
Rhondda Cynon Taf County Borough Council

Statement of Accounts 2002/03

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Explanatory Foreword

1. Introduction

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

The Council replaced the former Rhondda Borough Council and Cynon Valley Borough Council, together with 94% of the former Taff Ely Borough Council and 43% of the former Mid Glamorgan County Council.

Rhondda Cynon Taf is the second largest Council in Wales with a population of 239,800, serving an area in the South Wales Valleys covering 42,000 hectares, stretching from the Brecon Beacons National Park in the North to the Capital City of Cardiff in the South.

This Statement of Accounts has been compiled to reflect the seventh financial year of the County Borough Council.

The accounts for 2002/03 have been prepared in accordance with current legislation and recommended accounting practice. The form of accounts for all Local Authorities has been prescribed under the Accounts and Audit Regulations 1996, as amended in 1997 and 2001. The Code of Practice on Local Authority Accounting in Great Britain 2002 prescribes the form and contents of accounts from 1st April 2002 and has incorporated the principles of the Best Value Accounting Code of Practice.

The accounts set out on pages 11-79 comply with the Code other than where specific reference is made to the contrary.

Best Value Accounting Code of Practice (BVACOP)

In March 2000, the Chartered Institute of Public Finance and Accountancy (CIPFA) published the Best Value Accounting Code of Practice (BVACOP), 2000 edition, subsequently updated in 2001 and 2002. This Council has complied with the requirements of the Code.

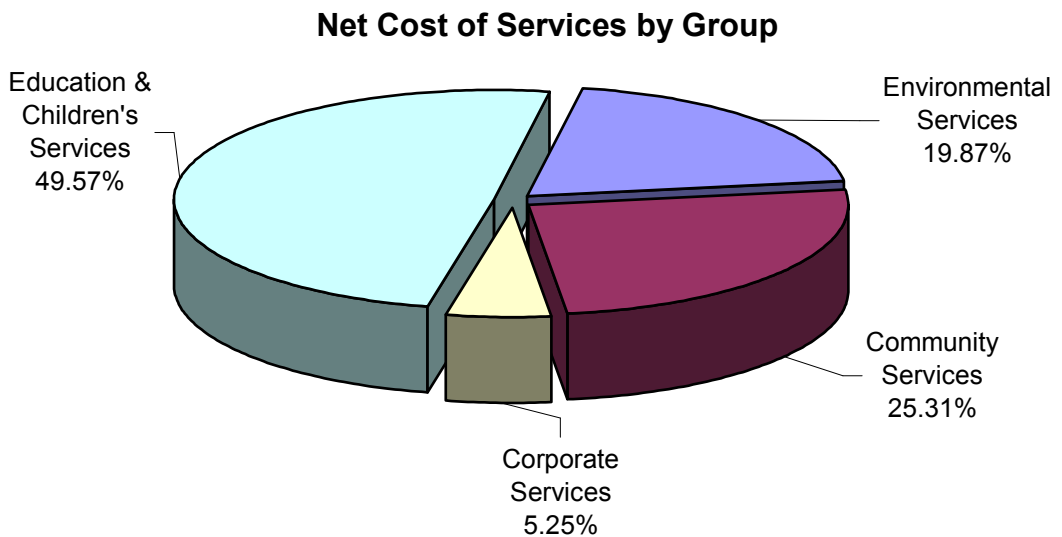
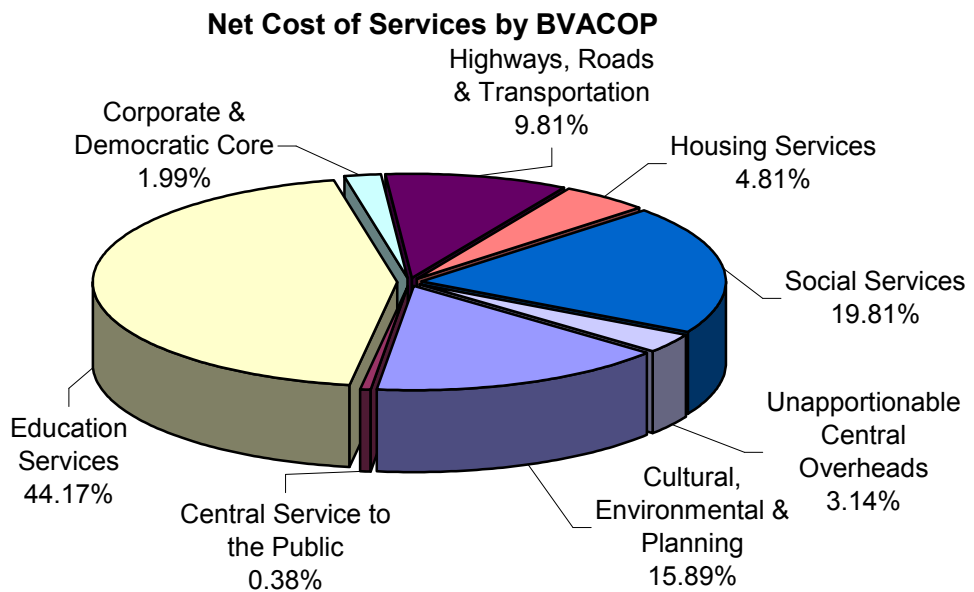
The Code of Practice modernises the system of local authority accounting and reporting to ensure that it meets the needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community. The standardised format recommended by the Code promotes comparability.

The Code introduces a number of concepts which are detailed on the next page along with a brief description of the impact they have had on the accounting statements.

Concept / Definition	Impact on Statement of Accounts
<p><u>Total Cost</u></p> <p>Represents the total cost of service provision, including apportionment of Central Support Charges, Departmental Admin Charges and Capital Charges.</p>	<p>Complete reallocation of central / support charges results in the reporting at Consolidated Revenue Account of "front-line" service costs only.</p>
<p><u>Service Expenditure Analysis (SEA)</u></p> <p>A standard objective (cost centre based) categorisation at which total cost must be reported at Statement of Accounts level.</p>	<p>The Consolidated Revenue Account is prepared in the format prescribed by the Best Value Accounting Code of Practice 2002 rather than the Council's organisational structure.</p>
<p><u>Trading Activities</u></p> <p>Replaces previous Compulsory Competitive Tendering (CCT) legislation and introduces 6 types of trading activities :</p> <ol style="list-style-type: none"> 1. Trading Services or undertakings with the public or with other third parties; 2. External trading organisations which have won contracts from other public bodies; 3. Continuing CCT arrangements; 4. Internal trading organisations arising from Voluntary Competitive Tendering exercises; 5. Support services provided in a free internal market; 6. Support services provided in a limited internal market. <p>Significant surpluses or deficits on trading activities are to be reapportioned to client where reasonably practicable and material.</p>	<p>This requires the Council to review its Trading Activities in light of the new definitions and disclose as appropriate in the Improvement Plan and the Statement of Accounts.</p> <p>During 2002/03 the Council has integrated several activities, formerly considered trading, within the relevant service (see note 1 to the Consolidated Revenue Account for further details).</p>

2. General Fund Revenue Account 2002/03

The Consolidated Revenue Account provides an analysis of the Council's gross revenue expenditure and income and shows how this has been funded. The chart below provides an analysis of the Net Cost of Services (£334.9m) by Best Value Accounting Code of Practice Service Expenditure Analysis Area. For information purposes, the net cost is also analysed by current service group operational within the Council.



The following table details each of the five groups' actual performance and budget.

Service Group	Budget	Spend	Variance
	£'000	£'000	£'000
Education & Children's Services	151,060	151,546	486
Community Services	63,466	64,109	643
Environmental Services	33,331	33,401	70
Chief Executives	4,897	4,769	(128)
Corporate Services	11,179	10,817	(362)
Authority Wide	33,124	31,746	(1,378)
Total	297,057	296,388	(669)

	£'000
General Fund Reserves as at 31st March 2002	(9,323)
Revenue Budget Out-turn (Variance as above)	(669)
Year End Accounting Adjustments	1,818
General Fund Reserves as at 31st March 2003	(8,174)

Included within the "Year End Accounting Adjustments" is the use of Earmarked Reserves established in 2002/03 for commitments and proposed projects that had not been undertaken by 31st March 2003.

Gross Expenditure on Services amounted to £531m, this can be analysed over the following expenditure categories: -

Type of Expenditure	£'m	%
Employees	216	41
Premises Related	33	6
Transport Related	16	3
Supplies and Services	77	14
Payments to Third Parties	47	9
Transfer Payments	48	9
Capital Charges (e.g. interest)	68	13
Other Operating Costs	26	5
Total Gross Expenditure	531	100

Income during the year totalled £500m and came from the following sources:-

Income Analysis	£'m	%
<u>Direct Service Income</u>		
Specific Grants	77	15
Sales, Fees & Charges	28	6
HRA	48	10
Other Income	43	9
Sub-total Direct Service Income	196	40
<u>Other Income</u>		
Revenue Support Grant	197	39
National Non Domestic Rates	47	9
Council Tax	60	12
Total Income	500	100

3. Housing Revenue Account

As can be seen from the Housing Revenue Account Summary (HRA), gross expenditure on council housing totalled £47.8m, of which £9.5m (20%) related to repairs and maintenance, £7.8m (16%) to supervision and management, £11.0m (23%) to capital financing, £18.6m (39%) to rent rebates and £0.9m (2%) on other expenditure.

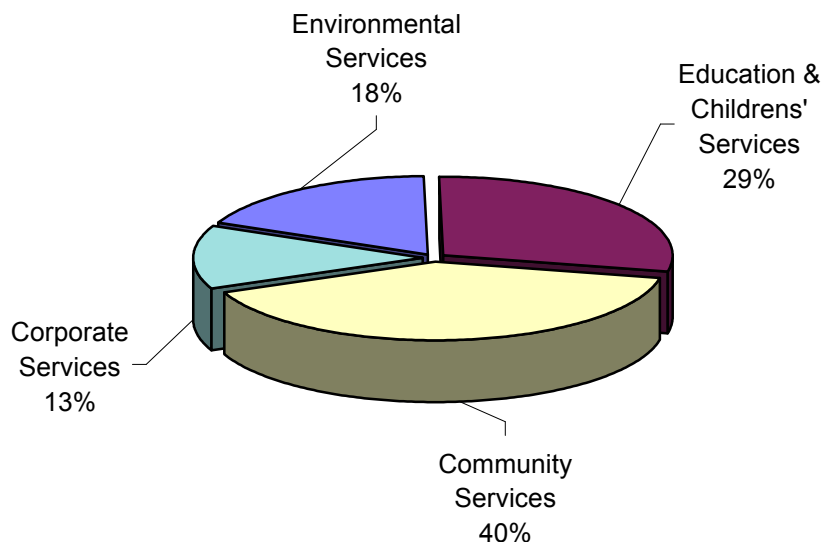
Income totalled £47.1m and came from rents £26.4m (56%), housing subsidy £19.5m (41%) and other income £1.2m (3%).

This resulted in net expenditure of £0.7m changing HRA reserves from £1.9m at 1st April 2002 to £1.2m at 31st March 2003.

4. Capital Expenditure and Income 2002/03

During the year the Council spent £44.1m on capital expenditure, as summarised below: -

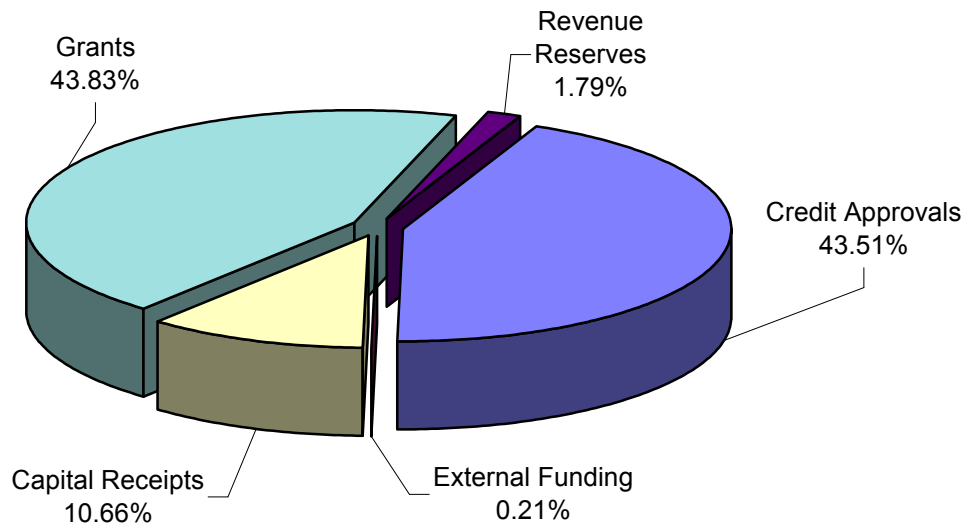
Group	£'000	%
Corporate Services	5,813	13
Education & Children's Services	12,680	29
Community Services	17,687	40
Environmental Services	7,917	18
Total	44,097	100



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

Expenditure on Fixed Assets	£'m	%
Fixed Assets	29.6	67
Deferred Charges	14.5	33
Total	44.1	100

This expenditure was financed as follows: -



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

Rhondda Special School
 Penyreglyn Community School
 Ysgol Gynradd Gymraeg Aberdar

Major commitments in respect of capital schemes as at 31st March 2003 included the following schemes: -

Scheme	£'000
Broadband (including Community Access)	6,830
Communities First Play Areas	1,360
Penyreglyn Community School	1,266
Porth Plaza Café & Incubation Units	2,840
Cefn-Yr-Hendy Site	1,450
Coed-Y-Lan Comprehensive	3,130

5. Reserves and Provisions

The following balances were held at 31st March 2003: -

Capital Reserves £317.9m (of which £20.3m can be used to support capital spending).

