
Rhondda Cynon Taf County Borough Council**Statement of Accounts 2005/06**

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Explanatory Foreword

1. Introduction

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

Rhondda Cynon Taf is the second largest Council in Wales with a population of 231,946, serving an area in the South Wales Valleys covering 42,000 hectares, stretching from the Brecon Beacons National Park in the North to the Capital City of Cardiff in the South.

The accounts for 2005/06 have been prepared in accordance with current legislation and recommended accounting practice. The form of accounts for all Local Authorities has been prescribed under the Accounts and Audit (Wales) Regulations 2005. The Code of Practice on Local Authority Accounting in Great Britain 2005 prescribes the form and contents of accounts from 1st April 2005.

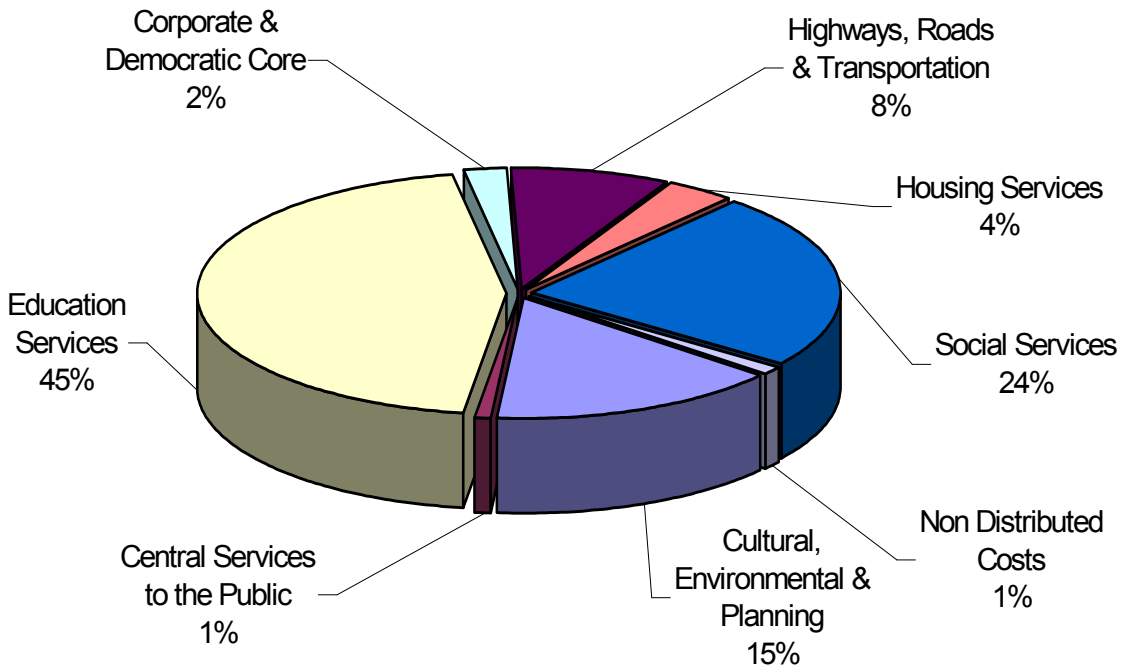
In March 2000, the Chartered Institute of Public Finance and Accountancy (CIPFA) published the Best Value Accounting Code of Practice (BVACOP), which is updated annually. The Best Value Accounting Code of Practice modernises the system of local authority accounting and reporting to ensure that it meets the needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community. The standardised format recommended by the Code promotes comparability.

The accounts set out on pages 2-99 comply with the Codes of Practice other than where specific reference is made to the contrary.

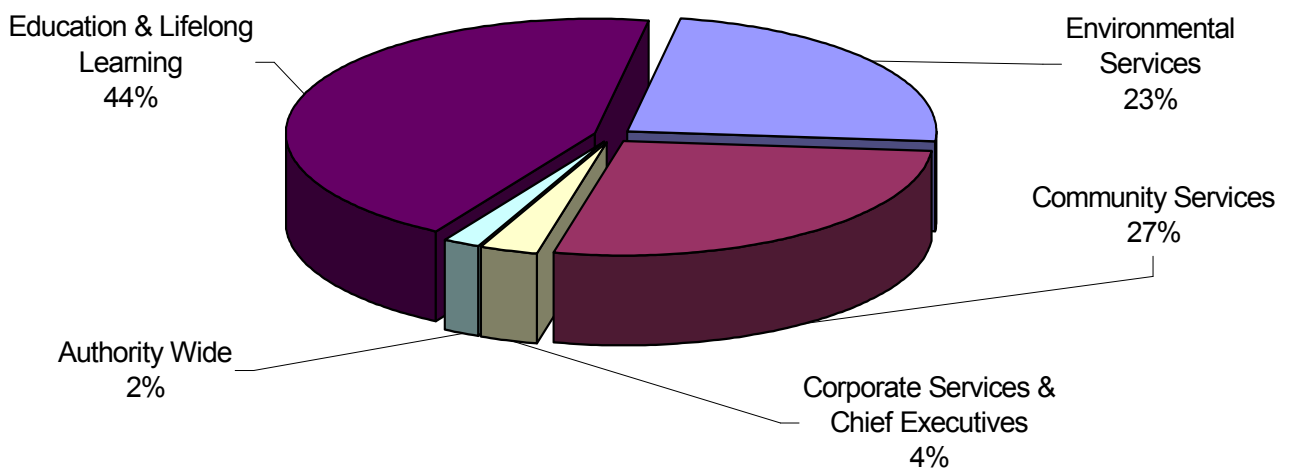
2. General Fund Revenue Account 2005/06

The Consolidated Revenue Account provides an analysis of the Council's gross revenue expenditure and income and shows how this has been funded. The chart below provides an analysis of the Net Cost of Services (£384m) by Best Value Accounting Code of Practice Service Expenditure Analysis Area. For information purposes, the net cost is also analysed by current service group operational within the Council.

Net Cost of Services by BVACOP Category



Net Cost of Services by Service Group



The following table details each of the service groups' actual performance and budget during 2005/06:

Service Group	Budget £'000	Spend £'000	Variance £'000
Education & Lifelong Learning	147,440	148,311	871
Community Services	83,071	85,513	2,442
Environmental Services	60,582	60,533	(49)
Chief Executives	9,928	9,729	(199)
Corporate Services	19,292	18,422	(870)
Authority Wide	31,327	29,043	(2,284)
Total	351,640	351,551	(89)

	£'000
General Fund Reserves as at 31st March 2005	(10,527)
Revenue Budget Out-turn (Variance as above)	(89)
General Fund Reserves as at 31st March 2006	(10,616)

Capital reserves as at 31st March 2006 totalled £580.8m (of which £2.8m can be used to support capital spending).

Gross Expenditure on Services amounted to £625m, this can be analysed over the following expenditure categories: -

Type of Expenditure	£'m	%
Employees	256	41
Premises	35	6
Transport	24	4
Supplies and Services	93	15
Payments to Third Parties	66	10
Transfer Payments	51	8
Capital Charges (e.g. interest)	63	10
Other Operating Costs (e.g. support services)	37	6
Total Gross Expenditure	625	100

Income during the year totalled £612m and came from the following sources:-

Income Analysis	£'m	%
<u>Direct Service Income</u>		
Specific Grants	119	19
Sales, Fees & Charges	41	7
HRA	27	4
Other Income	55	9
Sub-total Direct Service Income	242	
<u>Other Income</u>		
General Government Grants	251	41
National Non Domestic Rates	47	8
Council Tax	72	12
Total Income	612	100

