contributions for the Accounting Period ending 31st March 2017**

The Employer's regular contributions to the Fund for the accounting period ending 31st March 2017 are estimated to be £540k.

### **19.0 Retirement Benefits – Defined Contribution Scheme**

Staff employed on Teachers terms and conditions are members of the Teachers' Pension Scheme. The scheme provides teachers with specified benefits upon their retirement, and the Joint Committee contributes towards the costs by making contributions based upon a percentage of members' pensionable salary.

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

In 2015/16, the Joint Committee paid £74k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. There were no contributions remaining payable at the year-end.

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

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

The financial statements are authorised for issue in accordance with the Accounts and Audit Regulations (Wales) 2005 (as amended). Regulations state the Statement of Accounts shall be authorised for

issue when certified by the Responsible Finance Officer. Certification of unaudited accounts takes place by 30<sup>th</sup> June following financial year-end.

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

Two types of events can be identified;

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

## **21.0 Reconciliation of Comprehensive Income and Expenditure Account to Cash flow**

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
418	(Surplus)/Deficit on the Provision of Services	411
340	(Increase)/Decrease in Creditors	(13,467)
(4,215)	Increase/(Decrease) in Debtors	(7,757)
(1)	Increase/(Decrease) in Inventories	0
50	IAS 19 Transactions	(349)
<b>(3,408)</b>	<b>Cash (Inflow)/Outflow from Revenue Items</b>	<b>(21,162)</b>

## **22.0 Officers' Remuneration**

Under the Accounts and Audit (Wales) Regulations 2010, the Joint Committee must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding pension contributions). The disclosure includes redundancy payments.

During 2015/16, the Consortium paid 103 employees (103 in 2014/15) paying total salaries of £4,225,826 (excluding employer's national insurance and pension contributions) (£5,071,049.35 in 2014/15). Within this, the following salary payments were made within the categories specified:

Remuneration Band	2014/15	2015/16		
	No. of Employees	No. of Employees		
	Total	At 31/03/15	Left in Year	Total
£60,000 - £64,999	3	6	0	6
£65,000 - £69,999	1	0	0	0
£70,000 - £74,999	2	0	0	0
£75,000 - £79,999	0	0	0	0
£80,000 - £84,999	3	1	0	1
£85,000 - £89,999	1	0	0	0
£90,000 - £94,999	3	0	0	0
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	1	1	0	1
£105,000 - £109,999	1	0	0	0
<b>Total</b>	<b>15</b>	<b>8</b>	<b>0</b>	<b>8</b>

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	2015/16				
	Salary £'000	Taxable Benefits in Kind £'000	Total Remuneration £'000	Total Employer's Pension Contributions £'000	Total Remuneration Including Employer's Pension Contributions £'000
Managing Director	97	0	97	14	111
Head of School Improvement	83	0	83	12	95
Business Manager	65	0	65	10	75
Senior Challenge Advisor	61	0	61	10	71

**23.0 Severance Costs**

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Severance Cost	
							£000s	
	14/15	15/16	14/15	15/16	14/15	15/16	14/15	15/16
£0 - £20,000	0	0	2	2	2	2	24	23
£20,001 - £40,000	0	0	6	0	6	0	183	0
£40,001 - £60,000	0	0	2	1	2	1	97	48
£60,001 - £80,000	0	0	5	0	5	0	333	0
£80,001 - £100,000	0	0	1	1	1	1	82	96
£100,001 - £150,000	0	0	4	1	4	1	473	124
£150,001 - £200,000	0	0	1	0	1	0	198	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>5</b>	<b>21</b>	<b>5</b>	<b>1,390</b>	<b>291</b>

**24.0 Interest**

Interest is paid daily on the personal account balance due to/from Rhondda Cynon Taf CBC.

2014/15 £'000	2014/15 Interest rate %		2015/16 £'000	2015/16 Interest rate %
2	0.26	Interest on Personal Account Balance	(6)	0.27
<b>2</b>			<b>(6)</b>	



## RHONDDA CYNON TAF

### CENTRAL SOUTH CONSORTIUM - ANNUAL GOVERNANCE STATEMENT 2015/16

<b>1.</b>	<b>Scope of Responsibility</b>
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1.1 The Central South Consortium is a Joint Education Service commissioned by five Local Authorities namely:

- Bridgend CBC;
- Cardiff CC;
- Merthyr Tydfil CBC;
- Rhondda Cynon Taf CBC; and
- Vale of Glamorgan CBC.

The responsibilities of the Central South Consortium combined, cover the needs of 401 schools and approximately 146,500 pupils in the region.

1.2 In January 2014, the Central South Wales Challenge was launched with the aim of raising standards across all schools within the Region and to stimulate the sharing of expertise amongst schools and joint efforts to innovate to:

- Improve the performance of every school;
- Increase the numbers of good and excellent schools;
- Reduce the gap between high and low performing groups of learners; and
- Improve outcomes for vulnerable groups of pupils.

Subsequently the Central South Wales Challenge has developed and is summarised by the following strategies:

- School Improvement Groups (SIGs);
- Pathfinder Programme;
- Hubs and Pioneer Schools Programme; and
- Leadership & Peer Enquiry.

1.3 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business and that of the Joint Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and is used economically, efficiently and effectively.

1.4 Rhondda Cynon Taf County Borough Council and the Central South Consortium have several policies and processes that are consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

- 1.5 This Annual Governance Statement explains how the Central South Consortium has complied with the various elements of the framework.

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<b>2.</b>	<b>The purpose of the governance framework</b>
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- 2.1 The governance framework comprises the systems, processes and cultural values by which an organisation is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables an organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for the Central South Consortium for the period covering 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016.

<b>3.</b>	<b>The Governance Framework</b>
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- 3.1 The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance:-
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of members and officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 This Governance Statement has used these principles to demonstrate how the overall governance arrangements at the Central South Consortium for the period covering 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 are deemed to be satisfactory. The Governance Statement does not

document policies, procedures and working practices under each of the six principles, but instead provides an overview of the governance and internal control processes and systems.

### 3.3 Legal Agreement

On the 20<sup>th</sup> April 2015 all parties entered into and signed a revised legal agreement which superseded all previous legal agreements between the Partners. This agreement consolidated the legal arrangements relevant to the Central South Consortium into one Agreement. From this point forward within the Annual Governance Statement, reference will be made to the 'Legal Agreement'.

3.4 The Legal Agreement for the Joint Education Service<sup>1</sup> provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:

- The Host Authority;
- The Directors' Steering Group;
- The Advisory Board;
- Operational Management Group;
- Central South Consortium Joint Committee; and
- Financial Management.

### 3.5 The Host Authority

The Legal Agreement formally assigns Rhondda Cynon Taf County Borough Council as the Host Authority for the Central South Consortium. Rhondda Cynon Taf County Borough Council provides all support services (save for the day to day administration undertaken by staff in accordance with their duties) required, including but not limited to:

- Financial (Section 151 Officer as defined by section 151 of the Local Government Act 1972, Accounts, Payroll, Creditors, Debtors, Insurance);
- Human Resources;
- Health & Safety;
- Legal;
- ICT;
- Estates;
- PR/Marketing;
- Information Management;
- Internal Audit; and
- Procurement.

The costs of which are charged to the CSC Joint Education Committee through Service Level Agreements.