Revenue Reserves £28.3m (including Trust Funds of £0.2m and Special Funds of £0.2m).

6. Borrowing Arrangements and Sources of Funds

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

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

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

Overall borrowing limit	£383m
Short term borrowing limit	£ 27m
Limit on variable rate interest	£ 77m or 20%

As can be seen from the Consolidated Balance Sheet, overall borrowing totalled £318m. Long Term Borrowing totalled £295m at 31st March 2003. The limit for short term borrowing relates to the maximum amount we can borrow to cover a shortfall in cashflows. It does not relate to long term PWLB or market loans with maturity of less than a year.

Note 10 to the Consolidated Balance Sheet demonstrates that the majority of external borrowing (£313m) was from the Public Works Loan Board (PWLB). The balance comprises £4m from market loans and individual lenders in the form of local bonds and £1m from other sources.

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

7. Pensions Asset/Liability

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

If the Council were to account for pensions liabilities in respect of costs relating to decisions made, the balance sheet would include a liability of £291.3m. This would be matched by a pensions reserve of £291.3m.

Please refer to balance sheet note 25 for further details.

8. Introduction to Accounting Statements

Statement of Accounting Policies

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

Consolidated Revenue Account

This statement is prepared in the format prescribed by the Best Value Accounting Code of Practice and assists in an understanding of the Council's activities as a whole.

The statement is prepared in four distinct sections each divided by a sub total:

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

Consolidated Balance Sheet

This statement shows the Council's financial position as at 31st March 2003. It includes the assets and liabilities of all activities of the Council, the balances and reserves at the Council's disposal, its long term indebtedness, and the fixed and net current assets employed in the Council's operations.

Statement of Total Movements in Reserves

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

Cashflow Statement

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

Housing Revenue Account Summary

This reflects a statutory obligation to account separately for the provision of council housing as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue

expenditure (repairs and maintenance, supervision and management, rent rebates and capital financing costs) and how these are met by rents, subsidy and other income.

Summary Pension Fund Accounts

As the administering authority responsible for the Rhondda Cynon Taf County Borough Council Pension Fund, the Council has an obligation to include a summary of the Pension Fund Accounts within its own Statement of Accounts.

The statement is prepared in accordance with the Statement of Recommended Practice No.1 (SORP1), Pension Scheme Accounts.

Statement on the System of Internal Financial Control

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

Statement of Responsibilities - Statement of Accounts

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

Certificate of the Group Director - Corporate Services

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

Auditor's Report and Certificate

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

Statement of Accounting Policies

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2002, issued by CIPFA, together with their guidance notes on the application of accounting standards. Under the Accounts and Audit Regulations 1996, these are now recognised by statute as representing proper accounting practices. The Council has complied with the code in all areas other than where specifically noted.

The Council has also implemented and complied with the Best Value Accounting Code of Practice (2002 edition). 2002/03 is the third financial year in which the requirements of this code are to be applied.

The main accounting principles adopted are outlined below.

1. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accrual basis in the accounts.

Fixed assets have been recorded in accordance with the Code of Practice on Accounting for Fixed Assets.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Operational assets are generally valued on the basis of current market value in existing use (OMVEU). Specialist items are valued on a depreciated replacement cost basis (DRC). Non-operational assets and investment properties are generally valued on the basis of open market value. An exercise is planned for 2003/04 to ensure that assets transferred to non-operational use e.g. sites identified as being surplus are revalued on an open market basis. Infrastructure assets are included at historic cost, and adjusted to reflect depreciation.

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

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

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

The Council carried out impairment reviews of its assets during 2002/03, and identified a number of council dwellings where a permanent diminution in value had occurred. This impairment related to council dwellings which had

been earmarked for demolition which had a net book value of £2.702m as at 1st March 2002.

The Council operates a de-minimis policy, the value below which assets will not be recorded in the asset register. De-minimis levels are in place as follows:

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

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

2. Deferred Charges

Deferred charges relate to capital expenditure that is not represented by a tangible fixed asset. They include renovation grants and contributions towards expenditure incurred by other parties. In the past the Council has fully amortised the expenditure in relation to deferred charges within the financial year in which the expenditure was incurred. However, from 1st April 2002 the Council has implemented a change in accounting practice to account for Deferred Charges in accordance with the SORP 2002.

From 1st April 2002, where the Council benefits from such payments over a number of years the Deferred Charge is written down by equal annual amounts over that period. In all other cases the whole of the amount of the Deferred Charge is written-off to the appropriate revenue account in the year in which the expenditure is incurred.

In order to ensure that the Deferred Charge write-offs to revenue have no impact on council taxpayers, an adjustment is made through the capital financing reserve.

3. Government Grants

From the 1st April 2002 the Council has implemented a change in accounting practice to account for Government Grants in accordance with the SORP 2002.

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

useful life of the asset to match the depreciation on the asset to which it relates.

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

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

4. Capital Receipts

Capital receipts are derived from the sale of fixed assets. Part IV of the Local Government and Housing Act 1989 identifies a “usable” part, which can be used to finance further capital spend, and a “reserved” part to be set aside to repay existing debt.

The usable portion of receipts is set at 25% in respect of council house sales and 100% for all other receipts.

The usable portion is credited to the usable capital receipts reserve until used to finance new capital expenditure.

5. Basis of Charges for Use of Fixed Assets

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

- Notional interest, which is charged at a rate specified annually by the Government. The rates for 2002/03 were 6% for operational, non-operational assets, infrastructure and community assets.
- Depreciation is charged on a straight-line basis on all fixed assets with a finite useful life, excluding non-depreciable land. Council dwellings have an asset life of 50 years. Estate garages and shops have a 15 year and 30 year asset life respectively. All other assets' lives have been identified on an individual basis.

6. Minimum Revenue Provision

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

7. Leases

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

Assets acquired under Finance Lease arrangements are capitalised together with a liability to pay future rentals and treated as a deferred liability in the Council's balance sheet. Interest costs are charged to the Asset Management Revenue Account (AMRA) and the amount of principal outstanding at the commencement of the lease will be treated as a fixed asset addition in the year the transaction occurred.

8. Long Term Contracts

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

9. Debtors and Creditors

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

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

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

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

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

10. Stocks and Work in Progress

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

11. Cost of Support Services

All central support costs have been fully allocated to services apart from an amount chargeable to Corporate Democratic Core. The basis of the charges for 2002/03 has been based on information supplied by the Support Services Divisions.

12. Pensions

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

- Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency set contribution rates on the basis of a notional fund. Employees contribute at a rate of 6%.
- Other employees - Rhondda Cynon Taf administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997, under which contribution rates are set by the fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates were set to meet 100% of the overall liability of the Fund. The latest valuation was at 31st March 2001. Resulting changes in contribution rates have taken effect from 1st April 2002. Refer to Note 9 of the Consolidated Revenue Account for further details.

Up until the publication of FRS17 "Retirement Benefits", local authorities have not been required to follow UK Generally Accepted Accounting Practices (GAAP) in accounting for pensions costs. The complicated interaction of council tax and pension scheme legislation meant that SSAP24 "Accounting for Pensions Costs" was never fully incorporated into the SORP. The charges to revenue have been based on employer contributions payable in the year rather than benefit entitlements earned by employees. Therefore the charge to the revenue account is likely to be understated and there is no reflection of the liability in the balance sheet. The staggered adoption of FRS17 addresses this issue by requiring additional disclosure notes in 2001/02 and 2002/03 and requiring entries in the Consolidated Revenue Account and Balance Sheet in 2003/04 reflecting costs, assets and liabilities. Please refer to balance sheet note 25 for further details.

The Council is a member of the Teachers Pension Scheme. Whilst this is a defined benefit scheme, the Teachers Pensions Agency is unable to identify the Council's share of the underlying assets and liabilities and accordingly, the Council has taken advantage of the exemption within FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

13. Interest Receivable

The Council invests temporary surpluses for short-term periods, which may range from overnight to 364 days. The interest is credited to the General

Fund and the Housing Revenue Account on the basis of their fund balances.

14. Interest Payable

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

15. Foreign Currency

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

16. Bad Debt Provisions

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

17. Investments

Investments are held in the balance sheet at cost. Short term investments consist largely of money market investments, all maturing within one year of the balance sheet date. Long term investments are held for greater than one year and consist of the Council's investments in various Special Funds and Trust Funds.

18. Value Added Tax

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

19. Reserves and Provisions

Reserves and provisions are regulated by the Local Government and Housing Act 1989, in accordance with FRS12 and the Local Authority Accounting Code of Practice. Provisions are amounts set aside for specific future

expenses that are certain to be incurred, but the amount or timing of which cannot yet be determined accurately.

The Council makes provision for costs relating to insurance. These are fully explained in note 12.1 to the Consolidated Balance Sheet.

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

20. Associated and Subsidiary Companies

Under accounting standards, the Council has to identify any interests in the above and determine whether this is of sufficient significance to be included in the Council's Consolidated Balance Sheet. Details are given in note 20 to the Consolidated Balance Sheet.

21. Redemption of Debt

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

Consolidated Revenue Account for the year ended 31st March 2003

2001/02		2002/03		
Net Exp		Gross Exp	Gross Income	Net Exp
£'000		£'000	£'000	£'000
	Continuing Operations			
2,896	Central Services to the Public	15,788	(14,496)	1,292
45,485	Cultural, Environmental and Planning	73,261	(20,033)	53,228
146,991	Education Services	191,854	(43,941)	147,913
28,272	Highways, Roads and Transportation	43,191	(10,352)	32,839
11,295	Housing Services	92,650	(76,557)	16,093
61,426	Social Services	94,411	(28,064)	66,347
4,844	Corporate and Democratic Core	9,103	(2,428)	6,675
9,166	Unapportionable Central Overheads	10,615	(115)	10,500
310,375	Net Cost of Services	530,873	(195,986)	334,887
	Precepts: -			
5,798	South Wales Police Authority	6,189	0	6,189
1,022	Community Councils	1,136	0	1,136
9,938	Levies	10,398	0	10,398
(1,890)	Interest and Investment Income	0	(2,441)	(2,441)
(1,390)	(Surplus)/Deficit on Trading Activities	28,057	(28,621)	(564)
(18,001)	Net Income Asset Management Revenue a/c	0	(18,003)	(18,003)
(24)	(Gains)/Losses on the Repurchase of Borrowing	0	(15)	(15)
305,828	Net Operating Expenditure	576,653	(245,066)	331,587
188	Transfer of HRA Surplus/(Deficit) to Reserves			(642)
(13)	Transfer to Insurance Reserve			2
(19,586)	Release of Capital Financing Reserve			(25,294)
4,301	Net Contributions to/(from) Earmarked Reserves			(740)
290,718	Amount to be met from Govt Grants/Local Taxpayers			304,913
(185,512)	Revenue Support Grant			(196,934)
(51,047)	NNDR Pool Contribution			(46,767)
(56,320)	Net Proceeds of Council Tax			(60,063)
(2,161)	Net General Fund (Surplus) / Deficit			1,149
(7,162)	Balance on General Fund Brought Forward			(9,323)
0	Movement Between Reserves			0
(9,323)	Balance on General Fund Carried Forward			(8,174)

Notes to the Consolidated Revenue Account

1.0 Trading Activities

The Council has previously established a number of Trading Units (DLO's) in response to the requirements of Compulsory Competitive Tendering legislation. Although the legislation is now repealed, the Council continues to operate some activities on a trading account basis and the respective performance of each is detailed below.

Former DLO Trading Activities	2001/02	2002/03		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	(474)	6,556	(6,730)	(174)
Refuse	(360)	0	0	0
Street Cleansing	(296)	0	0	0
Building Cleaning	(73)	865	(894)	(29)
Grounds Maintenance	(3)	0	0	0
Vehicle Maintenance	125	0	0	0
Housing Maintenance Unit	(134)	5,785	(5,916)	(131)
Education and Welfare Catering	(161)	8,893	(8,856)	37
Total	(1,376)	22,099	(22,396)	(297)

Other Trading Activities	2001/02	2002/03		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Property Consultancy	(65)	1,240	(1,301)	(61)
HT&E Design Consultancy	51	0	0	0
Building Maintenance	90	16	(18)	(2)
Other Catering	26	157	(119)	38
Creative Design and Print	(39)	1,057	(1,102)	(45)
Fleet Management	(77)	0	0	0
Fleet Services	0	3,100	(3,145)	(45)
Trade Waste	0	388	(406)	(18)
Controlled Companies Income	0	0	(134)	(134)
Total	(14)	5,958	(6,225)	(267)

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

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

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

approved this treatment. The credit balance of £131k relates to employer superannuation costs that do not relate to the current year.