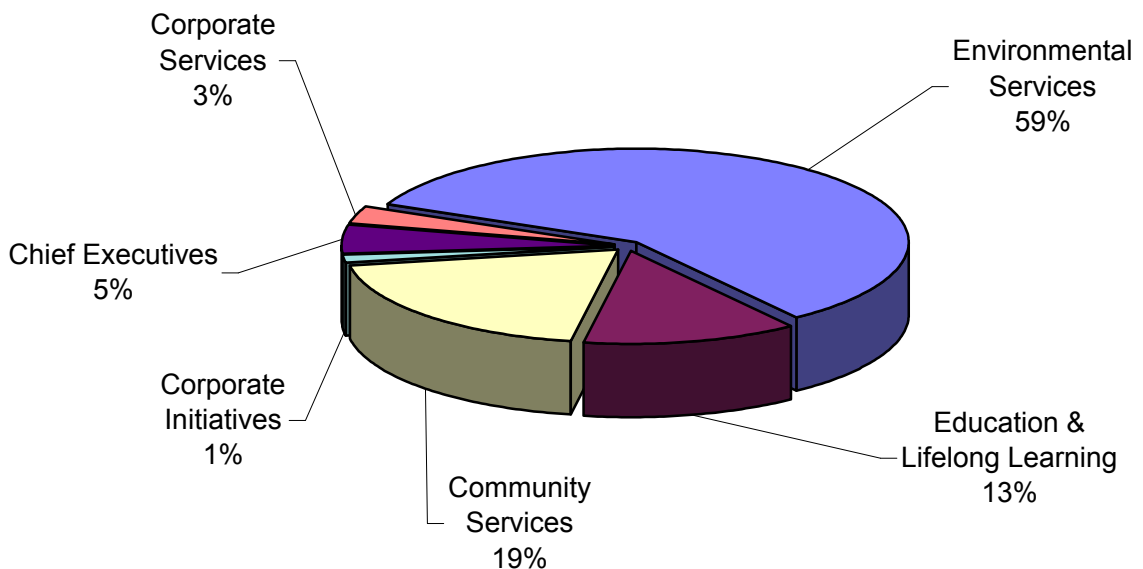
3. Housing Revenue Account

The Housing Revenue Account shows income and expenditure in relation to the provision of Council housing. This includes administration and capital financing costs, and how these are met by rents and other income. The Housing Revenue Account is shown on page 61.

4. Capital Expenditure and Income 2005/06

During the year the Council spent £104.793m on capital expenditure, as summarised below: -

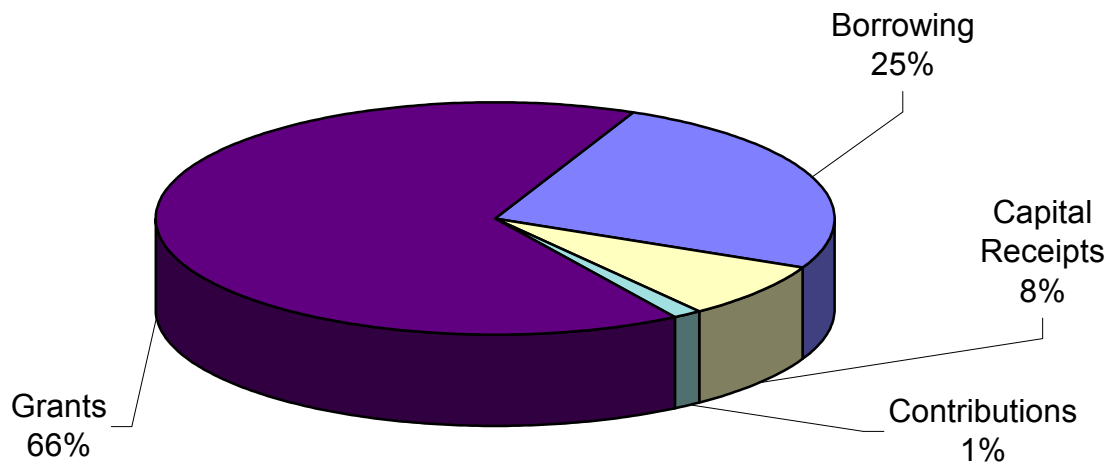
Group	£'000	%
Corporate Initiatives	991	1
Corporate Services	3,526	3
Chief Executives	5,298	5
Education & Lifelong Learning	13,501	13
Community Services	20,381	19
Environmental Services	61,096	59
Total	104,793	100



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

Expenditure on Fixed Assets	£'000	%
Tangible Fixed Assets	89,063	85
Intangible Fixed Assets	453	1
Investment in Companies	1,421	1
Deferred Charges	13,856	13
Total	104,793	100

This expenditure was financed as follows: -



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

Disabled Access Initiative
 Virtual Communities
 Rhydyfelin Children's Centre
 Coed -Y-Lan Comprehensive School
 Penderyn Primary School
 Hawthorn High School
 Cwmlai Primary School
 Porth Relief Road
 Taff Vale North Rail Station
 Church Village Bypass
 Taffs Well Industrial Access Road
 Recycling Facilities Development
 Purchase of New Fleet
 Neighbourhood Renewal Areas

Major commitments in respect of capital schemes as at 31st March 2006 include the following schemes: -

Scheme	£'000
Neighbourhood Renewal Areas	4,713
Mountain Ash Town Centre	1,930
Customer Services	1,600
Angharad's Walk	1,500
Penderyn Primary School	3,302
Secondary Schools' Sports Halls & Facilities	2,829
Porth Relief Road	32,877
Church Village Bypass	20,300
Nantygwyddon Landfill Site Remedial Works	1,100
Rail Improvement Schemes	25,670
Recycling Facilities Development	2,305
Leisure Centre Refurbishments	2,000

The Council is also contracted to a Private Finance Initiative scheme, a Lifelong Learning Centre at Garth Olwg. The commitment is for £113.773m

over a period of 25 years. See note 19.0 to the Consolidated Revenue Account and note 22.0 to the Consolidated Balance Sheet for further details.

5. 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 indicators.

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

Authorised borrowing limit	£393.3m
Interest Rate Exposure – Borrowing	Range
Limits on total % of borrowing at fixed interest rates	60% - 90%
Limits on total % of borrowing at variable interest rates	10% - 40%
Interest Rate Exposure – Investments	Range
Limits on total % of investments at fixed interest rates	0% - 25%
Limits on total % of investments at variable interest rates	75% - 100%

As can be seen from the Consolidated Balance Sheet, overall borrowing totalled £338m. Long Term Borrowing totalled £337m at 31st March 2006.

Note 11.0 to the Consolidated Balance Sheet demonstrates that the majority of external borrowing (£250m) was from the Public Works Loan Board (PWLB). The remaining balance comprises £87m from market loans and £1m from other sources including individual lenders in the form of local bonds.

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

6. Pensions Assets and Liabilities

As a result of Financial Reporting Standard 17 "Retirement 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 Consolidated Revenue Account note 8.0, Balance Sheet note 31.0 and Statement of Total Movement in Reserves note 2.0 for further details.

The effect of FRS17 upon the reserves of the Council is as follows:

	£'000
Net Assets excluding Pensions Reserve	616,617
Net Assets as per Balance Sheet	236,607

7. Introduction to Accounting Statements

Statement of Accounting Policies

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

Consolidated Revenue Account

This statement is prepared in the format prescribed by the Best Value Accounting Code of Practice and assists in an understanding of the Council's activities as a whole. The statement is prepared in four distinct sections each divided by a sub total:

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

Consolidated Balance Sheet

This statement shows the Council's financial position as at 31st March 2006. It includes the assets and liabilities of all activities of the Council, the balances and reserves at the Council's disposal, its long term indebtedness, and the fixed and net current assets employed in the Council's operations.

Statement of Total Movements in Reserves

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

Cashflow Statement

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

Housing Revenue Account

This reflects a statutory obligation to account separately for the provision of council housing as defined in Part VI of the Local Government and Housing Act 1989. As a result of the implementation of the Prudential Framework for Capital Expenditure and the introduction of the Major Repairs Allowance, the Welsh Assembly Government determined that it would be appropriate to put the Housing Revenue Account (HRA) on a resource accounting footing for 2005/06. The 2005 SORP was consequently written to present the HRA in a format similar to the Consolidated Revenue Account.