3.6 The Constitution of Rhondda Cynon Taf County Borough Council,

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<sup>1</sup> Joint Education Service i.e. the Central South Consortium Joint Education Service

which has the financial stewardship of the Central South Consortium, allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedure. All functions undertaken by the Central South Consortium should be done so in accordance with all relevant Policies and Procedure Rules of Rhondda Cynon Taf County Borough Council.

### 3.7 Member Conduct

Members of the Joint Education Committee are governed by the Code of Conduct of their relevant Council.

3.8 The Public Service Ombudsman and the relevant Council's Standards Committee investigate allegations of misconduct by Members and monitor the conduct of Members.

### 3.9 Officer Conduct

To ensure a consistent approach to working practices and processes, all officers are subject to the terms and conditions of employment (which are based on Rhondda Cynon Taf County Borough Council's operating terms and conditions) as follows:

- Staff appointed to undertake responsibilities on behalf of the Central South Consortium since October 2012, are employed / contracted on the standard terms and conditions of employment of the Host.
- Staff appointed who were previously employed by any of the five partner local authorities prior to October 2012, were upon appointment transferred onto the standard terms and conditions of the Host or if matched to a role, given the option if they so wished to retain the terms and conditions of their home authority.

Regardless of which terms and conditions officers are employed upon, all officers are subject to a common set of operating Employment Policies based on the Host's operating policies and procedures.

### 3.10 **The Advisory Board**

The purpose of the Advisory Board is to support the Managing Director in ensuring that the strategies of the Central South Consortium align themselves with the needs of all Parties to raise educational standards.

3.11 The membership, decision making process, meetings and the terms of reference for the Advisory Board are documented within Schedule 2 of each Legal Agreement.

3.12 **Directors' Steering Group** –The Directors' Steering Group comprises the Directors of Education from each of the five local authorities

comprising the Central South Consortium. This group is responsible for delegated decision making on behalf of each local authority.

- 3.13 The membership, decision making process, meetings and the terms of reference for the Director's Steering Group are documented within Schedule 2 of each Legal Agreement.

3.14 **Joint Education Service:  
Operational Management Group**

The Operational Group comprises each Party's respective Head of School Improvement and Senior Challenge Advisers. Senior officers with strategic responsibilities are also part of the operational group. The objective of the group is to deliver school improvement activities with the aim of raising educational standards.

- 3.15 The membership, decision making process, meetings and the terms of reference for the Operational Group are documented within Schedule 3 of the Legal Agreement.

3.16 **Central South Consortium Joint Education Committee**

The Central South Consortium Joint Education Committee (hereinafter called the 'Joint Education Committee') comprises of one elected Member from each Council and one officer representative with responsibility for Education from each Council.

The Joint Education Committee has the powers of each Council with reference to the provision of a Joint Education Service and its performance as set out in the Legal Agreement and guided by the Welsh Government's 'National Model for Regional working'.

The purpose of the Joint Education Committee is to be responsible for the decision making, approval of the business plan, monitoring and accountability and financial reporting of the Central South Consortium arrangements in line with its own business plan.

The membership, decision making process, meetings and the terms of reference for the Joint Education Committee are documented within Schedule 4 of the Legal Agreement.

3.17 **Financial Management**

Schedule 5 of the Legal Agreement provides the framework within which the finances of the Joint Education Service operate. The Financial Protocol provides the financial framework and relationship between the Parties (the Councils), the Host and the Central South Consortium. The following areas of business are documented in the Legal Agreement:

- General principles;

- Contributions and charging mechanisms;
  - Payment arrangements;
  - Budgetary control & monitoring;
  - Capital Expenditure & long term contracts;
  - Annual Accounts & Audit; and
  - Financial insolvency.
- 3.18 The Legal Agreement requires the Joint Education Committee to hold at least termly meetings throughout the year. Standard agenda items include a report from the Treasurer.
- 3.19 Rhondda Cynon Taf County Borough Council's Financial Procedure Rules provides guidance in relation to all financial matters. The Central South Consortium has adopted Rhondda Cynon Taf's Financial & Contract Procedure Rules – as confirmed in Section 17 (Schedule 4) of the Legal Agreement:

**"Rules and Procedure**

*For the avoidance of doubt the Central South Consortium Joint Education Committee shall, where relevant and subject to the provisions of this Agreement, operate in accordance with the Host's schemes of delegation, Rules of Procedure and policies from time to time."*

- 3.20 The Wales Audit Office audits the Central South Consortium's annual statement of accounts.
- 3.21 The Central South Consortium's financial and operational performance is monitored and scrutinised by the Joint Committee.

The Joint Committee receives reports from:

- The Treasurer; and
- The Managing Director.

In addition to these regular reports, the Joint Committee also receives ad-hoc reports relevant to the operation of the organisation.

## Review of Effectiveness

- 4.1 The Central South Consortium has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and the Managing Director of the Central South Consortium who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The requirement to undertake an annual review also extends to Joint Ventures where this Central South Consortium has lead responsibility.
- 4.2 **Report of the Managing Director**  
Since the inception of the organisation the Managing Director (or designated representative) provided members of the Joint Education Committee with updates on performance and statistical information.
- 4.3 In addition to these 'standard' agenda items, issues specific to the operational running of the organisation were also reported to the Joint Education Committee.
- 4.4 In the self evaluation report, the Head of School Improvement reflected upon the performance and delivery of the service during 2015/16 and concluded that;

In 2014-2015, there were improvements in each local authority and for the consortium as a whole in the Foundation Phase and at each key stage. In each case, the increases were again greater for more able pupils as performance at above the expected outcome/ level improved more than the performance at the expected outcome/ level.

Taking the last three years as whole, rates of improvement have been between 1% and 2% greater than for Wales at outcomes 5/6 and level 4/ 5 and level 5/6+. Performance is now close to, or above, the Welsh averages in all indicators at these three phases/ key stages.

At key stage 4 data for 2014-2015 indicate improvement against most main indicators for the region and in each local authority. There has been improvement for each of the last three years but at a much more substantial rate in the last two years. Performance against the level 2+ threshold is now above the Welsh average for the first time but improvement in other aspects such as the level 1 threshold and in the outcomes achieved by e-FSM pupils at key stage 4 is too slow. There is a significant reduction in the number of schools where less than 40% and less than 50% of pupils achieve the level 2+ threshold. However, the region has not yet achieved its ambition of reducing this to zero



(40% or less).

In order to realise our ambition for 2018, we will focus on three improvement priorities in 2016 - 2017:

- Raising standards particularly in literacy / Welsh / English, numeracy / mathematics and improving the outcomes of vulnerable learners fastest;
- Improving the capacity of the system to be self improving; and
- Further developing the Central South Consortium to be a high performing organisation.

## **Financial Management**

4.5 During 2015/16 the Joint Education Committee received regular finance reports from the Treasurer.

4.6 During 2015/16 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

### **4.7 Joint Education Committee**

During 2015/16 the Joint Committee received regular finance reports from the Treasurer and also regular performance reports from the Managing Director. The Joint Committee also received reports relevant to the operation and governance of the organisation.

### **4.8 Internal Audit**

During 2015/16 Internal Audit reviewed the core financial systems of the Central South Consortium Joint Education Service and concluded there to be no material weaknesses. Internal Audit also reviewed the reports provided to the Joint Education Committee and the Legal Agreement (which incorporates the Terms of Reference for the Executive Board, Operational Management Group, Board of Management and the Joint Education Committee).

### **4.9 External Audit**

The 2014/15 statement of accounts were audited by the WAO and approved at the meeting of the Joint Committee on 14<sup>th</sup> September 2015.

