

# Statement of Accounts 2016/17



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

**Rhondda Cynon Taf County Borough Council****Statement of Accounts 2016/17**

<b>Contents</b>	<b>Page</b>
Narrative Report	5
Statement of Responsibilities for the Statement of Accounts	15
Certificate of the Group Director Corporate & Frontline Services	16
Movement in Reserves Statement	17
Comprehensive Income and Expenditure Statement	24
Expenditure and Funding Analysis	26
Balance Sheet	28
Cash Flow Statement	31
 <i>Notes to the Core Financial Statements</i>	
1. Accounting Policies	33
2. Accounting Standards Issued, Not Adopted	48
3. Critical Judgements in Applying Accounting Policies	49
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	50
5. Material Items of Income and Expense	51
6. Events After the Balance Sheet Date	51
7. Property, Plant and Equipment	52
8. Heritage Assets	55
9. Long-Term Intangible Assets	55

10. Financial Instruments	56
11. Short-Term Debtors	62
12. Cash and Cash Equivalents	63
13. Assets Held for Sale	63
14. Short-Term Creditors	63
15. Provisions	64
16. Other Long-Term Liabilities	65
17. Usable Reserves	66
18. Unusable Reserves	69
19. Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	73
20. Cash Flow Statement – Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	74
21. Cash Flow Statement – Interest within Operating Activities	74
22. Cash Flow – Investing Activities	74
23. Cash Flow – Financing Activities	74
24. Notes to the Expenditure and Funding Analysis	75
25. Acquired and Discontinued Operations	76
26. Agency Services	76
27. Road Charging Schemes	76
28. Pooled Budgets	76
29. Members' Allowances	77
30. Officers' Remuneration	77
31. Severance Costs	81

32. External Audit Costs	81
33. Non-Domestic Rates	82
34. Council Tax	82
35. Grant Income	83
36. Related Parties	83
37. Capital Expenditure and Capital Financing	90
38. Leases	90
39. Impairment Losses	92
40. Retirement Benefits – Defined Benefit Schemes	93
41. Retirement Benefits – Defined Contribution Schemes	99
42. Contingent Liabilities	99
43. Trust Funds	101
<i>The Supplementary Financial Statements – Group Accounts</i>	102
Statement of Group Accounting Policies	104
Group Movement in Reserves Statement	105
Group Comprehensive Income and Expenditure Statement	114
Group Balance Sheet	116
Group Cash Flow Statement	118
<i>Notes to the Supplementary Financial Statements</i>	
G1. Segmental Analysis (Subsidiary Companies)	119
G2. Long-Term Assets	119
G3. Group Companies Reserve	121
G4. Subsidiary Companies Statutory Accounts	121

G5. Associate Company Statutory Accounts	122
G6. Consolidation Adjustments	122
G7. Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	123
G8. Cash Flow Statement – Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	123
G9. Cash Flow Statement – Interest within Operating Activities	123
G10. Cash Flow Statement – Investing Activities	124
G11. Cash Flow Statement – Financing Activities	124
G12. Adjustments Between Group Accounts and Council Accounts in the Group Movement in Reserves Statement	124
G13. Financial Instruments	125
G14. Debtors	125
G15. Creditors	126
G16. Provisions	126
Summary Pension Fund Accounts	128
Annual Governance Statement	143
Auditor General for Wales’ Report	176
Glossary of Terms	179

## Narrative Report

### 1. Introduction

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

Rhondda Cynon Taf is the third largest Council in Wales with a population of 234,410 (2011 Census), serving an area in the South Wales Valleys covering 424 square kilometres, stretching from the Brecon Beacons National Park in the north to the Capital City of Cardiff in the south.

The accounts for 2016/17 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 based on International Financial Reporting Standards (IFRS).
- Accounts and Audit (Wales) Regulations 2014.

The accounts set out on pages 1 to 175 comply with the above.

### 2. Impact of Current Economic Climate

The economic climate continues to be a significant challenge for this and all other local authorities. At an all Wales level, the then Minister for Public Services (Leighton Andrews, AM) announced a decrease in revenue funding for local authorities in Wales for the year 2016/17, with a decrease for Rhondda Cynon Taf of 0.9%. Council Officers and Members continue to take their fiduciary duty extremely seriously and this has been demonstrated by the setting of prudent, equitable and fair budgets. The financial results and position demonstrated in this Statement of Accounts reflect sound financial stewardship despite continuing financial pressures.

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

### 3. Medium Term Financial Plan 2016-17 to 2019-20

As reported to Cabinet on 22<sup>nd</sup> September 2016, the Council has set out assumptions within its [Medium Term Financial Plan 2016/17 to 2019/20](#). The Public Sector is facing a prolonged period of ongoing austerity into the medium term. National forecasts are all pointing to challenging times for services across local government in particular and the pressure on so called 'non statutory' services is critical, especially given the large share of budgets and requirements linked to Education and Social Care Services.

Locally, this Council has demonstrated its ability and willingness to invest in services, linked to our Corporate Plan priorities in order to meet the changing needs of our people and communities. The significant additional investment agreed by Members during the latter part of 2015/16 and through 2016/17 totalled in excess of £36m and is providing real improvements across many areas including leisure centres, infrastructure, schools and information technology.

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

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

#### **4. The Council's Corporate Plan 2016-2020**

For 2016/17 [The Council's Corporate Plan 2016-2020](#) was the key strategic plan, focusing on 3 priorities:

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

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

- Provide essential services well. In the coming years there will be less money available and the Council will have to make sure the money is spent where the need is greatest.
- Help people and communities help themselves. To help people live independently as much as possible.
- Build a sustainable County Borough, supporting initiatives that stimulate economic growth and create jobs within the Borough.
- Live within our means. The Council has to make difficult decisions now and focus on our priorities and manage our budgets.



Each quarter, Cabinet received an update of progress made against the agreed Corporate Plan priorities to confirm whether they were satisfied with the progress being made and, following this, the updates were reported to the Council's Finance and Performance Scrutiny Committee for review and challenge.

## 5. Explanation of Core Financial Statements

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

- **Movement in Reserves Statement (MiRS)** – represents the movement in usable and unusable reserves.
- **Comprehensive Income and Expenditure Statement (CI&ES)** – reflects income and expenditure in accordance with IFRS. From 2016/17, there is no longer a requirement for service analysis to be based on the definition of total cost or the service expenditure analysis in the Service Reporting Code of Practice (SERCOP). This means that the net cost of service is analysed into service areas and not the SERCOP headings. This new format supports accountability and transparency as it reflects the way in which services operate and performance is managed.
- **Balance Sheet** – reflects all assets, liabilities and reserves of the Council as at the end of the financial year.
- **Cash Flow Statement**– analyses the movement in cash and cash equivalents for the year.

Within the single entity and group accounts financial statements for 2016/17, there is only one joint committee that is consolidated, the Central South Consortium Joint Education Service. In previous years the accounts of all joint committees in which the Council had an interest were consolidated on a line by line basis.

These balances have now been removed in 2016/17 as they are not material to the overall accounts. The consolidation of new joint committees, including any change in circumstances in existing joint committees, will be reviewed annually.

## 6. Comprehensive Income and Expenditure Statement 2016/17

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

The broad objectives of [The Council's 2016/2017 Revenue Budget Strategy](#) were to:

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

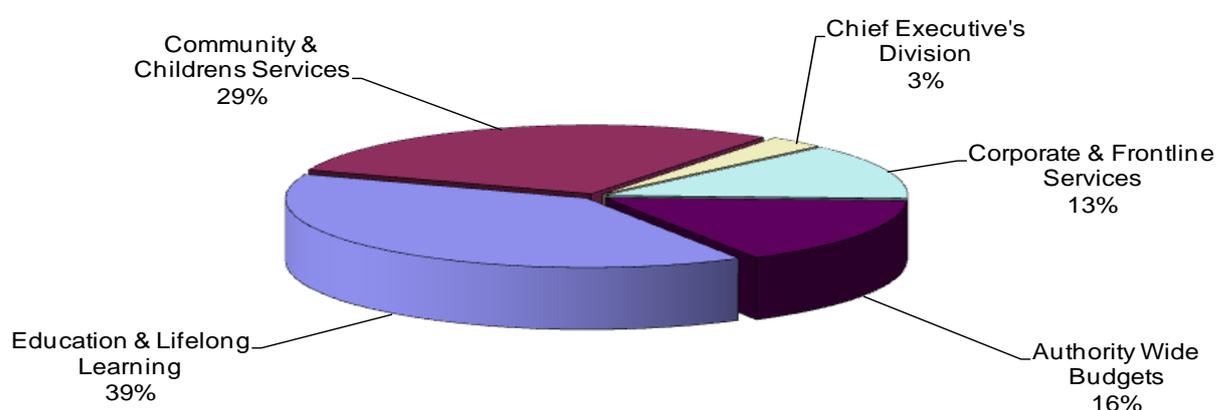
The Council monitors performance in terms of group directorates. The groups are:

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

The following table details each of the service groups' actual net expenditure and budget during 2016/17. Further details can be found on the Council's website within the [Council Performance Report - 31st March 2017](#). This represents the net revenue expenditure of the Council in line with the statutory provisions that need to be taken into account when setting local taxes.

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

Service Group	Budget	Spend	Variance
	£'000	£'000	£'000
Education & Lifelong Learning	175,417	175,552	135
Community & Children's Services	133,278	133,865	587
Chief Executive's Division	11,492	11,480	(12)
Corporate & Frontline Services	59,618	59,467	(151)
Authority Wide Budgets	75,030	74,148	(882)
<b>Total</b>	<b>454,835</b>	<b>454,512</b>	<b>(323)</b>
Allocation to Community Enabling Fund	0	100	100
<b>Total</b>	<b>454,835</b>	<b>454,612</b>	<b>(223)</b>
Transfer to Medium Term Financial Planning and Service Transformation Reserve	0	223	223
<b>Total</b>	<b>454,835</b>	<b>454,835</b>	<b>0</b>



	£'000
<b>Council Fund Reserves as at 31<sup>st</sup> March 2016</b>	<b>10,720</b>
Revenue Budget Out-turn (Variance as above)	0
<b>Council Fund Reserves as at 31<sup>st</sup> March 2017</b>	<b>10,720</b>

Expenditure on services amounted to £690m, this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	300	43
Premises	28	4
Transport	19	3
Supplies and Services	65	9
Payments to Third Parties	107	16
Transfer Payments	99	14
Capital Charges	68	10
Other Operating Costs (e.g. Support Services)	4	1
<b>Total Gross Expenditure</b>	<b>690</b>	<b>100</b>

Income during the year totalled £725m and came from the following sources:

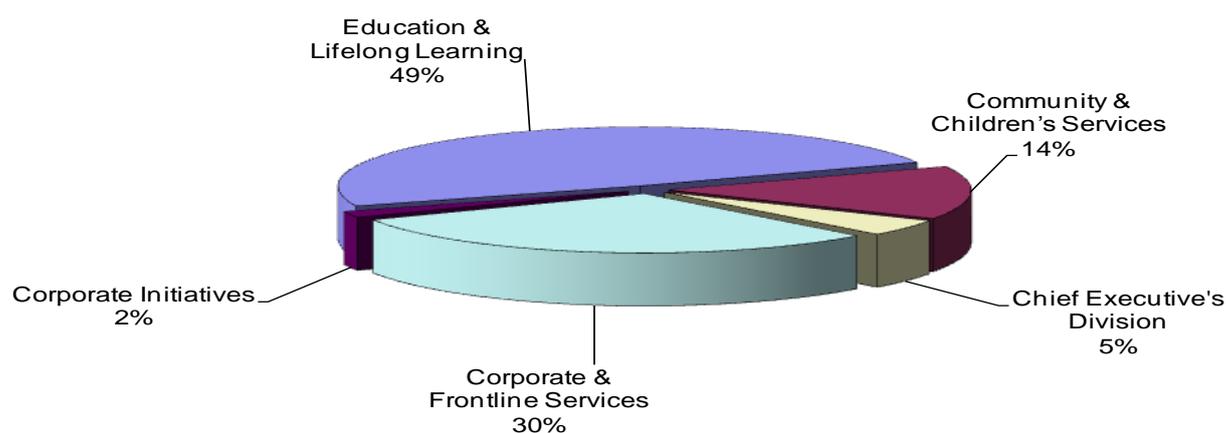
<b>Income Analysis</b>	<b>£'m</b>	<b>%</b>
<u>Direct Service Income</u>		
Specific Grants	156	22
Sales, Fees & Charges	38	5
Other Income	39	5
<b>Sub-Total Direct Service Income</b>	<b>233</b>	<b>32</b>
<u>Other Income</u>		
Council Tax	120	17
Non-Domestic Rates	71	10
Non-Ringfenced Government Grants	283	39
Capital Grants and Contributions	16	2
Other	2	0
<b>Total Income</b>	<b>725</b>	<b>100</b>

## 7. Capital Expenditure and Income 2016/17

During the year the Council spent £83.8m on capital, as summarised below:

<b>Group</b>	<b>£'000</b>	<b>%</b>
Corporate Initiatives	1,460	2
Corporate & Frontline Services	25,193	30
Chief Executive	3,808	5
Education & Lifelong Learning Services	41,075	49
Community & Children's Services	12,227	14
<b>Total</b>	<b>83,763</b>	<b>100</b>

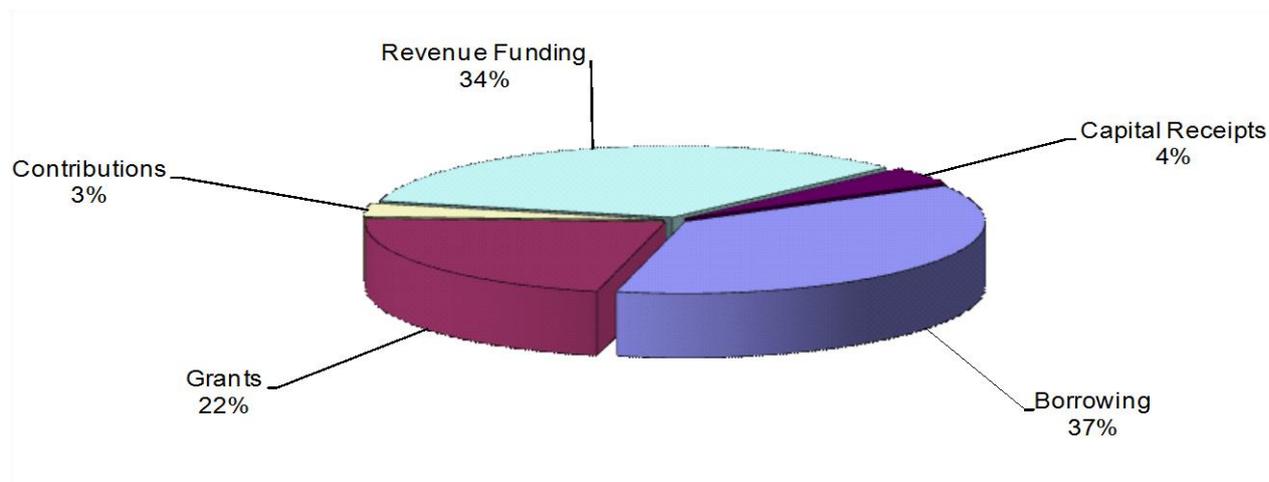
This is represented by the following graph:



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

Capital Expenditure	TOTALS
	£'000
Tangible Long-Term Assets	73,541
Intangible Long-Term Assets	1,746
Revenue Expenditure Funded from Capital under Statute	8,476
<b>Total</b>	<b>83,763</b>

This expenditure was financed as follows:



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

- Disabled Facilities Grants/Adaptations (DFGs)
- Highways Improvements
- Aberdare School & Sports Centre
- Fleet Replacement
- Vibrant and Viable Places Programme
- Y Pant Comprehensive School
- Schools Modernisation Rhondda and Tonyrefail

#### Private Finance Initiative

During 2016/17 the Council voluntarily terminated the PFI contract relating to the Lifelong Learning Centre at Garth Olwg. This initiative was set up in 2003/04 with a commitment of £113.8m over the duration of the contract, which was to be funded by a combination of PFI credits, agreed by Welsh Government, and Council/delegated schools resources. Please see note 42.1 for further details.

#### City Deal

The Council (25<sup>th</sup>, January 2017) approved to formally establish the Cardiff Capital Region ('CCR') Joint Cabinet (the 'Regional Cabinet'), as a Joint Committee, to oversee the Region's economic growth and to deliver the commitments set out in the CCR City Deal. The new multi million pound Capital Region City Deal for Cardiff and South East Wales creates the opportunity for significant investment across

Rhondda Cynon Taf. Over the next ten years there will be improvements to commercial infrastructure, the transport network and housing, all of which will create employment opportunities. Any accounting implications will be introduced into the 2017/18 Statement of Accounts.

### All Wales Pension Fund Investment Pooling

On the 15<sup>th</sup> March 2017 the Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. The link to the report can be found here: [All Wales Pension Fund Investment pooling-joint Governance Committee and Inter Authority Agreement](#). Under the new arrangements Rhondda Cynon Taf County Borough Council and the other administering authorities will retain control over setting their own funds investment strategy and detailed asset allocation. This continues to allow the broad risk and return objectives of the investment strategy to be determined in line with each Pension Fund's overall funding strategy. Funds will then invest in the Pool through asset sub-funds which will be made available by the appointed Pool Operator. Any accounting implications will be introduced into the 2017/18 Statement of Accounts.

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

The Council's Corporate Plan 2016-2020, as approved by Council on 24<sup>th</sup> February 2016, sets out the vision, purpose and priorities it aims to deliver. This document complements and supports the Single Integrated Plan (S.I.P) "Delivering Change" that details the long term outcomes and priorities, through to 2025, the Council and its partners will be aiming to deliver. The S.I.P. has three outcomes: Safety, Health and Prosperity.

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

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

A summary of the latest Capital Programme agreed by Members in March 2017 is as follows:

<b>Group Expenditure</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive	4,284	760	760	<b>5,804</b>
Corporate & Frontline Services	21,218	5,651	9,753	<b>36,622</b>
Corporate Initiatives	1,030	850	850	<b>2,730</b>
Education & Lifelong Learning Services	70,967	28,359	5,046	<b>104,372</b>
Community & Children's Services	9,746	6,759	6,468	<b>22,973</b>
<b>Total</b>	<b>107,245</b>	<b>42,379</b>	<b>22,877</b>	<b>172,501</b>

<b>Estimated Resources Required to Fund</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
<b>Capital Programme</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Supported Borrowing	6,983	6,983	6,983	<b>20,949</b>
Unsupported Borrowing	32,976	13,003	0	<b>45,979</b>
Capital Grants	31,326	14,436	4,249	<b>50,011</b>
Third Party Contributions	1,630	351	0	<b>1,981</b>
General Fund Capital Receipts	9,851	4,678	4,799	<b>19,328</b>
Revenue Contributions	24,479	2,928	6,846	<b>34,253</b>
<b>Total</b>	<b>107,245</b>	<b>42,379</b>	<b>22,877</b>	<b>172,501</b>

As at 31<sup>st</sup> March 2017, major capital commitments over the next three years (per the Capital Programme 2017-2020) include the following schemes:

<b>Scheme</b>	<b>31/03/17</b>
	<b>£'000</b>
Disabled Facilities Grants/Adaptations (DFGs)	12,000
Taff Vale Development	2,024
Asbestos Remediation Work	5,630
Aberdare School & Sports Centre	4,304
Fleet Vehicles	12,715
Highways Improvements	6,100
Structures	6,530
Cwmaman Community Primary	8,592
Transportation Infrastructure	5,321
Roof Renewal	3,100
Schools Investment Programme	2,000
Schools Modernisation Rhondda and Tonyrefail	68,647

A summary of the Council's revenue budget for 2017/18 (agreed in March 2017) is outlined below:

<b>Service Area</b>	<b>£'000</b>
Authority Wide	69,804
Individual Schools Budget	147,058
Community & Children's Services	137,914
Corporate & Frontline Services and Chief Executive's Division	73,138
Education & Lifelong Learning Services	31,026
<b>Total</b>	<b>458,940</b>

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

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

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

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

<b>Authorised borrowing limit</b>	£430.0m
<b>Interest Rate Exposure – Borrowing</b>	<b>Range</b>
Limits on total % of borrowing at fixed interest rates	55% - 100%
Limits on total % of borrowing at variable interest rates	0% - 45%
<b>Interest Rate Exposure – Investments</b>	<b>Range</b>
Limits on total % of investments at fixed interest rates	0% - 25%
Limits on total % of investments at variable interest rates	75% - 100%

The Council's borrowing totals £233.8m, of which £193.9m is long-term and £40m is short-term. This external borrowing is from the Public Works Loan Board (PWLB) £111.0m, £122.6m from market loans and £246k from other sources.

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

## 10. Pensions Assets and Liabilities

As a result of International Accounting Standard (IAS) 19 "Employee Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the Balance Sheet date. Please refer to notes 18.4 and 40.0 to the Core Financial Statements for further details. The effect of IAS 19 upon the reserves of the Council is as follows:

	<b>£'000</b>
Net Assets excluding Pensions Reserve	785,312
Net Assets as per Balance Sheet	206,264

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

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

I confirm that these accounts were approved by Council on 20<sup>th</sup> September 2017.

Signature: 

Date: 20-09-2017

**Cllr. Margaret Tegg**

### Mayor

Civic Offices, Municipal Buildings  
Gelliwastad Road  
Pontypridd  
CF37 2DP

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

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

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

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

The Group Director has also throughout the financial year:

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

**Certificate of the Group Director Corporate & Frontline Services  
Rhondda Cynon Taf CBC on the Accounts of Rhondda Cynon Taf  
CBC, Rhondda Cynon Taf CBC Group Accounts and the Rhondda  
Cynon Taf Pension Fund for 2016/17**

I certify that the accounts set out on pages 5 to 175 present a true and fair view of the financial position of Rhondda Cynon Taf CBC, Rhondda Cynon Taf CBC Group Accounts and the Rhondda Cynon Taf Pension Fund at 31<sup>st</sup> March 2017 and its income and expenditure for the year.