Group Accounts

From 2005/06 all local authorities are required to prepare consolidated accounts for any material interest they have in external entities, whether subsidiaries, associates or joint ventures.

Summary Pension Fund Accounts

As the administering authority responsible for the Rhondda Cynon Taf County Borough Council Pension Fund, the Council has an obligation to include a summary of the Pension Fund Accounts within its own Statement of Accounts. The statement is prepared in accordance with the Local Government Statement of Recommended Practice.

Statement on Internal Control

The 2005 SORP requires Local Authorities to replace the "Statement on the System of Internal Financial Control" with a "Statement on Internal Control". Authorities must conduct a review of the effectiveness of its system of internal control, reviewing financial and non-financial transactions of the Authority. The system of internal control provides a reasonable assurance that the risks to the achievement of the Council's policies, aims and objectives have been identified, prioritised and evaluated in terms of their likelihood and impact if realised.

Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Council and the Group Director - Corporate Services for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding member at the Council meeting at which the Accounts are approved.

Certificate of the Group Director - Corporate Services

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

Independent Auditor's Report

This is the Wales Audit Office opinion on the Statement of Accounts.

Statement of Accounting Policies

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2005, issued by CIPFA, together with the guidance notes on the application of accounting standards. The Council has complied with the code in all areas other than where specifically noted. The Council has also implemented and complied with the Best Value Accounting Code of Practice (2005 edition).

The main accounting principles adopted are outlined below:

1. Intangible Assets

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and access to future economic benefits are controlled by the reporting entity through custody or legal rights.

Purchased or internally developed intangible assets are capitalised at cost and are amortised over their economic lives which are reviewed at the end of each reporting period and revised if necessary. They are also subject to an annual impairment review.

2. Tangible Fixed Assets

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accrual basis in the accounts. Expenditure on assets not owned by the Council, but where continuing benefit is received, is also capitalised on an accruals basis. This expenditure is included in the balance sheet within the category that the asset would be held in if the Council did own it, and is written off to revenue over the period that the benefit is received. Tangible fixed assets have been recorded in accordance with the Code of Practice on Accounting for Fixed Assets.

Tangible fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Operational assets are generally valued on the basis of existing use value (EUV). Specialist items are valued on a depreciated replacement cost basis (DRC). Non-operational assets and investment properties are generally valued on the basis of open market value (OMV). Infrastructure assets are included at historic cost, and adjusted to reflect depreciation.

Community assets are valued on an historic cost basis with the exception of allotments, which are based on rental income valuation.

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

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

Tangible fixed assets are subject to an annual impairment review in line with the SORP and FRS 11.

No changes in asset values were identified in the 2005/06 impairment review.

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

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

As an exception to this policy, certain classes of assets have been collectively valued. If these assets had been subject to this policy the value of the Council's assets would have been significantly understated.

3. Deferred Charges

Deferred charges relate to capital expenditure that does not create or add to the value of a tangible fixed asset within the reporting entity's control. As no future benefit is received from this expenditure, the whole amount is amortised to revenue in the year it is incurred.

4. Government Grants

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to offset the depreciation on the asset to which it relates.

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

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

5. Capital Receipts

Capital receipts are derived from the sale of fixed assets.

Under the Local Government Act 2003, from 1st April 2004 Local Authorities now have the option of setting aside housing capital receipts to repay debt. The Council has continued to set aside 75% of Right to Buy receipts and 50% of other housing receipts in accordance with the current Housing Subsidy regulations. The Act also states that from 1st April 2004 housing capital receipts can only be used to finance housing capital expenditure.

The remaining housing capital receipts are credited to the Usable Capital Receipts Reserve to fund future housing capital expenditure. All other general capital receipts are also credited to this reserve.

6. Basis of Charges for Use of Fixed Assets

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

- Notional interest, which is charged at a rate specified annually by the Government. The rates for 2005/06 were 3.5% for assets at current value and 4.95% for assets carried at historic cost.
- Depreciation is charged on a straight-line basis on all tangible fixed assets with a finite useful life, excluding non-depreciable land. Council dwellings have an asset life of 50 years. Estate garages and shops have a 15 year and 30 year asset life respectively. All other asset lives have been identified on an individual basis.
- Amortisation of intangible fixed assets is charged on a straight-line basis in line with the number of years that benefit is received, which is identified on an individual basis.

7. Minimum Revenue Provision

The Local Government Act 2003 requires each local authority to set aside a Minimum Revenue Provision (MRP) for debt redemption. This is 2% of the adjusted Capital Financing Requirement at the beginning of the year for the Housing Revenue Account and 4% for the General Fund.

8. Operating Leases

The Council has a number of operating leases and these are charged to revenue in the year during which costs are incurred, using a straight-line method, even if payments are not made that way.

9. Long Term Contracts

The costs of long term contracts are charged to revenue in the year they are incurred. Please refer to the Long Term Contracts note 11.0 to the Consolidated Revenue Account for further details.

10. Accruals of Debtors and Creditors

The revenue 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 means that sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

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

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

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

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

The full cost of employees should be charged to the accounts of the period within which the employees worked. An accrual is made for wages earned but unpaid at the year end.

11. Stocks and Work in Progress

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

12. Cost of Support Services

Central support costs have been allocated to service areas (in accordance with BVACOP) based on a projected out-turn basis. The balance of unallocated costs, within tolerances agreed by the Wales Audit Office (and reported to the Council's Audit Committee) has been classified as Non Distributed Costs.

13. Pensions

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

Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency set contribution rates on the basis of a notional fund. Employees contribute at a rate of 6%. The Council is a member of the Teachers Pension Scheme. Whilst this is a defined benefit scheme, the Teachers Pensions Agency is unable to identify the Council's share of the underlying assets and liabilities and accordingly, the Council has taken advantage of the exemption within FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997 (as amended), under which contribution rates are set by the fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The latest valuation was at 31st March 2004. Resultant changes in contribution rates have taken effect from 1st April 2005. Refer to Note 8.0 of the Consolidated Revenue Account for further details.

FRS17 requires the Council to recognise the annual increase in employees' entitlements to retirement benefits within the revenue account cost of services, rather than the employer's contributions paid during the year, based on calculations provided by the Council's actuary.

This change has had the following effect in 2005/06:

- Employer contributions of £30.02m (£27.78m in 2004/05) have been deducted from the cost of individual services and trading activities and been replaced by £25.48m (£22.89m in 2004/05) annual service costs.
- In addition the net effect of interest due on Pension Fund future liabilities and return on assets results in additional costs of £14.00m (£14.56m in 2004/05).
- The overall effect is a £9.46m (£9.67m in 2004/05) increase in the Net Operating Expenditure line of the Consolidated Revenue Account, which is matched by a contribution from the Pension Fund Reserve to ensure that the change in accounting treatment has no direct impact on the amount to be met from Government Grants and Local Taxpayers.

14. Interest Receivable

During 2005/06 the Council has invested temporary cash surpluses for short-term periods, which may range from overnight to 364 days. The interest is credited to the General Fund, Housing Revenue Account and other smaller funds proportionately. The Council's Annual Investment Strategy allows investment in various instruments for up to a period of 5 years.

15. Interest Payable

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

16. Foreign Currency

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

17. Bad Debt Provisions

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

18. Investments

Investments are held in the balance sheet at cost. Short term investments consist largely of money market investments, all maturing within one year of the balance sheet date. Long term investments are held for greater than one year.

19. Value Added Tax

The Council is reimbursed Value Added Tax (VAT) incurred on eligible expenditure, and therefore the Consolidated Revenue Account has been prepared exclusive of VAT.

20. Reserves and Provisions

Reserves and provisions are regulated by the Local Government and Housing Act 1989, in accordance with FRS12 and the Local Authority Accounting Code of Practice. Provisions are amounts set aside for specific future expenses that are likely to be incurred, but the amount or timing of which cannot yet be determined accurately.

The Council makes provision for costs relating to insurance. These are fully explained in notes 13.1 and 13.2 to the Consolidated Balance Sheet.