Due to a restructuring of Environmental Services, Street Cleansing, Grounds Maintenance and HT&E Design Consultancy have been merged with the service and are no longer managed as Trading Activities.

Another implication of the Environmental Services restructuring is the splitting of the former Refuse trading activity into Trade Waste and Domestic Waste collection. Domestic Waste collection is now being managed as part of the service and is no longer a Trading Activity.

Fleet Management and Vehicle Maintenance have been merged and managed as a single service called Fleet Services.

BVACOP states that dividends from Companies need to be disclosed within Trading Activities. The Council received £134k from Amgen Companies in respect of dividends. Further details of these companies can be found in Balance Sheet note 20.

2.0 Section 137 Local Government Act 1972 (As amended by Section 33 Local Government and Housing Act 1989)

Under the above provisions, the Council is able to incur expenditure on activities and projects not specifically authorised by other powers, which, in the Council's opinion, is to the benefit of some or all of its inhabitants.

The amount is limited in accordance with The Local Authorities (Discretionary Expenditure Limits) Order 2000 - to an amount of £3.80 per head of population.

Under Statutory Instrument No.40 - The Local Authorities (Discretionary Expenditure) (Relevant Population) Regulations 1993 - the population is defined as "the resident population in the financial year beginning two years before the relevant year", as estimated by the Registrar General before the beginning of the relevant year.

For Rhondda Cynon Taf CBC (with a relevant population of 240,500) the limit is calculated as £914k.

During 2002/03 the Council incurred expenditure amounting to £748k under these powers, analysed as follows: -

Type of Expenditure	2001/02 £'000	2002/03 £'000
Holiday Projects (Grants)	48	44
Contributions to Voluntary/Charitable Organisations	702	704
Total	750	748

3.0 Publicity

Under Section 5 of the Local Government Act 1986, Local Authorities are required to keep a separate account of expenditure on advertising and promotion publicity.

During 2002/03 the Council spent a total of £1.9m in respect of the following:-

Category	2001/02 £'000	2002/03 £'000
Recruitment advertising	689	1,284
General advertising	236	403
Other publicity	262	219
Total	1,187	1,906

4.0 Agency Arrangements

The Council undertakes no work on an agency basis.

5.0 Road User Charging

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

6.0 Local Authorities Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2002/03 financial year the Council undertook the following work under the provisions of this Act: -

Category of supply	Client	2001/02 £'000	2002/03 £'000
Supply of Goods or Materials	Aberdare College	1	144
	Bridgend College	1	0
	Bridgend County Borough Council	5	0
	Bristol City Council	0	28
	City & County of Cardiff	1	1
	North Glamorgan Health Trust	6	5
	Pontypridd & Rhondda NHS Trust	1	12
	Pontypridd College	104	529
	Powys County Borough Council	76	228
	South Wales Fire Service	27	22
	South Wales Police Authority	2	0
	Staffordshire County Council	1	0
	University of Glamorgan	4	40
			229

Continued overleaf...

Provision of Administrative, Professional or Technical Services	Aberdare College	146	0
	Bridgend County Borough Council	7	6
	Bristol City Council	16	0
	Bro Taf Health Authority	406	417
	Caerphilly County Borough Council	1	123
	City & County of Cardiff	8	0
	Merthyr Tydfil Council	7	9
	Mid Glamorgan Careers Service	0	5
	Neath Port Talbot County Borough Council	3	0
	North Glamorgan NHS Trust	7	8
	Pembrokeshire County Council	2	0
	Pencoed College	1	0
	Pontypridd & Rhondda NHS Trust	62	11
	Pontypridd College	542	89
	Powys County Council	6	16
	South Wales Fire Service	239	50
	South Wales Police Authority	185	126
	University of Glamorgan	14	1
	Wrexham County Borough Council	1	0
	Ystrad Mynach College	9	7
	1662	868	
Use of vehicles, plant or apparatus	Aberdare College	5	8
	Caerphilly County Borough Council	3	4
	8	12	
	Total	1,899	1,889

7.0 Officers' Emoluments

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

During 2002/03 the Council paid an average of 13,200 staff, paying total salaries of £192m. Within this, the following salary payments were made within the categories specified: -

Remuneration Band	2001/02	2002/03		
	No. of employees	No. of employees		
	Total	At 31/03/03	Left in year	Total
£40,000 - £49,999	66	67	0	67
£50,000 - £59,999	21	16	0	16
£60,000 - £69,999	4	3	1	4
£70,000 - £79,999	0	0	0	0
£80,000 - £89,999	1	4	0	4
£90,000 - £99,000	0	1	0	1
Total	92	91	1	92

There was one redundancy payment made during the year, resulting in the number of employees for 2002/03 in the £60,000 - £69,999 remuneration bracket to be increased.

8.0 Members' Allowances

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

During 2002/03 the Council paid a total of £1m (£628k in 2001/2002) in respect of basic allowances, special responsibility allowances and dependant care allowances to 75 members (excluding travelling, subsistence, employers national insurance and other associated costs).

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

9.0 Pensions

The Council participates in two pension schemes: -

- Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency (TPA). The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund. In 2002/03 the Council paid £6.02m (£5.14m in 2001/02) to the Agency in respect of teachers' pension costs, which represents 8.35% (7.4% in 2001/02) of pensionable pay. In addition, the Council is responsible for all pension payments relating to added years benefits that it has awarded, together with the related increases. In 2002/03 these amounted to £749k (£742k in 2001/02).
- Other employees - Subject to certain qualifying criteria, other employees contribute to the Local Government Pension Scheme (LGPS). The LGPS is a Defined Benefit scheme. The pension costs that are charged to the Council's accounts are equal to the contributions paid to the funded pension scheme.

In 2002/03 the Council paid an employer's contribution of £18.5m (£15.9m in 2001/02) into the Pension Fund, representing 19.38% (18.3% in 2001/02) of pensionable pay.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being 31st March 2001. Changes to contributions took effect on 1st April 2002. The next valuation will take place at 31st March 2004.

Under Pension Fund Regulations, contribution rates were set to meet 100% of the overall liabilities of the Fund. In addition, the Council is also responsible for all pension payments relating to added years' benefits it has awarded, together with other discretionary payments. In 2002/2003 these amounted to £1.3m, 1.40% of pensionable pay (£880k in 2001/2002).

The regulations covering the Local Government Pension Scheme inhibit local authorities from fully complying with SSAP24. The revenue account does not

include the proper charge for pensions as defined by SSAP24. However, the Fund's actuary has advised that the pension costs that it would have been necessary to provide for in the year in accordance with SSAP24 "Accounting for Pension Costs" were £19.5m (£15.6m in 2001/02) representing 345% (300% in 2001/02) of employees contributions (20.39% of total pensionable pay). FRS17 "Retirement Benefits" supersedes SSAP24 and disclosures required by this new standard can be seen at balance sheet note 25.

Further information can be found in the Pension Fund Annual Report which is available on request from The Group Director - Corporate Services, Bronwydd House, Porth, Rhondda. A summary of this report can be found on pages 62 to 77.

10.0 Levies by Joint Committees and Other Bodies

Certain services are operated over areas greater than that of one Authority, either on a joint service basis (where one Authority is nominated as a "lead" Authority to administer the service with several Authorities contributing to the costs) or by external bodies who levy on the appropriate Authorities.

Contributions made under these arrangements are given below: -

Organisation Name	2001/02 £'000	2002/03 £'000
South Wales Fire Service	8,347	8,761
Magistrates' Courts	474	390
Coroner	240	253
South Wales Sea Fisheries	50	51
Glamorgan Archives	148	157
Registrars	80	106
National Rivers Authority	564	638
Brecon Beacons National Park	35	42
Total	9,938	10,398

11.0 Leases

11.1 Operating Leases

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

	Paid 2001/02 £'000	Paid 2002/03 £'000	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006- end of lease £'000
ICT Equipment	719	200	105	0	0	0
Print & Despatch Unit	60	60	14	0	0	0
Creative Design & Print	18	12	0	0	0	0
Valleys Innovation Centre	4	3	0	0	0	0
Photocopiers	0	33	33	33	33	18
Vending	0	2	2	2	2	0
School Equipment	489	576	524	412	259	204
Education Equipment	10	45	82	76	49	1
Catering Equipment	0	19	0	0	0	0
Refuse & Cleansing Vehicles	370	373	373	365	0	0
Housing Maint. & other Vehicles	182	2	8	8	6	0
Economic & Regeneration Unit	2	0	0	0	0	0
Library Equipment	6	0	0	0	0	0
Total	1,860	1,325	1,141	896	349	223

11.2 Finance Leases

During 2002/03 the sum of £44k (£58k in 2001/02) was paid from revenue in respect of a finance lease, which expired during the year.

12.0 Long Term Contracts

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

Details	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006-End £'000
Heating Servicing & Maintenance	1,700	1,600	0	0
Stairlift Servicing & Maintenance	50	0	0	0
Security Screening	220	0	0	0
Residential Care	17,440	17,440	17,440	Ongoing
Supported Living	4,840	4,840	4,840	Ongoing
Domiciliary Care	1,030	1,030	1,030	Ongoing
Grants to Voluntary Sector	1,640	1,640	1,640	Ongoing
Transport	1,030	1,030	1,030	Ongoing
Payroll System	42	71	73	153
Total	27,992	27,651	26,053	

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

13.0 Minimum Revenue Provision

The Local Government and Housing Act 1989 requires the Council to set aside a minimum revenue provision (MRP) for debt redemption (2% of the

opening debt outstanding in respect of housing and 4% for other services with the exception of borrowing approvals granted for Local Government Reorganisation (LGR) purposes).

For 2002/03 these limits have been calculated as follows: -

	2001/02	2001/02	2002/03	2002/03
	Credit Ceiling	M.R.P.	Credit Ceiling	M.R.P.
	£'000	£'000	£'000	£'000
Housing Revenue Account	133,540	2,671	133,209	2,664
General Fund	205,050	8,989	214,248	9,196
Less commutation adjustment		(5,530)		(5,744)
Total		6,130		6,116

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

14.0 Asset Management Revenue Account

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

Movements on the account for 2002/03 are summarised below: -

	2001/02	2002/03
	£'000	£'000
Depreciation	15,723	15,863
External Interest	21,407	21,034
Total Debit	37,130	36,897
HRA Item 8 Credits	(11,280)	(10,855)
Capital Charges:		
Interest	(31,448)	(31,395)
Depreciation	(12,403)	(12,650)
Total Credit	(55,131)	(54,900)
Net Credit	(18,001)	(18,003)

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

	2001/02 £'000	2001/02 £'000	2002/03 £'000	2002/03 £'000
Minimum Revenue Provision (CRA Note 13)	6,130		6,116	
Less Depreciation Charges	(15,723)	(9,593)	(15,863)	(9,747)
Direct Revenue Financing		642		790
Contribution to Capital		450		0
Investment written back		0		(2,310)
Total Debit		(8,501)		(11,267)
Deferred Charge (CBS Note 2) (excl.HRA)		(11,084)		(14,027)
Net effect of credit cover for deferred credit		(1)		0
Total Contribution from Capital Reserves		(19,586)		(25,294)

15.0 Council Tax

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

The Council tax base for 2002/03 was calculated to be £68,885.15 (compared with £67,753.85 for 2001/02). This represents the anticipated yield for every £1 of Council tax levied.

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

Band	A*	A	B	C	D	E	F	G	H
No of properties	101	25,930	17,168	10,028	7,220	6,731	2,897	1,249	60
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

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

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

Council Tax Analysis	2001/02 £'000	2002/03 £'000
Council tax billed	56,320	60,063
Net proceeds from Council Tax	56,320	60,063
Less payable		
South Wales Police Authority	(5,798)	(6,189)
Community Councils	(1,022)	(1,136)
Total	49,500	52,738

16.0 National Non-Domestic Rates

Indebtedness for National Non-Domestic Rates (NNDR) is based on a “multiplier” set nationally by the government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year.

The multiplier for 2002/03 was 43.3p (42.6p for 2001/02).

The total rateable value at 31st March 2003 was £97.5m (£98.2m as at 31st March 2002).

The Council is responsible for collecting these business rates in its area and pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population.

Total NNDR collected from ratepayers is £36.3m (£37.3m in 2001/02). The contribution back to the Council from the pool in the year amounted to £46.8m (£51.0m in 2001/02) and the amount paid to the pool amounted to £33.1m (£36.1m in 2001/02).

17.0 Residual Community Charges

Although the Community Charge was replaced by the Council Tax from 1st April 1993, residual adjustments relating to previously uncollected charges still impact on the accounts of the Council. During 2002/03, cash received had a minimal effect on the outstanding arrears.