Signature:  Date: 20/9/17

**Christopher D. Lee**

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

**Movement in Reserves Statement (MiRS)**

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

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

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	17.1	17.2	17.2	17.3	17.4	17.5	17.6		18.0	
<b>Balance at 1<sup>st</sup> April 2015</b>	11,001	31,367	76,284	3,711	2,010	4,804	1,120	<b>130,297</b>	55,580	<b>185,877</b>
<b>Movement in reserves during 2015/16:</b>										
Surplus or (deficit) on the provision of services (accounting basis)	(26,896)	0	(124)	0	0	0	0	<b>(27,020)</b>	0	<b>(27,020)</b>
Other comprehensive income and expenditure	0	0	0	0	0	0	0	<b>0</b>	124,839	<b>124,839</b>
<b>Total comprehensive income and expenditure</b>	(26,896)	0	(124)	0	0	0	0	<b>(27,020)</b>	124,839	<b>97,819</b>
<b>Adjustments between accounting basis and funding under regulations:</b>										
<b>Adjustments primarily involving the Capital Adjustment Account:</b>										
<b>Reversal of items debited/credited to CI&amp;ES:</b>										
Charges for depreciation and impairment of long-term assets	25,801	0	60	0	0	0	0	<b>25,861</b>	(25,861)	<b>0</b>
Revaluation losses on property, plant & equipment	39,347	0	0	0	0	0	0	<b>39,347</b>	(39,347)	<b>0</b>
Amortisation of intangible assets	1,121	0	0	0	0	0	0	<b>1,121</b>	(1,121)	<b>0</b>
Movement in the Donated Assets Account	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Revenue expenditure funded from capital under statute	12,926	0	0	0	0	0	0	<b>12,926</b>	(12,926)	<b>0</b>

*Continued Overleaf...*

Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	0	0	2	0	0	0	0	0	2	(2)	0
<b>Insertion of items not debited/ credited to CI&amp;ES:</b>											
Statutory provision for the financing of capital investment	(11,058)	0	(9)	0	0	0	0	0	(11,067)	11,067	0
Capital expenditure charged against the Council Fund Balances	(13,982)	0	(706)	0	0	0	0	0	(14,688)	14,688	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>											
Capital grants and contributions unapplied credited to CI&ES	(35,318)	0	0	0	0	35,318	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(33,499)	0	0	(33,499)	33,499	0
<b>Adjustments involving the Capital Receipts Reserve:</b>											
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	1,960	0	0	0	1,286	0	0	0	3,246	(3,246)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(2,842)	0	0	0	(2,842)	2,842	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	31	0	0	0	31	(31)	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>											
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(50)	0	0	0	0	0	0	0	(50)	50	0
<b>Adjustments involving the Pensions Reserve:</b>											
Reversal of items relating to retirement benefits debited or credited to the CI&ES	53,690	0	283	0	0	0	0	0	53,973	(53,973)	0
<b>Continued Overleaf...</b>											

Employer's pensions contributions and direct payments to pensioners payable in the year	(33,670)	0	(173)	0	0	0	0	(33,843)	33,843	0
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>										
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(549)	0	0	0	0	0	0	(549)	549	0
<b>Adjustment involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,123)	0	8	0	0	0	0	(1,115)	1,115	0
<b>Other adjustments include:</b>										
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	12,199	0	(659)	0	(1,525)	1,819	0	11,834	85,985	97,819
<b>Transfers to or from Earmarked Reserves</b>	(12,480)	28,501	(15,121)	(124)	0	0	(776)	0	0	0
<b>Increase or (decrease) in the year</b>	(281)	28,501	(15,780)	(124)	(1,525)	1,819	(776)	11,834	85,985	97,819
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>10,720</b>	<b>59,868</b>	<b>60,504</b>	<b>3,587</b>	<b>485</b>	<b>6,623</b>	<b>344</b>	<b>142,131</b>	<b>141,565</b>	<b>283,696</b>

### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2017

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	17.1	17.2	17.2	17.3	17.4	17.5	17.6		18.0	
<b>Balance at 1<sup>st</sup> April 2016</b>	10,720	59,868	60,504	3,587	485	6,623	344	<b>142,131</b>	141,565	<b>283,696</b>
<b>Movement in reserves during 2016/17:</b>										
Total Comprehensive Income and Expenditure	(18,366)	0	(3,146)	0	0	0	0	<b>(21,512)</b>	(55,920)	<b>(77,432)</b>
<b>Adjustments between accounting basis and funding under regulations:</b>										
<b>Adjustments primarily involving the Capital Adjustment Account:</b>										
<b>Reversal of items debited/credited to CI&amp;ES:</b>										
Charges for depreciation and impairment of long-term assets	44,575	0	0	0	0	0	0	<b>44,575</b>	(44,575)	<b>0</b>
Revaluation losses on property, plant & equipment	13,982	0	1,773	0	0	0	0	<b>15,755</b>	(15,755)	<b>0</b>
Amortisation of intangible assets	1,385	0	0	0	0	0	0	<b>1,385</b>	(1,385)	<b>0</b>
Movement in the Donated Assets Account	(254)	0	0	0	0	0	0	<b>(254)</b>	254	<b>0</b>
Revenue expenditure funded from capital under statute	8,476	0	0	0	0	0	0	<b>8,476</b>	(8,476)	<b>0</b>
<i>Continued Overleaf...</i>										

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

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

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

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

## Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2017

2015/16				Note:	2016/17		
Gross Exp	Gross Income	Net Exp			Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
86,434	(21,848)	64,586	Corporate & Frontline Services		108,271	(27,140)	81,131
14,065	(6,040)	8,025	Chief Executive's Division		17,972	(6,267)	11,705
250,597	(48,083)	202,514	Education & Lifelong Learning		237,858	(47,668)	190,190
242,894	(76,766)	166,128	Community & Children's Services		222,712	(79,837)	142,875
102,307	(78,130)	24,177	Authority Wide Budgets		104,006	(76,302)	27,704
7,900	(7,615)	285	Joint Committees		(359)	3,504	3,145
<b>704,197</b>	<b>(238,482)</b>	<b>465,715</b>	<b>Cost of Services</b>		<b>690,460</b>	<b>(233,710)</b>	<b>456,750</b>
			<b>Other Operating Expenditure</b>				
16,373	0	16,373	Precepts	36.3	17,220	0	17,220
11,271	0	11,271	Levies	36.3	11,371	0	11,371
1,962	0	1,962	(Gains) or Losses on Disposal of Non-Current Assets		0	(1,824)	(1,824)
			<b>Financing and Investment Income and Expenditure</b>				
10,654	0	10,654	Interest Payable and Similar Charges	10.2	10,446	0	10,446
18,263	0	18,263	Net Interest on Net Defined Liability (Asset)	40.0	17,511	0	17,511
0	(140)	(140)	Interest Receivable and Similar Income	10.2	0	(123)	(123)
			<b>Taxation and Non-Specific Grant Income</b>				
0	(115,437)	(115,437)	Council Tax Income	34.0	0	(119,893)	(119,893)
0	(67,465)	(67,465)	NDR Distribution	33.0	0	(70,451)	(70,451)
0	(289,677)	(289,677)	Non-Ringfenced Government Grants		0	(283,324)	(283,324)
0	(24,499)	(24,499)	Capital Grants and Contributions		0	(16,170)	(16,170)
<b>762,720</b>	<b>(735,700)</b>	<b>27,020</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>747,008</b>	<b>(725,495)</b>	<b>21,513</b>
0	(32,369)	(32,369)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		0	11,327	11,327
0	(92,470)	(92,470)	Remeasurement of the Net Defined Benefit Liability		0	44,592	44,592
<b>0</b>	<b>(124,839)</b>	<b>(124,839)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>0</b>	<b>55,919</b>	<b>55,919</b>
<b>762,720</b>	<b>(860,539)</b>	<b>(97,819)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>747,008</b>	<b>(669,576)</b>	<b>77,432</b>

## **Expenditure and Funding Analysis**

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

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

The Expenditure and Funding Analysis:

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

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

**Expenditure and Funding Analysis Statement for the year ended 31st March 2016**

	2015/16		
	Income and Expenditure Chargeable to the General Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure for the Equivalent Amounts in the CI&ES
	£'000	£'000	£'000
Corporate & Frontline Services	59,921	4,665	64,586
Chief Executive Division	11,786	(3,761)	8,025
Education Services & Lifelong Learning	174,070	28,444	202,514
Community Services & Childrens Services	134,724	31,404	166,128
Authority Wide Budgets	75,774	(51,597)	24,177
Joint Committees	0	285	285
<b>Cost of Services</b>	<b>456,275</b>	<b>9,440</b>	<b>465,715</b>
<b>Other Income and Expenditure</b>	<b>(455,994)</b>	<b>17,299</b>	<b>(438,695)</b>
<b>(Surplus) or Deficit</b>	<b>281</b>	<b>26,739</b>	<b>27,020</b>
Opening General Fund at 31 March 2015	(11,001)		
Less (Surplus) Deficit on General Fund in Year	281		
<b>Closing General Fund at 31 March 2016</b>	<b>(10,720)</b>		

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

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

## Balance Sheet

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

Balance Sheet as at 31<sup>st</sup> March 2017

31/03/16				31/03/17	
£'000			Note:	£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	7.0		
592,170		Other Land & Buildings		587,997	
428,283		Infrastructure		431,023	
9,837		Vehicles, Plant & Equipment		9,615	
5,738		Community Assets		4,078	
11,959		Assets Under Construction		15,620	
145		Heritage Assets	8.0	145	
2,626		Long-Term Intangible Assets	9.0	2,797	
1,000		Long-Term Investments	10.1	1,000	
2,940		Investment in Subsidiaries		2,940	
1,036		Long-Term Debtors		1,385	
<b>1,055,734</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,056,600</b>
	<b>Current Assets</b>	Short-Term Investments	10.1	13,752	
27,755		Assets Held for Sale	13.0	4,215	
5,411		Short-Term Intangible Assets		730	
819		Inventories		725	
710		Short-Term Debtors	11.0	51,185	
50,672		Cash and Cash Equivalents	12.0	2,399	
4,895					
<b>90,262</b>		<b>TOTAL CURRENT ASSETS</b>			<b>73,006</b>
	<b>Current Liabilities</b>	Cash and Cash Equivalents	12.0	(16,646)	
(14,754)		Short-Term Borrowing	10.1	(39,997)	
(3,312)		Other Short-Term Liabilities		(379)	
(429)		Short-Term Provisions	15.0	(3,308)	
(4,709)		Short-Term Creditors	14.0	(79,135)	
(81,735)					
<b>(104,939)</b>		<b>TOTAL CURRENT LIABILITIES</b>			<b>(139,465)</b>
	<b>Long-Term Liabilities</b>	Long-Term Provisions	15.0	(703)	
(1,369)		Long-Term Borrowing	10.1	(193,872)	
(195,958)		Other Long-Term Liabilities	16.0	(589,179)	
(559,657)		Donated Asset Account	35.3	(123)	
(377)					
<b>(757,361)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(783,877)</b>
<b>283,696</b>	<b>NET ASSETS</b>				<b>206,264</b>

Continued Overleaf...

10,720	<b>Usable Reserves</b>	Council Fund Balance	17.1	10,720	
		Earmarked Reserves:	17.2		
59,868		Capital, Treasury and Insurance Reserves	17.2	62,778	
60,504		Other Revenue Related Reserves	17.2	63,153	
3,587		Delegated Schools Reserve	17.3	2,130	
485		Usable Capital Receipts Reserve	17.4	1,443	
6,623		Capital Grant Unapplied Account	17.5	8,572	
344		MGCC Insurance Reserve	17.6	144	
<b>142,131</b>			<b>TOTAL USABLE RESERVES</b>		
214,171	<b>Unusable Reserves</b>	Revaluation Reserve	18.1	196,695	
22		Deferred Capital Receipts Reserve		11	
452,176		Capital Adjustment Account	18.2	450,463	
(5,766)		Financial Instruments Adjustment Account	18.3	(5,719)	
(515,545)		Pensions Reserve	18.4	(579,048)	
(67)		Unequal Pay Back Pay Account	18.5	(98)	
(3,426)		Short-Term Accumulating Compensated Absence Account	18.6	(4,980)	
<b>141,565</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>57,324</b>
<b>283,696</b>		<b>TOTAL RESERVES</b>			<b>206,264</b>

## Cash Flow Statement

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

### Cash Flow Statement 2016/17

2015/16			2016/17	
£'000		Note:	£'000	£'000
27,020	Net (Surplus) or Deficit on the Provision of Services		21,513	
(121,870)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	19.0	(72,943)	
25,783	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	20.0	20,517	
<b>(69,067)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(30,913)</b>
56,693	Investing Activities	22.0	47,795	
13,131	Financing Activities	23.0	(12,494)	35,301
<b>757</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>4,388</b>
9,102	Cash and Cash Equivalents at the Beginning of the Reporting Period	12.0		9,859
<b>9,859</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	12.0		<b>14,247</b>

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

#### 1.1 Changes to Accounting Policies

##### Infrastructure Assets

At its meeting on 8<sup>th</sup> March 2017, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. This means that, for 2016/17, there has not been a new Long-Term Asset category established for infrastructure assets. These assets continue to be valued on a depreciated historical cost basis.

#### 1.2 Accruals of Expenditure and Income

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

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

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

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

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

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

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

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

Unequal Pay Back Pay Account will be debited to the Council Fund via the Movement in Reserves Statement in future years as payments are made.

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

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

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

#### **1.5 Contingent Assets**

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

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

#### **1.6 Contingent Liabilities**

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

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

Material contingent liabilities are disclosed in Notes to the Core Financial Statements at note 42.0.

#### **1.7 Employee Benefits**

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

## Termination Benefits

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

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

## Pensions

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

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

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

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (3.5% in 2015/16).
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 

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

Statement to the services for which the employees worked plus administration expenses.

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

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

### **Discretionary Benefits**

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

### **Accumulated Absences**

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

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

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

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

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

Two types of events can be identified;

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

## **1.9 Exceptional Items**

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

## **1.10 Prior Period Adjustments**

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

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

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

## **1.11 Financial Instruments**

Financial Instruments consist of Financial Liabilities and Financial Assets.

## Financial Liabilities

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

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

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

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

## Financial Assets

Financial Assets are classified into two types:

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

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

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

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

### **1.12 Foreign Currency Translation**

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

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

### **1.13 Intangible Assets**

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

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

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

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

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

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

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). This scheme is in the third year of its second phase, which ends 31<sup>st</sup> March 2019. The Council has purchased CRC allowances in advance, showing as short-term and long-term intangible assets in the Balance Sheet, and will surrender them in the future on the basis of carbon dioxide emissions. A short-term liability has been set up in the Balance Sheet for the 2016/17 charge for which the allowances will be surrendered in 2017/18. The cost to the Council is recognised in the Net Cost of Services.

### **1.15 Inventories**

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

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

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

## **1.16 Leases**

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

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

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

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

### **Finance Leases**

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

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

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

### **Operating Leases**

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

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

Where the Council is lessor, the income should be recognised on a straight-line basis unless another systematic basis is more representative of the benefits received. Assets

leased out under an operating lease will be subject to depreciation in the same manner as other assets within the same category.

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

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

### 1.17.1 **Recognition**

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

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

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

### 1.17.2 **Measurement**

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

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

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

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

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

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

In the accounts there are approximately 135 Surplus Assets with a recurring fair value of £2.4m. Most of the assets are valued at level 2 inputs, with the exception of one asset which has been valued at £800k using level 3 inputs. For this asset an adjustment has been made to the level 2 inputs to take into account the condition of the asset.

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

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

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

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

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

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

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

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

### 1.17.3 Impairment

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

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

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

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

### 1.17.4 Depreciation

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

Exceptions are made for:

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

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

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

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

### 1.17.5 Disposals and Assets Held for Sale

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

	£'000
Fair value	3,927
Total value in Balance Sheet	4,215

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

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

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

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

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

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

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

### **1.18 Reserves**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1.23 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor during the contract term. In 2016/17 the Council issued a termination notice to the contractor for its PFI School on 28<sup>th</sup> July 2016, and the final termination date for the agreement was 25<sup>th</sup> January 2017. Please see the contingent liability note 42 for more detail.

## 1.24 Value Added Tax

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

## 1.25 Provisions

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

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

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

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

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

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

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

The Council participates in various Joint Committee arrangements. In line with materiality considerations only one of these Joint Committees, Central South Consortium Joint Education Service (CSECJES), has been included within the Council's financial statements. The consolidation has been done on a line-by-line basis, calculated using a reasonable apportionment methodology.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration i.e. details of any single investment exceeding 5% of the net assets available for benefits.

The 2017/18 Code requires implementation from 1<sup>st</sup> April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

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

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

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

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

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

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

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

Due to the ongoing uncertainty, the Council will continue to closely monitor the situation and accordingly a contingent liability continues to be disclosed. Refer to note 42.3.

#### **3.2 Grants and Contribution Conditions**

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

#### **3.3 Voluntary Aided and Voluntary Controlled Schools**

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

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

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

This Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31<sup>st</sup> March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

##### **4.1 Pensions Liability**

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

The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2016/17, AON Hewitt advised that the funded proportion of the Council's net pensions liability had increased by £74.7m due to estimates being corrected as a result of experience and decreased by £304.4m attributable to updating of financial assumptions. Refer to note 40.0 for further details.

##### **4.2 Insurance Provision**

The Council makes provision for all claims received (but not yet paid) according to the "reserve" value attached to that claim. The reserve value represents the most likely value to settle the claim, not taking into account probability of settlement. Reserve values are provided by the Council's in-house insurance team, claims handlers and loss adjusters depending on the claim type and estimated value of the claim. Motor and property claims are provided for at 100% of the reserve value. Liability claims are provided for at a percentage based on the length of time a claim remains unresolved. This reflects that not all claims received are paid. Some are successfully repudiated. Refer to note 15.2 for further details.

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

##### **4.3 Property, Plant and Equipment**

External valuers undertake formal valuations within a maximum of a 5 year rolling programme to ensure that assets in the Balance Sheet are represented at "current value". Valuations are undertaken in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). Within the computation of the current value

valuation, assumptions are made upon the useful lives of assets which could be subject to change in future years. Please refer to note 7.4 for further information on the rolling programme of revaluations.

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

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

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

The draft, unaudited Statement of Accounts was authorised for issue by the Group Director Corporate & Frontline Services, as Chief Finance Officer, on 15<sup>th</sup> June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31<sup>st</sup> March 2017 requiring disclosure providing information that is relevant to an understanding of the Councils financial position.

**7.0 Property, Plant and Equipment****7.1 Movements on Balances****Movements in 2016/17:**

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 <sup>st</sup> April 2016	631,963	573,805	35,519	6,130	11,960	<b>1,259,377</b>
Joint Committees Opening Balance	1,718	0	163	162	0	<b>2,043</b>
Additions	35,656	18,562	6,392	0	12,931	<b>73,541</b>
Donations	0	0	0	0	0	<b>0</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	(12,983)	0	0	0	0	<b>(12,983)</b>
Revaluation Increases/ (Decreases) Recognised in the (Surplus)/Deficit on the Provision of Services	(14,955)	0	0	0	0	<b>(14,955)</b>
Derecognition – Disposals	(1,894)	0	(2,390)	(162)	0	<b>(4,446)</b>
Derecognition - Other	0	0	(2,056)	0	0	<b>(2,056)</b>
Assets Reclassified (to)/from Held for Sale	532	0	0	0	0	<b>532</b>
Other Reclassifications	10,844	0	0	(1,574)	(9,270)	<b>0</b>
Other Movements in Cost or Valuation	(2)	0	(1)	0	(1)	<b>(4)</b>
<b>At 31<sup>st</sup> March 2017</b>	<b>650,879</b>	<b>592,367</b>	<b>37,627</b>	<b>4,556</b>	<b>15,620</b>	<b>1,301,049</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>						
At 1 <sup>st</sup> April 2016	(41,404)	(145,522)	(25,683)	(554)	(1)	<b>(213,164)</b>
Joint Committees Opening Balance	(107)	0	(162)	0	0	<b>(269)</b>
Depreciation Charge	(12,814)	(15,822)	(4,461)	0	0	<b>(33,097)</b>
Depreciation written out of the Revaluation Reserve	5,106	0	0	0	0	<b>5,106</b>
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,093	0	0	0	0	<b>1,093</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	(4,092)	0	0	0	0	<b>(4,092)</b>
Impairment (Losses)/Reversals Recognised in the (Surplus)/Deficit on the Provision of Services	(10,702)	0	(2,056)	0	0	<b>(12,758)</b>
Derecognition – Disposals	6	0	2,130	0	0	<b>2,136</b>
Derecognition - Other	107	0	2,218	0	0	<b>2,325</b>
Assets Reclassified (to)/from Held for Sale	0	0	0	0	0	<b>0</b>
Other Reclassifications	(76)	0	0	76	0	<b>0</b>
Other Movements in Cost or Valuation	1	0	2	0	1	<b>4</b>
<b>At 31<sup>st</sup> March 2017</b>	<b>(62,882)</b>	<b>(161,344)</b>	<b>(28,012)</b>	<b>(478)</b>	<b>0</b>	<b>(252,716)</b>
<b>Net Book Value:</b>						
<b>At 31<sup>st</sup> March 2017</b>	<b>587,997</b>	<b>431,023</b>	<b>9,615</b>	<b>4,078</b>	<b>15,620</b>	<b>1,048,333</b>
<b>At 31<sup>st</sup> March 2016</b>	<b>592,170</b>	<b>428,283</b>	<b>9,837</b>	<b>5,738</b>	<b>11,959</b>	<b>1,047,987</b>

## 7.2 Depreciation

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

## 7.3 Capital Commitments

At 31<sup>st</sup> March 2017 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years, budgeted to cost £54.0m. Similar commitments at 31<sup>st</sup> March 2016 were £11.8m.

The contract values as at 31<sup>st</sup> March 2017 are:

<b>Scheme</b>	<b>£'000</b>
A4119/A473 Roundabout	1,579
Y Pant Redevelopment	1,213
Treorchy Comprehensive School	7,450
Tonypandy Community School	6,847
Porth Community School	6,632
Tonyrefail Community School	30,297
<b>Total</b>	<b>54,018</b>

#### 7.4 Revaluations

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

The significant assumptions applied in estimating the current values are:

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

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

	<b>Other Land and Buildings</b>
	<b>£'000</b>
Valued at Current Value as at:	
31 <sup>st</sup> March 2017	74,576
31 <sup>st</sup> March 2016	184,360
31 <sup>st</sup> March 2015	398,850
31 <sup>st</sup> March 2014	44,080
31 <sup>st</sup> March 2013	127,110
<b>Total Cost or Valuation</b>	<b>828,976</b>

## 8.0 Heritage Assets

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

There are two Heritage Assets in the 2016/17 Balance Sheet. These are the Unity Ship in Pontypridd and the Gateway Monument, "Confluence", in Porth. These are classed as Heritage Assets as they are intended to be preserved for future generations because of their cultural and historical associations. They have been valued at historical cost as they are recent build projects. These assets are not subject to annual depreciation, but will be part of the Council's annual impairment review.

### 8.2 Other Heritage Assets

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

## 9.0 Long-Term Intangible Assets

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

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

All software and licences are given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of Long-Term Intangible Assets is amortised on a straight-line basis. The amortisation charge for Long-Term Intangible Assets during 2016/17 was £1.4m.

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

	2015/16	2016/17			Total
	Total	Purchased Software Licences	Licences, Trade Marks and Artistic Originals	Carbon Reduction Commitment	
	£'000	£'000	£'000	£'000	
Balance at start of year					
Gross Carrying Amounts	12,450	5,147	7,632	505	13,284
Accumulated Amortisation	(9,537)	(4,681)	(5,977)	0	(10,658)
<b>Net carrying amount at start of year</b>	<b>2,913</b>	<b>466</b>	<b>1,655</b>	<b>505</b>	<b>2,626</b>
Additions: Purchases	920	653	1,093	0	1,746
Transfers	(86)	0	0	(377)	(377)
Amortisation for the Period	(1,121)	(307)	(891)	0	(1,198)
<b>Net Carrying Amount at end of year</b>	<b>2,626</b>	<b>812</b>	<b>1,857</b>	<b>128</b>	<b>2,797</b>
Gross Carrying Amounts	13,284	5,800	8,725	128	14,653
Accumulated Amortisation	(10,658)	(4,988)	(6,868)	0	(11,856)
<b>Total</b>	<b>2,626</b>	<b>812</b>	<b>1,857</b>	<b>128</b>	<b>2,797</b>

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

## 10.0 Financial Instruments

### 10.1 Categories of Financial Instruments

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

<b>Assets</b>	<b>Long-Term</b>		<b>Current</b>	
	<b>31/03/16</b>	<b>31/03/17</b>	<b>31/03/16</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments: Loans and Receivables	1,000	1,000	27,755	13,752
Debtors: Financial Assets Carried at Contract Amounts	1,036	1,385	50,672	51,185
<b>Total</b>	<b>2,036</b>	<b>2,385</b>	<b>78,427</b>	<b>64,937</b>

<b>Liabilities</b>	<b>Long-Term</b>		<b>Current</b>	
	<b>31/03/16</b>	<b>31/03/17</b>	<b>31/03/16</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowings: Financial Liabilities at Amortised Cost	195,958	193,872	3,312	39,997
Other Liabilities: PFI and Finance Lease liabilities	22,910	386	1,243	1
Creditors: Financial Liabilities at Amortised Cost	0	0	15,172	14,750
<b>Total</b>	<b>218,868</b>	<b>194,258</b>	<b>19,727</b>	<b>54,748</b>

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

**10.2 Income, Expense, Gains and Losses**

	2015/16			2016/17		
	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	10,654	0	10,654	10,446	0	10,446
Impairment Losses	0	0	0	0	0	0
<b>Total Expense in (Surplus) or Deficit on the Provision of Services</b>	<b>10,654</b>	<b>0</b>	<b>10,654</b>	<b>10,446</b>	<b>0</b>	<b>10,446</b>
Interest Income	0	(140)	(140)	0	(123)	(123)
Interest Income Accrued on Impaired Financial Assets	0	0	0	0	0	0
<b>Total Income in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>(140)</b>	<b>(140)</b>	<b>0</b>	<b>(123)</b>	<b>(123)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>10,654</b>	<b>(140)</b>	<b>10,514</b>	<b>10,446</b>	<b>(123)</b>	<b>10,323</b>

**10.3 Fair Value of Assets and Liabilities**

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

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

The fair values calculated are as follows:

	31/03/16		31/03/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	111,075	186,766	111,060	180,213
Market Debt	87,554	134,789	87,547	144,250
Local Authority Debt	0	0	35,016	35,018
Other Debt	641	641	246	246
PFI and Finance Lease	24,153	24,153	387	387
Trade Creditors	15,172	15,172	14,750	14,750
<b>Total</b>	<b>238,595</b>	<b>361,521</b>	<b>249,006</b>	<b>374,864</b>

	31/03/16		31/03/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	28,740	28,755	14,660	14,752

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

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

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

##### **Key Risks**

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

#### **10.5 Overall Procedures for Managing Risk**

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

- Formally adopting the requirements of the Code of Practice.
- By adopting a Treasury Management Policy Statement and Treasury Management Clauses being incorporated into Financial Procedure Rules.

- Approving annually in advance Prudential and Treasury Indicators for the following three years.
- Approving an Investment Strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with guidance from the Welsh Government.

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

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

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

## **10.6 Credit Risk**

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

This risk is minimised through the Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. Such criteria include credit ratings assigned by credit ratings agencies. The Investment Strategy also imposes a maximum amount and duration to be invested with a financial institution. During 2016/17, there was an amendment to the Investment Strategy which allows lending to organisations upon which the Council undertakes appropriate due diligence and puts in place appropriate security arrangements. There are also other criteria and controls in place regarding counterparty selection, further details of which can be found in the approved Treasury Management Strategy.