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

21. Associated and Subsidiary Companies

From 2005/06 all local authorities are required to identify any interest they have in external entities, and where appropriate to consolidate the accounts of these entities into the authority's main financial statements. Further details are given in the Group Accounts section on page 65.

22. Repurchase of Borrowing

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

23. Contingent Assets/Contingent Gains

A contingent asset is a possible asset 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.

Contingent assets are not recognised in the revenue account or the balance sheet because prudence cautions that the gain might never be realised.

Please see note 27.0 to the Consolidated Balance Sheet for further details.

24. Contingent Liabilities

A contingent liability is a possible obligation 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.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in note 28.0 to the Consolidated Balance Sheet.

25. Estimation Techniques**Insurance**

Until 2004/05 the Council provided for the full value of employer and public liability insurance claims received as at the year end. For 2004/05 the provision was based on an independent assessment of outstanding claims. This independent assessment used actuarial techniques to determine the required level of the provision. In assessing the required level of the provision for 2005/06 we have considered the results of this actuarial valuation, reviewed details of all claims outstanding and considered actual settlement patterns in previous years. Please refer to Consolidated Balance Sheet note 13.1 for further details.

Consolidated Revenue Account for the year ended 31st March 2006

2004/05 Net Exp £'000		Note	2005/06		
			Gross Exp £'000	Gross Income £'000	Net Exp £'000
	Continuing Operations				
2,124	Central Services to the Public		21,893	(20,168)	1,725
56,531	Cultural, Environmental and Planning		91,093	(32,746)	58,347
165,055	Education Services		221,544	(47,348)	174,196
28,280	Highways, Roads and Transportation		44,664	(12,971)	31,693
17,825	Housing Services		101,438	(87,142)	14,296
79,784	Social Services		127,774	(37,398)	90,376
7,873	Corporate and Democratic Core		12,023	(3,425)	8,598
5,040	Non Distributed Costs		4,876	(550)	4,326
362,512	Net Cost of Services		625,305	(241,748)	383,557
	Precepts: -				
8,173	South Wales Police Authority	14.0	8,385	0	8,385
1,162	Community Councils	14.0	1,276	0	1,276
11,715	Levies	9.0	11,607	0	11,607
(1,706)	Interest and Investment Income		5	(2,679)	(2,674)
146	(Surplus)/Deficit on Trading Activities	1.0	20,838	(21,003)	(165)
(20,298)	Net Income Asset Management Revenue a/c	13.0	0	(18,371)	(18,371)
852	(Gains)/Losses on the Repurchase of Borrowing		896	0	896
14,560	Pensions Interest Cost and Expected Return on Pensions Assets	8.0	37,260	(23,260)	14,000
377,116	Net Operating Expenditure		705,572	(307,061)	398,511
(228)	Transfer of HRA Surplus/(Deficit) to Reserves				(290)
(498)	Transfer to/(from) MGCC Insurance Reserve				(135)
(25,089)	Release of Capital Financing Account	13.0			(23,273)
2,681	Net Contributions to/(from) Earmarked Reserves				4,613
(9,670)	Contribution from Pensions Reserve				(9,460)
344,312	Amount to be met from Government Grants/Local Taxpayers				369,966
(227,670)	General Government Grants				(250,590)
(47,428)	NNDR Pool Contribution	15.0			(47,203)
(68,917)	Net Proceeds of Council Tax	14.0			(72,262)
297	Net General Fund (Surplus) / Deficit				(89)
(10,824)	Balance on General Fund Brought Forward				(10,527)
0	Movement Between Reserves				0
(10,527)	Balance on General Fund Carried Forward				(10,616)

Note: 2004/05 figures have been restated due to the changes to HRA accounting arrangements.

Notes to the Consolidated Revenue Account

1.0 Trading Activities

The definition of Trading Activities is defined by BVACOP. The Council operates the following activities on a trading account basis:

Former DLO Trading Activities	2004/05	2005/06		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	(327)	7,682	(8,460)	(778)
Building Cleaning	(22)	1,057	(1,101)	(44)
Education and Welfare Catering	327	9,127	(8,404)	723
Total	(22)	17,866	(17,965)	(99)

Other Trading Activities	2004/05	2005/06		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Other Catering	61	285	(206)	79
Central Print Unit	26	847	(888)	(41)
Creative Design	(48)	989	(1,013)	(24)
Fleet Services	148	0	0	0
Commercial Waste (formerly Trade Waste)	(19)	405	(424)	(19)
Carelink	0	446	(507)	(61)
Total	168	2,972	(3,038)	(66)

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

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

FRS17 "Retirement Benefits" applies to trading activities. The effect of this has been to change the total trading deficit to a total trading surplus. Excluding FRS17, the deficit was £181k.

Due to changes in management, Fleet Services no longer satisfy the six trading activity criteria identified by BVACOP. Therefore the service has not been included as a trading activity for 2005/06.

As part of the Carelink provision, an emergency service is available to the elderly and disabled, should they wish to receive this support. A charge is made to the members of the community in receipt of this service. On the

basis of these arrangements, the service has been deemed a trading activity from 2005/06. Expenditure for Carelink in 2004/05 was £452k with income of £492k.

2.0 Publicity

Local Authorities are required to keep a separate account of expenditure on advertising and promotion publicity.

During 2005/06 the Council spent a total of £2m in respect of the following:-

Category	2004/05 £'000	2005/06 £'000
Recruitment advertising	843	541
General advertising	1,080	1,083
Other publicity	428	331
Total	2,351	1,955

3.0 Agency Arrangements

The Council undertakes no work on an agency basis.

4.0 Road User Charging

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

5.0 Local Authorities Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During the 2005/06 financial year the Council undertook the following work under the provisions of this Act: -

Category of supply	Client	2004/05 £'000	2005/06 £'000
Supply of Goods or Materials	City & County of Cardiff	67	64
	Pontypridd & Rhondda NHS Trust	0	11
	Powys County Borough Council	0	3
	Merthyr Tydfil CBC	231	185
	Caerphilly CBC	34	47
	Bridgend CBC	445	524
	Newport CBC	10	10
	Neath Port Talbot CBC	14	0
	South Lanarkshire County Council	11	8
	Harrow (London Borough)	18	29
<i>Continued Overleaf....</i>			

	Maidenhead Borough Council	3	15
	Swansea Local Health Board (LHB)	1	0
	Rhondda Cynon Taf LHB	0	20
	Vale of Glamorgan CBC	60	110
	Cefn Coed Hospital	1	0
	City & County of Swansea	2	0
	Carmarthenshire CC	0	9
	Wiltshire CBC	0	10
	Coleg Morgannwg	0	38
	Torfaen CBC	0	2
	Careers Wales West	0	1
		897	1,086
Provision of Administrative, Professional or Technical Services	Bridgend CBC	10	21
	Caerphilly CBC	82	57
	City & County of Cardiff	87	98
	Merthyr Tydfil College	17	21
	Merthyr Tydfil CBC	12	0
	North Glamorgan NHS Trust	22	41
	Pontypridd & Rhondda NHS Trust	557	102
	Coleg Morgannwg	1,202	834
	Pontypridd Town Council	17	2
	South Wales Fire Service	47	50
	South Wales Police Authority	136	164
	University of Glamorgan	18	0
	Ystrad Mynach College	7	10
	Bridgend & District NHS Trust	58	58
	Rhondda Cynon Taf LHB	101	190
	Care Council for Wales	1	2
	Local Government Data Unit	0	4
	Rhondda & Taff Ely Crossroads	0	4
	London Institute of Education	0	10
	Welsh Language Board	0	14
	Welsh Joint Education Committee	0	1
	Cardiff School of Education	0	23
		2,374	1,706
	Total	3,271	2,792

6.0 Officers' Emoluments

Under the Accounts and Audit (Wales) Regulations 2005, local authorities must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £10,000 commencing at £60,000 (excluding pension contributions). The disclosure includes redundancy payments.