18.0 Related Party Transactions

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

Central Government

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

Precepts and Levies

Details of precepts collected on behalf of other organisations are provided in the Consolidated Revenue Account. An analysis of amounts levied on this Council by other bodies can be found at note 10 to the Consolidated Revenue Account.

Chief Officers and Members

Details of Officers' emoluments and Members allowances are provided in Consolidated Revenue Account notes 7 and 8 respectively. Interests of Members are maintained in the Register of Members Interests.

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

Organisation	Nature of Payment / (Receipt)	2001/02 Amount £'000	2002/03 Amount £'000
Engineering & Mechanical Services	Vehicle hire, Repairs & Maintenance, Purchases	0	7
National Health Service Trusts	Goods and Services	78	86
Housing Associations	Grant Payments	0	210
Housing Associations	Goods and Services	(77)	12
Public Halls & Institutes	Grant Payments	0	188
Public Halls & Institutes	Goods and Services	0	12
Town Revival Strategies	Grant Payments	70	62
Rugby Football Clubs	Services	0	(15)
Community Associations	Grant Payments	0	100
Childrens' Clubs	Grant Payments	0	20

Rhondda Cynon Taf Pension Fund

The Group Director - Corporate Services is also the Responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1m in respect of administration and support during financial year 2002/03. Specific details relating to contributions to the Pension Fund can be found in note 9 to the Consolidated Revenue Account. The amount owed from Pension Fund to the Council as at 31st March 2003 is £3.6m.

Amgen Cymru, Amgen Rhondda and The Model House

The nature of the Council's relationship with these Associated Companies is disclosed in note 20 to the Consolidated Balance Sheet.

Glamorgan Archives Joint Committee

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

Rhondda Cynon Taf CBC Councillors on the Joint Committee.

During 2002/03, this Council contributed to the Joint Committee an amount of £156k. This was calculated proportionately based upon population. The amount owed to Glamorgan Archives from the Council as at 31st March 2003 is £705k.

Glamorgan Engineering Consultancy

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

During 2002/03, this Council made net payments to the GEC amounting to £1.6m. The amount owed to Glamorgan Engineering Consultancy from the Council as at 31st March 2003 is £1.7m.

Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council. During 2002/03, the Council charged Llwydcoed Crematorium £13k in respect of Central Establishment Charges. The amount owed to the Crematorium by the Council as at 31st March 2003 is £387k.

19.0 Building Control

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

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

The first three-year period began 1st April 1999.

The following statement shows the total cost of operating the building control unit for 2002/03 divided between chargeable and non-chargeable activities.

Trading Account For Building Control						
	2001/02			2002/03		
	Charge-able (63%) £'000	Non- Charge-able (37%) £'000	Total Building Control £'000	Charge-able (69%) £'000	Non- Charge-able (31%) £'000	Total Building Control £'000
Employee Expenses	270	159	429	190	85	275
Premises	0	0	0	0	0	0
Transport	24	6	30	19	9	28
Supplies & Services	5	3	8	0	0	0
Cent & Sup Serv Charges	68	40	108	157	71	228
Total Expenditure	367	208	575	366	165	531
	Charge-able (100%) £'000	Non- Charge-able £'000	Total Building Control £'000	Charge-able (100%) £'000	Non- Charge-able £'000	Total Building Control £'000
Building Reg Charges	(318)	(0)	(318)	(368)	0	(368)
Misc Income	0	(2)	(2)	0	0	0
Total Income	(318)	(2)	(320)	(368)	0	(368)
(Surplus)/Deficit for Year	49	206	255	(2)	165	163

Following the restructuring of the Council in 2001/02 and efficiency savings, the breakeven target has been met with a surplus £2k in 2002/03.

Consolidated Balance Sheet as at 31st March 2003

31/03/02		31/03/03	
£'000		£'000	£'000
	Fixed Assets		
	<u>Operational Assets</u>		
145,394	Council Dwellings	135,443	
265,303	Other Land & Buildings	262,506	
3,764	Vehicles, Plant & Equipment	3,781	
234,695	Infrastructure Assets	233,732	
375	Community Assets	443	
	<u>Non Operational Assets</u>		
3,816	Miscellaneous Properties	3,816	
16,339	Investment Properties	158	
2,446	Surplus Assets	3,305	
3,471	Assets Under Construction	8,898	
675,603			652,082
0	Deferred Charges	515	
63	Long Term Investments	54	
4,463	Investment in Companies	3,062	
7,412	Long Term Debtors	2,955	6,586
687,541	TOTAL LONG TERM ASSETS		658,668
	Current Assets		
846	Stocks & Work in Progress	776	
44,101	Debtors	36,693	
54,950	Short Term Investments	61,041	98,510
787,438	TOTAL ASSETS		757,178
	Current Liabilities		
(40,064)	Short Term Borrowing	(23,187)	
(53,975)	Creditors	(55,125)	
(2,899)	Bank Overdraft	(2,997)	(81,309)
690,500	TOTAL ASSETS LESS CURRENT LIABILITIES		675,869
	Long Term Liabilities		
(286,340)	Long Term Borrowing	(295,056)	
(1,523)	Deferred Liabilities	(1,455)	
(15,158)	Provisions	(16,057)	
0	Government Grants Deferred	(17,119)	(329,687)
387,479	TOTAL ASSETS LESS LIABILITIES		346,182
	Represented by :-		
	Capital Reserves		
(260,045)	Fixed Asset Restatement Reserve	(222,844)	
(85,764)	Capital Financing Reserve	(72,419)	
(2,601)	Deferred Capital Receipts Reserve	(2,249)	
(8,096)	Usable Capital Receipts Reserve	(20,343)	
(356,506)			(317,855)
	Revenue Reserves		
(9,323)	General Fund Balances	(8,174)	
(3,685)	General Fund Insurance Balances	(3,687)	
(1,872)	Housing Revenue A/C	(1,230)	
(7,252)	Delegated Schools	(6,277)	
(8,305)	Earmarked Reserves	(8,540)	
(313)	Special Funds	(197)	
(223)	Trust Funds	(222)	(28,327)
(387,479)	TOTAL EQUITY		(346,182)

Notes to Consolidated Balance Sheet

1.0 Fixed Assets

1.1 Movements in Fixed Assets

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

<u>Operational Assets</u>	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equip. £'000	Infra-structure £'000	Communi-ty Assets £'000	Total £'000
Certified Valuation as at 31st March 2003	152,160	275,624	N/a	N/a	N/a	N/a
Accum Dep'n & Impairment	(6,766)	(10,321)	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2003	145,394	265,303	3,764	234,695	375	649,531
<u>Movement in 2002/03</u>						
Additions	5,304	9,421	1,397	6,084	0	22,206
Disposals	(3,470)	(272)	(70)	0	0	(3,812)
Revaluations	(698)	(1,055)	193	0	76	(1,484)
Non-Enhancement of Assets	(5,304)	(5,487)	(148)	(1,086)	0	(12,025)
Depreciation	(3,081)	(5,404)	(1,355)	(5,961)	(8)	(15,809)
Impairments	(2,702)	0	0	0	0	(2,702)
Net Book Value as at 31st March 2003	135,443	262,506	3,781	233,732	443	635,905

<u>Non-Operational Assets</u>	Land Awaiting Dev. £'000	Misc. Properties £'000	Surplus Assets £'000	Investment Properties £'000	Assets Under C'struction £'000	Total £'000
Certified Valuation as at 31st March 2003	N/a	N/a	2,545	N/a	N/a	N/a
Accum Dep'n & Impairment	N/a	N/a	(99)	N/a	N/a	N/a
Net Book Value as at 31st March 2003	67	3,816	2,446	16,272	3,471	26,072
<u>Movement in 2002/03</u>						
Additions	125	0	0	0	7,224	7,349
Disposals	(67)	(1)	(86)	(16,239)	0	(16,393)
Revaluations	0	1	999	0	(1,797)	(797)
Non-Enhancement of Assets	0	0	0	0	0	0
Depreciation	0	0	(54)	0	0	(54)
Impairments	0	0	0	0	0	0
Net Book Value as at 31st March 2003	125	3,816	3,305	33	8,898	16,177

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

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

The Council's property assets are subject to a five yearly revaluation. The last exercise was completed on the 31st March 1999 by Cooke & Arkwright Chartered Surveyors.

Fixed Asset additions were funded from the following sources: -

	£'000
Fixed Assets	29,555
Deferred Charges	14,542
Total Capital Expenditure	44,097

Funding Source	£'000
Credit Approvals	19,187
Capital Receipts	4,700
Contributions	0
Grants	19,330
External Funding	0
Revenue Funding	790
Insurance	90
Total Funding	44,097

1.2 Major Items of Capital Expenditure 2002/03

As can be seen from note 1.1, additions to fixed assets during the year totalled £29.6m. In addition to the £6m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed below:

Scheme	£'000
Broadband Project	812
Rhondda Special School	2,006
Penynglyn Community School	1,453
Y G Rhydywaun Phase II	913
YGG Aberdar	1,611

1.3 Capital Commitments

Major commitments in respect of capital schemes as at 31st March 2003 included the following schemes: -

Scheme	2001/02 £'000	2002/03 £'000
Broadband (including Community Access)	0	6,830
Communities First Play Areas	0	1,360
Penyrenghlyn Community School	1,364	1,266
Porth Plaza Café & Incubation Units	0	2,840
Cefn-Yr-Hendy Site	1,100	1,450
Coed-Y-Lan Comprehensive	0	3,130
Rhondda Special School	2,258	0
Ysgol Gynradd Gymraeg Aberdar	1,471	0
SME Ymlaen	2,035	0
Land Reclamation	3,760	0

1.4 Analysis of Fixed Assets as at 31st March 2003

During 2002/03 a number of assets were re-categorised following a review of the asset types managed by the Council's Divisions.

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

Asset type	31st March 2002	31st March 2003
Council Dwellings	11,623	11,267
Sheltered Housing	739	739
Estate Shops	13	8
Caravan Sites	4	3
Municipal Offices Operational	62	51
Municipal Offices Non Operational	28	34
Adult Education Centres	10	10
Schools - Nursery	40	39
- Primary	89	87
- Primary Welsh	13	14
- Secondary	14	14
- Secondary Welsh	5	5
- Special	6	8
Education Youth Centres	16	16
Other Education Establishments	10	10
Libraries	29	28
Homes for the Elderly	13	13
Children's Homes	6	9
Day Centres	39	31
Physical Disability Establishments	4	3
Garden Centre	1	1
Special Sites	6	6
Leisure Centres	8	8
Other Leisure Facilities	42	33
Pools	7	7
Parks/Play Areas	237	228
Community Centres	32	31
Cemeteries	14	13
Country Park	0	1
Industrial Estates	17	1
Depots/Stores	9	6

Continued overleaf...

Tourism – Museum/Theatre	6	6
Dog Pound	1	1
Heritage	2	2
War Memorials	20	20
Car Parks	53	68
Allotments	5	4
Social Centres	6	3
Miscellaneous Housing Establishments	0	7
Works of Art/Exhibits and Statues	0	2
Assets Under Construction	5	7
Infrastructure: -		
Principal Roads	166.7km	166.7km
Other Roads	1045.5km	1046.15km
Trunk Roads	29.0km	29.0km

1.5 **Valuation of Fixed Assets**

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

Asset Type	Date Of Last Valuation	Basis Of Valuation
Council Dwellings	31 st March 1999	EUV-SH
Other Land & Buildings	31 st March 1999	OMVEU
Specialist Building	31 st March 1999	DRC
Vehicles, Plant, Equip.	1999/00	DRC
Infrastructure	N/A	Historic/Notional Cost
Community Assets	N/A	Historic/Notional Cost

EUV-SH	-	Existing Use Value – Social Housing
OMVEU	-	Open Market Value In Existing Use
DRC	-	Depreciated Replacement Cost

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

2.0 **Deferred Charges**

Deferred charges created after 1st April 2002 are being amortised to revenue over an appropriate period which represents the continuing benefit that will accrue to the Council, with exception to Improvement Grants and grants to third parties which are written off to revenue in the year of expenditure.

	Exp. In 2002/03 £'000	Charged to Revenue in Year £'000	Balance At 31/03/03 £'000
Improvement Grants	10,103	(10,103)	0
Other Grants	3,915	(3,915)	0
Other: Software	450	0	450
Assets not belonging to RCT	24	0	24
Other	50	(9)	41
Total	14,542	(14,027)	515

3.0 Long Term Debtors

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

31/03/02 £'000		31/03/03 £'000
1,282	Private mortgages	1,004
2,156	Council house mortgages	1,659
3,954	Other local authorities	286
20	Other advances	6
7,412	Total	2,955

4.0 Stocks and Work in Progress

Consumable stocks held, to be used in 2003/04, and work in progress as at 31st March 2003 are as follows: -

31/03/02 £'000		31/03/03 £'000
846	Stocks	768
0	Work in progress	8
846	Total	776

5.0 Debtors

This represents amounts due to the Council at 31st March 2003, less a provision for potentially uncollectable debts, analysed as follows: -

31/03/02 £'000		31/03/03 £'000
17,795	Government departments	12,776
5,358	Ratepayers / chargepayers	6,255
2,268	Housing rents (Current Tenants)	816
26,873	Sundry debtors	23,782
162	Housing advances	101
52,456		43,730
(8,740)	Less provision for doubtful debt	(7,324)
43,716		36,406
	Amounts due after one year:-	
385	Car loans to employees	287
44,101	Total	36,693

6.0 Short Term Investments

This represents monies received in advance of expenditure requirements. Such sums are invested on a short term basis until required. As can be seen from the balance sheet the value of Short Term Investments as at 31st March 2003 was £61.0m (£54.9m as at 31st March 2002).