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

	31/03/17	Historical Experience of Default	Adjustment for Market Conditions at 31/03/17	Estimated Maximum Exposure to Default at 31/03/17	Estimated Maximum Exposure to Default at 31/03/16
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	14,752	0	0	0	0
Trade Debtors	9,645	0.59	0.59	57	47

The 0.59% Historical Experience of Default represents debt written off in 2016/17 expressed as a percentage of invoices raised during that year. This percentage is not the basis of the Bad Debt Provision, which is calculated using various percentages designed to reflect the risk of debts of various ages not being collectable, as opposed to the far lower rate of actual write-offs for the year.

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

The Council does not generally allow credit for its trade debtors. However, £2.5m of the £9.6m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/16	31/03/17
	£'000	£'000
Less than 3 months	571	803
3 – 6 months	198	299
6 months to 1 year	310	313
More than 1 year	1,007	1,125
<b>Total</b>	<b>2,086</b>	<b>2,540</b>

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

## 10.7 Liquidity Risk

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

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

## 10.8 Refinancing and Maturity Risk

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

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

This includes;

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

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

	<b>31/03/16</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>
Less than 1 year	1,802	38,649
Between 1 and 2 years	3,350	1
Between 2 and 5 years	4,199	6
Between 5 and 10 years	8,734	552
More than 10 years	203,483	194,627
<b>Total</b>	<b>221,568</b>	<b>233,835</b>

The maturity analysis of financial assets is as follows:

	<b>31/03/16</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>
Maturity greater than one year	1,000	5,000
Maturity less than one year	27,740	9,660

Trade Debtors are not included in the table above.

## 10.9 Market Risk

### Interest Rate Risk

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

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

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

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	3
Increase in interest receivable on variable rate investments	N/A
Impact on Comprehensive Income and Expenditure Statement	3
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	56,524

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

## 11.0 Short-Term Debtors

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

<b>31/03/16</b>		<b>31/03/17</b>
<b>£'000</b>		<b>£'000</b>
31,329	Central Government Bodies	27,543
2,020	Other Local Authorities	3,407
2,871	NHS Bodies	3,643
23	Public Corporations and Trading Funds	59
14,429	Other Entities and Individuals	16,533
<b>50,672</b>	<b>Total</b>	<b>51,185</b>

**12.0 Cash and Cash Equivalents**

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

<b>31/03/16</b>		<b>31/03/17</b>
<b>£'000</b>		<b>£'000</b>
4,895	Cash Held by the Council	2,399
(14,754)	Bank Current Accounts	(16,646)
<b>(9,859)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(14,247)</b>

Short-term cash surpluses are invested in line with investment strategy and are represented in the Balance Sheet as "Short-Term Investments". Bank Current Accounts represent the position of the bank account as at 31<sup>st</sup> March 2017 adjusted for unrepresented cheques.

**13.0 Assets Held for Sale**

The movement on Assets Held for Sale is as follows:

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>2,751</b>	<b>5,411</b>
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	5,503	0
Revaluation Gains	93	1,593
Impairment Losses	(1,394)	(2)
Assets Declassified as Held for Sale:		
Property, Plant and Equipment	(389)	(532)
Assets Sold	(1,153)	(2,255)
<b>Balance at 31<sup>st</sup> March</b>	<b>5,411</b>	<b>4,215</b>

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

**14.0 Short-Term Creditors**

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

<b>31/03/16</b>		<b>31/03/17</b>
<b>£'000</b>		<b>£'000</b>
(13,677)	Central Government Bodies	(13,400)
(3,187)	Other Local Authorities	(5,936)
(1,199)	NHS Bodies	(1,789)
(196)	Public Corporations and Trading Funds	(37)
(63,476)	Other Entities and Individuals	(57,973)
<b>(81,735)</b>	<b>Total</b>	<b>(79,135)</b>

## 15.0 Provisions

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

Movements in provisions during the year were:

Short-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Equal Pay	Joint Committees	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2016</b>	<b>(2,008)</b>	<b>(2,619)</b>	<b>(67)</b>	<b>(15)</b>	<b>(4,709)</b>
Additional provisions made in 2016/17	(13)	(2,302)	(86)	0	<b>(2,401)</b>
Amounts used in 2016/17	1,113	2,022	55	0	<b>3,190</b>
Unused amounts reversed in 2016/17	0	597	0	15	<b>612</b>
<b>Balance at 31<sup>st</sup> March 2017</b>	<b>(908)</b>	<b>(2,302)</b>	<b>(98)</b>	<b>0</b>	<b>(3,308)</b>

Long-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2016</b>	<b>(274)</b>	<b>(1,095)</b>	<b>(1,369)</b>
Additional provisions made in 2016/17	0	(3,017)	<b>(3,017)</b>
Amounts used in 2016/17	274	2,302	<b>2,576</b>
Unused amounts reversed in 2016/17	0	1,107	<b>1,107</b>
<b>Balance at 31<sup>st</sup> March 2017</b>	<b>0</b>	<b>(703)</b>	<b>(703)</b>

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

The provision represents amounts set aside to fund the cost of Land Purchases and Part 1 Claims relating to transport schemes. Part 1 of the Land Compensation Act 1973 allows people to claim compensation where their property has been reduced in value by the use of a new or altered road. Given the degree of uncertainty regarding both the timing and the value of future payments, a reasonable estimate has been used to establish a provision in the Balance Sheet.

## 15.2 Insurance Claims

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

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

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

31/03/16		31/03/17
£'000		£'000
(3,298)	Rhondda Cynon Taf	(2,679)
(415)	Mid Glamorgan	(325)
<b>(3,713)</b>	<b>Insurance Provision</b>	<b>(3,004)</b>

## 15.3 Equal Pay

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

## 16.0 Other Long-Term Liabilities

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

31/03/16		31/03/17
£'000		£'000
(515,545)	Pension Liability (IAS19)	(579,048)
(22,521)	PFI	0
(21,191)	Opencast Works Redevelopment Bonds	(8,304)
(400)	Other	(1,827)
<b>(559,657)</b>	<b>Total</b>	<b>(589,179)</b>

**17.0 Usable Reserves**

<b>31/03/16</b>			<b>31/03/17</b>
<b>£'000</b>			<b>£'000</b>
10,720	Council Fund Balance	17.1	10,720
59,868	Capital, Treasury and Insurance Reserves	17.2	62,778
60,504	Other Revenue Related Reserves	17.2	63,153
3,587	Delegated Schools Reserve	17.3	2,130
485	Usable Capital Receipts Reserve	17.4	1,443
6,623	Capital Grant Unapplied Account	17.5	8,572
344	MGCC Insurance Reserve	17.6	144
<b>142,131</b>	<b>Total Usable Reserves</b>		<b>148,940</b>

**17.1 Council Fund Balance**

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

There were no movements in the Council Fund Balance during 2016/17.

**17.2 Earmarked Reserves**

This note sets out the amounts set aside from the Council Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2016/17. All earmarked reserves are deemed to be revenue reserves.

**Capital, Treasury and Insurance Reserves**

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/16	Out	In	31/03/17
		£'000	£'000	£'000	£'000
<b>Capital Developments</b>	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	<b>41,080</b>	(17,168)	23,094	<b>47,006</b>
<b>Treasury Management Reserve</b>	Funding for known and potential future pressures upon the Capital Financing budget.	<b>6,400</b>	(3,974)	26	<b>2,452</b>
<b>Insurance Reserve</b>	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.	<b>12,388</b>	(1,539)	2,471	<b>13,320</b>
<b>Total</b>		<b>59,868</b>	<b>(22,681)</b>	<b>25,591</b>	<b>62,778</b>

**Other Revenue Related Reserves**

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/16	Out	In	31/03/17
		£'000	£'000	£'000	£'000
<b>Revenue Budget Strategy 2016/17</b>	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2016/17 budget.	2,147	(2,147)	0	0
<b>Revenue Budget Strategy 2017/18</b>	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2017/18 budget.	0	0	1,433	1,433
<b>Joint Committee Reserve</b>	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest, and are consolidated within the Statement of Accounts.	1,620	(1,504)	5	121
<b>Revenue Grant Reserves (IFRS)</b>	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.	5,532	(5,532)	2,515	2,515
<b>Financial Management and Human Resources Risk Management</b>	Resources set aside as cover for future liabilities relating to various risks identified and being managed (opening balance reclassified from prior year).	30,313	(6,477)	10,683	34,519
<b>Investment / Infrastructure</b>	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough	0	0	3,628	3,628
<b>Prior Year Commitments</b>	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	13,604	(6,839)	5,362	12,127
<b>Medium Term Financial Planning and Service Transformation</b>	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.	4,901	(1,433)	2,016	5,484
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes.	2,387	(627)	1,566	3,326
<b>Total</b>		<b>60,504</b>	<b>(24,559)</b>	<b>27,208</b>	<b>63,153</b>

### 17.3 Delegated Schools Reserve

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

At the end of 2016/17, 23 of the Council's 123 schools were in deficit. In accordance with Section 4.5 and Section 4.8 of the Schools Standards and Framework Act 1998, each of these schools has financial plans illustrating how the deficit will be recovered. The 100 remaining schools have surplus funds, which are to be managed as part of ongoing budgetary control.

The following details illustrate the movement on these balances.

Type of School	31/03/16	2016/17 Movement	31/03/17
	£'000	£'000	£'000
Primary	4,159	(1,335)	2,824
Secondary	(828)	(12)	(840)
Special	270	(124)	146
Nursery	(14)	14	0
<b>Total</b>	<b>3,587</b>	<b>(1,457)</b>	<b>2,130</b>

### 17.4 Usable Capital Receipts Reserve

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

The movements on the reserve are as follows:

2015/16		2016/17
£'000		£'000
<b>2,010</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>485</b>
	<u>Receipts During the Year:</u>	
1,284	Sale of assets	4,347
20	Mortgage repayments	1
13	Repayment of discount (Right to Buys)	11
	<u>Application during the Year:</u>	
(2,842)	Financing of capital expenditure	(3,401)
<b>485</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>1,443</b>

### 17.5 Capital Grant Unapplied Account

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

2015/16		2016/17
£'000		£'000
4,804	Balance at 1 <sup>st</sup> April	6,623
35,318	Grants received	22,637
(33,499)	Grants utilised to fund capital expenditure	(20,688)
6,623	Balance at 31 <sup>st</sup> March	8,572

### 17.6 MGCC Insurance Reserve

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

2015/16		2016/17
£'000		£'000
1,120	Balance at 1 <sup>st</sup> April	344
(776)	Increase/(Decrease) in Reserve	(200)
344	Balance at 31 <sup>st</sup> March	144

### 18.0 Unusable Reserves

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

31/03/16			31/03/17
£'000			£'000
214,171	Revaluation Reserve	18.1	196,695
22	Deferred Capital Receipts Reserve		11
452,176	Capital Adjustment Account	18.2	450,463
(5,766)	Financial Instruments Adjustment Account	18.3	(5,719)
(515,545)	Pensions Reserve	18.4	(579,048)
(67)	Unequal Pay Back Pay Account	18.5	(98)
(3,426)	Short-Term Accumulating Compensated Absence Account	18.6	(4,980)
141,565	<b>Total Unusable Reserves</b>		<b>57,324</b>

### 18.1 Revaluation Reserve

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

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

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

2015/16 £'000		2016/17	
		£'000	£'000
188,673	<b>Balance at 1<sup>st</sup> April</b>	214,171	
51,660	Upward revaluation of assets	13,346	
(19,291)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(24,697)	
221,042	<b>Surplus or Deficit on revaluation of Long-Term Assets not posted to the Surplus or Deficit on the Provision of Services</b>		202,820
(5,493)	Difference between Current Value Depreciation and Historical Cost Depreciation	(5,199)	
(1,378)	Accumulated Gains on Assets sold or scrapped	(926)	
(6,871)	<b>Amount written off to the Capital Adjustment Account</b>		(6,125)
214,171	<b>Balance at 31<sup>st</sup> March</b>		196,695

## 18.2 Capital Adjustment Account

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

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

2015/16 £'000		2016/17	
		£'000	£'000
465,730	<b>Balance at 1<sup>st</sup> April</b>	452,176	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(25,861)	Charges for depreciation and impairment of Long-Term Assets*	(44,575)	
(39,347)	Revaluation losses on Property, Plant and Equipment	(15,755)	
(1,121)	Amortisation of Intangible Assets	(1,385)	
(12,926)	Revenue Expenditure Funded from Capital Under Statute	(8,476)	
(3,246)	Amounts of Long-Term Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,522)	
0	Adjusted items written out of revenue for joint committees	24	
6,871	Adjusted items written out of the Revaluation Reserve	6,125	
<b>390,100</b>	<b>Net written out amount of the cost of Long-Term Assets consumed in the year</b>		<b>385,612</b>
	Capital Financing Applied in the Year:		
2,842	Use of the Capital Receipts Reserve to finance new Capital Expenditure	3,401	
35,318	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	22,637	
(1,819)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,949)	
11,067	Statutory provision for the financing of capital investment charged against the Council Fund	11,732	
14,688	Capital Expenditure charged against the Council Fund	28,777	
(20)	Private mortgage repayments	(1)	
<b>62,076</b>			<b>64,597</b>
0	Movement in the Donated Assets Account Credited to the Comprehensive Income and Expenditure Statement		254
<b>452,176</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>450,463</b>

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

### 18.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account represents the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the Council Fund Balance. As at 31<sup>st</sup> March 2017 there was a credit balance of £5.7m (credit balance of £5.8m as at 31<sup>st</sup> March 2016).

### 18.4 Pensions Reserve

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

2015/16		2016/17
£'000		£'000
<b>(587,885)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(515,545)</b>
92,470	Actuarial gains or (losses) on Pensions Assets and Liabilities	(44,592)
(53,973)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(49,740)
33,843	Employer's pensions contributions and direct payments to pensioners payable in the year	30,829
<b>(515,545)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(579,048)</b>

**18.5 Unequal Pay Back Pay Account**

The Unequal Pay Back Pay Account recognises the differences between the amounts which the Council provides for as potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the Council Fund Balance until such time as cash might be paid out to claimants. As at 31<sup>st</sup> March 2017 there was a credit balance of £98k (credit balance of £67k as at 31<sup>st</sup> March 2016).

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

The Short-Term Accumulating Compensated Absence Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year. The only "compensated absences" accrued for are Holiday Pay i.e. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that such holiday pay accruals do not impact upon the Council Fund Balance but are charged to the Short-Term Accumulating Compensated Absence Account. As at 31<sup>st</sup> March 2017 there was a credit balance of £5.0m. (credit balance of £3.4m as at 31<sup>st</sup> March 2016).

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

2015/16		2016/17
£'000		£'000
(65,208)	Depreciation and Impairment	(60,330)
(1,121)	Amortisation	(1,385)
(20,476)	(Increase)/Decrease in Creditors	2,533
(2,677)	Increase/(Decrease) in Debtors	862
(223)	Increase/(Decrease) in Stock	15
(16,493)	Movement in Pension Liability	(15,991)
1,652	Contribution to Provisions	2,067
(67)	Short-Term Accumulated Absence Accrual	(1,554)
5,532	Revenue Grant Earmarked Reserves	2,515
(3,247)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(2,522)
1,819	Capital Grants Unapplied	1,949
(12,926)	Revenue Expenditure Funded from Capital Under Statute	(8,476)
(8,435)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	7,374
<b>(121,870)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(72,943)</b>

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

2015/16		2016/17
£'000		£'000
1,284	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	4,347
24,499	Any other items for which the cash effects are investing or financing cash flows	16,170
<b>25,783</b>		<b>20,517</b>

## 21.0 Cash Flow Statement – Interest within Operating Activities

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

2015/16		2016/17
£'000		£'000
(21)	Interest received	(123)
8,608	Interest paid	10,446
<b>8,587</b>	<b>Interest within Operating Activities</b>	<b>10,323</b>

## 22.0 Cash Flow Statement - Investing Activities

2015/16		2016/17
£'000		£'000
68,433	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	85,692
20,086	Purchase and Redemption of Short-Term and Long-Term Investments	(14,002)
(1,286)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,347)
(30,540)	Other receipts from Investing Activities	(19,548)
<b>56,693</b>	<b>Net Cash Flows from Investing Activities</b>	<b>47,795</b>

## 23.0 Cash Flow Statement - Financing Activities

2015/16		2016/17
£'000		£'000
(3,380)	Cash receipts of Short and Long-Term Borrowing	(74,900)
1,196	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases and on Balance Sheet PFI contracts	22,361
15,315	Repayments of Short and Long-Term Borrowing	40,045
<b>13,131</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(12,494)</b>

**24.0 Notes to the Expenditure and Funding Analysis****24.1 Adjustments between Funding and Accounting Basis 2015/16**

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000s	Net change for the Pensions Adjustments £'000s	Other Differences £'000s	Total Adjustments £'000s
Corporate & Frontline Services	18,102	167	(13,604)	4,665
Chief Executive Division	353	66	(4,181)	(3,762)
Education & Lifelong Learning	24,237	695	3,511	28,443
Community & Childrens Services	19,553	840	11,012	31,405
Authority Wide Budgets	(18,909)	2	(32,689)	(51,596)
Joint Committees	0	0	285	285
<b>Net Cost of Services</b>	<b>43,336</b>	<b>1,770</b>	<b>(35,666)</b>	<b>9,440</b>
Other income and expenditure from the Expenditure and Funding Analysis	(22,540)	18,250	21,589	17,299
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>20,796</b>	<b>20,020</b>	<b>(14,077)</b>	<b>26,739</b>

**Adjustments between Funding and Accounting Basis 2016/17**

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

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

**24.2 Expenditure and Income Analysed By Nature**

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

<b>Expenditure</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Employee Benefits Expenses	326,766	313,498
Other Services Expenses	330,734	326,066
Depreciation, Amortisation and Impairment	64,960	68,407
Interest Payments	10,654	10,446
Precepts and Levies	27,644	28,591
Loss on the Disposal of Assets	1,962	0
<b>Total Expenditure</b>	<b>762,720</b>	<b>747,008</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(238,482)	(233,709)
Interest and Investment Income	(140)	(123)
Income from Council Tax and NNDR	(182,901)	(190,345)
Gain on the Disposal of Assets	0	(1,824)
Government Grants and Contributions	(314,177)	(299,494)
<b>Total Income</b>	<b>(735,700)</b>	<b>(725,495)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>27,020</b>	<b>21,513</b>

**25.0 Acquired and Discontinued Operations**

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

**26.0 Agency Services**

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

**27.0 Road Charging Schemes**

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

**28.0 Pooled Budgets**

The Council has entered into a pooled budget with Cwm Taf Local Health Board, Abertawe Bro Morgannwg University Local Health Board, Merthyr Tydfil CBC and Bridgend CBC for the integrated provision of community equipment services. The Council and its partners has an agreement in place for funding these services that ran for an initial five years from 1<sup>st</sup> April 2012 and which, with the agreement of all partners, has since been extended. The Council contributes funds to an agreed budget based on its proportionate usage of the service, with the same proportion being used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial

year. The pooled budget is hosted by the Council on behalf of the other partners to the agreement.

2015/16			2016/17	
£'000	£'000		£'000	£'000
		<b>Funding provided to the pooled budget:</b>		
(988)		Rhondda Cynon Taf CBC	(1,124)	
(1,666)		Other Partners	(1,520)	
	<b>(2,654)</b>			<b>(2,644)</b>
		<b>Expenditure met from the pooled budget:</b>		
977		Rhondda Cynon Taf CBC	1,095	
1,648		Other Partners	1,479	
	<b>2,625</b>			<b>2,574</b>
	<b>(29)</b>	<b>Net (Surplus)/Deficit arising on the pooled budget during the year</b>		<b>(70)</b>
	<b>(12)</b>	<b>Rhondda Cynon Taf CBC share of 42.5% of net (Surplus)/Deficit arising on the pooled budget</b>		<b>(30)</b>

## 29.0 Members' Allowances

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

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

	2015/16	2016/17
	£'000	£'000
Allowances	1,254	1,262
Expenses	15	12
<b>Total</b>	<b>1,269</b>	<b>1,274</b>

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

## 30.0 Officers' Remuneration

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

Rhondda Cynon Taf's remuneration ratio is 1:7 with the median salary being £19,939. This is the ratio between the Chief Executive's pay and the median earnings of the workforce within the Council, using current pay levels.

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

During 2016/17 the Council paid 10,452 employees (10,990 2015/16), paying total remuneration of £221m (excluding employer's national insurance and pension contributions) (£230m 2015/16). Within this, the following remuneration payments were made within the categories specified:

Remuneration Band	2015/16	2016/17		
	No. of Employees	No. of Employees		
	Total	At 31/03/17	Left in Year	Total
£60,000 - £64,999	62	54	4	58
£65,000 - £69,999	21	23	1	24
£70,000 - £74,999	16	8	3	11
£75,000 - £79,999	7	1	2	3
£80,000 - £84,999	6	5	4	9
£85,000 - £89,999	7	3	0	3
£90,000 - £94,999	4	2	1	3
£95,000 - £99,999	1	0	0	0
£100,000 - £104,999	4	0	0	0
£105,000 - £109,999	1	3	0	3
£110,000 - £114,999	1	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	1	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £169,999	2	0	0	0
<b>Total</b>	<b>133</b>	<b>99</b>	<b>15</b>	<b>114</b>

Officers employed by Voluntary Aided Schools have been excluded.

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

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

Post Holder Information (Post Title)	2015/16			2016/17				
	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions	Salary	Taxable Benefits in Kind	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
	£'000			£'000				
Chief Executive to 31/08/2015	59	13	72	0	0	0	0	0
Chief Executive – Returning Officer to 31/08/2015	4	0	4	0	0	0	0	0
Acting Chief Executive wef 01/09/2015	83	18	101	101	0	101	22	123
Chief Executive wef 16/12/2016	0	0	0	42	0	42	9	51
Group Director, Community & Children's Services	114	24	138	114	0	114	25	139
Group Director Corporate & Frontline Services	114	24	138	114	0	114	25	139
Director of Education & Lifelong Learning to 31/08/2015	47	10	57	0	0	0	0	0
Service Director Schools & Community to 31/08/2015	31	7	38	0	0	0	0	0
Temporary Director of Education & Lifelong Learning wef 01/09/2015	50	11	61	86	0	86	0	86

*Continued Overleaf...*

Director of Human Resources	55	12	<b>67</b>	55	0	<b>55</b>	12	<b>67</b>
Director of Legal & Democratic Services to 31/12/2016	92	20	<b>112</b>	70	0	<b>70</b>	15	<b>85</b>
Director of Legal & Democratic Services from 01/01/2017	0	0	<b>0</b>	23	0	<b>23</b>	5	<b>28</b>
Director of Legal & Democratic Services Returning Officer	0	0	<b>0</b>	21	0	<b>21</b>	0	<b>21</b>
Director of Legal & Democratic Services - Deputy Returning Officer to 31/08/2015	1	0	<b>1</b>	0	0	<b>0</b>	0	<b>0</b>
Service Director - Legal Services to 31/12/2016	0	0	<b>0</b>	56	0	<b>56</b>	12	<b>68</b>
Director of Regeneration & Planning	85	18	<b>103</b>	86	0	<b>86</b>	19	<b>105</b>
Director - Highways and Streetcare Services	85	18	<b>103</b>	85	0	<b>85</b>	19	<b>104</b>
Director of Corporate Estates to 12/11/2015	52	11	<b>63</b>	0	0	<b>0</b>	0	<b>0</b>
Director of Corporate Estates & Procurement Services from 13/11/2015	35	8	<b>43</b>	93	0	<b>93</b>	20	<b>113</b>
Service Director - Cabinet Office & Public Relations	65	14	<b>79</b>	66	0	<b>66</b>	14	<b>80</b>
Service Director - Public Health & Protection	74	16	<b>90</b>	75	0	<b>75</b>	16	<b>91</b>

### 31.0 Severance Costs

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

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

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Cost of Severance	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	£'000	
£	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	49	15	286	235	335	250	2,610	1,792
£20,001 - £40,000	9	8	147	71	156	79	4,398	2,160
£40,001 - £60,000	7	1	53	9	60	10	2,910	517
£60,001 - £80,000	6	2	30	9	36	11	2,466	791
£80,001 - £100,000	7	1	13	3	20	4	1,726	349
£100,001 - £150,000	4	3	13	2	17	5	2,001	649
£150,001 - £200,000	0	2	5	0	5	2	847	360
£200,001 - £250,000	0	0	1	0	1	0	203	0
<b>Total</b>	<b>82</b>	<b>32</b>	<b>548</b>	<b>329</b>	<b>630</b>	<b>361</b>	<b>17,161</b>	<b>6,618</b>

During 2016/17, the Council saved annual payroll costs of £5,437k (£13,322k 2015/16) through Voluntary Redundancy and Voluntary Early Retirement.