During 2005/06 the Council paid 14,289 employees, paying total salaries of £228m (excluding employer's national insurance and pension contributions). Within this, the following salary payments were made within the categories specified: -

Remuneration Band	2004/05	2005/06		
	No. of employees	No. of employees		
	Total	At 31/03/06	Left in year	Total
£60,000 - £69,999	17	18	1	19
£70,000 - £79,999	4	8	0	8
£80,000 - £89,999	2	0	0	0
£90,000 - £99,000	2	0	0	0
£100,000 - £109,999	0	1	0	1
£110,000 - £119,999	0	1	0	1
Total	25	28	1	29

7.0 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 schemes for Members' allowances and to disclose annually amounts paid to each Member under such schemes.

During 2005/06 the Council paid a total of £1.3m (£1.2m in 2004/05) in respect of basic allowances, special responsibility allowances and dependant care allowances to 75 members (excluding travelling, subsistence, employers national insurance and other associated costs).

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

8.0 Pensions

The Council participates in two pension schemes: -

- Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency (TPA). The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund. In 2005/06 the Council paid £10.6m (£10.3m in 2004/05) to the Agency in respect of teachers' pension costs, which represents 13.5% (13.5% in 2004/05) of pensionable pay. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with related increases. In 2005/06 these amounted to £808k (£795k in 2004/05).
- Other employees - Subject to certain qualifying criteria, other employees contribute to the Local Government Pension Scheme (LGPS). The LGPS is a Defined Benefit scheme. The pension costs that are charged to the Council's accounts are defined by FRS17 "Retirement Benefits".

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the latest review being as at 31st March 2004. Changes to contributions took effect from 1st April 2005. The next valuation is to be completed as at 31st March 2007.

The amounts charged to the Consolidated Revenue Account are:

	£'000
Current Service Cost	23,100
Past Service Cost	2,380
Total Charged to Net Cost of Services	25,480
Expected Return on Pension Fund Assets	23,260
Interest on Pension Scheme Liabilities	(37,260)
Net Charge to Interest Cost and Expected Returns	(14,000)

Balance Sheet note 31.0 and Statement of Total Movement in Reserves note 2.0 also relate to FRS17 "Retirement Benefits".

The actuary has used the Projected Unit method to calculate the liabilities due. Where the age profile of the active membership is rising significantly, current service cost will increase as members of the fund approach retirement.

Further information can be found in the Pension Fund Annual Report which is available on request from the Group Director - Corporate Services, Bronwydd House, Porth, Rhondda, CF39 9DL. A summary of this report can be found on pages 81 to 92.

9.0 Levies by Joint Committees and Other Bodies

Certain services are operated over areas covering more than one Authority, either on a joint service basis, where one Authority administers the service and other Authorities contribute to the costs, or by external bodies who levy on the appropriate Authorities.

Contributions made under these arrangements are given in the following table: -

Organisation Name	2004/05 £'000	2005/06 £'000
South Wales Fire Service	9,805	11,020
Magistrates' Courts	486	0
Coroner	257	294
Glamorgan Archives	170	179
Registrars	127	61
National Rivers Authority	819	0
Brecon Beacons National Park	51	53
Total	11,715	11,607

10.0 Operating Leases

The following table shows the amounts of rentals payable in the year in respect of operating leases:-

Group	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Community Services	293	6	299
Corporate Services	0	160	160
Education & Lifelong Learning	449	700	1,149
Environmental Services	117	190	307
Total	859	1,056	1,915

The Council was committed at 31st March 2006 to making payments of £1,568k under operating leases in 2006/07, comprising the following elements:-

	Committed Expenditure in 2006/07 for Leases Expiring:			Total £'000
	In 2006/07 £'000	Between 2007/08 and 2010/11 £'000	After 2010/11 £'000	
Other Land & Buildings	117	0	741	858
Vehicles, Plant & Equipment	154	553	3	710
Total	271	553	744	1,568

11.0 Long Term Contracts

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

Details	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009-End £'000
ICT Systems and Banking	1,038	932	0	0
Home to School Transport	8,765	8,765	8,765	0
Total	9,803	9,697	8,765	0

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

12.0 Minimum Revenue Provision

The Local Government Act 2003 requires the Council to set aside a minimum revenue provision (MRP) for debt redemption. The MRP calculation is based on 2% of the opening adjusted Capital Financing Requirement in respect of

Housing and 4% for other services with the exception of borrowing approvals granted for Local Government Reorganisation (LGR) purposes.

For 2005/06 these limits have been calculated as follows: -

	Adjusted Capital Financing Requirement	M.R.P.	Adjusted Capital Financing Requirement	M.R.P.
	2004/05		2005/06	
	£'000	£'000	£'000	£'000
Housing Revenue Account	127,748	2,555	119,268	2,385
General Fund	239,037	9,575	241,552	9,662
Prior Year Adjustment	(6,518)			
Less Commutation Adjustment		(3,752)		(3,258)
Total	360,267	8,378	360,820	8,789

The adjustment for commutation compensates Local Authorities for the timing effects of the premature repayment by the Welsh Assembly Government of Housing Improvement Grants. This adjustment will reduce to zero by 2009/10.

13.0 Asset Management Revenue Account

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

Movements on the account for 2005/06 are summarised as follows: -

	2004/05 £'000	2005/06 £'000
Depreciation and Amortisation	25,216	25,298
External Interest	14,579	15,398
Total Debit	39,795	40,696
<u>Capital Charges:</u>		
Deferred Grants	(1,760)	(1,261)
Interest	(33,122)	(32,508)
Depreciation & Amortisation	(25,211)	(25,298)
Total Credit	(60,093)	(59,067)
Net Credit	(20,298)	(18,371)

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

	2004/05		2005/06	
	£'000	£'000	£'000	£'000
Minimum Revenue Provision (CRA note 12.0)	8,378		8,789	
Less Depreciation and Amortisation	(25,216)	(16,838)	(25,298)	(16,509)
Deferred Government Grants		3,805		8,380
Investment Write Back		(121)		(1,288)
Total Debit		(13,154)		(9,417)
Deferred Charge (CBS Note 2.1)		(11,935)		(13,856)
Total Contribution from Capital Reserves		(25,089)		(23,273)

14.0 Council Tax

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

The Council tax base for 2005/06 was calculated to be £72,170.80 (compared with £70,634.22 for 2004/05). 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	179	28,508	14,818	11,739	6,549	5,118	3,426	1,445	330	58
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	21/9

The resultant number of band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2005/06 was 96.5%.

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

Council Tax Analysis	2004/05 £'000	2005/06 £'000
Council tax collectable	68,917	72,262
Net proceeds from Council Tax	68,917	72,262
Less payable		
South Wales Police Authority	(8,173)	(8,385)
Community Councils	(1,162)	(1,276)
Total	59,582	62,601

15.0 National Non-Domestic Rates

The level of National Non-Domestic Rates (NNDR) is based on a “multiplier” set nationally by the government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2005/06 was 42.1p (45.2p for 2004/05). The total rateable value as at 31st March 2006 was £114.8m (£96.6m as at 31st March 2005).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NNDR collected from ratepayers is £41.4m (£36.2m in 2004/05). The contribution back to the Council from the pool in the year amounted to £47.2m (£47.4m in 2004/05) and the amount paid to the pool amounted to £40.3m (£36.8m in 2004/05).

16.0 Related Party Transactions

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

Central Government

Revenue Grants, Capital Grants, Revenue Support Grant and NNDR pool transactions were received during the year. Detailed information on these transactions is disclosed in the appropriate notes within this document.

Precepts and Levies

Details of precepts collected on behalf of other organisations are provided in the Consolidated Revenue Account. An analysis of amounts levied on this Council by other bodies can be found at note 9.0 to the Consolidated Revenue Account.

Chief Officers and Members

Details of Officers’ emoluments and Members allowances are provided in the Consolidated Revenue Account notes 6.0 and 7.0 respectively. Interests of Members are maintained in a register.