7.0 Short Term Borrowing

As can be seen from the balance sheet the short term borrowing balance as at 31st March 2003 was £23.2m (£40.1m as at 31st March 2002). This comprises PWLB loans with maturity of less than one year and temporary loans.

8.0 Creditors

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

31/03/02 £'000		31/03/03 £'000
4,441	Government departments	5,930
822	Ratepayers / chargepayers	795
295	Housing rents	367
167	Housing advances	144
47,856	Sundry creditors	47,495
394	MGCC Realisation a/c	394
53,975	Total	55,125

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

9.0 Bank Overdraft

The balance of £3m shown in the balance sheet represents actual bank balances less unpresented cheques etc.

10.0 Long Term Borrowing

Borrowing is classified as long term if it matures one year after the balance sheet date. Total borrowing is £318m, of which £295m is long term. This represents borrowing to finance capital expenditure. Generally borrowing is from the Public Works Loan Board (£313m), market loans (£4m), and other borrowing (£1m).

PWLB balances at 31st March 2003 may be analysed as follows: -

Maturity	31/03/02 £'000	31/03/03 £'000
Within one year	39,074	22,154
One to two years	17,154	16,123
Two to five years	31,648	29,833
Five to ten years	43,667	24,411
More than ten years	189,407	220,355
Total	320,950	312,876

PWLB amounts due within one year (£22m) are classed within Short Term Borrowing on the Balance Sheet.

11.0 Deferred Liabilities

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

The other element relates to the outstanding capital value of the Council's assets financed by lease, calculated to comply with part IV of the 1989 Local Government and Housing Act.

Liability	31/03/02 £'000	31/03/03 £'000
Vale of Glamorgan CBC	987	942
Caerphilly CBC	524	513
Finance Leases	12	0
Total	1,523	1,455

The following table discloses the net amount of finance leases included in the balance sheet: -

Asset Details	31/03/02 £'000	31/03/03 £'000
Llwyncastan Offices (property lease)	12	0
Total	12	0

The Council no longer holds any fixed assets under finance leases. There are no undischarged finance lease obligations at 31st March 2003 included in the Balance Sheet and no items were acquired in 2002/03 under Finance Leases.

12.0 Provisions

Provisions are amounts set-aside for specific future expenses, which are certain to be incurred, but the amount or timing of which cannot be determined accurately. Provisions for bad debts are shown as a deduction from debtors. Provision is made in respect of the following: -

Provisions	Balance as at 31/03/02 £'000	Balance as at 31/03/03 £'000
Insurance	10,825	11,637
ERDF Claims	2,708	0
WDA Land Reclamation Schemes	856	2,555
Works in Default	115	23
HRA Disrepairs	0	787
MGCC Mileage Claims	179	1
MGCC Disaggregation	0	812
Home Care	70	0
Welsh Water	132	0
Environment & Highways	25	0
Utility Services	6	0
Welsh Church Act Fund	242	242
Total	15,158	16,057

12.1 Insurance

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

Fund	Provision for Outstanding Claims £'000	Insurance Reserve £'000	Total £'000
Mid Glamorgan	485	2,187	2,672
Taff Ely	9	0	9
Rhondda Cynon Taf	11,143	1,500	12,643
Total	11,637	3,687	15,324

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

Fund	Rhondda Cynon Taf £'000	Other Authorities £'000	Total £'000
Mid Glamorgan	1,173	1,499	2,672
Taff Ely	8	1	9
Rhondda Cynon Taf	12,643	0	12,643
Total	13,824	1,500	15,324

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

12.2 European Regional Development Fund (ERDF)/Welsh Development Agency (WDA) Claims

There is no longer a provision for ERDF claims. For further details of the WDA Claims provision, please refer to the Consolidated Balance Sheet Note 22.1 regarding Contingent Liabilities.

12.3 Works in Default

A provision of £23k exists to provide for future costs in respect of maintenance of retaining walls in the vicinity of the highway. Payments are due to be made during 2003/04.

12.4 HRA Disrepairs

The provision has been set up to provide for the cost of outstanding disrepair actions made against the Council. Tenants can take legal action where the Council has failed to carry out statutory duties of keeping properties in a satisfactory condition. The likely costs to be incurred have been based on information provided by the Council's Claim Handlers. All claims are expected to be settled in 2003/04.

12.5 MGCC Mileage Claims

The provision relates to payments of arrears of mileage expenses to former employees of Mid Glamorgan County Council. The majority of payments have been made in 2002/03. The value of remaining payments is considered minimal.

12.6 MGCC Disaggregation

The provision relates to amounts the Council estimates it will pay to other local authorities. Exact values and the timing of payments is uncertain. Please refer to balance sheet note 22.5 for further details.

12.7 Welsh Water

All outstanding debts, totalling £132k, in respect of Welsh Water agency works have now been written off against the provision following unsuccessful recovery. Therefore this provision is no longer needed.

12.8 Environment and Highways

This provision was for remedial action on works completed during 2001/02. There is no longer a need for this provision as all remedial works have now been completed.

12.9 Utility Services

A provision of £6k existed in 2001/02 to cover the cost of prior year unpaid utility services. The likelihood of receiving the bills is considered remote. The Council has written back the provision accordingly.

12.10 Welsh Church Act Fund Reimbursement

A provision has been established for the reimbursement of costs of a collapsed property. Please refer to note 22.4 Contingent Liabilities for further details.

13.0 Deferred Government Grants & Contributions

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

	£'000
1 st April 2002	0
Grants/Contributions applied in year	(17,119)
Transfer to Asset Management Rev. A/c	0
Total	(17,119)

14.0 Capital Reserves**14.1 Fixed Asset Restatement Reserve**

This reserve represents the balance of the surpluses or deficits as a result of the periodical revaluation of fixed assets. This arises from the difference between the value of fixed assets at original cost (the basis of accounting for fixed assets previously) and their revaluation at market value in accordance with the current capital accounting requirements. The fixed asset restatement reserve provides the matching entry when fixed assets are restated, either upon revaluation or disposal.

	£'000
Balance as at 1 st April 2002	(260,045)
Revaluation of Assets	4,983
Disposal of Fixed Assets	20,205
Repayment of finance lease	(12)
Non-Enhancement of Assets	12,025
Balance as at 31st March 2003	(222,844)

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

14.2 Capital Financing Reserve

This balance of £72.4m is represented by an amount of £46.4m, which is the reserved proportion of capital receipts, and £26.0m relating to capital financing transactions.

	£'000	£'000
Balance as at 1st April 2002		(85,764)
Reserved Capital Receipts		(4,260)
Usable Capital Receipts		(4,700)
Third Party Contributions		(90)
Council Mortgages Written Down		278
HRA Transferred Assets Written Down		(56)
Gov't Grants		(2,211)
Restatement of Loan Share		(910)
<u>Appropriations to CRA</u>		
Minimum Revenue Provision	(6,116)	
Depreciation General Fund/HRA	15,863	
Write down of investment in companies	2,310	
Direct Revenue Financing	(790)	
Deferred Charges Written off to CRA	14,027	25,294
Balance as at 31st March 2003		(72,419)

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

- Amounts set aside from capital receipts and revenue for the repayment of external loans;
- The amount of Capital expenditure financed from Capital Receipts, revenue and reserves;
- The difference between amounts provided for depreciation and that required by statute to be charged to revenue to repay the principal element of external loans.

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

Movements in the Provision for Credit Liabilities

	£'000
Balance at 01/04/02	Nil
Receipts set aside	(4,260)
Capital Grants from European Union Institutions	0
Minimum Revenue Provision	(6,116)
Less Repayment of Deferred Credit Arrangements	50
Less Repayment of External Debt	10,326
Balance at 31/03/03	Nil

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

14.3 Deferred Capital Receipts Reserve

This consists of two separate elements: -

	01/04/02 £'000	Movements £'000	31/03/03 £'000
Deferred Receipts	2,156	(497)	1,659
Debt Rescheduling	445	145	590
Total	2,601	(352)	2,249

Deferred Receipts represent the deferred sale proceeds of council houses sold to tenants and financed by the granting of mortgages. It is balanced by a similar amount in long term debtors, being the mortgages outstanding. The balance at 1st April 2002 of £2.2m was reduced by repayments of £497k, leaving a balance at 31st March 2003 of £1.7m. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available.

The second element, debt rescheduling, relates to discount received or penalties incurred on prematurely repaid loans from the Public Works Loan Board as a result of rescheduling debt. The amount of £590k is to be used to equalise interest payments in future years.

14.4 Usable Capital Receipts

The Usable Capital Receipts reserve is the proportion capital receipts that may be used to finance capital expenditure. The movements on the reserve are as follows:

	£'000
Balance as at 1st April 2002	(8,096)
<u>Receipts During the Year:</u>	
Sale of Assets	(16,545)
Mortgage Repayments	(402)
<u>Application During the Year:</u>	
Financing of Capital Expenditure	4,700
Balance as at 31st March 2003	(20,343)

15.0 General Fund Balances

Revenue balances are accumulated working balances held as general

reserves. General fund balances relate to general county services and exclude “ring fenced” council services such as Housing Revenue Account and Delegated Schools.

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

	£'000
Balances 01/04/02	9,323
Increase/(decrease) in reserve	(1,149)
Balances 31/03/03	8,174

16.0 General Fund Insurance Fund Balances

Please refer to note 12.1 for further details.

17.0 Housing Revenue Account

Housing Revenue Account balance relate to the “ring fenced” council housing accounts. Please refer to pages 60 – 61 for further details.

18.0 Earmarked Reserves / Delegated Schools Reserves

Earmarked reserves are amounts set aside from revenue reserves in 2002/03 to meet commitments that will be incurred after 31st March 2003.

Delegated school budgets refer to balances held by schools under delegated schemes. Such balances are committed to be spent on delegated services and are not available to the Council for general use.

Balances are as follows: -

	31/03/02		31/03/03	
	£'000	£'000	£'000	£'000
Delegated school balances		7,252		6,277
<u>Earmarked balances:-</u>				
Corporate Development Fund	841		841	
Social Inclusion	1,879		1,500	
Other Earmarked Reserves	5,585		6,199	
		8,305		8,540
Total		15,557		14,817

18.1 Corporate Development Fund

The represents money set aside to deliver high impact visible improvements to key services, as an outcome of the Whole Authority Assessment carried out under the Wales Programme for Improvement.

18.2 Social Inclusion

An amount of money has been allocated to schools to fund Social Inclusion activities and projects, many of which span over two financial years.

19.0 Trust Funds and Special Funds

Included in the Balance Sheet are reserves for Trust Funds and Special Funds. These are summarised as follows:

	31/03/02 £'000	31/03/03 £'000
Special Funds		
Home Finders scheme	171	171
Others	142	26
Total	313	197
Trust Funds		
Ynysangharad Park	86	81
Hirwaun Common Enclosure	125	130
Others	12	11
Total	223	222

The Council also acts as trustees for various charities. Separate accounts are maintained for these. Net assets as at 31st March 2003 are shown as follows and are not included in the Council's Consolidated Balance Sheet. The Audit Commission opinion on these accounts is still outstanding.

	31/03/02 £'000	31/03/03 £'000
Education & Social Services	68	68
Pontypridd & Districts Institute for the Blind	190	184
Welsh Church Act Fund	7,292	6,563

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

All Trust Funds were previously reported together but as separate accounts are maintained for each fund, net assets have been split per fund.

20.0 Associated and Subsidiary Companies

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

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

	Amgen Cymru		Amgen Rhondda		Model House	
	May 2002 £'000	May 2003 £'000	May 2002 £'000	May 2003 £'000	2001/02 £'000	2002/03 £'000
Shareholding	2,806	2,806	910	256	0	0
Net Current Assets	1,040	850	196	256	80	60
Total Assets less Curr Liab's	4,209	3,932	196	256	119	89
Net Assets	3,342	3,508	196		119	89
(Loss)/Profit Before Tax	(284)	166	(133)	60	(18)	(30)
(Loss)/Profit After Tax	(284)	166	(133)	60	(18)	(30)
Registration No.	2660628		3687641		2208104	
Registered Office / Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Model House Craft & Design Centre Bull Ring Llantrisant CF72 8EB	
Auditors	KTS		KTS		Dennis, Freedman, Clayton & Co.	
Audit Opinion	True and fair		Fundamental uncertainty		Not yet available	

The Audit Opinion for the Amgen companies relates to the accounts for May 2002.