### 32.0 External Audit Costs

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

	2015/16	2016/17
<b>Fees Payable to the Auditor General for Wales</b>	£'000	£'000
External audit services carried out by the Statutory Auditor for the year	258	255
Local Government Measure Work	100	94
Certification of Grant Claims and Returns for the year	95	100
Other services provided by the Auditor General for Wales during the year	0	0
<b>Total</b>	<b>453</b>	<b>449</b>

### 33.0 Non-Domestic Rates

The level of Non-Domestic Rates (NDR) is based on a “multiplier” set nationally by the Welsh Government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2016/17 was 48.6p (48.2p for 2015/16). The total rateable value as at 31<sup>st</sup> March 2017 was £129.0m (£136.8m as at 31<sup>st</sup> March 2016).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NDR collected from ratepayers in respect of 2016/17 rates is £52.3m (£52.4m in 2015/16). The contribution back to the Council from the pool in the year amounted to £70.5m (£67.5m in 2015/16) and the amount paid to the pool amounted to £53.6m (£52.1m in 2015/16). As the Council acts as an agent collecting income on behalf of the Welsh Government, the income collected is not recognised as income in the Comprehensive Income and Expenditure Statement.

### 34.0 Council Tax

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

The Council Tax base for 2016/17 was calculated to be £74,301.87 (compared with £73,297.81 for 2015/16). This represents the anticipated yield for every £1 of council tax levied.

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

Band	A*	A	B	C	D	E	F	G	H	I
No. of Properties	239	37,774	21,311	14,279	8,055	5,828	2,973	1,040	179	26
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

The resultant number of Band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2016/17 was 97.5%.

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

Council Tax Analysis	2015/16	2016/17
	£'000	£'000
Council Tax Collectable	115,437	119,893
<b>Net Proceeds from Council Tax</b>	<b>115,437</b>	<b>119,893</b>
Less Payable:		
Police and Crime Commissioner for South Wales	(14,649)	(15,444)
Community Councils	(1,724)	(1,776)
<b>Total</b>	<b>99,064</b>	<b>102,673</b>

### 35.0 Grant Income

The Council credited the grants, contributions and donations (Notes 35.1 to 35.3) to the Comprehensive Income and Expenditure Statement in 2016/17:

#### 35.1 Credited to Services

A number of grants and contributions have been recognised as income within Net Cost of Services. This income amounts to £157m in 2016/17 (in 2015/16 these grants and contributions amounted to £191m).

#### 35.2 Capital Grants Receipts in Advance

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

#### 35.3 Donated Asset Account

The transfer of assets for nil consideration or less than fair value are credited to a Donated Asset Account, where any conditions of the transfer have not been met. Donated assets of £123k as at 31<sup>st</sup> March 2017 (£377k as at 31<sup>st</sup> March 2016) consist of leased in properties where the transfer of the asset has been at less than fair value.

### 36.0 Related Parties

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

### 36.1 Welsh Government

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

	2015/16	2016/17
	£'000	£'000
Non-Ringfenced Government Grants	(289,677)	(283,324)
Capital Grants and Contributions	(24,499)	(16,170)
Credited to Services	(133,962)	(138,046)
<b>Total</b>	<b>(448,138)</b>	<b>(437,540)</b>

### 36.2 Chief Officers and Members

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

Interests of Members are maintained in a register. The register is available for public inspection by appointment or can be viewed on the Council's website. Members are nominated to represent Rhondda Cynon Taf CBC on various bodies, for example, RCT Homes and Cwm Taf Local Health Board. The following organisations are related parties (by virtue of Member or Chief Officer interest in them) with whom the Council has had dealings.

Category of Organisation	2015/16				2016/17			
	Expenditure	Income	Outstanding Creditors at 31 <sup>st</sup> March	Outstanding Debtors at 31 <sup>st</sup> March	Expenditure	Income	Outstanding Creditors at 31 <sup>st</sup> March	Outstanding Debtors at 31 <sup>st</sup> March
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charitable Organisations	(1,182)	20	0	1	(1,096)	14	0	6
Community Councils, Associations & Services	(879)	84	(1)	18	(834)	161	(5)	3
Educational & Cultural Establishments	(177)	259	0	5	(137)	171	(2)	6
Government Bodies, Associations & Staff	(2,516)	2,632	(7)	106	(2,144)	334	(2)	10
National Health Service Bodies & Support Groups	(4,834)	130	(88)	54	(5,183)	6,916	(220)	1,249
Private Companies	(352)	72	0	14	(350)	111	0	3
Public Houses, Halls & Institutes	(20)	6	0	1	(263)	3	0	0
Sports & Social Clubs	(26)	15	0	2	(9)	22	0	2

### 36.3 Precepts and Levies

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

An analysis of precepts is given in the following table:

	2015/16	2016/17
	£'000	£'000
Police and Crime Commissioner for South Wales	14,649	15,444
Community Councils	1,724	1,776
<b>Total</b>	<b>16,373</b>	<b>17,220</b>

An analysis of levies is given in the following table:

	2015/16	2016/17
	£'000	£'000
South Wales Fire and Rescue Service	10,732	10,789
Coroner	488	369
Brecon Beacons National Park	51	48
Glamorgan Archives Joint Committee	0	165
<b>Total</b>	<b>11,271</b>	<b>11,371</b>

### 36.4 Rhondda Cynon Taf Pension Fund

The Group Director Corporate & Frontline Services is also the responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.5m (£1.6m in 2015/16) in respect of administration and support during financial year 2016/17. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2017 is £20k (£389k as at 31<sup>st</sup> March 2016).

### 36.5 Associated and Subsidiary Companies

The Council has an interest in three companies, namely; Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. Officers of the Council are directors of Amgen Cymru Ltd and Amgen Rhondda Ltd. Further details are given in the Group Accounts section of this document. During 2016/17 the following related party transactions took place with these companies.

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

The Council paid Amgen Cymru £7,367k (£6,857k in 2015/16) in respect of waste management and waste disposal charges, with £109k (£43k in 2015/16) due to the company at the year-end.

Amgen Cymru paid the Council £403k (£512k in 2015/16) in respect of goods and services, with £13k (£69k in 2015/16) due to the Council at the year-end.

### **Amgen Rhondda Ltd.**

The Council paid Amgen Rhondda £175k (£175k in 2015/16) in respect of site management fees, with nil (nil in 2015/16) outstanding at 31<sup>st</sup> March 2017.

### **Capita Glamorgan Consultancy Ltd.**

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

During 2016/17, the Council was charged £1,544k (£1020k in 2015/16) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2017 was £133k (£449k in 2015/16).

Capita Glamorgan Consultancy Ltd paid the Council £2k (£2k in 2015/16) in respect of goods and services, with nil (nil in 2015/16) due to the Council at the year-end.

## **36.6 Joint Committees**

The Council participates in the following Joint Committees.

### **Glamorgan Archives Joint Committee**

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee has 16 members in total, of which 14 are elected members with voting rights. There are 4 Rhondda Cynon Taf CBC Members on the Joint Committee.

During 2016/17, the Council contributed to the Joint Committee an amount of £165k (£170k in 2015/16). This was calculated proportionately based upon population.

### **Llwydcoed Crematorium**

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

During 2016/17, the Council charged Llwydcoed Crematorium £20k (£26k in 2015/16) in respect of central establishment charges. As at 31<sup>st</sup> March 2017 the Council held cash balances relating to the Crematorium of £1,072k (£1,013k in 2015/16).

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

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

Exit agreement negotiations are ongoing.

## **Central South Consortium Joint Education Service (CSCJES)**

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

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

During 2016/17, the Council received income of £1,183k from CSCJES (incurred expenditure of £853k in 2015/16) in respect of advisory and training services, along with grants of £18,482k (£18,750k in 2015/16), and charged CSCJES £116k (£110k in 2015/16) in respect of central establishment charges. The Council also paid CSEC expenditure of £1,150k (£1,216k in 2015/16) As at 31<sup>st</sup> March 2017 the Council owed cash balances of £6,004k relating to CSCJES (for 2015/16 £21,256k cash balances were held relating to CSECJES). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated. CSCJES distributes grants to participating authorities on behalf of Welsh Government.

## **Coychurch Crematorium**

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

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

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

During 2016/17, the Council contributed £350k to the Vale, Valleys and Cardiff Regional Adoption Collaborative (£371k in 2015/16)

## **Cardiff Capital Region City Deal**

The Council approved to formally establish Cardiff Capital Region ('CCR') Joint Cabinet (the 'Regional Cabinet'), as a joint committee, to oversee the Region's economic growth and to deliver the commitments set out in the CCR City Deal. To ensure that the

right investments are made to achieve significant economic growth, the CCR City Deal has set a small number of key targets, which are; the creation of 25,000 new jobs by 2036; and leveraging £4 billion of private sector investment as a result of the £1.2 billion public sector investment. This CCR City Deal Investment Fund comprises 2 distinct elements:

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

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

### **All Wales Pension Fund Investment Pooling**

On the 15<sup>th</sup> March the Council approved the establishment of a Joint Governance Committee (JGC) to oversee the pooling of the investments of the eight local government pension scheme (LGPS) funds in Wales. An inter authority agreement has been developed as the legal framework and sets out the governance arrangements for the Pool, the rights and obligations of the eight constituent authorities and the powers and responsibilities delegated to the JGC. All costs associated with the JGC will be divided equally between the eight authorities.

## **36.7 Partnership Agreement**

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

The Biogen Food Waste Plant became fully operational on the 19<sup>th</sup> July 2015. The 3 local authorities who form the Hub (Rhondda Cynon Taf CBC, Merthyr CBC and Newport City Council) send a combined annual contracted guaranteed minimum tonnage of 13,500 tonnes to be treated at the facility. In 2016/17 a total amount of £968k associated costs have been incurred by the parties, with Welsh Government contributing £124k of grant funding

## **36.8 Other Related Parties**

### **Trivallis (formerly RCT Homes)**

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

During 2016/17, the Council paid Trivallis £1,414k (£1,273k in 2015/16) and received income of £218k (£2,331k in 2015/16). At year-end, the Council owed £11k to Trivallis (£77k owed to the Council in 2015/16).

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

### 37.0 Capital Expenditure and Capital Financing

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

	2015/16	2016/17
	£'000	£'000
Opening Capital Financing Requirement	386,418	391,914
<b>Capital Investment:</b>		
Property, Plant & Equipment	53,030	73,541
Intangible Assets	921	1,746
Revenue Expenditure Funded from Capital Under Statute	12,926	8,476
	<b>66,877</b>	<b>83,763</b>
<b>Sources of Finance:</b>		
Capital Receipts	(2,842)	(3,401)
Government Grants and Other Contributions	(33,499)	(20,686)
	<b>(36,341)</b>	<b>(24,087)</b>
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(13,982)	(28,777)
Minimum Revenue Payment	(11,058)	(11,732)
	<b>(25,040)</b>	<b>(40,509)</b>
<b>Closing Capital Financing Requirement</b>	<b>391,914</b>	<b>411,081</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	312	145
Increase in underlying need to borrowing (unsupported by government financial assistance)	6,553	20,266
Finance Leases	(173)	(1)
Private Finance Initiative (PFI)	(1,196)	(1,243)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>5,496</b>	<b>19,167</b>

### 38.0 Leases

The following disclosures relate to the Council as a lessee.

**38.1 Finance Leases**

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

	31/03/16	31/03/17
	£'000	£'000
Other Land and Buildings	152	144

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

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31/03/16	31/03/17
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	386	386
Finance costs payable in future years	1,298	1,276
<b>Minimum Lease Payments</b>	<b>1,685</b>	<b>1,663</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/16	31/03/17	31/03/16	31/03/17
	£'000	£'000	£'000	£'000
Less than 1 year	23	23	1	1
1 to 5 years	113	113	4	4
Greater than 5 years	1,549	1,527	383	382
<b>Total</b>	<b>1,685</b>	<b>1,663</b>	<b>388</b>	<b>387</b>

The Council also acts as a lessor for 8 vehicles:

	31/03/16	31/03/17
	£'000	£'000
Finance Lease Liabilities:		
Current	0	111
Long-Term	0	414
Finance costs payable in future years	0	101
<b>Minimum Lease Payments</b>	<b>0</b>	<b>626</b>

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/16	31/03/17	31/03/16	31/03/17
	£'000	£'000	£'000	£'000
Less than 1 year	0	147	0	111
1 to 5 years	0	479	0	414
Greater than 5 years	0	0	0	0
<b>Total</b>	<b>0</b>	<b>626</b>	<b>0</b>	<b>525</b>

### 38.2 Operating Leases

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

	31/03/16			31/03/17		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	1,221	1,237	2,458	467	1,223	1,690
1 to 5 years	2,378	2,319	4,697	1,318	1,954	3,272
Greater than 5 years	4,250	719	4,969	6,128	637	6,765
<b>Total</b>	<b>7,849</b>	<b>4,275</b>	<b>12,124</b>	<b>7,913</b>	<b>3,814</b>	<b>11,727</b>

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

	31/03/16	31/03/17
	£'000	£'000
Minimum Lease Payments	2,658	2,363

### 38.3 Sub-Leases

The Council has sub-let office accommodation at Valleys Innovation Centre. Non-cancellable sub-lease payments of £92k per annum are expected to be received until expiry of the lease agreement, as shown in the table below:

	2015/16	2016/17
	£'000	£'000
Less than 1 year	331	92
1 to 5 years	320	119
Greater than 5 years	0	0
<b>Total</b>	<b>651</b>	<b>211</b>

### 39.0 Impairment Losses

During 2016/17, the Council has recognised an impairment loss of £25.2m (a loss of £14.1m in 2015/16) in relation to its Long-Term Assets. This impairment charge is

included within the Long-Term Asset note 7.1, which also includes reversal of impairment from previous years.

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

### **40.1 Participation in Pension Schemes**

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

The Council participates in two pension schemes:

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

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

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

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

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

	2015/16	2016/17		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
Current Service Cost	31,248	29,940	209	30,149
Past Service Cost	4,462	2,280	1	2,281
Consolidation Adjustment	0	0	(201)	(201)
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	18,263	17,510	1	17,511
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>53,973</b>	<b>49,730</b>	<b>10</b>	<b>49,740</b>
<b><i>Remeasurement of the Net Defined Benefit Liability Comprising:</i></b>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(2,819)	(128,270)	(987)	(129,257)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(57,590)	(146)	(57,736)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(77,145)	305,380	1,162	306,542
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(12,506)	(74,830)	(69)	(74,899)
Net Increase in Liabilities from Disposals/Aquisitions on Liabilities - Experience	0	0	(58)	(58)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(38,497)</b>	<b>94,420</b>	<b>(88)</b>	<b>94,332</b>
<b>Movement in Reserves Statement:</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(53,973)	(49,730)	(10)	(49,740)
Actual amount charged against the Council Fund Balance for pensions in the year:	0	0	0	0
Employers' contributions payable to scheme	(33,843)	30,700	132	30,832

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2017 is a loss of £44.6m (£92.4m gain in 2015/16).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the year ending 31<sup>st</sup> March 2017 is a loss of £130.8m.

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

	2015/16	2016/17		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,399,724</b>	<b>1,345,810</b>	<b>4,012</b>	<b>1,349,822</b>
Current Service Cost	31,248	29,940	209	30,149
Interest Cost on Defined Obligation	44,158	46,440	179	46,619
Contributions by scheme participants	8,250	8,020	78	8,098
<b><i>Remeasurement (Gains) and Losses</i></b>				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(57,590)	(146)	(57,736)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(77,145)	305,380	1,162	306,542
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(12,506)	(74,830)	(69)	(74,899)
Benefits paid	(48,369)	(47,250)	(278)	(47,528)
Past service costs	4,462	2,280	1	2,281
Business combinations	0	0	0	0
Net Increase in Liabilities from Disposals/Aquisitions	0	0	1,945	1,945
Consolidation Adjustment	0	0	(733)	(733)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,349,822</b>	<b>1,558,200</b>	<b>6,360</b>	<b>1,564,560</b>

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

	2015/16	2016/17		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>811,839</b>	<b>830,610</b>	<b>3,667</b>	<b>834,277</b>
Interest Income	25,895	28,930	178	29,108
<b>Remeasurement (Gains) and Losses:</b>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	2,819	128,270	987	129,257
Employer contributions	33,843	30,700	132	30,832
Contributions by scheme participants	8,250	8,020	78	8,098
Benefits paid	(48,369)	(47,250)	(278)	(47,528)
Net Increase in Assets from Disposals/Aquisitions	0	0	2,003	2,003
Consolidation Adjustment	0	0	(535)	(535)
<b>Balance at 31<sup>st</sup> March</b>	<b>834,277</b>	<b>979,280</b>	<b>6,232</b>	<b>985,512</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £158.4m (£28.7m gain in 2015/16).

**40.5 Scheme History**

	2012/13	2013/14	2014/15	2015/16	2016/17
	Inc Joint	Inc Joint	Inc Joint	Inc Joint Comm's	Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of the Defined Obligation	(1,323,155)	(1,234,997)	(1,399,724)	(1,349,822)	(1,564,560)
Fair Value of Plan Assets	648,436	712,031	811,839	834,277	985,512
<b>Surplus/(Deficit)</b>	<b>(674,719)</b>	<b>(522,966)</b>	<b>(587,885)</b>	<b>(515,545)</b>	<b>(579,048)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £579.0m has a substantial impact on the Net Worth of the Council as recorded in the Balance Sheet.

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

#### 40.6 Local Government Pension Scheme Assets

As at 31<sup>st</sup> December 2016, the Rhondda Cynon Taf Pension Fund Assets comprised of:

<b>Fair Value of Scheme Assets</b>		
	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
UK Equities	509,808	595,905
Overseas Equities	1,194,382	1,459,349
UK Fixed Interest Gilts	195,240	259,370
UK Index Linked Gilts	0	0
UK Corporate Bonds	231,299	255,420
Overseas Government Bonds	27,723	8,326
Overseas Corporate Bonds	25,668	28,693
Property	154,639	167,239
Cash and Net Current Assets	89,719	60,748
<b>Total</b>	<b>2,428,478</b>	<b>2,835,050</b>

#### 40.7 Basis for Estimating Assets and Liabilities

Rhondda Cynon Taf CBC employs a “building block” approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as 31<sup>st</sup> March 2017.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council Fund liabilities have been assessed by AON Hewitt, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the funded scheme as at 31<sup>st</sup> March 2016, and the unfunded scheme as at 31<sup>st</sup> March 2015.

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

	31/03/16	31/03/17
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	5.6%	4.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.1	22.8
Women	26.0	24.9
Longevity at 65 for future pensioners:		
Men	25.3	25.0
Women	28.4	27.2
Rate of inflation (RPI)	2.9%	3.1%
Rate of inflation (CPI)	1.8%	2.0%
Rate of increase in salaries	3.3%	3.3%
Rate of increase in pensions	1.8%	2.0%
Rate for discounting scheme liabilities	3.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	75%	80%
Pre-2010 Service	75%	80%

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

	RCT		Joint Committes		Total	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£'000	£'000	£'000	£'000	£'000	£'000
Longevity (Increase or Decrease in 1 Year)	45,970	(45,680)	189	(187)	46,159	(45,867)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	6,190	(6,130)	29	(29)	6,219	(6,159)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	23,230	(22,850)	97	(95)	23,327	(22,945)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(28,920)	29,470	(124)	126	(29,044)	29,596

#### **40.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2018**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2018 are estimated to be £34.8m. In addition, "strain on fund" contributions may be required.

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

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

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

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

In 2016/17, the Council paid £12.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2015/16 were £12.3m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% from 1<sup>st</sup> April 2015 to 31<sup>st</sup> August 2015 and increased to 16.48% from 1<sup>st</sup> September 2015. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with related increases. In 2016/17 these amounted to £870k (£911k in 2015/16).

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

#### **42.0 Contingent Liabilities**

##### **42.1 Private Finance Initiative**

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

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

As part of the termination the contractor is entitled to a termination payment in respect of senior debt outstanding and breakage costs (early repayment charges), redundancy payments for employees of the contractor, amounts payable to subcontractors as a direct result of termination and compensation based on the equity value of the company on the assumption that it is sold in the open market on a going concern basis.

The senior debt outstanding and the breakage costs were paid on 26<sup>th</sup> January 2017, however the remaining elements of the termination payment are subject to ongoing discussions with the contractor.

The Council anticipates concluding these discussions during the 2017/18 financial year.

#### **42.2 Insurance**

The Council is liable for insurance claims made against it in respect of certain events. A provision is made in respect of claims received as at 31<sup>st</sup> March 2017. There is a further contingent liability in respect of events which will have occurred but which have not resulted in a claim being made as at the date of the accounts. The "statute of limitation" sets out the timescale by which a claim will have to be made in respect of such past events. An earmarked reserve has been set up to provide towards the costs of these incidents.

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

Insurance claims are also referenced in note 4.2.

#### **42.3 Municipal Mutual Insurance Ltd.**

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

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

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

Note 3.1, Critical Judgements in applying Accounting Policies also refers.

#### **42.4 Former Leisure Facility Aberdare**

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

#### **43.0 Trust Funds**

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31<sup>st</sup> March 2017 are shown as follows and are not included in the Council's Balance Sheet. The 2016/17 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit Section for the other funds).

	Description	31/03/16	31/03/17
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	235	248
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	136	109
Welsh Church Act Fund	Fund established under the Welsh Church Act for various charitable aims within the counties of Rhondda Cynon Taf, Merthyr Tydfil and Bridgend	11,746	12,292

The Council also participates on the Board of Trustees for "The Rhondda Trust". This is a charity established by a manufacturing company following the closure of its factory in the Rhondda Valleys. The charity's aims are to improve skills and education in the area. The Council has administrative responsibility for the fund. However, decisions are made by the Board of Trustees. The balance held on behalf of the trustees by the Council at 31<sup>st</sup> March 2017 is £52k (£277k at 31<sup>st</sup> March 2016). The Rhondda Trust is independently audited by RH Jeffs and Rowe Ltd.

## Group Accounts

### 1. Introduction

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

The Group Accounts Statements comprise:

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

### 2. Basis of Consolidation

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

- Long-term asset valuations should be based on the measurement principles given in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 based on International Financial Reporting Standards, which generally means assets are carried at a current valuation.
- Criteria for assessing cash equivalents: Short Term lending of surplus balances investments are treated as Cash at bank in the company accounts but as Short Term investments in the local authority accounts.

### 3. Bodies Consolidated

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

- **Amgen Cymru Ltd.** - This company was set up by the former Cynon Valley Borough Council as an arms length company under the 1990 Environment Act. It is registered as "Cynon Valley Waste Disposal" but trades as "Amgen Cymru Ltd.". The principal activities of the company are the provision of recycling services and waste disposal facilities. The Council has a 100% interest in the company of £2.8m. The company is a subsidiary of the Council.
- **Amgen Rhondda Ltd.** - This company was set up during September 1999 as a wholly owned subsidiary of Amgen Cymru Ltd. The principal activity of the company is the stewardship of waste management and associated opportunities for income generation. The company has taken over the management of Nantygwyddon

Landfill site from Rhondda Waste Disposal Limited, which went into administration during the year ended 31<sup>st</sup> March 1999. In April 2005 the company entered into a formal stewardship agreement with Rhondda Cynon Taf CBC, which provides for the remediation and long-term stewardship of the facility in conjunction with the shareholder.

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

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

The individual financial statements of Cynon Valley Waste Disposal Company and Amgen Rhondda Limited have been prepared in compliance with UK Accounting Standards, including Financial Reporting Standard 102 (FRS102).