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

Category of Organisation	Nature of Payment / (Receipt)	2004/05 £'000	2005/06 £'000
Engineering & Mechanical Services	Vehicle Hire, Repairs & Maintenance	7	8
National Health Service Bodies & Support Groups	Goods and Services	(4)	36
National Health Service Bodies & Support Groups	Grant Payments	13	105
Housing Associations	Goods and Services	(7)	0
Sports & Social Clubs	Goods and Services	(6)	(1)
Sports & Social Clubs	Grant Payments	0	47
Community Councils, Associations & Services	Goods and Services	(186)	794
Community Councils, Associations & Services	Grant Payments	2,276	1,831
Childrens' Clubs & Associations	Goods and Services	0	12
Childrens' Clubs & Associations	Grant Payments	4	33
Educational & Cultural Establishments	Goods and Services	(571)	(614)
Educational & Cultural Establishments	Grant Payments	0	153
Government Bodies, Associations & Staff	Goods and Services	101	156
Government Bodies, Associations & Staff	Grant Payments	0	(50)
Private Companies	Goods and Services	145	108

Rhondda Cynon Taf Pension Fund

The Group Director - Corporate Services is also the responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.3m in respect of administration and support during financial year 2005/06. Specific details relating to contributions to the Pension Fund can be found in note 8.0 to the Consolidated Revenue Account. The amount owed from the Pension Fund to the Council as at 31st March 2006 is £65k.

Associated Companies

The Council has an interest in three companies, these being Amgen Cymru, Amgen Rhondda and the Model House Llantrisant Ltd. Further details of each are given in note 26.0 to the Consolidated Balance Sheet and note 3 to the Introduction to Group Accounts. During 2005/06 the following related party transactions took place with the associated companies:

Amgen Cymru

Royalties of £333k were billed by the Council to Amgen Cymru, and the company agreed to contribute £170k towards the Council's waste strategy. At 31st March 2006 £239k was outstanding.

The Council paid Amgen Cymru £2,827k in respect of waste management and waste disposal charges, with £451k due to the company at the year-end.

Amgen Rhondda

The Council paid Amgen Rhondda £452k in respect of site management fees, with £39k outstanding at 31st March 2006.

During the year the Council purchased additional preference shares in the company at a cost of £1.42m. The investment in Amgen Rhondda was written down by £1.29m to reflect the revised value of the net assets of the company.

At 31st March 2006 the Council had a commitment of £1.1m to fund further remedial works at the Nantgwyddon Landfill site.

Glamorgan Archives Joint Committee

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

During 2005/06, this Council contributed to the Joint Committee an amount of £179k. This was calculated proportionately based upon population. As at 31st March 2006 the Council held cash balances relating to Glamorgan Archives of £637k.

Glamorgan Engineering Consultancy

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

During 2005/06, this Council was charged £4.7m in respect of Consultancy Fees incurred. As at 31st March 2006 the Council held cash balances relating to Glamorgan Engineering Consultancy of £3.2m.

Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council. During 2005/06, the Council charged Llwydcoed Crematorium £18k in respect of Central Establishment Charges. As at 31st March 2006 the Council held cash balances relating to the Crematorium of £517k.

17.0 Audit Fees

In 2005/06 the Council incurred the following fees relating to external audit and inspection:

Category of Wales Audit Office Fee	2004/05 £'000	2005/06 £'000
External audit services carried out by the appointed auditor	375	371
Statutory inspection	45	47
Certification of grant claims and returns	271	229
Other services provided by the appointed auditor	1	0
Total	692	647

18.0 Building Control

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

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

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

The following statement shows the total cost of operating the building control unit for 2005/06 analysed between chargeable and non-chargeable activities.

Trading Account For Building Control						
	2004/05			2005/06		
	Charge-able (69%) £'000	Non-charge-able (31%) £'000	Total Building Control £'000	Charge-able (67%) £'000	Non-charge-able (33%) £'000	Total Building Control £'000
Employee Expenses	208	93	301	233	115	348
Transport	18	8	26	20	10	30
Supplies & Services	2	1	3	4	2	6
Cent & Supp Serv Charges	168	76	244	90	44	134
Total Expenditure	396	178	574	347	171	518
	Charge-able (100%) £'000	Non-charge-able £'000	Total Building Control £'000	Charge-able (100%) £'000	Non-charge-able £'000	Total Building Control £'000
Building Reg Charges	(478)	0	(478)	(484)	0	(484)
Total Income	(478)	0	(478)	(484)	0	(484)
(Surplus)/Deficit for Year	(82)	178	96	(137)	171	34

19.0 Private Finance Initiative

During 2003/04 financial year, the Council entered into a Private Finance Initiative (PFI) arrangement for the provision of a Lifelong Learning Centre at Garth Olwg. The arrangement will run until September 2030. There is a commitment of £113.773m over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Assembly Government, and Council/Delegated School resources.

Details of the committed spend is as follows:

Years	£'000
1-5	18,225
6-10	21,050
11-15	22,377
16-20	23,878
21-25	28,243
Total	113,773

Please also refer to note 22.0 to the Consolidated Balance Sheet.

Consolidated Balance Sheet as at 31st March 2006

31/03/05			Note	31/03/06	
£'000				£'000	£'000
4,082	Fixed Assets	<u>Intangible Fixed Assets</u>	1.0	2,508	
		<u>Tangible Fixed Assets</u>			
		<u>Operational Assets</u>	2.0		
275,878		Council Dwellings		264,876	
301,097		Other Land & Buildings		333,277	
6,544		Vehicles, Plant & Equipment		19,818	
230,673		Infrastructure Assets		229,806	
1,585		Community Assets		337	
		<u>Non Operational Assets</u>	2.0		
160		Investment Properties		146	
4,990		Miscellaneous Properties		8,252	
14,894		Surplus Assets		24,778	
28,487		Assets Under Construction		61,961	
868,390					945,759
50		Long Term Investments		50	
2,927		Investment in Companies	26.0	3,060	
1,966		Long Term Debtors	3.0	1,586	4,696
873,333		TOTAL LONG TERM ASSETS			950,455
1,001	Current Assets	Stocks & Work in Progress	4.0	767	
38,531		Debtors	5.0	52,454	
(7,082)		Bad and Doubtful Debt Provision	5.0	(7,852)	
49,900		Short Term Investments	6.0	29,180	
171		Cash In Hand	7.0	181	74,730
955,854		TOTAL ASSETS			1,025,185
(4,943)	Current Liabilities	Short Term Borrowing	8.0	(1,427)	
(65,221)		Creditors	9.0	(52,209)	
(5,043)		Bank Overdraft	10.0	(8,301)	(61,937)
880,647		TOTAL ASSETS LESS CURRENT LIABILITIES			963,248
(319,935)	Long Term Liabilities	Long Term Borrowing	11.0	(336,591)	
(1,334)		Deferred Liabilities	12.0	(1,275)	
(9,986)		Provisions	13.0	(8,765)	
(373,620)		Defined Pension Scheme Liability	31.0	(380,010)	(726,641)
175,772		TOTAL ASSETS LESS LIABILITIES			236,607
	Represented by :-				
(391,086)	Capital	Fixed Asset Restatement Account	14.0	(404,242)	
(64,690)	Reserves	Capital Financing Account	15.0	(54,677)	
(1,024)		Deferred Capital Receipts Reserve	16.0	(763)	
(4,012)		Usable Capital Receipts Reserve	17.0	(2,843)	
(57,910)		Government Grants Deferred	18.0	(118,249)	
(518,722)					(580,774)
373,620	Revenue Reserves	Pensions Reserve	31.0	380,010	
(10,527)		General Fund Balances	19.0	(10,616)	
(1,779)		MGCC Insurance Reserve	20.0	(1,644)	
(1,674)		Housing Revenue Account	21.0	(1,384)	
(17,886)		Earmarked Reserves	23.0	(24,208)	
(7,231)		Delegated Schools	23.1	(5,522)	
8,427		Deferred Premiums	24.0	7,531	344,167
(175,772)	TOTAL EQUITY				(236,607)