Amgen Cymru

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

Royalties of £190k were billed by the Council to Amgen Cymru. Of this £35k is yet to be paid. At 31st March 2003 the Council owed Amgen Cymru £211k.

Amgen Rhondda

Amgen Rhondda was set up during September 1999 as a wholly owned subsidiary of Amgen Cymru. The principal activity of the company is the disposal of waste. The company has taken over the running of Nantygwyddon Landfill Site from Rhondda Waste Disposal Limited, which went into liquidation during the year ending 31st March 1999. The administrators have written to the Council proposing a final settlement to cover the net amount owed by the company to the Council.

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

Since the site closed and tipping has ceased, no royalties have been paid or are owed as royalties were based on tipping tonnages. At 31st March 2003, the Council owed Amgen Rhondda £46k in respect of site management. This was paid in April 2003.

During 2002/03 an amount of £427k for Amgen royalties and base rent was written off against the provision for bad debts in the accounts. This is also referred to in the May 2002 accounts of Amgen Rhondda.

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

During 2002/03 we have reviewed the balance sheet value of the holding in Amgen Rhondda and have written this down to the net assets of the company.

Rhondda Waste Disposal Ltd

Rhondda Waste Disposal Ltd went into liquidation during the year ended 31st March 1999. During 2002/03 the Council has written out of the balance sheet its investment of £1.6m in Rhondda Waste Disposal Ltd. Details of the Rhondda Waste Disposal Ltd balance sheet are as follows:

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

Model House Llantrisant Ltd

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

The accounts for Model House Llantrisant have been prepared for the year ended 31st March 2003. Final copies are not yet available, however the draft version has been used for the information in the table.

21.0 Contingent Gain**21.1 Litigation Case**

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

21.2 Rhondda Waste Disposal in Administration

The administrators have written to the Council proposing a final settlement in connection with the above issues. The settlement will cover the net amount owed by the company to the Council.

22.0 Contingent Liabilities**22.1 European Regional Development Funding (ERDF) Claims**

There is no longer a provision for the repayment of European Regional Development Funding grants (ERDF). During 2002/03 Welsh European Funding Office (WEFO) confirmed there would be no requirement to repay these grants. Therefore, the remaining £1m debtor was written off against the 2001/02 provision of £2.7m. The balance of the provision was written back to General Reserves. The Audit Commission have agreed with this decision.

22.2 Land Reclamation

Land Reclamation grant income is receivable at a grant rate of 100% on eligible expenditure on schemes approved by the Welsh Development Agency (WDA). At the time of Local Government Reorganisation approximately 72 schemes had been approved, with a total grant element of

approximately £53.5m. In addition a number of Town Improvement claims, which are also administered by the WDA were approved at this date.

The majority of these claims have been passed to the Audit Commission for audit and work is currently being undertaken by the Council, the Welsh Development Agency and the Audit Commission to complete the process.

Approximately 75% of the Land Reclamation Schemes have now been audited and have been qualified in some respect. The amount of expenditure subject to qualification on these claims amounts to approximately £8.9m. However the Authority is awaiting a decision from the WDA on how these claims will be treated and whether they will clawback any of the grants provided.

Discussions with the WDA and Audit Commission have taken place to drive this process forward. A provision of £2.6m is maintained in the accounts in connection with Land Reclamation Grants to cover the possible recoupment of an element of the grants, based on an assessment of risk associated with each claim. The judgement of the Council based on information currently available is that the provision set aside is more than sufficient. However, there still remains a degree of uncertainty around these balances until we receive decisions from the WDA. The Council is liaising closely with the Audit Commission and the Welsh Development Agency to bring this matter to a close as soon as possible.

22.3 Community Services

Prior to 1999, this Council charged clients under S117 of the Mental Health Act 1983. A recent court case involving another local authority, ruled in favour of the claimant who was claiming reimbursement of such charges. As a result of this ruling, Community Services has assessed the position and concluded that if the Council had to reimburse its clients, the cost would be approximately £200k. However for various reasons it is unlikely that the Council will have to pay out this amount. No amounts will be paid out without a court ruling. As the probability of making any payments is low, it is considered that a contingent liability disclosure is more appropriate than establishing a provision.

22.4 Welsh Church Act Fund

The Council has received a response from the Charities Commission regarding the collapse of a property in January 1999. The initial response of the Commission is that the Council should reimburse the Fund for the costs of the collapse on the grounds that it was negligent in its trustee role. The current estimated liability is £242k and a provision has been set up accordingly. Following this decision the Council put forward a case for review as to why the original decision should be overturned. The Charities Commission has now agreed for the case to be further reviewed and have requested further information. As a result, the Council has agreed to appoint an Independent Surveyor to give an opinion as to whether or not it (and it's predecessor Mid Glamorgan County Council) acted properly in it's capacity as trustee.

22.5 Mid Glamorgan Disaggregation

The Local Government Reorganisation of 1st April 1996 resulted in the debts and liabilities of the former Mid Glamorgan County Council passing to the successor new unitary authorities. Since this date a number of possible Post Balance Sheet Events relating to Mid Glamorgan County Council have been identified. The Section 56 agreement between unitary authorities includes a mechanism for dealing with Post Balance Sheet Events.

A number of the issues identified by the successor authorities have been settled. A discussion needs to take place between the respective Treasurers of each authority to agree to include or exclude these items from the disaggregation process. The accounts of Rhondda Cynon Taf include a provision for 42.89% of the settled claims as it is currently assumed likely that these items will be accepted by the Treasurers.

23.0 Post Balance Sheet Events

There are no post balance sheet events.

24.0 Euro Costs

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

25.0 Retirement Benefits

The financial year 2002/03 is the second year in which FRS17 Retirement Benefit disclosures have to be included in the Statement of Accounts. This is a transitional year where we disclose information as at the opening and closing balance sheet date and explain the movement on the surplus/deficit from 2001/02 to 2002/03. The purpose of this note is to provide information on future benefits payable in the year the Council is committed to providing them. As this is the transitional year for FRS17 (as per the SORP), no additional entries have been entered into the Consolidated Revenue Account or Balance Sheet. The first year of the accounting for these entries through the financial statements is 2003/04.

The Rhondda Cynon Taf Pension Fund is a Local Government Pension Scheme, which is a multi employer defined benefit scheme. The most recent full actuarial valuation was at 31st March 2001.

The projected unit actuarial method was used. Under this method the current service cost will increase as the members of the fund approach retirement.

The assumptions used by the actuary are:

	Start of Valuation Period %	31/03/02 %	31/03/03 %
Inflation	1.70	2.50	2.50
Rate of increase in salaries	3.50	4.30	4.30
Rate of increase pensions in payment and deferred pensions	1.70	2.50	2.50
Rate used to discount liabilities (3.5% real)	5.25	6.10	6.10

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

	Fair Value (Whole Scheme) 31/03/03 £'m	Fair Value (RCT Element) 31/03/03 £'m	Proportion %	Rate of Return for 2002/03 %	Rate of Return for subsequent period %
Equities	469.6	200.3	69.59	7.50	8.50
Property	2.1	0.9	0.31	6.00	7.00
Bonds	88.0	37.5	13.04	6.00	5.50
Gilts	57.4	24.5	8.50	5.25	4.50
Other	57.8	24.7	8.56	4.50	4.00
Total	674.9	287.9	100.00	7.00	7.38

The fair value of attributable scheme assets is £287.9m and the present value of the scheme liabilities based on actuarial assumptions is £579.2m. This results in a deficit of £291.3m.

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

	£m
Surplus (Deficit) 31/03/02	(187.1)
Contributions Paid	18.1
Current Service Cost	(13.0)
Past Service Cost	-
Previous Unrecognised Surplus deducted from past service costs	-
Settlement Cost	-
Curtailment Cost	(2.3)
Previous Unrecognised Surplus deducted from settlements or curtailments	-
Interest Cost	(3.3)
Expected Return on Assets	-
Actuarial Gains and Losses:	
Difference between actual and expected returns on assets	(103.7)
Experience gains and losses arising on scheme liabilities	-
Effect of changes in the demographic and financial assumptions	-
Surplus (Deficit) 31/03/03	(291.3)

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

The difference between actual and expected return on assets expressed as a percentage of the scheme assets as at balance sheet date is (36.02%).

Experience Gains and Losses arising on the scheme liabilities as a percentage of the scheme liabilities as at the balance sheet date is 0%.

The effect of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities as a percentage of the scheme liabilities as at the balance sheet date is 0%.

If the Council was to account for FRS17 costs through the financial statements, the effect upon the Balance Sheet would be as follows:

	£'m
Net assets as per Balance Sheet	346.2
Pensions Liability	(291.3)
Net Assets (If Pens. Liab. Included in Balance Sheet)	54.9
Total Capital & Revenue Reserves per the Balance Sheet	(346.2)
Pensions Reserve (Non distributable)	291.3
Total Equity (If Pens. Reserve incl. In Balance Sheet)	(54.9)

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

Statement of Total Movements on Reserves 2002/03

2001/02		2002/03	
		£'000	£'000
	Surplus / (deficit) for the year		
2,161	- General Fund	(1,149)	
188	- Housing Revenue Account	(642)	
4,288	Add back movements on specific revenue reserves – (earmarked reserves)	(738)	
6,637	Total increase / (decrease) in revenue reserves		(2,529)
3,955	Increase / (decrease) in usable capital receipts	12,247	
0	Increase / (decrease) in unapplied capital grants and contributions	0	
3,955	Total increase / (decrease) in realised capital resources (Note 1.0)		12,247
(7,412)	Gains / (losses) on revaluation of fixed assets	(14,306)	
0	Repayment of finance leases	12	
0	Impairment losses on fixed assets due to general changes in prices	(2,702)	
(7,412)	Total increase / (decrease) in unrealised value of fixed assets (Note 2.0)		(16,996)
(9,779)	Value of assets sold, disposed of or decommissioned (Note 3.0)		(20,205)
2,887	Capital receipts set aside	8,960	
(7,246)	Revenue resources set aside	(22,305)	
0	Movement on Government Grant Deferred	0	
9,714	Movements on Grants	0	
(314)	Movement on Deferred Capital Receipts	(352)	
5,041	Total increase / (decrease) in amounts set aside to finance capital investment (Note 4.0)		(13,697)
(1,558)	Total recognised gains / (losses)		(41,180)

Notes to the Statement of Total Movements on Reserves

1.0 Movements in Realised Capital Resources

2001/02 £'000 Usable Capital Receipts		2002/03 £'000 Usable Capital Receipts
4,168	Amounts receivable	16,947
(213)	Amounts applied to finance new capital investment	(4,700)
3,955	Total increase / (decrease) in realised capital resources	12,247
4,141	Balance brought forward	8,096
8,096	Balance carried forward	20,343

2.0 Movements in Unrealised Value of Fixed Assets

2001/02 £'000 Fixed Asset Restatement Reserve		2002/03 £'000 Fixed Asset Restatement Reserve
(7,412)	Gains / (losses) on revaluation of fixed assets	(14,306)
0	Repayment of finance leases	12
0	Impairment losses on fixed assets due to general price changes	(2,702)
(7,412)	Balance carried forward	(16,996)

3.0 Value of Assets Sold, Disposed of or Decommissioned

2001/02 £'000 Fixed Asset Restatement Reserve		2002/03 £'000 Fixed Asset Restatement Reserve
(7,412)	From Note 2	(16,996)
(9,779)	Amounts written off fixed asset balances for disposals	(20,205)
(17,191)	Total movement on reserve	(37,201)
277,236	Balances brought forward	260,045
260,045	Balance carried forward	222,844

4.0 Movements in Amounts Set Aside to Finance Capital Investment

2001/02			2002/03	
£'000	£'000		£'000	£'000
Capital Financing Reserve	Deferred Capital Receipts		Capital Financing Reserve	Deferred Capital Receipts
2,674	(314)	Capital receipts set aside		
213		- reserved receipts	4,260	
		- usable receipts applied	4,700	
		- deferred capital receipts		(352)
2,887		Total capital receipts set aside	8,960	
		Revenue resources set aside		
2,580		- capital exp. financed from revenue	880	
(9,826)		- release of CFR	(23,185)	
0		- capital advances redeemed	0	
(7,246)		Total revenue resources set aside	(22,305)	
20,756		Deferred sale proceeds on council houses & debt scheduling	0	
0		Deferred Government Grants	0	
(11,042)		Amounts credited to AMRA	0	
9,714			0	
5,355	(314)	Movement on reserves	(13,345)	(352)
80,409	2,915	Balance brought forward	85,764	2,601
85,764	2,601	Balance carried forward	72,419	2,249