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

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

## **Statement of Group Accounting Policies**

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

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

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

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

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

### **3. Basis of Consolidation**

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

### **4. Accounting Periods**

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

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

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

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

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

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council	Council's share of Reserves of Subsidiaries, Associates & Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2015</b>	11,001	31,367	76,284	3,711	2,010	4,804	1,120	130,297	58,424	188,721	(914)	187,807
<b>Movement in reserves during 2015/16:</b>												
Surplus or (deficit) on the provision of services (accounting basis)	(34,987)	0	(124)	0	0	0	0	(35,111)	0	(35,111)	8,052	(27,059)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	126,121	126,121	(338)	125,783
Total comprehensive income and expenditure	(34,987)	0	(124)	0	0	0	0	(35,111)	126,121	91,010	7,714	98,724
<b>Adjustments between Group Accounts and Authority Accounts:</b>	8,091	0	0	0	0	0	0	8,091	0	8,091	(8,091)	0
<b>Net Increase or decrease before transfers</b>	(26,896)	0	(124)	0	0	0	0	(27,020)	126,121	99,101	(377)	98,724
<b>Adjustments between accounting basis and funding under regulations:</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Capital Adjustment Account:</b>												
<b>Reversal of items debited / credited to CI&amp;ES:</b>												
Charges for depreciation and impairment of long-term assets	25,799	0	60	0	0	0	0	25,859	(25,859)	0	0	0

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Revaluation losses on property, plant & equipment	39,347	0	0	0	0	0	0	0	39,347	(39,347)	0	0	0
Amortisation of intangible assets	1,121	0	0	0	0	0	0	0	1,121	(1,121)	0	0	0
Movement in the Donated Assets Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	12,926	0	0	0	0	0	0	0	12,926	(12,926)	0	0	0
Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	0	0	2	0	0	0	0	0	2	(2)	0	0	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>													
Statutory provision for the financing of capital investment	(11,058)	0	(9)	0	0	0	0	0	(11,067)	11,067	0	0	0
Capital expenditure charged against the Council Fund Balances	(13,982)	0	(706)	0	0	0	0	0	(14,688)	14,688	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>													
Capital grants and contributions unapplied credited to CI&ES	(35,318)	0	0	0	0	35,318	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(33,499)	0	0	(33,499)	33,499	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	1,960	0	0	0	1,286	0	0	0	3,246	(3,246)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(2,842)	0	0	0	(2,842)	2,842	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	31	0	0	0	31	(31)	0	0	0

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<b>Adjustments involving the Financial Instruments Adjustment Account:</b>													
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(50)	0	0	0	0	0	0	(50)	50	0	0	0	0
<b>Adjustments involving the Pensions Reserve:</b>													
Reversal of items relating to retirement benefits debited or credited to the CI&ES	53,690	0	283	0	0	0	0	53,973	(53,973)	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(33,670)	0	(173)	0	0	0	0	(33,843)	33,843	0	0	0	0
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>													
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory	(549)	0	0	0	0	0	0	(549)	549	0	0	0	0
<b>Adjustment involving the Accumulated Absences Account:</b>													
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,121)	0	8	0	0	0	0	(1,113)	1,113	0	0	0	0
<i>Continued Overleaf...</i>													

<b>Other adjustments include:</b>												
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	12,199	0	(659)	0	(1,525)	1,819	0	<b>11,834</b>	87,267	<b>99,101</b>	(377)	<b>98,724</b>
<b>Transfers to or from Earmarked Reserves</b>	(12,480)	28,501	(15,121)	(124)	0	0	(776)	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Increase or (decrease) in the year</b>	(281)	28,501	(15,780)	(124)	(1,525)	1,819	(776)	<b>11,834</b>	87,267	<b>99,101</b>	(377)	<b>98,724</b>
<b>Balance as at the end of the current reporting period</b>	<b>10,720</b>	<b>59,868</b>	<b>60,504</b>	<b>3,587</b>	<b>485</b>	<b>6,623</b>	<b>344</b>	<b>142,131</b>	<b>145,691</b>	<b>287,822</b>	<b>(1,291)</b>	<b>286,531</b>

## Group Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2017

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council	Council's share of Reserves of Subsidiaries, Associates & Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2016</b>	10,720	59,868	60,504	3,587	485	6,623	344	<b>142,131</b>	145,691	<b>287,822</b>	(1,291)	<b>286,531</b>
<b>Movement in reserves during 2016/17:</b>												
Total comprehensive income and expenditure	(23,737)	0	(3,146)	0	0	0	0	<b>(26,883)</b>	(56,038)	<b>(82,921)</b>	5,230	<b>(77,691)</b>
<b>Adjustments between Group Accounts and Authority Accounts:</b>	5,371	0	0	0	0	0	0	<b>5,371</b>	0	<b>5,371</b>	(5,371)	<b>0</b>
<b>Net Increase or decrease before transfers</b>	(18,366)	0	(3,146)	0	0	0	0	<b>(21,512)</b>	(56,038)	<b>(77,550)</b>	(141)	<b>(77,691)</b>
<b>Adjustments between accounting basis and funding under regulations:</b>	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>												
<b>Reversal of items debited / credited to CI&amp;ES:</b>												
Charges for depreciation and impairment of long-term assets	44,575	0	0	0	0	0	0	<b>44,575</b>	(44,575)	<b>0</b>	0	<b>0</b>

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Revaluation losses on property, plant & equipment	13,982	0	1,773	0	0	0	0	0	15,755	(15,755)	0	0	0
Amortisation of intangible assets	1,385	0	0	0	0	0	0	0	1,385	(1,385)	0	0	0
Movement in the Donated Assets Account	(254)	0	0	0	0	0	0	0	(254)	254	0	0	0
Revenue expenditure funded from capital under statute	8,476	0	0	0	0	0	0	0	8,476	(8,476)	0	0	0
Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>													
Statutory provision for the financing of capital investment	(11,732)	0	0	0	0	0	0	0	(11,732)	11,732	0	0	0
Capital expenditure charged against the Council Fund Balances	(28,777)	0	0	0	0	0	0	0	(28,777)	28,777	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>													
Capital grants and contributions unapplied credited to CI&ES	(22,637)	0	0	0	0	22,637	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(20,688)	0	0	(20,688)	20,688	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	(1,824)	0	0	0	4,347	0	0	0	2,523	(2,523)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(3,401)	0	0	0	(3,401)	3,401	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	12	0	0	0	12	(12)	0	0	0

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<b>Adjustments involving the Financial Instruments Adjustment Account:</b>														
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(47)	0	0	0	0	0	0	0	(47)	47	0	0	0	0
<b>Adjustments involving the Pensions Reserve:</b>														
Reversal of items relating to retirement benefits debited or credited to the CI&ES	49,730	0	10	0	0	0	0	0	49,740	(49,740)	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(30,700)	0	(132)	0	0	0	0	0	(30,832)	30,832	0	0	0	0
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>														
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory	31	0	0	0	0	0	0	0	31	(31)	0	0	0	0
<b>Adjustment involving the Accumulated Absences Account:</b>														
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,559	0	(4)	0	0	0	0	0	1,555	(1,555)	0	0	0	0

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<b>Other adjustments include:</b>												
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	<b>5,401</b>	<b>0</b>	<b>(1,499)</b>	<b>0</b>	<b>958</b>	<b>1,949</b>	<b>0</b>	<b>6,809</b>	<b>(84,359)</b>	<b>(77,550)</b>	<b>(141)</b>	<b>(77,691)</b>
<b>Transfers to or from Earmarked Reserves</b>	<b>(5,401)</b>	<b>2,910</b>	<b>4,148</b>	<b>(1,457)</b>	<b>0</b>	<b>0</b>	<b>(200)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase or (decrease) in the year</b>	<b>0</b>	<b>2,910</b>	<b>2,649</b>	<b>(1,457)</b>	<b>958</b>	<b>1,949</b>	<b>(200)</b>	<b>6,809</b>	<b>(84,359)</b>	<b>(77,550)</b>	<b>(141)</b>	<b>(77,691)</b>
<b>Balance as at the end of the current reporting period</b>	<b>10,720</b>	<b>62,778</b>	<b>63,153</b>	<b>2,130</b>	<b>1,443</b>	<b>8,572</b>	<b>144</b>	<b>148,940</b>	<b>61,332</b>	<b>210,272</b>	<b>(1,432)</b>	<b>208,840</b>

## Group Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2017

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

2015/16			Note:	2016/17			
Gross Exp	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp	
£'000	£'000	£'000		£'000	£'000	£'000	
86,430	(21,807)	64,623	Corporate & Frontline Services	G 1.0	109,088	(27,713)	81,375
14,065	(6,040)	8,025	Chief Executive's Division		17,972	(6,267)	11,705
250,597	(48,083)	202,514	Education & Lifelong Learning		237,858	(47,668)	190,190
242,894	(76,766)	166,128	Community & Children's Services		222,712	(79,837)	142,875
102,307	(78,130)	24,177	Authority Wide Budgets		104,006	(76,302)	27,704
7,900	(7,615)	285	Joint Committees		(359)	3,504	3,145
<b>704,193</b>	<b>(238,441)</b>	<b>465,752</b>	<b>Cost of Services</b>		<b>691,277</b>	<b>(234,283)</b>	<b>456,994</b>
			<b>Other Operating Expenditure</b>				
16,373	0	16,373	Precepts		17,220	0	17,220
11,271	0	11,271	Levies		11,371	0	11,371
1,962	0	1,962	(Gains) or Losses on Disposal of Long-Term Assets		0	(1,824)	(1,824)
			<b>Financing and Investment Income and Expenditure</b>				
10,654	0	10,654	Interest Payable and Similar Charges		10,489	0	10,489
18,263	0	18,263	Net Interest on Net Defined Liability (Asset)		17,511	0	17,511
0	(145)	(145)	Interest Receivable and Similar Income		0	(128)	(128)
			<b>Taxation and Non-Specific Grant Income</b>				
0	(115,437)	(115,437)	Council Tax Income		0	(119,893)	(119,893)
0	(67,465)	(67,465)	NDR Distribution		0	(70,451)	(70,451)
0	(289,677)	(289,677)	Non-Ringfenced Government Grants		0	(283,324)	(283,324)
0	(24,499)	(24,499)	Capital Grants and Contributions		0	(16,170)	(16,170)
<b>762,716</b>	<b>(735,664)</b>	<b>27,052</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>747,868</b>	<b>(726,073)</b>	<b>21,795</b>

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0	(55)	(55)	<b>Associates and Joint Ventures Accounted for on an Equity Basis</b>	0	(31)	(31)
			<b>Tax Expenses</b>			
50	0	50	Taxation of Group Entities	0	0	0
12	0	12	Share of Taxation of Associates and Joint Ventures	8	0	8
<b>762,778</b>	<b>(735,719)</b>	<b>27,059</b>	<b>Group (Surplus) or Deficit</b>	<b>747,876</b>	<b>(726,104)</b>	<b>21,772</b>
0	(33,656)	(33,656)	<b>(Surplus) or Deficit on Revaluation of Property, Plant &amp; Equipment Assets</b>	0	11,327	11,327
0	(92,127)	(92,127)	<b>Remeasurement of the Net Defined Benefit Liability</b>	0	44,592	44,592
<b>0</b>	<b>(125,783)</b>	<b>(125,783)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>55,919</b>	<b>55,919</b>
<b>762,778</b>	<b>(861,502)</b>	<b>(98,724)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>747,876</b>	<b>(670,185)</b>	<b>77,691</b>

## Group Balance Sheet as at 31<sup>st</sup> March 2017

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

31/03/16			Note:	31/03/17	
£'000				£'000	£'000
	<b>Long-Term</b>	Property, Plant & Equipment	G 2.0		
594,905	<b>Assets</b>	Other Land & Buildings		590,529	
428,283		Infrastructure		431,023	
11,065		Vehicles, Plant & Equipment		10,971	
437		Landfill Cells		335	
5,738		Community Assets		4,078	
11,959		Assets Under Construction		15,620	
145		Heritage Assets		145	
2,626		Long-Term Intangible Assets		2,797	
1,000		Long-Term Investments		1,000	
242		Investment in Associates and Joint Ventures		264	
1,036		Long-Term Debtors		1,385	
<b>1,057,436</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,058,147</b>
27,755	<b>Current</b>	Short-Term Investments	G 13.0	16,672	
5,411	<b>Assets</b>	Assets Held for Sale		4,215	
819		Short-Term Intangible Assets		730	
710		Inventories		725	
51,523		Short-Term Debtors	G 14.0	51,904	
7,435		Cash and Cash Equivalents		2,832	
<b>93,653</b>		<b>TOTAL CURRENT ASSETS</b>			<b>77,078</b>
(13,910)	<b>Current</b>	Cash and Cash Equivalents		(16,136)	
(3,312)	<b>Liabilities</b>	Short-Term Borrowing		(39,997)	
(429)		Other Short-Term Liabilities		(379)	
(4,709)		Short-Term Provisions	G 16.0	(3,308)	
(83,652)		Short-Term Creditors	G 15.0	(80,323)	
<b>(106,012)</b>		<b>TOTAL CURRENT LIABILITIES</b>			<b>(140,143)</b>
(2,123)	<b>Long-Term</b>	Long-Term Provisions	G 16.0	(2,223)	
(195,958)	<b>Liabilities</b>	Long-Term Borrowing		(193,872)	
(560,088)		Other Long-Term Liabilities		(590,024)	
(377)		Donated Asset Account		(123)	
<b>(758,546)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(786,242)</b>
<b>286,531</b>	<b>NET ASSETS</b>				<b>208,840</b>

10,720	<b>Usable Reserves</b>	Council Fund Balance		10,720	
		Earmarked Reserves:			
59,868		Capital, Treasury and Insurance Reserves		62,778	
60,504		Other Revenue Related Reserves		63,153	
3,587		Delegated Schools Reserve		2,130	
485		Usable Capital Receipts Reserve		1,443	
6,623		Capital Grant Unapplied Account		8,572	
344		MGCC Insurance Reserve		144	
<b>142,131</b>		<b>TOTAL USABLE RESERVES</b>			<b>148,940</b>
215,453	<b>Unusable Reserves</b>	Revaluation Reserve		197,859	
22		Deferred Capital Receipts Reserve		11	
455,020		Capital Adjustment Account	G 6.0	453,307	
(5,766)		Financial Instruments Adjustment Account		(5,719)	
(515,545)		Pensions Reserve		(579,048)	
(67)		Unequal Pay Back Pay Account		(98)	
(3,426)		Short-Term Accumulating Compensated Absence Account		(4,980)	
(1,291)		Group Companies Reserve	G 3.0	(1,432)	
<b>144,400</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>59,900</b>
<b>286,531</b>	<b>TOTAL RESERVES</b>				<b>208,840</b>

## Group Cash Flow Statement 2016/17

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

2015/16 £'000		Note:	2016/17	
			£'000	£'000
27,059	Net (Surplus) or Deficit on the Provision of Services		21,772	
(123,527)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	G 7.0	(74,306)	
25,783	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	G 8.0	20,517	
<b>(70,685)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(32,017)</b>
56,989	Investing Activities	G 10.0	51,340	
13,131	Financing Activities	G 11.0	(12,494)	38,846
<b>(565)</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>6,829</b>
7,040	Cash and Cash Equivalents at the Beginning of the Reporting Period			6,475
<b>6,475</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>			<b>13,304</b>

## Notes to the Group Accounts

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

### G 1.0 Segmental Analysis (Subsidiary Companies)

The operating income and expenditure of Amgen Cymru Ltd. and Amgen Rhondda Ltd. has been included within Corporate & Frontline Services.

A Group Expenditure and Funding Analysis Statement, and its associated notes, has not been included in the Group Statements due to materiality.

### G 2.0 Long-Term Assets

#### G 2.1 Property, Plant and Equipment

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

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Landfill Cells	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 <sup>st</sup> April 2016	635,080	573,805	40,213	1,083	6,130	11,960	<b>1,268,271</b>
Joint Committees Opening Balance	1,718	0	163	0	162	0	<b>2,043</b>
Additions	35,656	18,562	7,017	0	0	12,931	<b>74,166</b>
Donations	0	0	0	0	0	0	<b>0</b>
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	(12,983)	0	0	0	0	0	<b>(12,983)</b>
Revaluation Increases/ (Decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(14,929)	0	0	0	0	0	<b>(14,929)</b>
Derecognition – Disposals	(1,894)	0	(2,390)	0	(162)	0	<b>(4,446)</b>
Derecognition - Other	0	0	(2,056)	0	0	0	<b>(2,056)</b>
Assets reclassified (to)/from held for Sale	532	0	0	0	0	0	<b>532</b>
Other reclassifications	10,844	0	0	0	(1,574)	(9,270)	<b>0</b>
Other Movements in Cost or Valuation	(2)	0	(1)	0	0	(1)	<b>(4)</b>
<b>At 31<sup>st</sup> March 2017</b>	<b>654,022</b>	<b>592,367</b>	<b>42,946</b>	<b>1,083</b>	<b>4,556</b>	<b>15,620</b>	<b>1,310,594</b>

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<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2016	(41,786)	(145,522)	(29,150)	(646)	(554)	(1)	<b>(217,659)</b>
Joint Committees	(107)	0	(161)	0	0	0	<b>(268)</b>
Opening Balance							
Depreciation charge	(13,018)	(15,822)	(4,957)	(101)	0	0	<b>(33,898)</b>
Depreciation written out of the Revaluation Reserve	5,106	0	0	0	0	0	<b>5,106</b>
Depreciation written out to the (Surplus) / Deficit on the Provision of Services	1,067	0	0	0	0	0	<b>1,067</b>
Impairment (Losses) / Reversals recognised in the Revaluation Reserve	(4,092)	0	0	0	0	0	<b>(4,092)</b>
Impairment (Losses) / Reversals recognised in the (Surplus)/Deficit on the Provision of Services	(10,702)	0	(2,056)	0	0	0	<b>(12,758)</b>
Derecognition – Disposals	6	0	2,130	0	0	0	<b>2,136</b>
Derecognition - Other	107	0	2,218	0	0	0	<b>2,325</b>
Assets reclassified (to)/from held for Sale	0	0	0	0	0	0	<b>0</b>
Other reclassifications	(76)	0	0	0	76	0	<b>0</b>
Other Movements in Cost or Valuation	2	0	1	(1)	0	1	<b>3</b>
<b>At 31<sup>st</sup> March 2017</b>	<b>(63,493)</b>	<b>(161,344)</b>	<b>(31,975)</b>	<b>(748)</b>	<b>(478)</b>	<b>0</b>	<b>(258,038)</b>
<b>Net Book Value:</b>							
<b>At 31<sup>st</sup> March 2017</b>	<b>590,529</b>	<b>431,023</b>	<b>10,971</b>	<b>335</b>	<b>4,078</b>	<b>15,620</b>	<b>1,052,556</b>
<b>At 1<sup>st</sup> April 2016</b>	<b>594,905</b>	<b>428,283</b>	<b>11,065</b>	<b>437</b>	<b>5,738</b>	<b>11,959</b>	<b>1,052,387</b>

## G 2.2 Valuation of Long-Term Assets

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

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

EUV - Existing Use Value

DHC - Depreciated Historic Cost

DRC - Depreciated Replacement Costs

**G 3.0 Group Companies Reserve**

Movements in the Group Companies Reserve are summarised as follows:

	Amgen Cymru	Amgen Rhondda	Capita Glamorgan	Total
	£'000	£'000	£'000	£'000
<b>Balance as at 31st March 2016</b>	<b>1,290</b>	<b>(2,823)</b>	<b>242</b>	<b>(1,291)</b>
Increase/(Decrease) 2016/17	(174)	11	22	(141)
<b>Balance as at 31<sup>st</sup> March 2017</b>	<b>1,116</b>	<b>(2,812)</b>	<b>264</b>	<b>(1,432)</b>

**G 4.0 Subsidiary Companies Statutory Accounts**

A summary of the statutory accounts for the Amgen Group is given in the following table.

	Amgen Cymru		Amgen Rhondda	
	March 2016	March 2017 Draft	March 2016	March 2017 Draft
	£'000	£'000	£'000	£'000
Shareholding	2,806	2,806	154	165
Net Current Assets	2,230	3,257	109	137
Total Assets less Current Liabilities	6,585	7,452	154	165
Net Assets	5,109	5,087	154	165
(Loss)/Profit Before Tax	(14)	(22)	21	11
(Loss)/Profit After Tax	(13)	(22)	21	11
Registration No.	2660628		3687641	
Registered Office/Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX	
Auditors	KTS Owens Thomas Ltd		KTS Owens Thomas Ltd	
Audit Opinion	Not yet given for year ended 31 <sup>st</sup> March 2017		Not yet given for year ended 31 <sup>st</sup> March 2017	

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

**G 5.0 Associate Company Statutory Accounts**

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

	<b>Capita Glamorgan Consultancy Ltd</b>	
	<b>31<sup>st</sup> December 2015</b>	<b>31<sup>st</sup> December 2016 Draft</b>
	<b>£'000</b>	<b>£'000</b>
Shareholding	27.93%	27.93%
Net Current Assets	782	898
Total Assets less Current Liabilities	864	947
Net Assets	864	947
(Loss)/Profit Before Tax	196	110
(Loss)/Profit After Tax	154	84
Registration No.	6638751	
Registered Office/Location of Accounts	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Auditors	KPMG LLP	
Audit Opinion	Not yet given for year ended 31st December 2016	

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

	<b>£'000</b>
<b>Balance as at 1st April 2016</b>	<b>455,020</b>
(Gains)/Losses during the year	(1,713)
<b>Balance as at 31<sup>st</sup> March 2017</b>	<b>453,307</b>

In the Council's accounts the value of the shareholding in Amgen Rhondda Ltd. is written down to the value of the net assets of the company. To allow consolidation of the accounts the value of shareholding must be reinstated, which results in a credit to the Capital Adjustment Account of £2,844k.

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

2015/16		2016/17
£'000		£'000
(66,031)	Depreciation & Impairment	(61,131)
(1,121)	Amortisation	(1,385)
(20,871)	(Increase)/Decrease in Creditors	3,991
(2,886)	Increase/(Decrease) in Debtors	729
(223)	Increase/(Decrease) in Stock	15
(16,486)	Movement in Pension Liability	(15,991)
1,479	Contribution to Provisions	2,832
(67)	Holiday Pay Accrual	(1,554)
5,532	Revenue Grant Earmarked Reserves	2,515
(3,246)	Carrying Amount of Long-Term Assets and Assets Held For Sale, Sold or Derecognised	(2,522)
1,819	Capital Grants Unapplied	1,949
(12,926)	Revenue Expenditure Funded from Capital Under Statute	(8,476)
(8,500)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	4,722
<b>(123,527)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(74,306)</b>

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

2015/16		2016/17
£'000		£'000
1,284	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	4,347
24,499	Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	16,170
<b>25,783</b>		<b>20,517</b>

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

The cash flows for operating activities include the following items:

2015/16		2016/17
£'000		£'000
(26)	Interest received	(128)
8,608	Interest paid	10,488
<b>8,582</b>	<b>Interest within Operating Activities</b>	<b>10,360</b>

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

<b>2015/16</b>		<b>2016/17</b>
<b>£'000</b>		<b>£'000</b>
68,729	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	86,317
20,086	Purchase and Redemption of Short-Term and Long-Term Investments	(11,082)
(1,286)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,347)
(30,540)	Other receipts from Investing Activities	(19,548)
<b>56,989</b>	<b>Net Cash Flows from Investing Activities</b>	<b>51,340</b>

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

<b>2015/16</b>		<b>2016/17</b>
<b>£'000</b>		<b>£'000</b>
(3,380)	Cash Receipts of Short-Term and Long-Term Borrowing	(74,900)
1,196	Cash Payments for the reduction of the outstanding liabilities Relating to Finance Leases and on Balance Sheet PFI Contracts	22,361
15,315	Repayments of Short-Term and Long-Term Borrowing	40,045
<b>13,131</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(12,494)</b>

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

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

<b>2015/16</b>		<b>2016/17</b>
<b>£'000</b>		<b>£'000</b>
(175)	Amgen Rhondda supplies to the Council	(175)
(8,417)	Amgen Cymru supplies to the Council	(6,857)
501	Council supplies to Amgen Cymru	1,661
<b>(8,091)</b>	<b>Net Expenditure</b>	<b>(5,371)</b>

**G13.0 Financial Instruments**

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

Assets	Long-Term		Current	
	31/03/16	31/03/17	31/03/16	31/03/17
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	1,000	1,000	27,755	16,672
Debtors: Financial Assets Carried at Contract Amounts	1,036	1,385	50,672	51,185
<b>Total</b>	<b>2,036</b>	<b>2,385</b>	<b>78,427</b>	<b>67,857</b>

Liabilities	Long-Term		Current	
	31/03/16	31/03/17	31/03/16	31/03/17
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	195,958	193,872	3,312	39,997
Other Liabilities: PFI and Finance Lease liabilities	22,910	386	1,243	1,406
Creditors: Financial Liabilities at Amortised Cost	0	0	15,172	14,750
<b>Total</b>	<b>218,868</b>	<b>194,258</b>	<b>19,727</b>	<b>56,153</b>

**G14.0 Debtors**

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

2015/16		2016/17
£'000		£'000
31,329	Central Government Bodies	27,543
1,034	Other Local Authorities	2,634
2,871	NHS Bodies	3,643
23	Public Corporations and Trading Funds	59
16,266	Other Entities and Individuals	18,025
<b>51,523</b>	<b>Total</b>	<b>51,904</b>

**G15.0 Creditors**

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

<b>2015/16</b>		<b>2016/17</b>
<b>£'000</b>		<b>£'000</b>
(14,715)	Central Government Bodies	(13,808)
(3,045)	Other Local Authorities	(5,673)
(1,199)	NHS Bodies	(1,789)
(196)	Public Corporations and Trading Funds	(37)
(64,497)	Other Entities and Individuals	(59,016)
<b>(83,652)</b>	<b>Total</b>	<b>(80,323)</b>

**G16.0 Provisions**

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

Movements in provisions during the year were:

<b>Short-Term Provision</b>	<b>Land Purchases and Part 1 Claims</b>	<b>Insurance Claims</b>	<b>Equal Pay</b>	<b>Joint Committees</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1st April 2016</b>	<b>(2,008)</b>	<b>(2,619)</b>	<b>(67)</b>	<b>(15)</b>	<b>(4,709)</b>
Additional provisions made in 2016/17	(13)	(2,302)	(86)	0	(2,401)
Amounts used in 2016/17	1,113	2,022	55	0	3,190
Unused amounts reversed in 2016/17	0	597	0	15	612
<b>Balance at 31<sup>st</sup> March 2017</b>	<b>(908)</b>	<b>(2,302)</b>	<b>(98)</b>	<b>0</b>	<b>(3,308)</b>

Long-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Amgen Cymru – Landfill Aftercare	Amgen Cymru – Deferred Tax	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2016</b>	<b>(274)</b>	<b>(1,094)</b>	<b>(755)</b>	<b>0</b>	<b>(2,123)</b>
Additional provisions made in 2016/17	0	(3,017)	(719)	(112)	(3,848)
Amounts used in 2016/17	274	2,302	65	0	2,641
Unused amounts reversed in 2016/17	0	1,107	0	0	1,107
<b>Balance at 31<sup>st</sup> March 2017</b>	<b>0</b>	<b>(702)</b>	<b>(1,409)</b>	<b>(112)</b>	<b>(2,223)</b>

### **G16.1 Amgen Cymru – Landfill Aftercare**

The Company is required by the shareholders agreement to provide for future aftercare cost such as landfill capping and restoration. The aftercare provision at the balance sheet date falls within a range which is considered to be the best estimate at this time of the company's exposure to future aftercare costs.