Notes to the Consolidated Balance Sheet

1.0 Intangible Fixed Assets

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

Operational Assets	Software	Licences and Trademarks	Total
	£'000	£'000	£'000
Certified Valuation as at 31 st March 2005	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a
Net Book Value as at 31st March 2005	3,673	409	4,082
<u>Movement in 2005/06</u>			
Additions	164	289	453
Reclassifications	(1,496)	0	(1,496)
Depreciation/Amortisation	(437)	(94)	(531)
Net Book Value as at 31st March 2006	1,904	604	2,508

2.0 Tangible Fixed Assets

2.1 Movements in Tangible Fixed Assets

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

Operational Assets	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra- structure	Commun- ity Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation as at 31st March 2005	281,676	313,166	N/a	N/a	N/a	N/a
Accumulated Depreciation	(5,798)	(12,069)	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2005	275,878	301,097	6,544	230,673	1,585	815,777
<u>Movement in 2005/06</u>						
Additions	9,437	13,904	13,656	3,822	0	40,819
Disposals/Demolitions	(5,259)	0	(144)	0	0	(5,403)
Revaluations	41	25,539	1,826	0	4,864	32,270
Reclassifications	14	10,290	1,496	2,388	(6,112)	8,076
Non-Enhancement of Assets	(9,437)	(5,523)	(2,544)	(1,149)	0	(18,653)
Depreciation	(5,798)	(12,030)	(1,016)	(5,928)	0	(24,772)
Net Book Value as at 31st March 2006	264,876	333,277	19,818	229,806	337	848,114

<u>Non-Operational Assets</u>	Investment Properties	Misc. Properties	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Certified Valuation as at 31st March 2005	N/a	N/a	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2005	160	4,990	14,894	28,487	48,531
<u>Movement in 2005/06</u>					
Additions	0	0	0	48,244	48,244
Disposals/Demolitions	0	0	(6,428)	0	(6,428)
Revaluations	61	(926)	10,417	1,818	11,370
Reclassifications	(75)	4,188	5,895	(16,588)	(6,580)
Non-Enhancement of Assets	0	0	0	0	0
Depreciation	0	0	0	0	0
Net Book Value as at 31st March 2006	146	8,252	24,778	61,961	95,137

Deferred charges are wholly written off to revenue in the year they are incurred as no future benefit is received. However, some capital expenditure relates to assets that the Council does not own but does gain future benefit from the expenditure. Where this has occurred, the expenditure is included in the relevant assets categories in the Balance Sheet and written off to revenue over the period the benefit is received. The related balances are included in the table above as follows:

<u>Operational Assets (Deferred Charges)</u>	Other Land & Buildings	Vehicles, Plant & Equipment	Deferred Charges Written off in Year	Total
Certified Valuation as at 31 st March 2005	N/a	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2005	1,887	15	0	1,902
<u>Movement in 2005/06</u>				
Additions	235	0	13,856	14,091
Depreciation/Amortisation	(221)	(2)	(13,856)	(14,079)
Net Book Value as at 31st March 2006	1,901	13	0	1,914

The Council retains ownership of the Welsh Joint Education Committee offices in Western Avenue, Cardiff on behalf of all Welsh Unitary Authorities. They do not form part of the Council's fixed asset portfolio as they are controlled by the WJEC.

The Council's property assets are subject to a five yearly revaluation. On 31st March 2004 the revaluation of the Council's Land & Buildings was completed by Chestertons, and a land review was undertaken by Cooke &

Arkwright. Council Dwellings were also revalued on 31st March 2004 by a RICS qualified Senior Estates Surveyor of the Council's Corporate Estates Division, using the Beacons Principle. The Council now has in place arrangements for a 5 year rolling programme of revaluations, with effect from 1st April 2005.

All revaluations are reflected in the Balance Sheet. For those assets that have not been revalued in the year the Council is not aware of any material change in value.

An analysis of the Council's Fixed Assets is provided at note 2.4 of the Balance Sheet.

The additions to the Council's fixed assets were funded from the following sources:-

<u>Funding Source</u>	Tangible Fixed Assets	Intangible Fixed Assets	Deferred Charges	Total Expenditure on Fixed Assets	Investment in Companies	Total Capital Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	19,678	0	5,340	25,018	1,421	26,439
Capital Receipts	6,441	453	1,406	8,300	0	8,300
Contributions	1,335	0	0	1,335	0	1,335
Grants	61,609	0	7,110	68,719	0	68,719
Total	89,063	453	13,856	103,372	1,421	104,793

2.2 Major Items of Capital Expenditure 2005/06

As can be seen from note 2.1, additions to tangible fixed assets during the year totalled £89m. In addition to the £3.8m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed in the following table:

Scheme	£'000
Recycling Facilities Development	1,324
Rhydyfelin Early Years Centre	1,535
Coed-Y-Lan Comprehensive School	2,209
Porth Relief Road	38,268
Church Village Bypass	1,049
Purchase of New Fleet	10,572
Neighbourhood Renewal Areas	1,840

2.3 Capital Commitments

The major commitments in respect of capital schemes as at 31st March 2006 include the following schemes: -

Scheme	31/03/06 £'000
Neighbourhood Renewal Areas	4,713
Mountain Ash Town Centre	1,930
Customer Services	1,600
Angharad's Walk	1,500
Penderyn Primary School	3,302
Secondary Schools' Sports Halls & Facilities	2,829
Porth Relief Road	32,877
Church Village Bypass	20,300
Nantygwyddon Landfill Site Remedial Works	1,100
Rail Improvement Schemes	25,670
Recycling Facilities Development	2,305
Leisure Centre Refurbishments	2,000

2.4 Analysis of Fixed Assets as at 31st March 2006

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

Asset type	31/03/05	31/03/06
Council Dwellings	10,078	9,838
Sheltered Housing	744	744
Estate Shops	8	8
Caravans	3	3
Municipal Offices Operational	34	33
Municipal Offices Non Operational	26	28
Adult Education Centres	6	6
Schools - Nursery	39	32
- Primary	83	81
- Primary Welsh	14	15
- Secondary	14	14
- Secondary Welsh	5	5
- Special	7	7
Education Youth Centres	13	13
Other Education Establishments	6	5
Libraries	28	28
Homes for the Elderly	13	15
Children's Homes	4	3
Day Centres	32	31
Physical Disability Establishments	3	3
Garden Centre	1	1
Special Sites	5	4
Leisure Centres	8	8
Other Leisure Facilities	31	30
Pools	10	10
Parks/Play Areas	220	236
Community Centres	35	39
Cemeteries	13	14
Country Park	1	1
Industrial Estate	0	1
Depots/Stores	8	7
Tourism – Museum/Theatre	6	6

Continued Overleaf....

Animal Shelter	1	1
Heritage Structures	2	2
War Memorials	20	23
Car Parks	63	67
Bus Stations	0	2
Allotments	6	6
Social Centres	6	6
Miscellaneous Housing Establishments	4	4
Works of Art/Exhibits and Statues	2	2
Assets Under Construction	7	21
<u>Infrastructure: -</u>		
Principal Roads	166.7km	166.7km
Other Roads	1,051.5km	1,057.0km
Trunk Roads	29.0km	29.0km

2.5 Valuation of Fixed 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.

Asset Type	Date Of Last Valuation	Basis Of Valuation
Council Dwellings	31 st March 2004	EUV-SH
Other Land & Buildings	31 st March 2004	EUV
Specialist Building	31 st March 2004	DRC
Vehicles, Plant, Equip.	N/A	Depreciated Historic Cost
Infrastructure	N/A	Depreciated Historic Cost
Community Assets	N/A	Depreciated Historic Cost

EUV-SH	-	Existing Use Value – Social Housing
EUV	-	Existing Use Value
DRC	-	Depreciated Replacement Cost

Non operational assets are valued on the basis of open market value with the exception of Assets Under Construction which are valued at cost.