Cashflow Statement 2002/03

2001/02		2002/03	
£'m		£'m	£'m
	<u>Revenue activities</u>		
	<u>Cash Outflows</u>		
219.9	Cash paid to and on behalf of employees	237.4	
151.6	Other operating cash payments	158.4	
41.8	Housing benefit paid out	45.8	
36.1	National non-domestic rate payments to national pool	36.3	
6.8	Precepts paid	7.3	485.2
	<u>Cash Inflows</u>		
(10.9)	Rents (after rebates)	(9.1)	
(56.3)	Council tax receipts	(60.1)	
(46.7)	National non-domestic rate receipts from national pool	(47.0)	
(36.1)	Non-domestic rate receipts	(36.9)	
(185.5)	Revenue support grant	(196.9)	
(32.4)	DSS grants for benefits	(36.7)	
(46.7)	Other government grants	(62.2)	
(47.0)	Cash received for goods and services	(43.5)	
(20.0)	Other operating cash receipts	(26.7)	(519.1)
(25.4)	Net Cash Inflow from Revenue Activities		(33.9)
	<u>Returns on Investments and Servicing of Finance</u>		
21.1	Interest paid	22.0	
(1.8)	Interest received	(2.8)	19.2
	<u>Capital activities</u>		
	<u>Cash Outflows</u>		
39.6	Purchase of fixed assets	41.6	41.6
	<u>Cash Inflows</u>		
(6.8)	Sale of fixed assets	(21.5)	
(10.1)	Capital grants received	(19.1)	
(4.6)	Other capital cash receipts	(0.4)	(41.0)
12.0	Net cash outflow before financing		(14.1)
	<u>Financing</u>		
	<u>Cash Outflows</u>		
41.9	Repayments of amounts borrowed	64.5	
	<u>Cash Inflows</u>		
(50.2)	New loans raised	(56.4)	8.1
3.7	(Increase)/decrease in cash & equivalents		(6.0)

Notes to the Cashflow Statement

1.0 Reconciliation of Consolidated Revenue Account to Cash flow

2001/02 £'m		2002/03 £'m
(2.2)	Consolidated revenue A/C (surplus) / deficit	1.1
9.6	Depreciation/MRP adjustment	9.7
(20.7)	Net transfers from reserves	(28.7)
13.7	(Increase)/Decrease in creditors	3.9
(6.5)	Increase/(Decrease) in debtors	(0.6)
0.0	Increase/(Decrease) in stocks	(0.1)
(19.3)	Financing items	(19.2)
(25.4)	Cash inflow from revenue items	(33.9)

2.0 Movements in Cash and Cash Equivalents

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

	31/03/02 £'m	31/03/03 £'m	Movement £'m
Bank balance (o/d)	(2.9)	(3.0)	(0.1)
S/term investments	55.0	61.1	6.1
Total	52.1	58.1	6.0

3.0 Net Financing 2002/03

The net decrease in financing of £8.1m shown in the statement is derived from the movements in both short and long term borrowing as reflected in the consolidated balance sheet: -

	31/03/02 £'m	31/03/03 £'m	Movement £'m
Long term borrowing	286.3	295.1	8.8
Short term borrowing	40.1	23.2	(16.9)
Total	326.4	318.3	(8.1)

4.0 Government Grants

Government grants shown in the statement are analysed below: -

2001/02 £'m		2002/03 £'m
	<u>Revenue</u>	
18.8	Housing Subsidy	20.1
0.5	Mandatory Awards	0.2
2.7	GEST	3.0
24.7	Other	38.9
46.7	Total	62.2
	<u>Capital</u>	
0.3	Improvement Grants	0
1.3	Transport Grant	0.8
5.7	Other grants	8.7
2.8	ERDF	1.3
	Capital Grant	8.3
10.1	Total	19.1

5.0 Reconciliation of Net Cashflow to Movement in Net Debt

	£'m
(Decrease) / increase in cash	6.0
Cash to reduce net debt	64.5
Cash to (increase) net debt	(56.4)
Non cash movement	0
Change in net debt	14.1
Net Debt 01/04/02	(274.3)
Net Debt 31/03/03	(260.2)

6.0 Analysis of Changes in Net Debt

	01/04/02 £'m	Cashflows £'m	Other £'m	31/03/03 £'m
Short term investments	55.0	6.1	0	61.1
Short term borrowing	(40.1)	56.0	(39.1)	(23.2)
Bank overdraft	(2.9)	(0.1)	0	(3.0)
Long term borrowing	(286.3)	(47.9)	39.1	(295.1)
Total	(274.3)	14.1	0	(260.2)

Housing Revenue Account

	2001/02 £'000	2002/03 £'000
INCOME		
Dwelling Rents (gross)	25,657	26,018
Non Dwelling Rents (gross)	362	423
Charges for Services and Facilities	430	596
Housing Revenue Account Subsidy Receivable	18,610	19,456
Credit from Housing Maintenance Unit	480	434
<u>Interest Receivable:</u>		
- Mortgage Interest	163	126
- Interest on Cash Balances	85	72
Total Income	45,787	47,125
EXPENDITURE		
Repairs and Maintenance	7,951	9,509
Supervision and Management	7,190	7,805
Rents, Rates, Taxes and Other Charges	240	215
Rent Rebates	18,278	18,602
Bad or Doubtful Debts	508	636
Capital Financing Costs	11,432	11,000
Total Expenditure	45,599	47,767
Change in Reserve Balance for the Year	188	(642)
Balance on Reserves B/Fwd	1,684	1,872
Surplus/(Deficit) on HRA Reserves C/Fwd	1,872	1,230

Notes to the Housing Revenue Account

1. Rental Income

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

2. Dwelling Rents

This represents rent income due from tenants. The average rent per week as at 31st March 2003 was £43.34 (less voids) compared with £40.74 (less voids) per week as at 31st March 2002. The Welsh Assembly Government sets the maximum level of rent increase for each authority. The guideline rent increase for the Council was £1.20 in 2002/03.

3. Rent Arrears

Rent arrears as at 31st March 2003 amount to some net £1.1m (£2m as at 31st March 2002). This consists of arrears of £1.4m and accounts in credit of £0.3m. The provision for bad debts in respect of these rent arrears is £1.0m (£1.8m as at 31st March 2002).

4. Rent Rebates (Housing Benefits)

Assistance with rent is available under the Housing Benefits scheme for those on low income. As at 31st March 2003 some 72% of the Council's tenants were receiving help with the cost of rent.

5. Reimbursement of Housing Benefits

The Council administers housing benefit. The cost of providing benefit during 2002/03 was £18.6m (£18.3m during 2001/02). The Welsh Assembly Government, through housing subsidy, substantially reimburses this.

6. Housing Stock

The Council was responsible for managing, on average, some 12,186 dwellings during 2002/03 (12,715 during 2001/02).

The total number of dwellings held at 31st March 2003 was 12,009, made up as follows:

Type	1 Bed room	2 Bed room	3 Bed room	4 Bed room	6 Bed room	Total
Bungalow	156	101	11	0	0	268
Bedsit	224	0	0	0	0	224
Caravan Sites	3	0	0	0	0	3
Flat	2,000	1,877	195	0	0	4,072
House	36	1,600	5,683	120	3	7,442
Total	2,419	3,578	5,889	120	3	12,009

As at the 31st March 2003 93% of properties were available for letting compared with 94% as at 31st March 2002.

7. Housing Maintenance Unit

Material balances of HRA-related trading operations should be repatriated to or from the HRA in line with the general principles of the Best Value Accounting Code of Practice. The Housing Maintenance Unit produced a profit of £434k during 2002/03 (£480k during 2001/02). This profit is prior to the transfer to HRA and excludes pensions backfunding costs.

Summary Pension Fund Accounts

The Fund

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

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

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Unitary Authorities, along with employees of 41 public service bodies, several of whom have made admission agreements with the Fund.

Administration

The Rhondda Cynon Taf Pension Section holds the responsibility for the interpretation of all pensions legislation, the creation and maintenance of records, the calculation and payment of benefits and the provision of information to employees, employers and other relevant bodies.

Fund Account

2001/02 £'000		2002/03		
		£'000	£'000	£'000
	Contributions & Benefits			
	Contributions Receivable			
(35,829)	From Employers	(47,415)		
(13,404)	From Employees	(15,687)		
(3,757)	Transfers In		(63,102) (12,616)	
	Other Income			
(570)	Reimbursements Re Former Glam CC	(506)		
(2,200)	Other Reimbursements	(1,974)		
(232)	Other Income	(10)	(2,490)	
	Benefits Payable			(78,208)
48,383	Pensions	49,070		
5,299	Lump Sums	5,770		
	Payments To Leavers		54,840	
203	Refunds	398		
4,500	Transfers Out	8,270		
	Admin. Expenses		8,668	
3,467	Investment	1,665		
1,047	Administration	1,016		
119	Other	105	2,786	66,294
7,026	Net Withdrawals/(Additions) from Dealings with Members			(11,914)
	Returns On Investments			
(23,001)	Investment Income: Fixed Interest & Equities	(20,840)		
(2,901)	Investment Income: Cash	(2,246)	(23,086)	
35,748	Realisation Of Investments		50,000	
4,176	Change In Market Value Of Investments		152,747	
1,187	Investment Management Expenses		1,149	
15,209	Net Returns On Investments			180,810
22,235	Net (Increase)/Decrease In Fund In Year			168,896
(866,213)	Opening Net Assets			(843,978)
(843,978)	Closing Net Assets			(675,082)

Net Assets Statement

31/03/02 £'000		31/03/03	
		£'000	£'000
	<u>Investment Assets</u>		
	Fixed Interest Securities		
21,067	UK – Public Sector	22,329	
32,386	UK – Index Linked Securities	35,131	
0	Foreign	0	57,460
	Equities		
441,001	UK	314,080	
210,682	Foreign	155,317	469,397
	Unit Trusts		
34,795	UK Bonds	45,417	
214	Investment Trusts	159	45,576
6,105	Property Unit Trusts		2,096
	Other Investments		
0	UK Bonds	0	
42,006	International Bonds	42,604	42,604
788,256	Total Investment Assets		617,133
	<u>Net Current Assets & Liabilities</u>		
	Current Assets		
54,934	Short Term Investments	48,007	
8,166	Debtors	6,801	
4,401	Cash In Hand	7,478	62,286
	Current Liabilities		
(4,108)	Creditors	(776)	
(7,671)	Amounts Due (To) / From RCT	(3,561)	(4,337)
	Long Term Liabilities		
0	Creditors		0
843,978	Total Assets		675,082

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

1. Introduction

The accounts summarise the transactions and net assets of the Pension Fund, and comply in all material respects with Statement of Recommended Practice No. 1 (SORP1), Pension Scheme Accounts. They do not take account of liabilities to pay pensions and other benefits in future. The actuarial position, which does take account of such liabilities, is set out in Note 2 below, and these accounts should be read in conjunction with it.

The accounts have been prepared on an accruals basis except for income from venture funds and overseas investments and transfer values.

2. Actuarial Position

An actuarial valuation of the Fund was carried out as at 31st March 2001. The market value of the Fund's assets at the valuation date was £866.4m, representing 76% of the Fund's accrued liabilities, allowing for future pay increases.

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

Discount rate after retirement for periods	5.90% per annum
Discount rate before retirement for periods	6.75% per annum
Rate of general pay increases	5.25% per annum
Rate of increases to pensions in payment	2.50% per annum
(In excess of GMP's) (Valuation of assets taken at market value).	

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

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

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

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

The rates of contribution paid by the Unitary Authorities over the years 2001/02 and 2002/03 were: -

Authority	31/03/02 %	31/03/03 %
Bridgend County Borough Council	298	320
Rhondda Cynon Taf County Borough Council	305	323
Merthyr Tydfil County Borough Council	335	365

For both Rhondda Cynon Taf CBC and Merthyr Tydfil CBC, the required increases in contribution rates for 2002/03 compared to those in payment over 2001/02 are being phased-in over three years.

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

The next actuarial valuation is due at 31st March 2004 and any change in contribution rates as a result of that valuation will take effect from 1st April 2005.

Participating employers are: -

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

Admitted Bodies:	Academi Care Council for Wales Council of Museums in Wales Care Standards Inspectorate for Wales (CSIW) Finance Wales Investment Local Government Data Unit Maesteg Town Hall Merthyr Tydfil Institute for the Blind Mid Glamorgan Careers Ltd Penywaun Enterprise Partnership SEWOCN Valley Arts Marketing (VAM) Welsh Development Agency (WDA) WJEC WJEC/CBAC Services
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3. Investment Strategy

Investment strategy is considered and agreed by a panel consisting of the Group Director – Corporate Services, the Senior Divisional Director of Finance, the Head of Accountancy Services, the Investment Manager and two “City” investment advisors. The Panel meets quarterly to determine policy in the light of market movements and economic indicators. Two balanced Fund Managers carry out the actual day-to-day investment management of the Fund:

Deutsche Asset Management
F & C Management Ltd.

4. Capital Commitments

At 31st March 2003, the Fund has commitments on part paid venture fund investments of £48.8k.