Estyn Inspection

- 4.10 During 2015/16 Estyn inspected the Central South Consortium. Key findings from a governance perspective were:

***Leadership: Good***

*Strategic leadership and management in the consortium are strong. Senior leaders in the five local authorities and the senior management team in the consortium have a clear shared strategic vision for the regional school improvement service. These elected members and officers have worked effectively together to develop this strategic vision and to put in place the appropriate governance structure to drive this forward.*

*The consortium's governance structure is set out clearly in the recently revised legal agreement, which takes good account of the Welsh Government's guidance on implementing the National Model for School Improvement. This agreement confirms that the consortium is a jointly provided school improvement service and establishes an effective framework that allocates governance responsibilities and accountability to a joint committee, an advisory board, strategic and operational management groups and a host authority.*

*This agreement directs appropriate representation from each local authority at lead director, chief executive, and lead member levels. Every local authority is represented, and responsibilities are distributed between the five local authorities with key posts rotating periodically. All of the five local authorities engage with the governance structure well and have taken up their allotted representative posts and duties.*

## Significant Governance Issues

- 5.1 **Definition of Governance:** A series of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.
- 5.2 **Definition of a Significant Governance Issue:**  
A specific area of the Organisation's work that requires Senior Management attention to ensure that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, to support improved outcomes for local people.
- 5.3 There were no significant governance issues raised during 2015/16.

### Certification of Annual Governance Statement

Chair of Joint Committee



Managing Director of Central South Consortium



Rhondda Cynon Taf County Borough Council's Section 151 Officer



## **Auditor General for Wales report to the Members of Central South Consortium Joint Education Committee**

I have audited the accounting statements and related notes of the Central South Consortium Joint Education Service Joint Committee for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

The Central South Consortium Joint Education Service Joint Committee accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7 the responsible financial officer is responsible for the preparation of the statement of accounts of The Central South Consortium Joint Education Service Joint Committee, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Central South Consortium Joint Education Service Joint Committee'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 what 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 Central South Consortium Joint Education Service Joint Committee**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Central South Consortium Joint Education Service Joint Committee as at 31 March 2016 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 2015-16.

### **Opinion on other matters**

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

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

I have nothing to report in respect of the 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;
- I have not received all the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with guidance.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of the Central South Consortium Joint Education Service Joint Committee 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  
30 June 2016**

**Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ**

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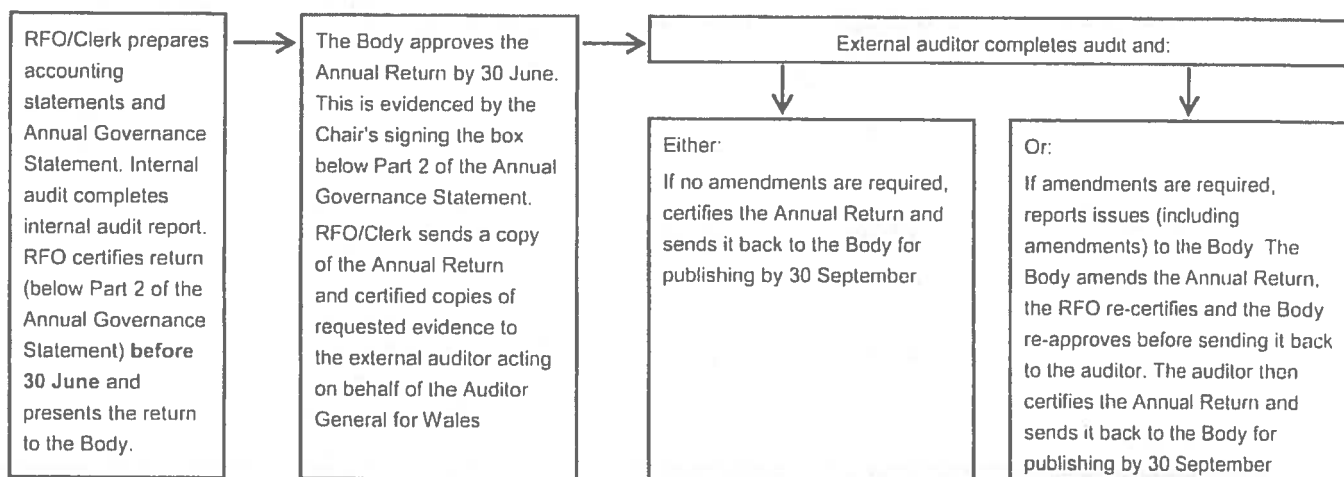


## Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2016

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners' Guide** (the Practitioners' Guide). The Practitioners' Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

### The accounts and audit process

The accounts and audit arrangements follow the process as set out below.



Please complete all sections highlighted in red. Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. **Please note that copies of all documents provided for the purposes of the audit must be certified as true copies of the originals by the Clerk and Chair.** Unless requested, please do not send any original financial or other records to the external auditor.

Bodies should note the changes to the Annual Governance Statement. This is to be completed in full by all Bodies.

Audited and certified returns are sent back to the Body for publication or display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

### Completion checklist

'No' answers mean that you may not have met requirements		Done?	
		Yes	No
<b>Initial submission to the external auditor</b>			
<b>Accounts</b>	Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2016?		
	Do the accounts add up and does the balance carried forward from last year equal the opening balance this year?	✓	
	Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year?	✓	
	Does the bank reconciliation as at 31 March 2016 agree to line 9?	✓	
<b>All sections</b>	Have all red boxes been completed and explanations provided where needed?	✓	
	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.	✓	
<b>Supporting evidence</b>	Have all items and pages of supporting evidence provided to the audit been certified as a true copy of the original by the Clerk and Chair?	✓	

## Accounting statements 2015-16 for:

Name of body: **Llwydcoed Crematorium Joint Committee**

	Year ending		Notes and guidance for compilers
	31 March 2015 (£)	31 March 2016 (£)	

Please round all figures to nearest £.  
Do not leave any boxes blank and report £0 or nil balances.  
All figures must agree to the underlying financial records for the relevant year.

### Statement of income and expenditure/receipts and payments

1. Balances brought forward	1,383,023	1,479,506	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	0	0	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	863,960	196,327	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-216,200	-155,724	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	-551,277	-1,310,331	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	1,479,506	809,778	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).

### Statement of balances

8. (+) Debtors and stock balances	74,709	53,823	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body and stock balances held at the year-end.				
9. (+) Total cash and investments	1,438,222	1,013,273	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.				
10. (-) Creditors	-32,795	-257,318	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.				
11. (=) Balances carried forward	1,479,506	809,778	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).				
12. Total fixed assets and long-term assets	1,049,437	1,997,497	The original asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.				
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).				
14. Trust funds disclosure note	Yes	No	N/A	Yes	No	N/A	The Body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).
			✓			✓	



## Annual Governance Statement (Part 1)

We acknowledge as the members of the Council/Board/Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2016, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No*		
1. We have approved the accounting statements which have been prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and proper practices.	✓		Prepared its accounting statements in the way prescribed by law.	6, 12
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	✓		Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Council/Board/Committee to conduct its business or on its finances.	✓		Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so	6
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	✓		Has given all persons interested the opportunity to inspect and to ask questions about the Body's accounts	6, 23
5. We have carried out an assessment of the risks facing the Council/Board/Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required	✓		Considered the financial and other risks it faces in the operation of the Body and has dealt with them properly.	6, 9
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	✓		Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the Body.	6, 8
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council/Board/Committee and, where appropriate, have included them on the accounting statements.	✓		Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	✓		Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23
9. Trust funds – in our capacity as trustee, we have:	Yes	No	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6
<ul style="list-style-type: none"> <li>Discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit.</li> </ul>		N/A		

\* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

## Annual Governance Statement (Part 2)

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No*		
1. We calculated and approved the Council/Board/Committee's budget requirement for the 2015-16 financial year in accordance the Local Government Finance Act 1992 and proper practices [and issued the precept in accordance with Sections 39 to 42 of the Local Government Finance Act 1992.]*	✓		Properly planned its financial activities for the year and set a budget in accordance with statutory requirements.	13
2. We have received detailed financial reports setting out the [income and expenditure* receipts and payments*] and a summary of the Council/Board/Committee's financial position on a regular [monthly* / quarterly*] basis throughout the year.	✓		Effectively monitored its financial position, income and expenditure against that budget throughout the financial year.	13
3. We have ensured that the Council/Board/Committee's internal audit is independent of its day-to-day decision-making process and maintenance of the accounting records and have agreed appropriate terms of reference for the internal audit.	✓		Ensured that its internal audit function is able to undertake its work without potential conflicts of interest and with sufficient scope to provide an adequate and effective service.	8


\* Please delete as appropriate.

### Council/Board/Committee approval and certification

The Council/Board/Committee is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

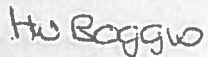
#### Certification by the RFO

I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2016.

RFO signature:   
 Name: CHRISTOPHER LEE  
 Date: 23/6/16

#### Approval by the Council/Board/Committee




I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:

22/7/16  
 Chair signature:   
 Name: HELGO BOGGIS  
 Date: 22/7/16

### Council/Board/Committee re-approval and re-certification (only required if the annual return has been amended at audit)





#### Certification by the RFO

I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2016.

RFO signature:   
 Name:   
 Date: 

#### Approval by the Council/Board/Committee

I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:

  
 Chair signature:   
 Name:   
 Date: 

## Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2016 of:

### External auditor's report

[Except for the matters reported below]\* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]\* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated \_\_\_\_\_.]

### Other matters and recommendations

On the basis of our review, we draw the Body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the Body.

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

\* Delete as appropriate

## Annual internal audit report to:

Name of body: *insert name of body* **Llwydcoed Crematorium Joint Committee**

The Council/Board/Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2016.

The internal audit has been carried out in accordance with the Council/Board/Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council/Board/Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	✓				Detailed internal audit report presented to body
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	✓				Detailed internal audit report presented to body
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓				Detailed internal audit report presented to body
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.				✓	Central function and regular treasurer reports reported Joint Committee
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	✓				Detailed internal audit report presented to body
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.			✓		Llwydcoed Crematorium does not operate a petty cash account
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.				✓	Central function administered by Council's payroll service
8. Asset and investment registers were complete, accurate, and properly maintained.				✓	Central function

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.				✓	Central function
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.				✓	Central function
11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee			✓		

For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
12.					
13.					
14.					

\* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\* If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

[My detailed findings and recommendations which I draw to the attention of the Council/Board/Committee are included in my detailed report to the Council/Board/Committee dated 25/9/2015.] \* Delete if no report prepared.

**Internal audit confirmation**

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2014-15 and 2015-16. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: MARC CRUMBIE  
 Signature of person who carried out the internal audit: [Signature]  
 Date: 17/06/2016

## Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange ([www.audit.wales/good-practice/finance/community-council-money](http://www.audit.wales/good-practice/finance/community-council-money)) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs.
4. **There are now two boxes for certification and approval by the Body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2015) equals the balance brought forward in the current year (line 1 of 2016). Explain any differences between the 2015 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers all your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Council holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in section 1. More help on bank reconciliation is available in the Practitioners' Guide\*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

## Section 5 – Financial reporting and regulatory matters

### Compliance with the law and regulations governing local authorities

Changes in legislation occur regularly within the sector and it is imperative that the authority establishes a mechanism to ensure that its audit committee members are aware of relevant topical legal issues.

To keep the audit committee up to date, it is worth considering including the following on the audit committee's agenda:

- an update of relevant circulars and correspondence from government departments etc
- relevant minutes and papers from council meetings (these are especially helpful for co-opted members)
- relevant reports from the Audit Commission, National Audit Office and other relevant regulators

### Financial Statements

The Audit Committee should review the Financial Statements before submission to the full Council, focusing particularly on:

- the outcome of reviews of the effectiveness of the internal control arrangements including internal audit
- the wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee
- changes in, and compliance with, accounting policies and practices
- unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit
- any relevant issues raised in the external auditor's report to those charged with governance

The Committee should also ensure that the systems for financial reporting to the full Council, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the full Council and its committees.

The timetable for preparing the financial statements is normally tight. If the audit committee is to play an effective role in the process, it needs to hold a meeting before the financial statements are formally approved. The role of the audit

committee in the approval, and the purpose of the meeting should be made absolutely clear. If there are any delays in preparing and auditing the financial statements the audit committee should find out why, as they may be due to underlying problems within the finance department or audit process.

However, the audit committee needs to ensure it does not become involved in any details that should be dealt with more properly by the director of finance, designated office holder or other relevant committee.

**QUESTIONS FOR AUDIT COMMITTEE MEMBERS – REVIEW OF THE FINANCIAL STATEMENTS**

- Which significant items in the accounts are based on accounting estimates? Which accounting policies followed by the authority required an element of judgment in their application? How does the approach taken this year to these items and policies compare with the previous year?
- Have there been any developments in accounting standards or generally accepted accounting practice of relevance to the authority since the audit committee last reviewed the authority's accounting policies and practices?
- Do the financial statements satisfy all statutory and other regulatory disclosure requirements to which the authority is subject?



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www.audit.wales / www.archwilio.cymru

Christopher D. Lee  
Director of Finance  
RCTCBC,  
Bronwydd House,  
Porth,  
CF39 9DL

Reference	MJ RCT 1516
Date	4 <sup>th</sup> August 2016
Pages	1 of 21

Dear Chris,

### **RCTCBC 2015/16 - Audit enquiries to those charged with governance and management**

In my 2016 Audit Plan I note that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. I also set out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the management of the RCTCBC (the Council) and 'those charged with governance' (the Full Council).

I have set out below the areas of governance on which I am seeking views.

1. Management processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in the organisation;
  - communication to employees of views on business practice and ethical behaviour; and
  - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.

3. How management gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2015-16 financial statements.

I would be grateful if you could complete the attached table in [Appendix 1](#). For information purposes this table also includes the responses provided in 2014-15.

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance by 9 September 2016. In the meantime, if you have queries, please contact Mike Jones on 07879 848673 or by e-mail at [mike.jones@audit.wales](mailto:mike.jones@audit.wales)

Yours sincerely

John Herniman  
Engagement Director

cc R.Hull, Audit Committee Chair, RCTCBC

**Appendix 1**

**International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements**

**Background**

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’, which for RCTCBC (the Council) is the Full Council. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Full Council exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA?