### **G16.2 Amgen Cymru – Deferred Tax**

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

## Rhondda Cynon Taf Pension Fund Accounts

### **Background to the Fund**

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

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

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

### **Fund Administration and Investments**

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

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

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

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

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

- Baillie Gifford (Global Equities and High Alpha Equities)
- Newton (High Alpha Equities)
- BlackRock (UK Equities and Passive Equities)
- Invesco (UK Equities)
- BMO Global Asset Management (Bonds)
- CBRE (Property)

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

### **All Wales Pension Fund Investment Pooling**

On the 15<sup>th</sup> March the Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales.

Under the new arrangements Rhondda Cynon Taf CBC and the other administering authorities will retain control over setting their own funds investment strategy and detailed asset allocation. This continues to allow the broad risk and return objectives of the investment strategy to be determined in line with each pension fund's overall funding strategy. Funds will then invest in the Pool through asset Sub-Funds which will be made available by the appointed Pool Operator.

**Fund Account**

2015/16			2016/17	
£'000		Note:	£'000	£'000
	<b>Contributions</b>			
(85,799)	Employer contributions	8.0	(83,216)	
(25,663)	Member contributions	8.0	(25,388)	
<b>(111,462)</b>				<b>(108,604)</b>
	<b>Transfers in from other Pension Funds</b>			
0	Group Transfers in from other schemes or funds		0	
(4,047)	Individual Transfers from other schemes or funds		(3,939)	
				<b>(3,939)</b>
(9,112)	<b>Other income</b>		(3,599)	
				<b>(3,599)</b>
<b>(124,621)</b>				<b>(116,142)</b>
	<b>Benefits</b>			
94,818	Pensions		97,391	
24,198	Commutation of pensions and lump sum retirement benefits		18,504	
2,684	Lump sum death benefits		2,573	
<b>121,700</b>		8.0		<b>118,468</b>
	<b>Payments to and on account of leavers</b>			
334	Refunds to members leaving Scheme or Fund		244	
153	Payments to members joining State Scheme or Fund		101	
0	Group Transfers to other schemes		0	
6,312	Individual transfers to other schemes		8,094	
<b>6,799</b>				<b>8,439</b>
<b>128,499</b>				<b>126,907</b>
3,878	Net Addition/(Withdrawals) from Dealings with Members		10,765	
				<b>10,765</b>
9,718	Management Expenses	9.0	11,499	
				<b>11,499</b>
<b>13,596</b>	<b>Net Additions/(Withdrawals) Including Fund Management Expenses</b>			<b>22,264</b>
	<b>Investment income</b>			
(31,142)	Dividends from equities		(32,203)	
(23,137)	Income from bonds		(20,067)	
0	Income from index-linked securities		0	
(2,724)	Income from pooled investment vehicles		(2,539)	
(5,953)	Income from pooled property investments		(7,230)	
(93)	Interest on cash deposits		(38)	
<b>(63,049)</b>				<b>(62,077)</b>

*Continued Overleaf...*

13,034	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>		(477,314)	
				<b>(477,314)</b>
1,610	<b>Taxes on income</b>		744	
				<b>744</b>
<b>(48,405)</b>	<b>Net Returns on Investments</b>			<b>(538,647)</b>
<b>(34,809)</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>(516,383)</b>
<b>(2,448,339)</b>	<b>Opening Net Assets</b>			<b>(2,483,148)</b>
<b>(2,483,148)</b>	<b>Closing Net Assets</b>			<b>(2,999,531)</b>

**Net Assets Statement**

31/03/2016			31/03/2017	
£'000		Note:	£'000	£'000
	<b>Investment Assets</b>	4.0		
1,412,631	Equities		1,823,693	
514,703	Bonds		566,144	
59,862	Pooled Investment Vehicles - Open Ended investment companies		81,025	
232,587	Pooled Investment Vehicles - Managed funds		280,565	
162,106	Pooled Property Investments		169,498	
<b>2,381,889</b>				<b>2,920,925</b>
<b>86,063</b>	<b>Cash deposits</b>			<b>63,023</b>
	<b>Other investment balances</b>			
5,753	Accrued interest		6,284	
7,662	Investment debtors		11,113	
2,940	Tax recoverable		2,575	
<b>16,355</b>				<b>19,972</b>
<b>2,484,307</b>				<b>3,003,920</b>
	<b>Investment Liabilities</b>			
<b>(5,828)</b>	Investment creditors			<b>(10,220)</b>
	<b>Current Assets</b>			
5,118	Contributions due from employers and employees	10.0	5,209	
2,161	Cash balances		3,055	
389	Amount owed from RCTCBC		20	
1,638	Other current assets		1,300	
<b>9,306</b>				<b>9,584</b>
	<b>Current Liabilities</b>			
<b>(4,637)</b>	Current liabilities			<b>(3,753)</b>
<b>2,483,148</b>	<b>Net assets of the scheme available to fund benefits at period end</b>			<b>2,999,531</b>

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

A summary of the actuarial position of the scheme, which takes account of these obligations, is included in note 4. These accounts should be read in conjunction with the Actuarial Valuation Report.

## **1.0 Introduction**

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2016/17 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. A more detailed Pension Fund Annual Report is available on request from the Group Director Corporate & Frontline Services.

## **2.0 Accounting Policies**

### **2.1 Accruals Concept**

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

### **2.2 Investment Valuation of Financial Instruments**

In terms of "Fair Value", all investments have quoted prices in active markets, with the exception of Pooled Property Funds. Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31<sup>st</sup> March 2017 obtained from recognised Stock Exchanges. Fixed interest securities are valued "clean", excluding accrued interest. Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31<sup>st</sup> March 2017.

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

### **2.3 Additional Voluntary Contributions (AVCs)**

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

The amount of AVCs paid during the year amounted to £1,210k (£1,273k in 2015/16) and the market value of separately invested AVCs at the Balance Sheet date was £8,094k (£6,939k in 2015/16).

### **2.4 Acquisition and Disposal Costs**

Transaction costs incurred in acquiring or disposing of investments are included as part of the purchase cost or netted off against sales proceeds, as appropriate.

Transaction costs include fees, commissions and duties. Transaction costs incurred during 2016/17 amounted to £0.7m (£0.7m in 2015/16).

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

## **2.5 Taxation**

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

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

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

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

## **3.0 Actuarial Position**

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

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

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

The funding policy of the scheme is to ensure that:

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

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

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

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

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

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

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

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

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes. The actuary has also used valued ill health and death benefits in line with IAS 19.

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

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

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

#### 4.0 Analysis of Investments at Fair Value

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
<b><u>Equities</u></b>				
UK	360,050		446,452	
Overseas	1,052,581		1,377,241	
		<b>1,412,631</b>		<b>1,823,693</b>
<b><u>Bonds</u></b>				
UK	456,709		504,792	
Overseas	57,994		61,352	
		<b>514,703</b>		<b>566,144</b>
<b><u>Index linked</u></b>				
UK	0		0	
Overseas	0		0	
		<b>0</b>		<b>0</b>
<b><u>Pooled funds</u></b>				
UK	145,808		164,456	
Overseas - other	146,641		197,134	
		<b>292,449</b>		<b>361,590</b>
<b><u>Pooled funds - property</u></b>				
UK – other	153,427		162,407	
Overseas - other	8,679		7,091	
		<b>162,106</b>		<b>169,498</b>
<b>Total long-term investments</b>		<b>2,381,889</b>		<b>2,920,925</b>

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

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

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

## 5.0 Fund Manager Asset Allocation

The market values of investments held by the fund managers employed by the fund are detailed in the following table.

Fund Manager	Market Value		Proportion of Fund	
	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 %	31/03/2017 %
Baillie Gifford (Equities)	510,410	656,126	20.7	22.0
Baillie Gifford (High Alpha Equities)	489,916	661,065	19.9	22.2
Newton (High Alpha Equities)	404,498	493,328	16.4	16.5
Invesco (UK Equities)	131,535	146,034	5.3	4.9
BlackRock (UK Equities)	117,889	138,748	4.8	4.7
L&G (Passive Equities)	101,052	0	4.1	0.0
BlackRock (Passive Equities)	0	134,531	0.0	4.5
BMOgam (Bonds)	531,141	573,558	21.5	19.2
CBRE (Property)	162,530	173,373	6.6	5.8
Internal	18,621	7,005	0.7	0.2
<b>Total</b>	<b>2,467,592</b>	<b>2,983,768</b>	<b>100</b>	<b>100</b>

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

The market value of investments shown in this table includes short-term investments such as cash balances and money deposits, and so differs from the total of long-term investments only, as shown in note 4.0 and note 7.0.

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

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

## 6.0 Contingencies

There is a contingent liability of £449k (£375k in 2015/16) in respect of refundable contributions for leavers who have not yet claimed refunds.

## 7.0 Reconciliation of Investment Asset Valuation

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

Fund Manager	Market Value 01/04/16	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/17
	£'000	£'000	£'000	£'000	£'000
Baillie Gifford (Equities)	495,741	96,606	(46,093)	104,352	650,606
Baillie Gifford (High Alpha Equities)	481,339	63,321	(41,005)	147,975	651,630
Newton (High Alpha Equities)	381,514	123,209	(78,771)	43,763	469,715
Invesco (UK Equities)	131,535	1,726	0	12,773	146,034
BlackRock (UK Equities)	113,899	13,660	(10,105)	15,383	132,837
BlackRock (Passive Equities)	0	124,238	0	10,221	134,459
L&G (Passive Equities)	101,052	0	(79,466)	(21,586)	0
BMOgam (Bonds)	514,703	600,274	(560,234)	11,403	566,146
CBRE (Property)	162,106	20,655	(24,432)	11,169	169,498
<b>Total</b>	<b>2,381,889</b>	<b>1,043,689</b>	<b>(840,106)</b>	<b>335,453</b>	<b>2,920,925</b>

## 8.0 Contributions Receivable and Benefits Payable

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

Type of Body	Member Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	8,171	8,018	28,243	28,285	33,015	31,017
Admitted	3,281	3,376	13,814	14,076	12,707	13,654
Scheduled	14,211	13,994	43,742	40,855	75,978	73,797
<b>Total</b>	<b>25,663</b>	<b>25,388</b>	<b>85,799</b>	<b>83,216</b>	<b>121,700</b>	<b>118,468</b>

Included in employer contributions are £8,179k of deficit funding contributions (£10,879k in 2015/16). There are no augmented contributions (£26k in 2015/16).

## 9.0 Management Expenses

The management expenses borne by the Fund in 2016/17 are set out below:

	2015/16	2016/17
	£'000	£'000
Administrative Costs	1,803	1,748
Investment Management Expenses	7,781	9,456
Oversight and Governance Costs	134	295
<b>Total</b>	<b>9,718</b>	<b>11,499</b>

Management Expenses represents 0.33% (0.39% in 2015/16) of the value of the Pension Fund as at 31<sup>st</sup> March. 2017.

The investment management expenses borne by the fund in 2016/17 are set out below:

	2015/16	2016/17
	£'000	£'000
Management Fees	6,073	6,479
Performance Related Fees	856	2,033
Custody Fees	153	264
Transaction Costs	699	680
<b>Total</b>	<b>7,781</b>	<b>9,456</b>

## 10.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.5m (£1.6m in 2015/16). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year-end, contributions outstanding from the Employing Bodies in the Fund amounted to £5.2m (£5.1m in 2015/16), of which £3.9m related to employer contributions and £1.3m to employee contributions.

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

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

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

## 11.0 Membership of the Fund

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

	2016	2017
Active Employers	46	49
Contributors	25,501	23,918
Pensioners	15,830	16,315
Dependants	2,640	2,640
Deferred Beneficiaries	22,358	24,641

## 12.0 Group Transfers

No material group transfers are recognised in 2016/17. However, the Fund is currently processing inward and outward group transfers. Such transfers are either not material to the financial statements or are in the initial stages of actuarial discussions. Amounts are also due in respect of final settlement of transfers recognised in 2014/15. Estimates are not yet available.

## 13.0 Nature and Extent of Risks Arising From Financial Instruments

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

### 13.1 Credit Risk

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

- Counterparties for cash investments made by the Administering Authority must meet the strict credit criteria set out in the Rhondda Cynon Taf CBC Treasury Management Strategy.

- Participating employers may be required to provide a bond to cover the risk to the Fund should they be unable to meet their pension contribution obligations.
- Investment Managers manage funds that are held in the name of the Pension Fund, not in the name of the Investment Managers. In the event of the Investment Manager being unable to fulfil their obligations the Fund's investments will not be considered part of their asset portfolio.

The Pension Fund has had no experience of counterparty default in the last five years. Cash deposits held by the Administering Authority for the Pension Fund as at 31<sup>st</sup> March 2017 amounted to £3.9m with the institutions shown in the table below.

Institution	Balance at 31/03/17 £'000	Maturity Date
Debt Management Account Deposit Facility	3,950	03/04/2017
<b>Total</b>	<b>3,950</b>	

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

### 13.2 Liquidity Risk

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

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

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

### 13.3 Market Risk

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

Following analysis of historic data, State Street, the Fund's custodian, have provided a view of potential market movements for the 2017/18 financial year. The possible impact of movements is shown in the following tables:

Asset type	31/03/17 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
UK Equities	610,908	8.6	663,446	558,370
Overseas Equities	1,574,375	10.21	1,735,119	1,413,631
Bonds	566,144	6.77	604,472	527,816
Property	169,498	2.46	173,668	165,328
Cash	61,889	0.01	61,895	61,883
<b>Total</b>	<b>2,982,814</b>		<b>3,238,600</b>	<b>2,727,028</b>

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

Assuming that all other variables, particularly exchange rates, remain unchanged, a movement in interest rates of 1% for the 2017/18 financial year would have the following effect:

Asset type	31/03/17 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Bond securities	566,144	571,805	560,483
Cash deposits & balances	61,889	62,508	61,270
<b>Total</b>	<b>628,033</b>	<b>634,313</b>	<b>621,753</b>

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

A movement in currency exchange rates of 8.64% would have the following effect:

Asset type	31/03/17 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	1,574,375	1,710,401	1,399,147
Overseas Bonds	61,352	66,653	54,524
Overseas Pooled Property	7,091	7,704	6,302
<b>Total</b>	<b>1,642,818</b>	<b>1,784,758</b>	<b>1,459,973</b>

## **RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

### **ANNUAL GOVERNANCE STATEMENT 2016/17**

#### **1. SCOPE OF RESPONSIBILITY**

- 1.1 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.
- 1.3 The Council's Annual Governance Statement aims to provide an accurate representation of the governance arrangements in place for financial year ending 31<sup>st</sup> March 2017.

#### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems, processes and cultural values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 For Rhondda Cynon Taf County Borough Council, governance is about ensuring that the Council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.4 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.5 The Council has responsibility for conducting, at least annually, an assessment of its governance framework including the system of internal control. The assessment is informed by the work conducted by external agencies and internal arrangements, including performance management arrangements.

- 2.6 The governance framework outlined below has been in place at Rhondda Cynon Taf County Borough Council for the year ended 31<sup>st</sup> March 2017 (and up to the date of approval of the 2016/17 Statement of Accounts).

### 3. **THE GOVERNANCE FRAMEWORK**

- 3.1 The Council has used the *Delivering Good Governance in Local Government: Framework (2016)* in compiling its Annual Governance Statement. The Framework comprises two Core Principles and five Supporting Principles:

#### Core principles

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- Ensuring openness and comprehensive stakeholder engagement.

#### Supporting Principles

- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

- 3.2 The Core Principles permeate implementation of the Supporting Principles with the need for the whole Council to be committed to improving governance on a continual basis through a process of evaluation and review.

- 3.3 The Council has applied these principles to structure its Annual Governance Statement for financial year ending 31<sup>st</sup> March 2017 and to assess the arrangements in place.

### 4. **ASSESSING THE COUNCIL'S GOVERNANCE ARRANGEMENTS**

- 4.1 In line with the Core and Supporting Principles of the Framework, the approach taken to assess the Council's arrangements has been to:

- Set out a brief description of the arrangements and procedures in place together with the key outcomes the Council is aiming to achieve;
- Examine and document the main activities that have taken place around these areas, taking account of supporting evidence from the Council's corporate assessment process and Wales Audit Office reports published on the Council;
- Form a view on the extent to which the activities comply with the procedures in place; and

- Make proposals for improvement, where appropriate, together with recommended timescales for implementation and responsible officers.

4.2 The assessment of the Council's governance arrangements is set out in Section 5.

## 5. **ASSESSMENT OF GOVERNANCE ARRANGEMENTS**

### 5.1 **PROGRESS MADE TO IMPLEMENT RECOMMENDATIONS REPORTED IN THE 2015/16 ANNUAL GOVERNANCE STATEMENT**

5.1.1 The 2015/16 Annual Governance Statement made five recommendations. An update on progress was reported to the Council's Audit Committee on [5th December 2016](#) where the Committee determined that '...Members were satisfied with the progress that was being made and action taken to implement the five recommendations contained within the 2015/16 AGS...'. Since this time, it is noted that all recommendations have been implemented.

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

#### **Behaving with integrity**

5.2.1 The Council has in place a suite of rules, called a [Constitution](#), that set down how it should operate, how decisions need to be made and the procedures to be followed to ensure they are efficient, transparent and available to local people. Within the Constitution there are a number of [Rules](#)<sup>1</sup> and [Protocols](#)<sup>2</sup> that aim to ensure both elected Councillors and Council employees behave with integrity.

#### Elected Councillors

5.2.2 The Council has 75 elected Councillors who agreed a revised [Members Code of Conduct](#) at a Full Council meeting on 25<sup>th</sup> May 2016; the revised Code took effect from 26<sup>th</sup> May 2016. The Code of Conduct includes guiding principles or ethics for councillors when undertaking their duties:

- Equality of opportunity for all people, regardless of their gender, race, disability, sexual orientation, age or religion;
- Show respect and consideration for others;
- Not use bullying behaviour or harass any person; and
- Not do anything which compromises, or which is likely to compromise, the impartiality of those who work for, or on behalf of, your authority.

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<sup>1</sup> Rules – for example, Budget and Policy Framework Procedure Rules, Overview and Scrutiny Procedure Rules and Financial and Contract Procedure Rules

<sup>2</sup> Protocols – for example, Gifts and Hospitality Policy, Protocol for Member/Officer Relations

- 5.2.3 In addition, a [Standard of Conduct to be followed by Members](#) is in place setting out standards of behaviour when councillors deal with each other.
- 5.2.4 The Council has a Standards Committee that met on five occasions during the year to consider issues such as ethics, the Public Services Ombudsman for Wales Annual Letter 2015/16 and code of conduct complaints made by councillors in respect of the conduct of other councillors. With specific regard to complaints, the Standards Committee considered two separate complaints from councillors around failure to comply with the 'Local Protocol – Standard of Conduct Expected by Members'. The decisions reached by the Standards Committee were as follows:
- Complaint 1 – considered by the Standards Committee on [10th January 2017](#) and found there to be no basis to the allegations; and
  - Complaint 2 – considered by the Standards Committee on [15th March 2017](#) and found there to be no basis to three complaints and a basis to one complaint but no further action would be required.
- 5.2.5 Based on the work undertaken by the Council's Standards Committee during 2016/17, it is considered that it has advocated the requirement for high standards of conduct by Councillors.
- 5.2.6 The Council has put in place procedures to be followed by elected Councillors when conducting meetings and making decisions during the year to publicly demonstrate an accountable, open and honest approach. This has included considering the accuracy of 'meeting minutes'<sup>3</sup>; recording declarations of personal interest; publishing reports on the Council's website five working days prior to meetings taking place; making decisions based on evidenced based reports; and publishing the detail of decisions made on the Council's website five working days before they become eligible for implementation. A review of a sample of Cabinet meetings and decisions taken during the year revealed that the above mentioned procedures had been followed.

### Council employees

- 5.2.7 The Council's Constitution includes an Officer Code of Conduct that has been used to create an easy to understand 'Basic Rules – A Guide for Employees' and includes information in relation to, amongst other things, expected behaviour, use of social media, appearance and attendance. The guide is available on-line for all employees and new employees who started employment with the Council during 2016/17 were briefed on its content.

### Policies and Registers

- 5.2.8 A review of Policies and Registers in place during 2016/17 identified the following:

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<sup>3</sup> Meeting minutes – a formal and agreed record of the events that took place at each meeting.

- The Council has in place a Whistle-blowing Policy that received four referrals during 2016/17; these were investigated but the results / action taken was not reported to a designated Committee;
- An overview of the Council's the Whistle-blowing arrangements (including the Policy and Procedure) was also reported to the Council's Audit Committee on 31<sup>st</sup> October 2016; at this meeting, the Audit Committee raised concerns as to how employees who do not have access to a computer / internet could retrieve the information. To address this, information on how Council employees could access the Whistle-blowing Policy was included in a pay-slip insert to all employees in May 2017;
- The Council's Anti-Fraud, Bribery and Corruption Policy and Procedure is based on a series of procedures designed to deter and frustrate, and take effective action against any attempted fraudulent or corrupt acts affecting the Council. The Policy was last up dated in 2013.

The Council's 'Home web-page' provides instructions for those who wish to raise anti-fraud, bribery or corruption concerns under the [Report It](#) section.

- The Council has a [Complaints & Concerns Policy](#) that sets out a commitment to effectively deal with any complaints or concerns about services provided. It was noted that no update is produced on a periodic basis, for example, annually, to summarise the non-social services related complaints, concerns and compliments received and action taken. It was noted that a report is presented to Cabinet on an annual basis setting out an overview of the operation and effectiveness of the Council's statutory Social Services complaints procedure. The latest report, covering the period April 2015 and March 2016, was presented to Cabinet on [22nd September 2016](#); and
- The Council has a [Gifts and Hospitality Policy](#) and arrangements were in place, via registers, to record gifts and hospitality in line with the Policy.

### Proposals for Improvement

- 5.2.9 The Council's Anti-Fraud, Bribery and Corruption Policy and Procedure should be reviewed and up dated, where relevant, and reported to the appropriate Committee for scrutiny and sign-off. This update should then be used to inform a refreshed programme of awareness raising across the Council.
- 5.2.10 A periodic up date of all non-social services complaints, comments and compliments received by the Council should be produced, along with action taken / lessons learned, and reported to an appropriate Committee for review and where relevant further action.

### **Demonstrating strong commitment to ethical values**

- 5.2.11 Ethical Values: Elected Councillors - in addition to full Council considering and approving a revised Members Code of Conduct on 25<sup>th</sup> May 2016, the

councillors who are members of the Council's Standards Committee received training on Ethics and Standards at its meeting of 9<sup>th</sup> December 2016.

- 5.2.12 Ethical Values: Council employees - the Council has described what excellent behaviour looks like for each type of job, for example, '*always treat people with respect*', and this information is used to test candidates suitability for jobs at interview and is used to inform discussions managers have with their staff as part of their development.

### **Respecting the rule of law**

- 5.2.13 The Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Senior Leadership Team. The Senior Leadership Team comprises, in addition to other key posts, the statutory roles of Chief Finance Officer (allocated to the post Group Director: Corporate and Frontline Services) and Monitoring Officer (allocated to the post Director of Legal and Democratic Services).

- 5.2.14 With specific regard to the Chief Finance Officer position within the Council during 2016/17, the role complied with the principles outlined in the CIPFA document '[The Role of Chief Finance Officer](#)' because the Chief Finance Officer:

- *Was a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;*
- *Was actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and*
- *Leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

*To deliver these responsibilities the Chief Financial Officer:*

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

## 5.3 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

### Openness

5.3.1 The Codes of Conduct for councillors and employees within the Council's Constitution are built on the principles of openness, transparency and honesty.

#### Planning ahead

5.3.2 The Council publicly consulted with residents and elected councillors on its vision and priorities for the next four years and set these out in a document called '[Corporate Plan 2016 - 2020](#)<sup>4</sup>'; this Plan was agreed by Council on 24<sup>th</sup> February 2016.

5.3.3 To underpin the delivery of this work, a [Medium Term Financial Plan](#) (MTFP) was published in September 2016 that forecasted the financial challenge facing the Council between financial years 2016/17 and 2019/20, and categorised its day to day revenue budget in line with Corporate Plan priorities.

5.3.4 The MTFP also highlighted the likelihood of the public sector facing a prolonged period of austerity and forecasted a Council 'budget gap'<sup>5</sup> for the 2017/18 financial year of £22Million; a comparison of the forecasted and actual budget gap, the latter calculated as part of the 2017/18 budget setting process when funding levels were confirmed, revealed that both were broadly in line and provides assurance around the robustness of the Council's forecasting arrangements. Looking at the whole period covered by the MTFP, financial years 2016/17 to 2019/20, the overall forecasted budget gap for the Council was estimated to be £62Million.