5. Investments at Market Value

Share values are based on mid market prices at 31st March 2003, supplied by EXTEL Financial and obtained by them from recognised Stock Exchanges. Unit Trust values, including Property Unit Trusts, are based on prices obtained from the Unit Trust Management Companies. Sterling values of overseas securities are based on closing exchange rates supplied by EXTEL Financial.

6. Fund Manager/Advisor Fees (Investment Management Expenses)

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

7. Costs of Acquiring Investments

Acquisition costs are included within original book value. However, at the end of the year, the investments on the balance sheet are valued at market

value. The difference is recorded on the Fund Accounts as "Change in Market Value of Investments".

8. Analysis of Investments

	2001/02		2002/03	
	£'000	£'000	£'000	£'000
Fixed Interest				
UK	53,453		57,460	
Foreign	0		0	
		53,453		57,460
UK Equities & Convertibles				
Listed	441,001		314,080	
Unlisted	0		0	
		441,001		314,080
UK Property Unit Trusts				
UK Investment Trusts	214		159	
UK Investment/Unit Trusts	6,105		2,096	
		6,319		2,255
Foreign Equities				
Listed	210,682		155,317	
Unlisted	0		0	
		210,682		155,317
Bonds				
UK	34,795		45,417	
Foreign	42,006		42,604	
		76,801		88,021
Total Long term Investments		788,256		617,133
Cash/Short term Investments		59,335		55,485
Market Value of Investments		847,591		672,618

NB: "Bonds" includes overseas and UK fixed interest investments (in groups of companies). "Fixed interest" relates solely to investments in individual fixed interest stocks.

9. Details of Fund Managers

Two balanced Fund Managers - Deutsche Asset Management and Foreign and Colonial Management Ltd, manage the Fund. These companies are UK registered.

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

Fund Manager	2001/02 Market Value At 31/03/02 £'000	2001/02 Proportion Of Fund %	2002/03 Market Value At 31/03/03 £'000	2002/03 Proportion Of Fund %
Deutsche Asset Management	569,716	67.22	446,181	66.33
F&C Management	259,728	30.64	203,988	30.33
Internally managed	18,147	2.14	22,449	3.34
Total	847,591	100.00	672,618	100.00

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

The book value of investments at 31st March 2003 was £714m (excluding short-term loans and cash) with a market value of £617m, £97m below costs.

10. Contingencies

There is a contingent liability of £318k (£293k in 2001/02) in respect of potentially refundable contributions for leavers who have not yet claimed refunds.

11. Membership of The Fund

Fund membership at 31st March is as follows: -

	2001/02	2002/03
Employing Bodies	42	44
Contributors	17,949	18,745
Pensioners	11,944	11,921
Dependants	2,344	2,288
Deferred Beneficiaries	5,287	5,620

12. Purchases and Sales

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

Quarter	Purchases £'000	Sales £'000
June 2002	86,448	88,488
September 2002	58,386	45,342
December 2002	73,698	71,385
March 2003	59,001	41,207
Total	277,533	246,422

The figures in the table above are shown at their historic value throughout the year (that is, when the purchases and sales are made), whereas the Statement of Accounts shows investments at their market value at 31st March 2003 (using valuation methods detailed in Note 5).

13. Statement of Investment Principles

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

The Statement must cover the policy on -

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

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

14. Contributions Receivable and Benefits Payable

The Pension Fund is made up of a number of bodies, as identified in Note 2 to these accounts. These bodies can be divided into three categories - administering authority, admitted bodies and scheduled bodies. The contributions received and benefits paid, analysed between each category in 2002/03 are shown in the table below:

Type of Body	2001/02 Contributions Made By Employers £'000	2001/02 Pensions, Lump Sums and Death Benefits £'000	2002/03 Contributions Made By Employers £'000	2002/03 Pensions, Lump Sums And Death Benefits £'000
Administering	15,902	4,040	18,518	4,946
Admitted	3,256	2,676	4,373	2,320
Scheduled	16,671	46,965	24,524	47,574
Total	35,829	53,681	47,415	54,840

15. Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged

£1.0m (£1.0m in 2001/02). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

16. Stock Lending

There have been no stock lending arrangements during the period.

17. Post Balance Sheet Event

The Investment Panel has decided to appoint a specialist Bond Manager to manage the Fund's bond portfolio.

Rhondda Cynon Taf County Borough Council Pension Fund

Statement of Investment Principles

1. Overall Responsibility

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

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

- Two Councillors;
- The Group Director – Corporate Services;
- The Senior Divisional Director of Finance;
- The Head of Accountancy Services;
- Two independent advisors;
- The Investment Officer;
- The Pensions Manager.

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

2. Primary Objective

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

3. Funding Objectives

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

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

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

4. Investment Objectives

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

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

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

5. Types Of Investments To Be Held

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

Distribution of assets must be maintained within the following ranges: -

Asset Class	Range (Percentage of Portfolio)
UK Equities	50 - 60%
Overseas Equities	15 - 30%
Global Fixed Interest	5 - 25%
Cash	0 - 10%

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

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

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

6. Policy On Risk

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

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

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

7. Expected Return On Investments

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

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

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

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

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

8. Realisation Of Investments

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

9. Socially Responsible Investments

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

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

The Panel is currently considering critical engagement as a means of being socially responsible. By adopting “ethical engagement” with companies the Fund will be attempting to encourage corporate social responsibility

10. Exercise Of Voting Rights

The Investment Advisory Panel has decided that Fund Managers should abstain from voting unless it is a sensitive issue.

If critical engagement is adopted as a means of being socially responsible, Managers will be required to use their voting rights as a way of being constructively critical of a company.

11. Custody

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

12. Advisors

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

13. Actuary

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

14. Administration

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

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

15. Fees Of Advisors And Fund Managers

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

Advisors fees are fixed and are paid quarterly.

16. Review Of Structure

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

17. Annual Business Plan

Rhondda Cynon Taf produces annual business plans for all areas of service including the Pension Fund.

Actuaries' Report

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

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

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

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

Watson Wyatt Partners
Actuaries and Consultants

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

Statement on the System of Internal Financial Control

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

Our system of internal financial control includes:

- Comprehensive on-line budgeting systems;
 - Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
 - Setting targets to measure financial and other performance;
 - Monthly reporting on Key Performance Indicators;
 - The preparation of regular financial reports which indicate actual expenditure against the forecasts for both capital and revenue expenditure;
 - Clearly defined capital expenditure guidelines;
 - Ad hoc reviews of "hot spots" identified as part of Risk Management (eg, Benefit Fraud Investigation)
 - As appropriate, formal project management disciplines.
4. The aims and objectives of the Internal Audit Service are driven by the CIPFA Code of Practice for Internal Audit and by the S151 responsibilities of the Group Director for Corporate Services. Internal Audit's Strategic and Operational Plans are regularly reviewed based on risk assessments undertaken in consultation with Group and Divisional Directors. Internal Audit has recently been the subject of a restructure to enhance the effectiveness of the service provided.
Internal Audit reports independently on the adequacy and effectiveness of the system of internal financial control. Because of its independence, the Internal Audit Manager is able to report directly on any matter to the Chief Executive. Also, progress reports on audit coverage are regularly made to Audit Committee, which meets on a six weekly cycle.
Internal Audit's performance is formally assessed by the Audit Commission on an annual basis against the standards set by the CIPFA Code of Practice. The 2002/03 assessment showed that many of the standards are being met although, because of resource issues, not all high risk areas included in the

Operational Plan were reviewed. These have been carried forward into the 2003/04 Operational Plan.

However, all key financial systems were included in the Plan and all were completed during the financial year.

5. Our review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the Council;
- The work of the internal auditors as described above, and
- The external auditors in their annual audit letter and other reports.

By order of the Authority.

Signature: _____ **Date:** _____

KEITH GRIFFITHS

Group Director - Corporate Services

Bronwydd House

Porth

CF39 9DL

Statement of Responsibilities for preparation of Statement of Accounts

The Council's Responsibilities

The Council is required: -

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

The Group Director - Corporate Services' Responsibilities

The Group Director is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2003.

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

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

The Group Director has also throughout the financial year:

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

Certificate of the Group Director - Corporate Services Rhondda Cynon Taf C.B.C. on the accounts of Rhondda Cynon Taf C.B.C for 2002/03

I certify that the accounts set out on the pages 2 to 79 present fairly the financial position of Rhondda Cynon Taf C.B.C. at 31st March 2003 and its income and expenditure for the year then ended.

Signature: _____ Date: _____

KEITH GRIFFITHS

Group Director - Corporate Services
Bronwydd House
Porth
CF39 9DL

Auditor's Report on the Accounts of Rhondda Cynon Taf C.B.C. for 2002/03

We have audited the statement of accounts on pages 11 to 76 that has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Council's accounts, on pages 18 to 61, which have been prepared in accordance with the accounting policies set out on pages 11 to 17 and the Pension Fund accounts, on pages 62 to 76 which have been prepared in accordance with the accounting policies set out on pages 65 to 76.

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

Respective responsibilities of Chief Finance Officer and Auditors

As described on page 80 the Group Director - Corporate Services is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the UK 2002. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts presents fairly:

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

We review whether the statement on pages 78 to 79 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the UK2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of opinion

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

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

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

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

Fundamental Uncertainty in relation to the Council's accounts

In forming our opinion we have considered the adequacy of disclosures made in the statement of accounts concerning the fundamental uncertainty surrounding the possibility of WDA grant funding previously received by the Council having to be repaid. Details of the circumstances relating to this fundamental uncertainty are described in note 22.2 to the Balance Sheet. Our opinion is not qualified in this respect.

Opinion on the Council's accounts

In our opinion the statement of accounts presents fairly the financial position of Rhondda Cynon Taf County Borough Council at 31st March 2003 and its income and expenditure for the year then ended.

Opinion on the Pension Fund accounts

In our opinion the Statement of Accounts presents fairly the financial transactions of Rhondda Cynon Taf County Borough Council Pension Fund during the year ended 31st March 2003, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

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

Signature: _____ **Date:** _____

JOHN HERNIMAN

Audit Commission in Wales

2-4 Park Grove
Cardiff
CF1 3PA

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

Glossary of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually paid as at the date of the balance sheet.

Actuary

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

Agency Services

Agency services are services provided by an outside organisation.

Amortisation

Reduction in value through charges to revenue.

Audit

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

Balance Sheet

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

Best Value Accounting Code of Practice (BVACOP)

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

Best Value Performance Plan (BVPP)

Under the Local Government Act 1999, the Council has a statutory obligation to publish a Best Value Performance Plan. It provides information on the Council's performance and planned improvements.

Budget

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

Capital Expenditure

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

Capital Financing Reserve (CFR)

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

Capital Receipt

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

Cashflow Statement

This statement summarises the movements in cash during the year.

Chartered Institute of Public Finance Accountants (CIPFA)

CIPFA is responsible for issuing financial guidance to public bodies.

Compulsory Competitive Tendering (CCT)

From 3rd January 2000, the statutory requirements requiring Local Authorities to provide defined activities in accordance with CCT legislation no longer apply. CCT was a system that required Local Authorities to tender many of its front line and support services.

Consolidated Balance Sheet (CBS)

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

Consolidated Revenue Account (CRA)

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

Contingent Liabilities

Contingent liabilities exist where it is probable that a future event will result in a material cost to the Council and can be estimated with reasonable accuracy.

Corporate and Democratic Core (CDC)

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

Corporate Management (CM)

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

Creditor

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

Current Assets

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

Current Liabilities

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

Debtor

A debtor is someone who owed the Council money at the end of the

financial year.

Deferred Grants

The Government Grants Deferred account represents the balance of grants applied to the financing of fixed assets awaiting amortisation to the asset management revenue account (AMRA) to match the depreciation of the relevant assets.

Defined Benefit

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

Delegated Schools

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

Democratic Representation and Management (DRM)

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

Depreciated Replacement Cost (DRC)

DRC is a basis of valuation of fixed assets

Depreciation

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

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

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

Earmarked Reserves

These are reserves set aside for a specific purpose.

Financial Year

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

Finance Leases

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

Fixed Asset

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

Fixed Asset Restatement Reserve (FARR)

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

Financial Reporting Standard (FRS)

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

Housing Revenue Account (HRA)

This account contains all council housing income and spending.

Leasing

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

Liability

A liability is an amount payable at some time in the future.

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net Realisable Value

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

Open Market Value in Existing Use (OMVEU)

OMVEU is a basis for valuation of fixed assets

Operating Assets

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

Operating Leases

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

Post Balance Sheet Events

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

Precepts

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

Prior Year Adjustment

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

Provision

A provision is an amount set aside in the accounts for expected liabilities that cannot be accurately measured at the end of the financial year.

Provision for Credit Liabilities (PCL)

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

Public Works Loan Board (PWLB)

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

Related Party Transactions

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

Statement of Standard Accounting Practice (SSAP)

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

Stocks

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

Temporary Borrowing or Investment

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

Trust Fund

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

Unapportionable Central Overheads (UCO)

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

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

Voids

Voids are empty properties.

Work in Progress (WIP)

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