The ISA views fraud as either:

- the intentional misappropriation of the UHB’s assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

**What are we required to do?**

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and the Full Council:

Enquiries of management		
Question	2014-15 Response	2015-16 Response
1. What is management’s assessment of the risk that the financial statements	Good governance flows from a shared ethos and culture, as well as from systems and structures. As a public body,	Good governance flows from a shared ethos and culture, as well

Enquiries of management		
Question	2014-15 Response	2015-16 Response
<p>may be materially misstated due to fraud and what are the principal reasons?</p>	<p>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.</p> <p>The Council has a series of codes, protocols and policies in place including:</p> <p><b>Codes and Protocols</b></p> <ul style="list-style-type: none"> <li>• Members' Code of Conduct</li> <li>• Protocol Standard of Conduct expected by members</li> <li>• Officers' – 'Basic Rules' Booklet</li> <li>• Protocol for Member/Officer Relations</li> </ul> <p><b>Policies &amp; Procedures</b></p> <ul style="list-style-type: none"> <li>• Financial Procedure Rules</li> <li>• Contract Procedure Rules</li> <li>• Financial Management of Schools</li> <li>• Human Resources policies</li> <li>• Anti-Fraud, Bribery &amp; Corruption Policy and Procedure</li> <li>• Whistleblowing Policy</li> <li>• Gifts and Hospitality Policy</li> </ul>	<p>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.</p> <p>The Council has a series of codes, protocols and policies in place including:</p> <p><b>Codes and Protocols</b></p> <ul style="list-style-type: none"> <li>• Members' Code of Conduct</li> <li>• Protocol Standard of Conduct expected by members</li> <li>• Officers' – 'Basic Rules' Booklet</li> <li>• Protocol for Member/Officer Relations</li> </ul> <p><b>Policies &amp; Procedures</b></p> <ul style="list-style-type: none"> <li>• Financial Procedure Rules</li> </ul>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
	<p>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.</p> <p>Taking all of the above into account, our assessment of the risk of fraud arising and having a material impact on the financial statements is considered to be low.</p>	<ul style="list-style-type: none"> <li>• Contract Procedure Rules</li> <li>• Financial Management of Schools</li> <li>• Human Resources policies</li> <li>• Anti-Fraud, Bribery &amp; Corruption Policy and Procedure</li> <li>• Whistleblowing Policy</li> <li>• Gifts and Hospitality Policy</li> </ul> <p>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.</p> <p>Taking all of the above into account, our assessment of the risk of fraud arising and having a material impact on the financial statements is considered to be low.</p>
2. How can management assure the Full Council that	As above, a comprehensive suite of policies and	As above, a comprehensive

Enquiries of management		
Question	2014-15 Response	2015-16 Response
<p>it has not been inappropriately influenced by external pressures?</p>	<p>procedures is in place.</p> <p>Management put controls in place to manage risks (fraud and compliance with regulations &amp; laws being amongst them).</p> <p>Internal Audit undertakes a programme of work that covers as much of the Council's overall control environment as far as possible to test compliance that controls are in place to manage risks. The results of Internal Audit's work are reported to the Council's Audit Committee.</p> <p>No instances of fraud/bribery and or corruption were identified during 2014/15 that have a material impact on the financial statements.</p>	<p>suite of policies and procedures is in place.</p> <p>Management put controls in place to manage risks (fraud and compliance with regulations &amp; laws being amongst them).</p> <p>Internal Audit undertakes a programme of work that covers as much of the Council's overall control environment as far as possible to test compliance that controls are in place to manage risks. The results of Internal Audit's work are reported to the Council's Audit Committee.</p> <p>No instances of fraud/bribery and or corruption were identified during 2015/16 that have a material impact on the financial</p>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
		statements.  There were no Chief Officer Related Party transactions during 2015/16.
3. Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?	<p>Yes, management are acutely aware of budgetary pressures. This is evident in Budget Setting papers, as below.</p> <p><u>Revenue:</u></p> <p>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.</p> <p><a href="http://www.rctcbc.gov.uk/en/councildemocracyelections/councillorscommittees/meetings/council/2015/">http://www.rctcbc.gov.uk/en/councildemocracyelections/councillorscommittees/meetings/council/2015/</a></p>	<p>Yes, management are acutely aware of budgetary pressures. This is evident in Budget Setting papers, as below.</p> <p><u>Revenue:</u></p> <p>Given the continuing financial pressures the Council is working under 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</p>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
	<p><a href="http://www.rctcbc.gov.uk/03/04/reports/item7-revenuebudgetstrategy201516.pdf">03/04/reports/item7-revenuebudgetstrategy201516.pdf</a></p> <p><u>Capital:</u></p> <p>Notwithstanding the reductions in WG capital support, we have been able to maintain our core programme at the same level as 2014/15 (£15.934M) albeit with the recognition that to do so over the course of the current 3 year programme could result in a potential shortfall in resources of approx £1.9M given current capital receipt projections. At this stage and given the uncertainties, it is proposed to maintain the core programme at the existing level with the requirement for us to firmly review and challenge any commitments made into years two and three, to robustly monitor capital receipt projections and to position ourselves to respond as greater certainty emerges.</p> <p><a href="http://www.rctcbc.gov.uk/en/councildemocracy/democracyelections/councillorscommittees/meetings/council/2015/03/25/reports/agendaitem9councilthreeyearcapitalprogramme(reportandappendices).pdf">http://www.rctcbc.gov.uk/en/councildemocracy/democracyelections/councillorscommittees/meetings/council/2015/03/25/reports/agendaitem9councilthreeyearcapitalprogramme(reportandappendices).pdf</a></p> <p><u>Regular reporting:</u></p>	<p>financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward.</p> <p><a href="http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2016/02/24/Reports/AgendaItem8CouncilBudgetStrategyReportAppendices.pdf">http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2016/02/24/Reports/AgendaItem8CouncilBudgetStrategyReportAppendices.pdf</a></p> <p><u>Capital:</u></p> <p>Notwithstanding the reductions in WG capital support, we have been able to maintain our core programme at the same level as 2015/16 (£15.934M) albeit with the recognition that to do so over the course of the current 3 year programme could result in a potential shortfall in resources of approx £0.592M given current capital receipt projections. At this stage and given the uncertainties, it is proposed to maintain the core programme at</p>



Enquiries of management		
Question	2014-15 Response	2015-16 Response
	<p>Regular performance reports are also reported and identify exceptions, all of which are subject to scrutiny.</p> <p>The Group Director – Corporate and Frontline Services, updates the Council’s Senior Management Teams with latest estimates for Medium Term Financial Plans.</p>	<p>the existing level with the requirement for us to continue to review and challenge any commitments made into years two and three, to robustly monitor capital receipt projections and to position ourselves to respond as greater certainty emerges.</p> <p><a href="http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2016/03/23/Reports/11.3YearCapitalProgramme.pdf">http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2016/03/23/Reports/11.3YearCapitalProgramme.pdf</a></p> <p><u>Regular reporting:</u></p> <p>Regular performance reports are also reported and identify exceptions, all of which are subject to scrutiny.</p> <p>The Group Director – Corporate and Frontline Services, provides the Council’s Senior Leadership Team with Medium Term Financial Planning up dates.</p>