5.3.5 The Council published a [Forward Plan](#) of all committee meetings for 2016/17 at its meeting on 25<sup>th</sup> May 2016 and also published rolling 6 month Cabinet work programmes<sup>6</sup> to enable opportunity for consultation or pre-scrutiny by the Council's Scrutiny Committees. During the year Cabinet work programmes were up dated and published on five occasions, and five areas were pre-scrutinised:

- Public Services Delivery, Communities and Prosperity Scrutiny Committee – areas subject to pre-scrutiny were Human Resource Policies and Maximising Attendance; and

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<sup>4</sup> Corporate Plan 2016 – 2020 – the priorities set out within this document have also been formally adopted by Cabinet as the Council's Well-being Objectives for 2017-18 (in line with the requirements of the Well-Being of Future Generations (Wales) Act 2015).

<sup>5</sup> Budget Gap – the difference between the estimated expenditure required and the money available to fund the expenditure

<sup>6</sup> Cabinet Work Programme – the areas or topics to be formally considered by Cabinet

- Health and Well-Being Scrutiny Committee – areas subject to pre-scrutiny were the Director of Social Services Report (for 2016/17); Extra Care Strategy; and Discretionary Empty Property Grant Across RCT.
- 5.3.6 It was noted that the Council's [Overview and Scrutiny Annual Report 2016/17](#) set out the pre-scrutiny work the above Scrutiny Committees undertook in these areas.
- 5.3.7 From a review of the work programmes of Overview and Scrutiny Committees, it was noted that they were not visible on the Council's web-site (this proposal for improvement being identified by the Wales Audit Office). The Council has confirmed, as part of its 'Overview and Scrutiny Annual Report 2016/17', that for 2017/18 onwards the Overview and Scrutiny Committee work programmes will be included as stand-alone documents on the Council's web-site.

#### Decision making and scrutiny of decisions made

- 5.3.8 [Full Council](#) agreed changes to its Constitution, including the General Scheme of Delegation, during the year following review by the Overview and Scrutiny Committee and the Corporate Governance and Constitution Committee; the changes became effective from 1<sup>st</sup> July 2016.
- 5.3.9 With specific regard to the General Scheme of Delegation, the primary aim of the changes were to allow greater transparency in respect of decision making and to ensure a consistent and robust approach to governance of Executive Functions across the Authority. This included providing clarity around 'significant key decisions' and 'operational decisions', who was able to approve these and the arrangements for publishing the decisions.
- 5.3.10 The Cabinet is one of the main decision making bodies within the Council and throughout 2016/17 received 120 reports, 111 of which were made publicly available prior to the meetings and 9 were excluded from the press / public on the grounds that the items of business involved the likely disclosure of exempt information. For all recommendations approved / decisions made by Cabinet, Decision Notices were published on the Council's website and did not become effective (i.e. implementable) until the expiry of 'five working days'<sup>7</sup> after the Decision Notices were published;
- 5.3.11 During the year, one Cabinet decision was 'called in' and reviewed by the Overview and Scrutiny Committee i.e. 2<sup>nd</sup> August 2016 - Provision of Dog Kennelling arrangements for Rhondda Cynon Taf: *"To request the Cabinet not to implement their intention to outsource the kennelling facility until all factors, including the delegated officer decision, consultation responses and*

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<sup>7</sup> Five working days – this is called the 'call in period', as per the Council's Constitution, and provides opportunity for Councillors who are not members of the Cabinet to challenge the decisions that Cabinet make before they become eligible for implementation.

*the executive decision and reasons are the subject of proper scrutiny*". The call-in was not upheld.

- 5.3.12 Key decisions were also taken by designated officers in 2016/17, called Delegated Decisions, and where required were published on the Council's website. Between April 2016 and March 2017, [38 delegated decisions](#) were taken and published, one of which was 'called in' i.e. [15th March 2017](#) - Call-In of the Key Officer Decision in relation to RCT Together Community Enabling Fund' - The reason for calling in the decision was "*Out of accord with Part 4 Rules of Procedure, Budget and Policy Framework rules 3a, 3b and 3c*". The call-in was not upheld.
- 5.3.13 Based on the above information it is considered that the decision making arrangements that operated during 2016/17 were open and transparent, and compliant with the Council's Constitution.
- 5.3.14 Following on, a review of a sample of Cabinet Reports for 2016/17 has confirmed that a consistent format was used that included specific sections, for example, consultation, equality, financial and legal implications.

#### **Engagement with residents / stakeholders**

- 5.3.15 The Council has a strategy in place, called 'Joint Public Engagement Strategy for Merthyr Tydfil and Rhondda Cynon Taf Local Service Boards (2014-2018)', to inform its consultation arrangements. It was noted that work is underway to update the strategy in line with Public Service Board requirements and also review Citizen Panel arrangements.
- 5.3.16 More specifically within the Council, its 'Corporate Plan 2016 – 2020' provides a commitment to engage with residents and stakeholders to help achieve the outcome of '*more involved and resilient communities*'. The Corporate Plan sets out:
- '*Greater community participation, engagement and involvement, through the [RCT Together Community Participation Programme](#), will be an essential part of the change the Council will seek to achieve over the next four years. The Council will work with residents to increase self-sufficiency, reduce reliance on statutory services and make the best possible use of community strengths to tailor services to need; and*
  - '*The Council's vision is to develop a new relationship with residents that enable them to be independent and resilient and to take on greater responsibility for their local communities. This is not about the Council shifting its responsibility – it is about recognising that residents want to be more involved in what happens in their community*'.
- 5.3.17 To help deliver effective consultation, an internal guidance document for Council employees is in place that takes account of, for example, public sector equality duties and the National Principles for Public Engagement in Wales (Participation Cymru).

- 5.3.18 In line with the Corporate Plan commitment of '*more involved and resilient communities*', the Council engaged with a wide variety of stakeholders during 2016/17, sometimes in partnership with other public sector organisations, to inform decision making. This position is supported by the results of consultation activity being included within reports presented to Cabinet and / or Council, for example:
- [Cwm Taf Carers Strategy](#) reported to Cabinet on 19<sup>th</sup> April 2016;
  - [Improving Education Provision - Cwmaman](#) reported to Cabinet on 23<sup>rd</sup> June 2016;
  - [Review of car parking charges](#) reported to Cabinet on 18<sup>th</sup> January 2017; and
  - [The Council's 2017/18 Revenue Budget Strategy](#) reported to Council on 1<sup>st</sup> March 2017, with consultation feedback set out at Appendix 2.
- 5.3.19 From examining a sample of consultation reports produced during 2016/17, a broad range of communication methods were on offer to encourage stakeholders to express their views. This included social media, on-line surveys, town centre road-shows, targeting specific groups such as the Older Persons Forum, RCT wide Youth Forum and the Disability Forum, and engaging directly with users of Council Services at Leisure Centres and Day Centres. The impact of this approach is showing a trend of increased engagement, for example, the 2016/17 Revenue Budget Strategy consultation exercise led to around 500 participants and the following year's exercise saw over 900 taking part.
- 5.3.20 The Wales Audit Office also looked at the Council's engagement arrangements in its report, [Improvement Assessment 2015/16: Review of decision making arrangements in relation to service change](#) (Appendix 3); the report noted that '*The Council is more proactive in engaging stakeholders and is providing information on a wider range of options to support decision-makers...*'.

#### Consultation in partnership with others

- 5.3.21 The Council undertook consultation activities in partnership with other organisations during the year and made the results of these public on the [Cwm Taf Hub](#).
- 5.3.22 It was noted that consultation activities undertaken were used to inform the draft Well-Being Assessment required under the Well-Being of future Generations (Wales) Act 2015 and the draft Population Needs Assessment required under the Social Services and Wellbeing (Wales) Act 2014. This information was scrutinised by the Council's Overview and Scrutiny Committee on [6th February 2017](#).

## 5.4 DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

### Defining outcomes

5.4.1 The Council's 'Corporate Plan – 2016 – 2020', as approved by Council on the 24<sup>th</sup> February 2016, set out the vision, purpose and priorities it aims to deliver:

- The Council's vision is "*For a County Borough that has high aspirations, is confident and promotes opportunity for all*".
- The Council's Purpose is "*To provide strong community leadership and effective services for the people of Rhondda Cynon Taf to enable them to fulfil their potential and prosper*".
- The Council's priorities are:
  - *Economy - Building a strong economy;*
  - *People - Promoting independence and positive lives for everyone; and*
  - *Place - Creating neighbourhoods where people are proud to live and work.*

5.4.2 At the same Council meeting, the 2016/17 Revenue Budget Strategy was approved and set out that resources would be targeted in line with the Corporate Plan priorities. Examination of the Council's MTFP identified that 81% of the Revenue Budget (£368.650Million out of a total budget of £454.835Million) was allocated to Corporate Plan priorities with the remaining element allocated to areas such as Regulatory Public Services, authority wide costs and core support.

5.4.3 As part of examining the Council's MTFP, it was noted that the document does not allocate the Council's three year Capital Programme Budget across Corporate Plan priorities to demonstrate or otherwise the prioritisation of resources to those areas deemed most important.

5.4.4 The 2016/17 Revenue Budget Strategy also included the feedback received from stakeholders when asked 'what was most important to them'. The top three areas fed back were 'Education / Schools', 'Adult Social Care' and 'Refuse and Recycling', and align to the themes included within the Corporate Plan Priority areas of Economy, People and Place.

5.4.5 Following approval of the Corporate Plan and Revenue Budget Strategy, an Action Plan was put in place for each priority, in line with resources available, that detailed what outcomes were being aimed for, the actions to be delivered with timescales for delivery and performance indicators. The Action Plans were approved by Council on the [29th June 2016](#) (Appendix C) following a pre-scrutiny process by Scrutiny Working Groups.

5.4.6 A review of performance indicator targets included within the Corporate Plan identified that there is a clear ambition for the Council to improve in its

priority areas, and where performance is comparable with others, the ambition is for the Council to be either as good as or better than the Welsh average by 2020. In parallel, when the specific performance targets set by the Council for 2016/17 were reviewed, this revealed an ambition to improve that was consistent with the longer term targets in the Corporate Plan.

5.4.7 Throughout 2016/17 action plan progress updates have been made public every three months within Council Performance Reports, that also contain information on financial performance, strategic risks and investment linked to Corporate Plan priorities.

### **Sustainable economic, social and environmental benefits**

5.4.8 The Corporate Plan took account of the Well Being of Future Generations Act and the seven Well-being goals in setting the Council's priorities, and also applied the following principles:

- *Providing essential services well;*
- *Helping people and communities to help themselves;*
- *Building a sustainable County Borough; and*
- *Live within our means.*

5.4.9 When the Council's Corporate Plan priorities were reviewed to determine whether or not they had regard to the above principles, there was evidence to support this as set out in Table 1 below.

Table 1 – Principles included within Corporate Plan Priorities

<b>PRINCIPLES</b>	<b>ECONOMY</b>	<b>PEOPLE</b>	<b>PLACE</b>
<b>Providing essential services well</b>	The ambition to improve school examination results for all ages	The ambition to improve and / or maintain performance levels against increasing demand particular for social care	The ambition to improve performance in recycling and improve the condition of roads
<b>Helping people and communities to help themselves</b>	Investment and support for graduate, apprenticeship and traineeship programmes	A focus on early intervention, prevention and reablement initiatives	Helping to stop young people from committing crimes and re-offending
<b>Building a sustainable County Borough</b>	Support for the City Deal and Taff Vale development	Working with partners e.g. the Health Service, to deliver more joined up and effective services	Working in partnership with local communities for make improvements to library provision
<b>Live within our means</b>	The performance targets and programme of actions set out within the Action Plans for Economy, People and Place being in line with approved revenue and capital budgets		

5.4.10 With specific regard to Capital Budgets, the Council sets a rolling three year capital programme that is updated on an annual basis. The Capital Programme for 2016/17 through to 2018/19 was agreed by Council on [23rd March 2016](#) and focussed on improving infrastructure with the aim of

supporting longer term benefits for the area. A review of Capital Programme investment revealed that approved projects were fundamentally in line with Corporate Plan priorities and included, for example, road improvements, bridge repairs, regenerating town centres and improving existing schools / building new schools.

#### Proposal for Improvement

5.4.11 As part of updating the MTFP in 2017/18, the Council's Capital Programme resources should be allocated / categorised over Corporate Plan priorities to demonstrate or otherwise the prioritisation of resources.

### 5.5 **DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

#### **Determining and planning interventions**

5.5.1 The Council's Constitution lays down the key requirements to be followed when setting its priorities, reporting the extent of progress made in priority areas and also the financial planning and management arrangements that support this. These include the requirement to:

- Publish an approved annual improvement plan within a statutory timescale i.e. by no later than 30<sup>th</sup> June following the start of the financial year to which the priorities relate (called a 'Corporate Performance Report' by the Council);
- Publish financial and performance progress updates on a three monthly basis during the year; and
- Report the financial and performance progress updates to the Cabinet and then to the Council's designated Scrutiny Committee (within the Council the progress reports were produced every three months and were called 'Performance Reports').

5.5.2 When the above requirements were reviewed for the 2016/17 financial year:

- The Corporate Performance Report was approved by Council on the 29<sup>th</sup> June 2016, in line with the required timescale. The Corporate Performance Report was also 'audited' by the Wales Audit Office, as part of its responsibilities to 'audit' certain parts of the Council's business, and was found to be compliant with the relevant legislation in place;
- Performance Reports were presented to Cabinet and the designated Scrutiny Committee (i.e. the Finance and Performance Scrutiny Committee) during the year, with the report structure revised into an Executive Summary style compared to previous years. A review of information reported during the year identified:

- The Cabinet Work Programme reported to Cabinet on [23rd June 2016](#) set out in advance when Performance Reports would be considered by Cabinet during 2016/17: Quarter 1 - [22nd September 2016](#); Quarter 2 - [24th November 2016](#); Quarter 3 – [9th March 2017](#); and Quarter 4 / Year-end Report – scheduled to be reported in July 2017;
- The Finance and Performance Scrutiny Committee Work Programme was reported on [19th September 2016](#) and set out when Performance Reports would be considered by this Committee in 2016/17: Quarter 1 – [17th October 2016](#); Quarter 2 – [7th December 2016](#); Quarter 3 – [4th April 2017](#); and Quarter 4 / Year-end Report – scheduled to be reported in July 2017;
- The Finance and Performance Scrutiny Committee, as part of its review of the quarter 1 Performance Report, concluded that it was satisfied with the revised reporting structure but requested ‘below target performance results’ be included within future covering reports to enable key issues to be quickly and more easily identified. It was noted that the revised arrangements were introduced from quarter 2 onwards; and
- Each quarterly Performance Report provided updates on financial performance; progress against Corporate Plan priorities (including performance indicators and investment); staffing including sickness absence; and strategic risks, and provided electronic links to more detailed information. With specific regard to financial performance, Corporate Plan priority and strategic risk up dates, exceptions were highlighted, explained and the corrective action to be taken included within reports. There is also evidence to confirm that Councillors reviewed this information and referred specific matters to other scrutiny committees where they considered more detailed work was required, for example, Estyn School Inspection Outcomes to the Children & Young People Scrutiny Committee on [28th November 2016](#).

5.5.3 Based on the above, it is considered that the suite the information published during the year would provide opportunity for stakeholders to understand the Council’s performance and hold it to account.

### **Optimising achievement of intended outcomes**

5.5.4 The Council’s Corporate Plan and MTFP set out a consistent picture: funding levels will continue to reduce for a number of years; the need for effective medium to long term planning and decision making that manage the implementation of efficiency / cost reduction measures; targeted investment in priority areas; and assistance to those that need it most.

5.5.5 With this context in mind, the Council took steps to plan the allocation of resources and put in place arrangements to maximise its impact.

### The allocation of resources

- 5.5.6 The Council's 2016/17 Revenue Budget Setting Report (Council 24<sup>th</sup> February 2016) set out that from a total savings requirement of £17.515Million, 97% would be delivered from areas that did not affect front line services. The Report also set a 2.75% Council Tax increase which was lower than the all Wales average increase of 3.63%;
- 5.5.7 Investment priority reports were agreed by Council that allocated additional resources to priority areas: £11.3Million on [10th March 2016](#) and £7.524Million on [30th November 2016](#), with progress up dates incorporated into quarterly Performance Reports during the year; and
- 5.5.8 Cabinet agreed Fees and Charges for 2016/17 on [3rd March 2016](#) that included 'no increases' for specific areas that aligned to Corporate Plan Priorities, for example, school meals, adult social care and the charges to collect recycling waste from businesses.

### Maximising impact

- 5.5.9 Examination of quarterly Performance Reports published during the year demonstrated that the Council is making progress in delivering its Corporate Plan priorities and the outcomes associated with it, supported by the targeted allocation of resources and sound financial management. It is considered that the updates reviewed provide a balance picture of progress, for example:
- Economy
    - Key Stage 4 results for the 2015/16 academic year were the best ever achieved;
    - More affordable homes and additional housing units being delivered and the number of businesses is increasing;
    - The need to prioritise work to improve footfall in some town centres and reduce the number of vacant properties; and
    - Looking to the future, the Council has made a commitment to the Cardiff Capital Region City Deal that will deliver a £1.2bn investment to the region.
  - People
    - The delivery of new initiatives such as the 'Stay Well At Home Service' and an 'Extra Care Facility' that aim to have a positive impact helping people to remain living independently;
    - Improving the quality of life for people who are victims of domestic violence; and
    - The need to continue to focus on preventative services to address increases in the number of children looked after and adults delayed from leaving hospital due to social care reasons.

- Place
    - On-going improvement in recycling performance, cleanliness of streets and the condition of roads, the latter supported by a targeted programme of investment;
    - Improvements to parks and sports facilities in line with residents feedback; and
    - The need to improve the impact that the Council's work has in helping victims of anti-social behaviour to feel safe.
- 5.5.10 The Council's scrutiny committees have provided review and challenge on financial and performance results during the year, either through their own work programming arrangements or as a result of in-year performance exceptions being scrutinised in more detail.
- 5.5.11 In general, the involvement of the Council's Scrutiny Committees has had a positive impact as evidenced in the [Overview and Scrutiny Annual Report 2016/17](#). The Annual Report includes, for example, scrutiny committees':
- Involvement in reviewing the Council's approach to rationalising office accommodation and during the year six office accommodation premises were vacated that represented a reduction of approximately 14% of the total office accommodation footprint;
  - Involvement in overseeing revisions to mobile library service routes in June 2016 and following implementation considered mobile library user feedback that indicated '*...83% of mobile library users considered their mobile library to be 'Very Good'*'; and
  - Recognition that further work is required in the year ahead to help the Council tackle key challenges such as reducing Delayed Transfers of Care and the number of Children Looked After by the Council.
- 5.5.12 The Wales Audit Office in its report of the Council: 'Improvement Assessment 2015-16: Review of the Council's arrangements for managing improvement' concluded that '*The Council is actively reviewing the effectiveness of its arrangements for managing improvement and making positive changes but scrutiny's role in this process needs to embed further to help drive improvement and demonstrate impact*'. There is evidence that the Council's Scrutiny Committees have started to address this area where, for example, the Finance and Performance Scrutiny Committee assessed services changes previously implemented:
- [Community Meals Service](#) – where the Committee supported further work to be undertaken by the service to engage with clients and monitor take-up with the aim of improving cost effectiveness and the quality of the provision; and

- [Youth Engagement and Participation Service](#) – following the update provided by the Service, the Committee considered that no further scrutiny was required at this time.

5.5.13 In parallel with the above work to maximise impact, the Council also agreed a [Commissioning, Procurement and Contract Management Strategy](#) to consistently assess need and demand for services. It was noted that this Strategy is in the process of being introduced.

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

### Developing the entity's capacity

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

5.6.2 The Council has put in place a 'corporate self assessment' and 'individual service self assessment' arrangements over the past two years to assess the organisation's current position and areas for improvement, the latter being incorporated into service planning processes.

5.6.3 The latest [corporate assessment](#) reported on the 18<sup>th</sup> January 2017 noted that the Wales Audit Office 2015/16 Annual Improvement Report for the Council concluded that '*With a strong corporate focus upon the effective use of its resources, supported by strengthened service planning and governance arrangements, the Council is well placed to overcome some significant future challenges*'.

5.6.4 The above self assessment and planning arrangements, supported by the Revenue Budget Strategy and an on-going programme of 'investment for the future', sets the picture that the Council is developing its capacity in priority areas albeit in the context of reducing funding levels for the Council as a whole. Key evidence includes:

- The development and delivery of collaborative services:
  - The '[Cwm Taf Stay Well @ Home Service](#)' that brings together resources, information and expertise from Rhondda Cynon Taf Council, Merthyr Tydfil Council and the Health Service (Cwm Taf University Health Board). The new service will aim to better help older people to keep well and independent in the community, to prevent health crises and to avoid hospital admission or lengthy hospital stay. It is noted that this service will become operational in April 2017;

- The Multi Agency Safeguarding Hub (MASH) that aims to enhance safeguarding practice, with agencies working together in one place, sharing information and making joint decisions. The MASH produced its [annual report](#) for 2015/16, with the emerging outcome that the service is reducing the number of children requiring statutory intervention by the Council;
- One-off investment in priority areas, that include increasing workforce capacity, to support the delivery of visible improvements:
  - Empty properties – that aims to accelerate [bringing empty properties back into use](#) through a £1.5Million investment. The Council has targeted this area due to the high number of empty properties, 2,780 as at 1<sup>st</sup> April 2016, and has recognised the value added or spin-off benefits e.g. stimulation of the housing market, providing opportunities for first time buyers and generating additional council tax income for the Council. As at February 2017, 18 grants had being formally approved equating to a value of £0.274Million; and
  - Tackling overgrown and derelict areas of Council owned land through a £0.100Million investment to undertake works not previously included in maintenance scheduling. Further to the works being completed, the areas will be added to existing schedules.
- Working more collaboratively internally to tackle some of the biggest challenges facing the Council:
  - The Children Looked After (CLA) Action Planning Group that develops and delivers preventative arrangements to help ensure children at risk are managed safely and in the most cost effective way. The work of the Planning Group was reported to Cabinet in [January 2018](#) and set out a continuing trend of increasing children becoming looked after but with some success in improving the cost effectiveness of the Council's arrangements, for example:
    - At October 2014 – 805 CLA places were financially supported at a cost of £0.427Million per week; and
    - At October 2016 - 919 CLA places were financially supported at a cost of £0.405Million per week.
  - Tackling poverty – the creation of one Tackling Poverty Service that has brought tackling poverty programmes and the commissioning of services together to support improved integration. An update to Cabinet on [15th December 2016](#) set out that positive outcomes are being supported via the Tackling Poverty Service in 2016/17, albeit, changes to Welsh Government funding for this area in 2017/18 is likely to impact on future service provision.

- Effectively managing the workforce – the Council has been required to manage reductions in staff numbers over the past few years as a result of on-going reductions in funding and at the same time:
  - Continued to deliver improved performance results in priority areas, as demonstrated in the latest available Corporate Performance Report (2015/16) and in-year quarterly Performance Report (Quarter 3);
  - Supported Council Graduate and Apprenticeship Schemes, with around 50 appointments in 2016 in roles identified as ‘hard to recruit to’, for example, engineers, heavy goods motor vehicle mechanic and Information Technology technician;
  - More closely managed and supported staff absence; however staff absence levels are recognised by the Council as still being too high; and
  - Is piloting [Agile Working](#) arrangements that aims to take advantage of digital technology to help the Council to work in new and different ways to meet customer needs, reduce costs and increase productivity. It is noted that this initiative is in its infancy.

5.6.5 As part of capacity building, there is evidence to demonstrate that the Council has well developed relationships with community groups throughout the area, for example, through its RCT Together programme, where services are being operated by community groups from Council owned premises such as the Muni Arts Centre, Pontypridd and by the Cynon Valley Museum Trust, Aberdare. The Council also recognises there are opportunities to further develop this area and is currently researching other modules to [Build Community Capacity](#).

## 5.7 **Developing the capability of the entity’s leadership and other individuals**

5.7.1 Part 3(i) of the Council’s Constitution, ‘Responsibilities for Functions’, sets out the responsibilities of the Leader of the Council, the Cabinet and designated employees of the Senior Leadership Team (Section 3A). A review of a sample of delegated decisions made during the year confirmed that decisions were approved by the designated Cabinet members and employees.

### Developing the capabilities of councillors

5.7.2 The Council is committed to the personal development of Councillors and aims to provide opportunity for Councillors to determine their own unique path of learning by ensuring continual dialogue with the Council staff responsible for delivering and / or facilitating learning opportunities.

5.7.3 During 2016/17 there was evidence to confirm that Councillors' development needs were supported through the provision of training; however, there was no evidence to confirm what benefit or impact the training had. Examples of training delivered included:

- Corporate Safeguarding – prior to a Council Meeting on the 27<sup>th</sup> April 2016;
- Chairing Skills for newly appointed Chairs/Vice-Chairs of Scrutiny Committees following the Annual General Meeting in May 2016 (facilitated by the Welsh Local Government Association – WLGA);
- Treasury Management – [Finance & Performance Scrutiny Committee – 17<sup>th</sup> October, 2016](#); and
- Effective Scrutiny for Positive Outcomes and Different Ways of Working in accordance with the Well-being of Future Generations (Wales) Act, 2015 – facilitated by the Head of Democratic Services and the WLGA – [Children & Young People Scrutiny Committee – 29<sup>th</sup> October, 2016](#).