**Enquiries of management**

Question	2014-15 Response	2015-16 Response
<p>4. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>The Council has a number of governance arrangements in place that help in the prevention and detection of fraudulent and/or improper activities. These include:</p> <ul style="list-style-type: none"> <li>• Financial &amp; Contract Procedure Rules</li> <li>• Systems of Internal Control</li> <li>• Recruitment Policies</li> <li>• Whistleblowing Policies for staff and also contractors to use if and when required.</li> <li>• Local procedures within departments</li> <li>• An independent Internal Audit Service</li> <li>• A Benefit Fraud Service</li> <li>• Combining with Others to Prevent and Fight Fraud                             <ul style="list-style-type: none"> <li>○ Participation in the National Fraud Initiative for example</li> </ul> </li> </ul> <p>The Anti-Fraud, Bribery &amp; Corruption Policy and Procedure provides a clear path for raising concerns and facilitating ‘tip-offs’, and the fraud response arrangements outlined enables such information or allegations to be properly dealt with.</p> <p>The Council's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.</p>	<p>The Council has a number of governance arrangements in place that help in the prevention and detection of fraudulent and/or improper activities. These include:</p> <ul style="list-style-type: none"> <li>• Financial &amp; Contract Procedure Rules</li> <li>• Systems of Internal Control</li> <li>• Recruitment Policies</li> <li>• Whistleblowing Policies for staff and also contractors to use if and when required.</li> <li>• Local procedures within departments</li> <li>• An independent Internal Audit Service</li> <li>• A Benefit Fraud Service</li> <li>• Combining with Others to Prevent and Fight Fraud                             <ul style="list-style-type: none"> <li>○ Participation in the National Fraud Initiative for example</li> </ul> </li> </ul>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
	<p>Given the governance arrangements in place, management can give assurance that there are no material misstatements.</p>	<p>The Anti-Fraud, Bribery &amp; Corruption Policy and Procedure provides a clear path for raising concerns and facilitating 'tip-offs', and the fraud response arrangements outlined enables such information or allegations to be properly dealt with.</p> <p>The Council's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.</p> <p>Given the governance arrangements in place, management can give assurance that there are no material misstatements.</p>
<p>5. How has management communicated expectations of ethical</p>	<p><u>Terms and conditions of elected councillors and officers</u></p>	

Enquiries of management		
Question	2014-15 Response	2015-16 Response
<p>governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>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 <a href="#">Schedule of Members Remuneration 2014/15</a> is available on the Council's Internet site.</p> <p>When each Councillor signed their declaration of acceptance of Office they also agreed to be bound by the Members' Code of Conduct, within Part 5 of the Constitution.</p> <p>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.</p> <p><u>Defined standards of behaviour for officers</u></p> <p>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.</p> <p>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</p>	<p><u>Terms and conditions of elected councillors and officers</u></p> <p>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 for 2015/16 is available on the Council's Internet site.</p> <p><a href="http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/MemberRemunerationandAllowances.aspx">http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/MemberRemunerationandAllowances.aspx</a></p> <p>When each Councillor signed their declaration of acceptance of Office they also agreed to be bound by the Members' Code of Conduct, within Part 5 of the Constitution.</p> <p>Employees have contracts of employment and competency based job descriptions which set out grade, roles and</p>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
	<p>attendance. The expectations of each employee are set out from the outset.</p>	<p>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.</p> <p><u>Defined standards of behaviour for officers</u></p> <p>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.</p> <p>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</p>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
		the outset.
<p>6. What arrangements are in place to report about fraud to those charged with governance?</p>	<p>Rhondda Cynon Taf County Borough Council is resolute in its determination to maintain its reputation as a Council that will not tolerate fraud, bribery, corruption or abuse of position for personal gain, wherever it may be found in any area of Council activity.</p> <p>Under Section 151 of the Local Government Act 1972 and Section 5 of The Accounts and Audit (Wales) Regulations 2005, the 'Responsible Officer' is responsible for ensuring that the Council has control systems and measures in place <i>'to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records'</i>.</p> <p>The Council's Anti Fraud, Bribery &amp; Corruption Strategy identifies the Council's responsible officer as the Group Director for Corporate Services. The Anti-Fraud Bribery &amp; Corruption Policy and Procedure helps towards discharging part of that responsibility.</p> <p>The Council has a number of governance arrangements in place that help in the prevention and detection of fraudulent and/or improper activities. These include:</p> <ul style="list-style-type: none"> <li>• Financial &amp; Contract Procedure Rules</li> </ul>	<p>Rhondda Cynon Taf County Borough Council is resolute in its determination to maintain its reputation as a Council that will not tolerate fraud, bribery, corruption or abuse of position for personal gain, wherever it may be found in any area of Council activity.</p> <p>Under Section 151 of the Local Government Act 1972 and Section 5 of The Accounts and Audit (Wales) Regulations 2005, the 'Responsible Officer' is responsible for ensuring that the Council has control systems and measures in place <i>'to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records'</i>.</p> <p>The Council's Anti Fraud, Bribery</p>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
	<ul style="list-style-type: none"> <li>• Systems of Internal Control</li> <li>• Recruitment Policies</li> <li>• Whistleblowing Policies for staff and also contractors to use if and when required.</li> <li>• Local procedures within departments</li> <li>• An independent Internal Audit Service</li> <li>• A Benefit Fraud Service</li> <li>• Combining with Others to Prevent and Fight Fraud                             <ul style="list-style-type: none"> <li>○ Participation in the National Fraud Initiative for example</li> </ul> </li> </ul> <p>The Anti-Fraud, Bribery &amp; Corruption Policy and Procedure provides a clear path for raising concerns and facilitating ‘tip-offs’, and the fraud response arrangements outlined enables such information or allegations to be properly dealt with. The Council's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.</p> <p>With the exception of investigations relating to benefit related fraud (undertaken by a standalone team with the Finance Service) and also investigations into allegations relating to Members (undertaken by the Monitoring Officer), all allegations of fraud and/or impropriety are investigated by the Council's Internal Audit Service and</p>	<p>&amp; Corruption Strategy identifies the Council's responsible officer as the Group Director for Corporate &amp; Frontline Services. The Anti-Fraud Bribery &amp; Corruption Policy and Procedure helps towards discharging part of that responsibility.</p> <p>The Council has a number of governance arrangements in place that help in the prevention and detection of fraudulent and/or improper activities. These include:</p> <ul style="list-style-type: none"> <li>• Financial &amp; Contract Procedure Rules</li> <li>• Systems of Internal Control</li> <li>• Recruitment Policies</li> <li>• Whistleblowing Policies for staff and also contractors to use if and when required.</li> <li>• Local procedures within departments</li> <li>• An independent Internal</li> </ul>

**Enquiries of management**

Question	2014-15 Response	2015-16 Response
	<p>Human Resources Service (occasionally, joint investigations are undertaken).</p> <p>All Internal Audit staff are aware of potential indicators of fraud and continuously bare these in mind when undertaking routine Internal Audit reviews. If anything is considered to seem improper then they are trained to confiscate the evidence and report directly to the Operational Audit Manager who will assess the evidence and escalate as appropriate.</p> <p><u>Reporting Fraud</u></p> <p>The procedure for reporting fraud is within the Whistle-Blowing Policy:</p> <p>As a first step, employees should normally raise concerns with their immediate manager or supervisor. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the matter. If employees want to raise the matter with someone else, they should approach their relevant Head of Service.</p> <p>There are certain matters where the officers listed below should be contacted:</p> <p>i) In respect of any matters involving actual or potential unlawful conduct, maladministration or contravention</p>	<p>Audit Service</p> <ul style="list-style-type: none"> <li>• A Benefit Fraud Service</li> <li>• Combining with Others to Prevent and Fight Fraud                             <ul style="list-style-type: none"> <li>○ Participation in the National Fraud Initiative for example</li> </ul> </li> </ul> <p>The Anti-Fraud, Bribery &amp; Corruption Policy and Procedure provides a clear path for raising concerns and facilitating ‘tip-offs’, and the fraud response arrangements outlined enables such information or allegations to be properly dealt with. The Council's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.</p> <p>With the exception of investigations relating to benefit related fraud (undertaken by a</p>



Enquiries of management		
Question	2014-15 Response	2015-16 Response
	<p>of the law:</p> <p>Director of Legal and Democratic Services</p> <p>ii) In respect of any potential irregularity affecting any financial or other resources of the Council:</p> <p>Group Director for Corporate and Frontline Services or Operational Audit Manager</p> <p>iii) In respect of any other service related issue or employment matter:</p> <p>Director of Human Resources</p> <p>Managers who receive a 'disclosure' from an employee must treat that information as potentially serious and investigate appropriately. The matter raised must be kept in confidence and not disclosed to any other party unless instructed to do so. If the 'disclosure' highlights their Head of Service or Director/ Service Director being involved in the matter, then managers should contact the Director of Human Resources for advice and guidance unless it is in respect of (i) and (ii) above.</p> <p>In addition, if employees or managers are unclear as to the appropriate person to approach, they should contact the Director of Human Resources in the first instance. He will ensure that the matter is considered correctly.</p>	<p>standalone team with the Finance Service) and also investigations into allegations relating to Members (undertaken by the Monitoring Officer), all allegations of fraud and/or impropriety are investigated by the Council's Internal Audit Service and Human Resources Service (occasionally, joint investigations are undertaken).</p> <p>All Internal Audit staff are aware of potential indicators of fraud and consider these when undertaking routine Internal Audit reviews. If anything is considered to seem improper then they are trained to confiscate the evidence and report directly to the Operational Audit Manager who will assess the evidence and escalate as appropriate.</p> <p><u>Reporting Fraud</u></p> <p>The procedure for reporting</p>

**Enquiries of management**

Question	2014-15 Response	2015-16 Response
		<p>fraud is within the Whistle-Blowing Policy:</p> <p>As a first step, employees should normally raise concerns with their immediate manager or supervisor. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the matter. If employees want to raise the matter with someone else, they should approach their relevant Head of Service.</p> <p>There are certain matters where the officers listed below should be contacted:</p> <p>i) In respect of any matters involving actual or potential unlawful conduct, maladministration or contravention of the law:</p> <p style="padding-left: 40px;">Director of Legal and Democratic Services</p> <p>ii) In respect of any potential</p>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
		<p>irregularity affecting any financial or other resources of the Council:</p> <p>Group Director for Corporate and Frontline Services or Operational Audit Manager</p> <p>iii) In respect of any other service related issue or employment matter:</p> <p>Director of Human Resources</p> <p>Managers who receive a 'disclosure' from an employee must treat that information as potentially serious and investigate appropriately. The matter raised must be kept in confidence and not disclosed to any other party unless instructed to do so. If the 'disclosure' highlights their Head of Service or Director/ Service Director being involved in the matter, then managers should contact the Director of Human Resources for advice and</p>

Enquiries of management		
Question	2014-15 Response	2015-16 Response
		<p>guidance unless it is in respect of (i) and (ii) above.</p> <p>In addition, if employees or managers are unclear as to the appropriate person to approach, they should contact the Director of Human Resources in the first instance. This officer will ensure that the matter is considered correctly.</p>

Enquiries of the Full Council		
Question	2014-15 Response	2015-16 Response
<p>1. How does the Full Council, in their role as those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the UHB and the internal control that management has established to mitigate those risks?</p>	<p>Full Council has ensured that the Audit Committee's Terms of Reference are comprehensive and compliant with the Local Government Measure 2011.</p> <p>Audit Committee has a detailed workplan for each Municipal Year that helps them ensure they meet their Terms of Reference.</p>	<p>Full Council has ensured that the Audit Committee's Terms of Reference are comprehensive and compliant with the Local Government Measure 2011.</p> <p>Audit Committee has a detailed workplan for each Municipal Year that helps them ensure they meet their Terms of Reference</p>
<p>2. Has the Full Council knowledge of any actual, suspected or alleged fraud since 1 April 2015?</p>	<p>A summary of investigations undertaken by I/A was reported in the HIA Annual Report to Audit Committee on 6<sup>th</sup> May 2015:</p> <p><a href="http://www.rctcbc.gov.uk/en/councildemocracy/democracyelections/councillorscommittees/meetings/auditcommittee/2015/05/06/reports/item4(b)-internalauditannualreport201415.pdf">http://www.rctcbc.gov.uk/en/councildemocracy/democracyelections/councillorscommittees/meetings/auditcommittee/2015/05/06/reports/item4(b)-internalauditannualreport201415.pdf</a></p>	<p>A summary of investigations undertaken by I/A was reported in the HIA Annual Report to Audit Committee on 3<sup>rd</sup> May 2016:</p> <p><a href="http://www.rctcbc.gov.uk/EN">http://www.rctcbc.gov.uk/EN</a></p>

Enquiries of the Full Council		
Question	2014-15 Response	2015-16 Response
	In addition, no instances of fraud relating to the financial management of the Council were reported/identified via the Anti-Fraud and/or Whistleblowing Policy during 2014/15.	<a href="#">/Council/CouncillorsCommitteesandMeetings/Meetings/AuditCommittee/2016/05/03/Reports/Item4InternalAuditAnnualReport2015.16.pdf</a>  In addition, no instances of fraud relating to the financial management of the Council were reported/identified via the Anti-Fraud and/or Whistleblowing Policy during 2015/16.
3. Has the Full Council any suspicion that fraud may be occurring within the organisation?	No instances of fraud relating to the financial management of the Council were reported/identified via the Anti-Fraud and/or Whistleblowing Policy during 2014/15.	No instances of fraud relating to the financial management of the Council were reported/identified via the Anti-Fraud and/or Whistleblowing Policy during 2015/16.
4. Is the Full Council satisfied that internal controls,	The Council's Audit Committee is charged with scrutinising the	The Council's Audit

**Enquiries of the Full Council**

Question	2014-15 Response	2015-16 Response
<p>including segregation of duties, exist and work effectively? If 'yes', please provide details. If 'no' what are the risk areas?</p>	<p>robustness of the Council's overall control environment.</p> <p>The Audit Committee review and approve Internal Audit's Annual Audit Plan. The Audit Plan covers as much of the Council's overall control environment as far as it practicable in accordance with the Public Sector Internal Audit Standards.</p> <p>Internal Audit provides a summary of each audit assignment to Audit Committee throughout the year. Where weaknesses and/or areas of non-compliance are reported then management action to improve controls is recorded within each Finalised Audit Assignment. Internal Audit routinely monitor the status of all recommendations.</p> <p>Each Financial year is concluded by the receipt (at Audit Committee) of the Head of Internal Audit's annual opinion of the Council's overall control environment. In addition to this, the Audit Committee receives and challenges the Council's Annual Governance Statement and this gives an opinion on the Council's overall governance arrangements - <a href="http://www.rctcbc.gov.uk/en/councildemocracym/democracyelections/councillorscommittees/meetings/auditcommittee/2015/05/06/reports/item4(c)-annualgovernancestatement2014-15.pdf">http://www.rctcbc.gov.uk/en/councildemocracym/democracyelections/councillorscommittees/meetings/auditcommittee/2015/05/06/reports/item4(c)-annualgovernancestatement2014-15.pdf</a></p>	<p>Committee is charged with scrutinising the robustness of the Council's overall control environment.</p> <p>The Audit Committee review and approve Internal Audit's Annual Audit Plan. The Audit Plan covers as much of the Council's overall control environment as far as it practicable in accordance with the Public Sector Internal Audit Standards.</p> <p>Internal Audit provides a summary of each audit assignment to Audit Committee throughout the year. Where weaknesses and/or areas of non-compliance are reported then management action to improve controls is</p>