#### Developing the capabilities of employees

5.7.4 The Council is also committed to staff development, in line with business needs, to help ensure it has a 'fit for purpose' workforce. During the year this has included staff induction sessions, Leadership and Middle Management Development Programmes, Manager Briefings, Joint Cabinet and Manager meetings and a range of operational training such as health and safety, information management and dignity at work. Whilst evaluation data is collected after each training session delivered, the longer term benefit to the employee is not routinely followed up.

#### Proposal for Improvement

5.7.5 Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help demonstrate the longer term effectiveness of the training and also help inform future needs.

5.7.6 In parallel with developing capability is the Council's focus on staff well-being. In May 2016 the Council produced an update on its work in this area, called [Maximising Attendance](#), and highlighted the top two (i.e. highest) sickness areas as musculoskeletal disorders and mental health: this picture for Rhondda Cynon Taf Council was in line with the rest of the UK.

5.7.7 Actions have been taken during 2016/17 to support improvement in attendance that have included accelerated referrals to Occupational Health and targeted interventions such as injection therapy. It is noted that these interventions have supported a marginal improvement in attendance, for example, in 2015/16 mental health and musculoskeletal disorders accounted for 2.62% (out of total sickness absence of 4.68%) and in 2016/17 it stood at 2.6% (out of a provisional total sickness absence of 4.72%).

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

### Managing risk

- 5.8.1 The Council has a Risk Management Strategy that was approved by Cabinet in [March 2014](#) and set out the overall purpose and framework for risk management within the organisation. It is noted that the Strategy has not been reviewed since this time.
- 5.8.2 During 2016/17, the Council complied with the strategy because it up dated its Strategic Risk Register at the start of the year to align with Corporate Plan priority areas and incorporated strategic risk up dates into quarterly Performance Reports. In addition, the Council reported a risk management overview (incorporating the Strategic Risk Register) to its Audit Committee on 31<sup>st</sup> October 2016 where the Committee resolved that *'the Council's Risk Management arrangements are adequate and that the Audit Committee will continue to monitor the adequacy of the Council's risk management framework'*.
- 5.8.3 Following on, it is noted that as part of the Council revising its quarterly Performance Report format in 2016/17, where changes in strategic risks occurred, for example, a higher or lower likelihood of occurring, this was summarised in the report to give heightened prominence to the management of the Council's strategic risks.
- 5.8.4 During the year the Council's operational risk management arrangements were reviewed by Internal Audit. The review was reported to Audit Committee on [20<sup>th</sup> March 2017](#) and concluded that the arrangements were 'effective with opportunity for improvement' and the areas requiring improvement be subject to a 'follow up' review by Internal Audit during 2017/18.

### Proposal for Improvement

- 5.8.5 The Council's Risk Management Strategy should be reviewed, and where relevant updated, and reported to an appropriate Committee for review and sign off.

### Managing performance

- 5.8.6 During 2016/17 the Council set out its performance management arrangements in a document called a [Performance Management Framework](#) as recommended by its 2016 corporate assessment. The 'Determining and planning interventions' section of this Annual Governance Statement provides an overview of the Council's Performance Management arrangements.

## Robust internal control

- 5.8.7 The membership and meeting frequency of the Council's Audit Committee during 2016/17 was in line with the Council's Constitution and legal requirements.
- 5.8.8 The Council's Head of Internal Audit presented the [Internal Audit Annual Report 2016/17](#) to Audit Committee on 20<sup>th</sup> March 2017 setting out the work of Internal Audit over this period. Based on the information provided to Audit Committee during the year, it concluded that '*...the system of internal control within the Council operated effectively during 2016/17 with some areas identified for improvement*'.
- 5.8.9 A review of a sample of Audit Committee meeting minutes identified a number of follow up audit assignments required by the Committee in order to provide additional assurance on the adequacy of internal control arrangements within specific services.
- 5.8.10 The CIPFA 'Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition' provides an overview of the core functions of an Audit Committee. The guidance also includes a greater focus on the factors that support improvement including the knowledge and skills that Audit Committee members require and a focus on where the Audit Committee adds value. To date, the Council's Audit Committee has not conducted a self-assessment against the Standards contained within the CIPFA Publication and therefore it is recommended that exercise is undertaken.

### Proposal for Improvement

- 5.8.11 The Council's Audit Committee, in consultation with the Head of Internal Audit, should undertake a self assessment against the Standards as set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police - 2013 Edition'.

## Managing data

- 5.8.12 An Information Management Plan is in place that sets out the framework, including legal requirements, for information management within the Council.
- 5.8.13 A review of arrangements in place during 2016/17 identified that they were in line with laid down requirements because:
- Key responsibilities were formally designated within the Council: The Council's designated Senior Information Management Risk Officer (SIRO) is the Group Director, Corporate & Frontline Services and there was a Information Management & Data Protection Act Officer who reports to the Head of Information Technology;

- An Information Management Board was in operation, Chaired by the SIRO, with the Board being supported by an Information Management Working Group;
- Information was available on the Council's website in respect of Data Protection and Freedom of Information, and had in place a [Publication Scheme](#) in accordance with the Council's responsibilities under the Freedom of Information Act 2000;
- Training was delivered to Headteachers and School Governors, and following a detailed risk assessment specific service areas were targeted. It was noted that a training plan has now been established and the Information Management Team are in the process of implementing this;
- Information Sharing Protocols were in place for the safe and appropriate sharing of personal information between the Council and other organisations; and
- The Council continued to secure its annual accreditation to the Public Service Network (PSN) in September 2016 i.e. The 'PSN' is the Council's connection to the wider public sector network (Council to Council, Council to Government e.g. Department for Work and Pensions) to enable the Council to communicate and share data securely across all public bodies.

5.8.14 It was noted that alongside the above activity the Information Commissioner's Office (ICO) investigated six cases relating to the Council. No further action was taken by the ICO based on the following outcomes:

- Four cases were likely to have breached the Data Protection Act with the ICO satisfied with the actions taken by the Council to mitigate reoccurrence; and
- Two cases did not breach the Data Protection Act.

5.8.15 No arrangements were noted that sets out, on a periodic basis, the Council's work and performance in this area.

#### Proposal for Improvement

5.8.16 The Council should report on a periodic basis, for example annually, its work and performance around Information Management and provide opportunity for review and scrutiny.

#### Public Services Ombudsman for Wales

5.8.17 During the 2016/17 financial year no investigations were undertaken by the Public Services Ombudsman for Wales in respect of the Council. It was

noted that seven referrals<sup>8</sup> were considered through the Council's Complaints and Concerns Procedure:

- No further action deemed necessary / taken for six referrals; and
- An apology letter was issued by the Council for one referral.

### **Strong public financial management**

5.8.18 The Council has publicly demonstrated its commitment to strong and responsible financial planning and management, and has supported this through the delivery of sound financial performance during a period of reducing budgets. This is because:

- A key cross-cutting principle within the Council's Corporate Plan is '*Live within our means*', in effect setting out the importance of sound financial planning and management within the organisation;
- The Council has a suite of protocols supporting strong financial planning and management, for example, 'Budget and Policy Framework Procedure Rules' and the 'Financial Procedure Rules', that were complied with during the year;
- The Council set a Revenue Budget in 2016/17 after taking account of a budget gap of £17.515Million, 97% of which to be delivered from areas that did not affect front line services. The Council also continued to take a responsible approach to Council Tax increases, having regard to residents feedback as part of the revenue budget consultation process, and set a 2.75% Council Tax increase which was lower than the all Wales average increase of 3.63%;
- Financial performance results were publicly reported every three months during the year and scrutinised by councillors. The latest financial performance results, for the period April 2016 to December 2016, forecast that the Council will deliver a £0.374Million underspend on its revenue budget against a total budget of £454.835Million (less than a 0.1% variance);
- The Council has kept its finances under on-going review throughout 2016/17 and was able to release £7.524Million through the early identification of savings that created one-off resources. Full Council on the 24<sup>th</sup> November 2016 approved the allocation of these one-off resources to fund additional 'investment for the future' in line with Corporate Plan priorities; it is noted that the release of one-off funding as a result of early identification of savings or from assessing the Council's specific reserves has been a consistent approach in enabling additional investment in recent years;

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<sup>8</sup> Referrals – referrals are where members of the public complain to the Ombudsman without exhausting the local authority's complaints procedure first. The Ombudsman therefore refers these back to the local authority to be considered in line with their complaints procedure

- The Council is financially stable as a result of it maintaining General Reserve balances at the minimum level as at 31<sup>st</sup> March 2016 (as assessed by the Council's Chief Finance Officer) and having a track record over a number of years of setting and delivering balanced revenue budgets and having 'clean bills of health' on its year end accounts when audited by the Wales Audit Office; and
- The Council has sound medium term financial planning arrangements that robustly forecasted future spending and funding levels, and published up dates during the year.

5.8.19 The latest Wales Audit Office Financial Resilience report on the Council that was presented to Cabinet on [23rd June 2016](#) concluded:

- **Financial planning** - *The Council has a robust corporate framework for financial planning; however, there remains scope to enhance the links between the Council's Corporate and Medium Term Financial Planning processes;*
- **Financial control** - *The Council's financial management and control arrangements are fit for purpose and are being effectively managed; and*
- **Financial governance** - *The Council's framework for reviewing and challenging financial performance is well established.*

5.8.20 The 23<sup>rd</sup> June 2016 Wales Audit Office report also made a number of proposals for improvement and it is noted that these have been addressed by the Council. The proposals for improvement were:

- *The Council should further align its Corporate and Medium Term Financial processes including more clearly demonstrating the links between the allocation of resources and the Council's priorities to help inform decision making.*
- *The Council should consider developing a policy and register for fees and charges with associated guidelines on concessions.*
- *The Council should enhance the description and reporting of its proposed use of earmarked reserves in reporting to Councillors when developing its budget strategy.*

5.8.21 In addition, on the 8<sup>th</sup> June 2017 the Wales Audit Office published its [Annual Improvement Report](#) on the Council that set out the findings and conclusions from its review of specific areas of the Council's work in 2016/17. Headline information included:

- *The report found that Rhondda Cynon Taf County Borough Council continues to meet its statutory requirements in relation to continuous improvement; and*

- *During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report.*

## 5.9 **IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

### **Implementing good practice in transparency and reporting**

5.9.1 The Council has implemented an open and consistent approach to reporting its business, as set out in sections 5.4 and 5.5 of this Annual Governance Statement, with the aim of helping to ensure information is understandable to stakeholders and that they have the opportunity to challenge the Council's performance, plans and decisions.

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

- Annual Reports and Plans are reported publicly, providing an overview of performance either on a council wide basis or in relation to specific areas of business, for example:
  - The Council's audited [Statement of Accounts 2015/16](#) reported and approved by Council on 28<sup>th</sup> September 2016 in line with the statutory timeframe;
  - An assessment of the Council's performance for 2015/16 and plans for 2016/17, these being reported to Council on 29<sup>th</sup> June 2016 in line with statutory timeframes; and
  - Annual Reports / Plans presented to Cabinet: [Corporate Parenting Board - Annual Report 2015/16](#); [Cwm Taf Safeguarding Board's Annual Plans 2016/17](#) and [Carers Measure - Cwm Taf Annual Report 2015/16](#).
- Use is made of electronic links within reports to provide the reader with more detailed information should they require it; this approach was noted as being utilised within the Council's quarterly Performance Reports where a more Executive Summary style of reporting has been applied; and
- The minutes of meetings confirm that designated officers attend each meeting to orally present reports and answer questions, and a number of occasions were noted where updates were delivered via presentations, for example, using slides.

### **Assurance and effective accountability**

#### Internal Audit

- 5.9.3 The Council's Internal Audit Service was subject to an external assessment during 2016/17 to determine conformance or otherwise with the Public Sector Internal Audit Standards. The external assessment concluded that the service '*complies with the Standards in all significant areas, the impact of the non-conformances identified is not considered to be significant*'. The outcome of the external assessment was presented in full to the Audit Committee held on [20<sup>th</sup> March 2017](#) (Appendixes 3A and B).
- 5.9.4 The Council's Internal Audit Service also had an Internal Audit Charter that was approved by Audit Committee on [31st March 2016](#) and sets out the Service's position within the organisation, for example, its authority to access records, personnel and physical properties relevant to the performance engagements. From a review of Audit Committee reports during the year, the Internal Audit Service was delivered in line with the requirements set out in the Charter.

#### Wales Audit Office recommendations

- 5.9.5 The Council has a process in place for agreeing and monitoring the implementation of recommendations / proposals for improvement made by the Wales Audit Office. It was noted that Wales Audit Reports were reported to Cabinet and then to [Audit Committee](#) and the [Overview and Scrutiny Committee](#) during the year, with the responsibilities of the role of both Committees set out in covering reports. However, some time delays were noted in reporting up dates to Committees; this requires improvement in 2017/18.
- 5.9.6 The Council's arrangements for reporting and monitoring Wales Audit Office recommendations was also referenced within the [Wales Audit Office Annual Improvement Report 2015/16](#), as follows:

*"The Council has recently put in place arrangements to ensure that reports from external regulators are communicated internally within the Council, and are reported to the appropriate Committee. Upon receipt of reports, the Council now ensures that senior managers, as well as either the Audit Committee or appropriate scrutiny committee receive them. The Council has also recently established a register of recent reports of external regulators, that includes reference to when the Council's response to any report of an external regulator has been considered by an appropriate Committee. The Council has also developed a template to be completed by Officers outlining progress in addressing recommendations for presentation to the relevant Committee"*

*As the introduction of these arrangements is relatively recent, it is too early to assess the extent to which the Council's response to all regulatory reports will be subject to appropriate challenge and monitoring arrangements. There is, however, an opportunity to strengthen arrangements further through clarifying the role of respective committees in receiving regulatory reports. Arrangements could also be strengthened by establishing clear*

*arrangements for monitoring the Council's progress in addressing any recommendations or proposals for improvement from external regulators".*

5.9.7 During 2016/17 the Council also [developed a section on its internet site](#) that set out all regulatory reports received by the Council since December 2015.

## 5.10 OTHER KEY GOVERNANCE ARRANGEMENTS

### **Amgen Cymru Ltd**

5.10.1 Rhondda Cynon Taf CBC holds 100% of the voting rights of Amgen Cymru Ltd., who in turn hold 100% of the voting rights of Amgen Rhondda. The Council also holds 100% of the allotted preference shares in Amgen Rhondda Ltd. The principal activities of Amgen Cymru is to provide waste management services and waste disposal facilities. Amgen Rhondda is responsible for the stewardship of the Nant y Gwyddon landfill site.

5.10.2 The directors of the companies are responsible for ensuring there are sound governance arrangements including a robust system of internal control.

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

5.10.4 During 2016/17 there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

### **Pension Fund**

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

- Governance Statement of Compliance which indicates the Fund's position against the Government's best practice standards;
- Governance Policy Statement which provides an overview of the management structure, decision making and employer engagement;
- Communication Policy Statement which details the communication and information services to participating employers and scheme members;
- Pension Fund Administration Strategy which seeks to improve efficiency in the delivery of agreed standards of quality and to ensure compliance with statutory requirements;

- Statement of Investment Principles which details how Fund investments are managed (to be replaced by the Investment Strategy Statement from April 2017);
  - Funding Strategy Statement which provides a summary of how we will fund our pension liabilities.
- 5.10.6 All of these documents can be found at the following link:  
[www.rctpensions.org.uk](http://www.rctpensions.org.uk)
- 5.10.7 The Public Service Pensions Act 2013 introduced a number of changes to public service pension schemes, including some significant changes for the governance of such schemes. In accordance with the Act, the Pension Fund appointed a Local Pension Board to assist Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manager' in:
- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
  - Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager.
- 5.10.8 The Pension Board is made up of two employer representatives and two member representatives. The Board met 3 times during 2016/17.
- 5.10.9 In 2016/17 the Council created a formal Pension Fund Committee (subject to the provisions of Section 101 of the Local Government Act 1972) to oversee its responsibilities with regard to the administration of the RCT Pension Fund. The Pension Fund Committee consists of 5 elected members and is politically balanced.
- 5.10.10 The Committee is responsible for the strategic management of the RCT Pension Fund with all operational matters continuing to be delegated to the Group Director Corporate and Frontline Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer) who are supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support.
- 5.10.11 The Pension Fund Committee met 3 times during 2016/17.

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

- 6.1 Based on the assessment undertaken, it is considered that the Council's governance arrangements were fit for purpose and publicly demonstrated how they contributed to the delivery of better outcomes for the area as set out in the Corporate Plan.
- 6.2 The overall conclusion has been based upon:

- An open approach to engaging with stakeholders, planning and delivering services, and reporting and scrutiny of the Council's performance;
- Clear arrangements for decision making that were supported by robust service management and financial management arrangements;
- The reporting of understandable priorities and ambition, as set out in the Council's Corporate Plan, with progress reports demonstrating improvement in outcomes and performance at the same time as maintaining financial stability;
- A medium term approach to financial planning that helped inform strategic decision making through a period of prolonged public sector austerity;
- An improving scrutiny function which started to demonstrate the positive impact of its work; and
- The Council having a track record of implementing Annual Governance Statement recommendations in previous years.

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

## 7. **PROPOSALS FOR IMPROVEMENT**

7.1 Further to completing the assessment of the Council's governance arrangements, Table 2 sets out proposals for improvement.

Table 2 – Proposals for Improvement

<b>Core Principle</b>	<b>Paragraph No.</b>	<b>Issue Identified</b>	<b>Recommendation</b>	<b>Timescale for Implementation</b>	<b>Resp Officer</b>
<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	5.2.9	The 'Anti-Fraud, Bribery and Corruption Policy and Procedure' was last up dated in 2013.	The Council's Anti-Fraud, Bribery and Corruption Policy and Procedure should be reviewed and up dated where relevant and reported to the appropriate Committee for scrutiny and sign-off. Thereafter, the up dated document should be used to inform awareness raising throughout the Council.	Qtr 3 2017/18	Service Director – Operational Finance
	5.2.10	Complaints, Comments and Compliments - no update is produced on a periodic basis to summarise the non-social services related complaints, concerns and compliments received and action taken.	A periodic up date, for example annually, of all non-social services complaints, comments and compliments received by the Council should be produced, along with action taken / lessons learned, and reported to an appropriate Committee for review and where relevant further action.	Qtr 1 2018/19	Head Of Legal - Corporate And Democratic Services
<b>Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	5.4.11	The MTFP does not allocate the Council's Capital Programme over Corporate Plan priority areas	As part of updating the MTFP in 2017/18, the Council's Capital Programme resources should be allocated / categorised over Corporate Plan priorities to demonstrate or otherwise the prioritisation of resources.	Qtr 2 2017/18	Service Director – Performance & Improvement

<b>Core Principle</b>	<b>Paragraph No.</b>	<b>Issue Identified</b>	<b>Recommendation</b>	<b>Timescale for Implementation</b>	<b>Resp Officer</b>
<b>Developing the capability of the entity's leadership and other individuals</b>	5.7.5	Councillor / employee development / training – where operational training is delivered, its impact / benefit is not always captured.	Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help demonstrate the longer term effectiveness of the training and also help inform future needs.	Qtr 3 2017/18	Head of Organisational Development
<b>Managing risks and performance through robust internal control and strong public financial management</b> <b>Managing risks and performance through robust internal control and strong public financial management</b>	5.8.5	Risk Management – the Council's Risk Management Strategy has not been reviewed / up dated since 2014.	The Council's Risk Management Strategy should be reviewed, and where relevant updated, and reported to an appropriate Committee for review and sign off.	Qtr 3 2017/18	Head of Internal Audit
	5.8.11	Audit Committee – no self assessment has been undertaken against the standards set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police - 2013 Edition'.	The Council's Audit Committee, in consultation with the Head of Internal Audit, should undertake a self assessment against the Standards as set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition'.	Qtr 4 2017/18	Head of Internal Audit
	5.8.16	Information Management – no update is reported setting out the Council's work and performance in this area.	The Council should report on a periodic basis, for example, annually, its work and performance around Information Management and provide opportunity for review and scrutiny.	Qtr 4 2017/18	Head of I.T

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

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

Deputy Leader: M. Webber.

Deputy Chief Executive: C. Hee

## **Auditor General for Wales' report to the Members of Rhondda Cynon Taf County Borough Council**

I have audited the accounting statements and related notes of:

- Rhondda Cynon Taf County Borough Council;
- Rhondda Cynon Taf County Borough Council Group; and
- Rhondda Cynon Taf Pension Fund

for the year ended 31 March 2017 under Public Audit (Wales) Act 2004.

Rhondda Cynon Taf County Borough Council's (RCTCBC) accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

RCTCBC's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

Rhondda Cynon Taf Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs)

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 15, the responsible financial officer is responsible for the preparation of the statement of accounts, including RCTCBC's Group accounting statements and Rhondda Cynon Taf Pension Fund accounting statements, which gives a true and fair view.

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

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

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the RCTCBC's, and RCTCBC Group's and Rhondda Cynon Taf Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of RCTCBC**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of RCTCBC as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom in 2016-17.

### **Opinion on the accounting statements of RCTCBC Group**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of RCTCBC Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

### **Opinion on the accounting statements of Rhondda Cynon Taf Pension Fund**

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Rhondda Cynon Taf Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date.
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

## Opinion on other matters

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

## Matters on which I report by exception

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

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

## Certificate of completion of audit

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



For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales

28 September 2017

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

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

## Glossary of Terms

### **Accrual**

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

### **Actuary**

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

### **Agency Services**

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

### **Amortisation**

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

### **Attained Age Method**

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

### **Audit**

An audit is an independent examination of activities.

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Receipt**

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

### **CCR – Cardiff Capital Region**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is responsible for issuing financial guidance to public bodies.

**Creditor**

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

**Current Assets**

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

**Current Liabilities**

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

**Debtor**

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

**Debt Management Office (DMO)**

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

**Defined Benefit Scheme**

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

**Defined Contribution Scheme**

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

**Delegated Schools**

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

**Depreciated Historic Cost (DHC)**

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

**Depreciated Replacement Cost (DRC)**

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

**Depreciation**

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

**Earmarked Reserves**

These are reserves set aside for a specific purpose.

**Financial Year**

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

**HMRC**

Her Majesty's Revenue and Customs.

**Impairment**

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

**International Accounting Standard (IAS)**

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

**International Financial Reporting Standards (IFRS)**

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

**Inventories**

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

**Leasing**

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

**Lessee**

User or renter of the leased asset or property. In case of capital leases, the lessee is also the 'debtor' to the lessor.

**Lessor**

Owner or the title holder of the leased asset or property. The lessor is also the lender and secured party in case of capital leases and operating leases.

**Liability**

A liability is an obligation to transfer economic benefits as a result of past transactions or events.

**Long-Term Asset**

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

**Minimum Revenue Provision (MRP)**

MRP is a charge against revenue resources representing a repayment of debt. It is a method of paying for Capital Expenditure which was funded by borrowing.

**Modern Equivalent Valuation (MEV)**

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

**Non-Domestic Rates (NDR)**

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

**Net Realisable Value**

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

**Non-Recurring Fair Values**

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

**Operating Leases**

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

**Pooled Budget**

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

**Post Balance Sheet Events**

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

**Precepts**

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

**Prior Year Adjustment**

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

**Projected Unit Method**

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

**Provision**

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

**Public Works Loan Board (PWLB)**

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

**Recurring Fair Value**

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

**Related Party**

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

**SeRCOP**

The Service Reporting Code of Practice for Local Authorities 2016/17.

**Strain on Funds**

When an employee retires early and is immediately paid a pension, without actuarial reduction, the lost contribution income and interest cost arising from the associated earlier increased cash flow is referred to as pension strain cost. The pension strain cost is determined by actuarial calculation.

**Sub Lease**

A sub-lease is a lease between a tenant who already holds a lease to a commercial space or property and someone (the sub-lessee) who wants to use part or all of the tenant's space. The tenant is deemed to be a sub-lessor.

**Trust Fund**

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

**Voluntary Aided School**

Voluntary aided schools are mainly religious or faith schools, although anyone can apply for a place. The governing body employs the staff and sets admissions criteria. School land and buildings are normally owned by a charitable foundation, often a religious organisation, and the governing body contributes to building and maintenance costs.

**Voluntary Controlled School**

Voluntary controlled schools are similar to voluntary aided schools, but are run by the local authority. The local authority employs the school's staff and sets the admissions criteria. School land and buildings are normally owned by a charity, often a religious organisation, which also appoints some of the members of the governing body.

**Welsh Government (WG)**

The Welsh Government is the devolved Government for Wales. The Welsh Government consists of the First Minister, Welsh Ministers, the Counsel General and Deputy Ministers. They are supported by Civil Servants who work across devolved areas of public life such as health, education and the environment.