**Enquiries of the Full Council**

Question	2014-15 Response	2015-16 Response
		<p>recorded within each Finalised Audit Assignment. Internal Audit routinely monitors the status of all recommendations.</p> <p>Each Financial year is concluded by the receipt (at Audit Committee) of the Head of Internal Audit's annual opinion of the Council's overall control environment. In addition to this, the Audit Committee receives and challenges the Council's Annual Governance Statement and this gives an opinion on the Council's overall governance arrangements –</p> <p><a href="http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/AuditCommittee/2016/05/03/">http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/AuditCommittee/2016/05/03/</a></p>



Enquiries of the Full Council		
Question	2014-15 Response	2015-16 Response
		<a href="#">Reports/Item5AnnualGovernanceStatement2015.16.pdf</a>
<p>5. How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?</p>	<p>The Anti-Fraud, Bribery &amp; Corruption Policy and Procedure provides a clear path for raising concerns and facilitating 'tip-offs', and the fraud response arrangements outlined within the Policy enables such information or allegations to be properly dealt with.</p> <p>The Council's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.</p>	<p>The Anti-Fraud, Bribery &amp; Corruption Policy and Procedure along with the Council's Whistleblowing Policy provides a clear path for raising concerns and facilitating 'tip-offs', and the fraud response arrangements outlined within the Policy enables such information or allegations to be properly dealt with.</p> <p>The Council's Whistleblowing Policy also contains information in respect of the safeguards and support that are available to those who raise concerns.</p>

<b>Enquiries of the Full Council</b>		
<b>Question</b>	<b>2014-15 Response</b>	<b>2015-16 Response</b>
<p>6. From a fraud and corruption perspective, what are considered by the Full Council to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?</p>	<p>Our fidelity guarantee policy provides cover for fraud committed by any employee. Increased limits are in place for specified posts.</p>	<p>Our fidelity guarantee policy provides cover for fraud committed by any employee. Increased limits are in place for specified posts.</p>
<p>7. Is the Full Council aware of any related party relationships or transactions that could give rise to instances of fraud and how does the Audit Committee mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Governance arrangements are in place to ensure that a Register of Members Interests is in place and also that Declarations of Interest at each committee are asked for as a standard agenda item.</p> <p>Within the Annual Statement of Accounts of the Council, there is a requirement for the disclosure of “Related Party Transactions”. This relates to payments made to, or income received from, any organisation in which a Member or Chief Officer of the Council has an interest, financial or otherwise.</p> <p>Additional Controls in place:</p> <p>Gifts &amp; Hospitality Policy</p> <p>Contract Procedure Rules</p> <p>The Anti-Fraud, Bribery &amp; Corruption Policy and Procedure</p>	<p>Governance arrangements are in place to ensure that a Register of Members Interests is in place and also that Declarations of Interest at each committee are asked for as a standard agenda item.</p> <p>Within the Annual Statement of Accounts of the Council, there is a requirement for the disclosure of “Related Party Transactions”. This relates to payments made to, or income</p>

**Enquiries of the Full Council**

Question	2014-15 Response	2015-16 Response
		<p>received from, any organisation in which a Member or Chief Officer (who sits on the Senior Leadership Team) of the Council has an interest, financial or otherwise.</p> <p>Additional Controls in place include:</p> <p>Gifts &amp; Hospitality Policy</p> <p>Contract Procedure Rules</p> <p>The Anti-Fraud, Bribery &amp; Corruption Policy and Procedure</p>
<p>8. Is the Full Council aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?</p>	<p>There are no false or intentionally misleading entries within the accounts.</p>	<p>There are no false or intentionally misleading entries within the accounts.</p>

### Enquiries of the Full Council

Question	2014-15 Response	2015-16 Response
9. Is the Full Council aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?	Yes, Full Council are aware. Please refer to Question 3 within the Enquiries For Management (ISA 240) above.	Yes, Full Council are aware. Please refer to Question 3 within the Enquiries For Management (ISA 240) above.

### International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements Background

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non-compliance rests with management and 'those charged with governance', which for the for the Council is the Full Council. The ISA requires us, as external auditors, to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

#### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management and the Full Council:

### Enquiries of management

Question	2014-15 Response	2015-16 Response
1. How have you gained assurance that all relevant laws and regulations have	The accounts are prepared in accordance with the accounts & audit	The accounts are prepared in accordance with the accounts &

been complied with?	regulations. Initial feedback from the WAO audit indicates compliance	audit regulations. Initial feedback from the WAO audit indicates compliance.
2. Are there any potential litigations or claims that would affect the financial statements?	Any potential litigations and/or claims are accounted for in accordance with the Code of Practice and where appropriate, disclosed in the letter of representation.	Any potential litigations and/or claims are accounted for in accordance with the Code of Practice and where appropriate, disclosed in the letter of representation.

**Enquiries of the Full Council**

Question	2014-15 Response	2015-16 Response
1. How does the Full Council, in its role as those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	<p>Full Council appoints Audit Committee and set their Terms of Reference.</p> <p>Full Council ratify the appointment of the Section 151 Officer whose role is defined within the Constitution.</p> <p>Full Council receives assurance from the appointed External Auditor.</p>	<p>Full Council appoints Audit Committee and sets its Terms of Reference.</p> <p>Full Council ratifies the appointment of the Section 151 Officer and the Council's Monitoring Officer, whose roles are defined by statute and referenced within the Constitution.</p> <p>Full Council receives assurance from the appointed External Auditor.</p>
2. Is the Full Council aware of any non-compliance with relevant laws and	There are no instances of non-	There are no instances of non-compliance with relevant laws and

<b>Enquiries of the Full Council</b>		
<b>Question</b>	<b>2014-15 Response</b>	<b>2015-16 Response</b>
regulations?	compliance with relevant laws and regulations. Full Council receives assurance on this from the appointed External Auditor.	regulations. Full Council receives assurance on this from the appointed External Auditor.
3. If there have been instances of non-compliance what are they, and what oversight has the Full council had to ensure that action taken by management to address and gaps in control?	There are no instances of non-compliance with relevant laws and regulations.	There are no instances of non-compliance with relevant laws and regulations.

### **International Standard for Auditing (UK and Ireland) 550 – Related parties**

#### **Background**

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.

- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

**What are we required to do?**

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework. We are therefore making requests from both management and the Full Council:

Enquiries of management		
Question	2014-15 Response	2015-16 Response
1. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?	Please refer to Question 7 within the Enquiries For Full Council (ISA 240) above.	Please refer to Question 7 within the Enquiries For Full Council (ISA 240) above.
2. Confirm that you have: <ul style="list-style-type: none"> <li>• disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and</li> <li>• appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>	Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting	Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting



**Enquiries of the Full Council**

<b>Question</b>	<b>2014-15 Response</b>	<b>2015-16 Response</b>
1. How does the Full Council, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transaction sand relationships?	Please refer to Question 7 within the Enquiries For Full Council (ISA 240) above.	Please refer to Question 7 within the Enquiries For Full Council (ISA 240) above.

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