3.0 Long Term Debtors

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

31/03/05 £'000		31/03/06 £'000
640	Private Mortgages	532
1,024	Council House Mortgages	763
279	Other Local Authorities	276
23	Other Advances	15
1,966	Total	1,586

4.0 Stocks and Work in Progress

Consumable stocks held as at 31st March 2006 are as follows: -

31/03/05 £'000		31/03/06 £'000
873	Stocks	767
128	Work in Progress	0
1,001	Total	767

Work in progress as at 31st March 2005 related to fleet services maintenance work for external contract hire providers. These contracts ceased during 2005/06.

5.0 Debtors

This represents amounts due to the Council at 31st March 2006, less a provision for potentially uncollectable debts, analysed as follows: -

31/03/05 £'000		31/03/06 £'000
12,806	Government Departments	21,716
8,248	Ratepayers / Chargepayers	8,931
706	Housing Rents (Current Tenants)	584
16,529	Sundry Debtors	20,926
0	Sundry Debtors (Pensions)	65
67	Housing Advances	66
38,356		52,288
175	Amounts due after one year:- Car Loans to Employees	166
38,531		52,454
(7,082)	Less Provision for Doubtful Debt	(7,852)
31,449	Total	44,602

6.0 Short Term Investments

Monies received in advance of expenditure requirements are invested on a short term basis. The value of Short Term Investments as at 31st March 2006 was £29.2m (£49.9m as at 31st March 2005).

7.0 Cash In Hand

The balance of £181k represents Cash Floats of £13k and Petty Cash balances of £168k.

8.0 Short Term Borrowing

The Short Term Borrowing balance as at 31st March 2006 was £1.4m (£4.9m as at 31st March 2005). This comprises PWLB loans with maturity of less than one year and temporary loans.

9.0 Creditors

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

31/03/05 £'000		31/03/06 £'000
2,043	Glam. Engineering Consultancy	3,173
5,942	Government Departments	4,021
1,435	Ratepayers / Chargepayers	1,790
453	Housing Rents	425
111	Housing Advances	80
47,608	Sundry Creditors	42,362
1,182	Payments Received in Advance	358
6,447	Pensions	0
65,221	Total	52,209

10.0 Bank Overdraft

The balance of £8,301k shown in the balance sheet represents actual bank balances less un-presented cheques. Any surplus cash is invested daily and shown in Short Term Investments.

11.0 Long Term Borrowing

Borrowing is classified as long term if it matures one year after the balance sheet date. Total borrowing is £338m, of which £337m is long term. This represents borrowing to finance capital expenditure. Current borrowing is from the Public Works Loan Board (£250m), market loans (£87m), and other borrowing (£1m).

Borrowing as at 31st March 2006 is analysed as follows: -

Maturity	31/03/05 £'000	31/03/06 £'000
Repayable on demand	878	896
Within one year	4,379	821
One to two years	821	0
Two to five years	0	0
Five to ten years	0	30,527
Ten to fifteen years	52,527	25,000
More than fifteen years	266,273	280,774
Total	324,878	338,018

PWLB amounts due within one year and other borrowing (£1m) are classed within Short Term Borrowing on the Balance Sheet.

LOBO loans of £85.5m are within “more than fifteen years”. A LOBO is a financial instrument called a “Lender’s Option Borrower’s Option”. It provides a lower rate of interest for the initial period and a higher rate for the rest of its term (reversionary period). At the end of the initial period, the lender has the option to increase the interest rate payable. This provides the Council with the option to repay the loan if the terms are not acceptable. Options to increase the rate occur at six monthly intervals until the end of the loan.

A schedule of LOBO’s currently held by the Council are :

£M	Date taken	Initial Period	Initial Rate	Reversionary Period	Reversionary Rate
15.0	July 03	2 yrs	1.8%	38 yrs	4.5%
16.0	July 03	2 yrs	1.8%	38 yrs	4.5%
31.0	July 04	3 yrs	3.05%	47 yrs	5.0%
23.5	July 04	2 yrs	2.05%	48 yrs	5.0%

12.0 Deferred Liabilities

The liability relates to the Council’s debt in respect of the former Taff Ely Borough Council’s housing stock. This debt is owed to Caerphilly and the Vale of Glamorgan County Borough Councils. The loan management rests with these authorities as a consequence of the Local Government Reorganisation on 1st April 1974. Previously net premia on Debt Rescheduled was entered as a deferred liability. For 2005/06, this amount has now been entered as a revenue reserve, deferred premiums. The net premia from 2004/05 has also been moved from deferred liabilities to deferred premiums.

Liability	31/03/05 £’000	31/03/06 £’000
Vale of Glamorgan CBC	841	792
Caerphilly CBC	493	483
Total	1,334	1,275

13.0 Provisions

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

Provisions are made in respect of the following: -

Provision	31/03/05 £'000	31/03/06 £'000
RCT CBC Insurance	7,990	6,726
MGCC Insurance	871	991
WDA Land Reclamation Schemes	305	388
Works in Default	8	8
MGCC Disaggregation	812	652
Total	9,986	8,765

13.1 Rhondda Cynon Taf Insurance

The Council is liable for insurance claims which are not covered by insurance policies e.g. below excess. An insurance provision is established for these costs. As required by FRS12 the provision is based on the probable ultimate cost of the reported losses at the balance sheet date. The value of the provision as at 31st March 2006 was £7.032m which has been adjusted for internal claims of £306k.

An earmarked reserve is set aside to contribute towards the cost of claims incurred but not yet received. See Consolidated Balance Sheet note 23.0 for further details.

13.2 Mid Glamorgan Insurance Provision and Reserve

The Council retains an insurance provision and reserve for the cost of claims relating to the former Mid Glamorgan County Council. The values held are:

MGCC	£'000
Provision for Outstanding Claims	991
Insurance Reserve	1,644
Total	2,635

If, at some future point, the Mid Glamorgan provision and reserve are deemed to be no longer required, amounts would be distributed to the successor authorities.

13.3 Works in Default

A provision of £8k exists to provide for future costs in respect of maintenance of retaining walls in the vicinity of the highway. Works on the project were completed in 2003/04 but the final invoice has been disputed with the contractor. The level of provision will be reviewed in 2006/07.

13.4 MGCC Disaggregation

The provision relates to estimated liabilities due to other local authorities in respect of MGCC post balance sheet events. The exact values and timing of payments is uncertain. Refer to Balance Sheet note 28.2 for further details.

14.0 Fixed Asset Restatement Account

This account represents the balance of the surplus/deficit resulting from the periodical revaluation of fixed assets. This arises from the difference between the value of fixed assets recorded at net book value (the basis of accounting for fixed assets previously) and their revaluation. This is in accordance with the current capital accounting requirements. The Fixed Asset Restatement Account constitutes the matching entry when fixed assets are restated, either upon revaluation or disposal.

	£'000
Balance as at 1 st April 2005	(391,086)
Revaluation of Assets	(43,640)
Disposal of Fixed Assets	11,831
Non-Enhancement of Fixed Assets	18,653
Balance as at 31st March 2006	(404,242)

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

15.0 Capital Financing Account

This balance of £54.7m is represented by an amount of £62.7m, which is the reserved proportion of capital receipts, and £8.0m relating to capital financing transactions.

	£'000	£'000
Balance as at 1 st April 2005		(64,690)
Reserved Capital Receipts		(3,680)
Usable Capital Receipts		(8,301)
Third Party Contributions		(1,331)
Private Mortgages Written Down		109
HRA Transferred Assets Written Down		(57)
<u>Appropriations to CRA</u>		
Investment Write Back	1,288	
Minimum Revenue Provision	(8,789)	
Depreciation and Amortisation	25,298	
Deferred Government Grants	(8,380)	
Deferred Charges Written off to CRA	13,856	23,273
Balance as at 31st March 2006		(54,677)

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

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

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

16.0 Deferred Capital Receipts Reserve

Deferred Receipts represent the deferred sale proceeds of council houses sold to tenants and financed by the granting of mortgages. It is balanced by a similar amount in long term debtors, being the mortgages outstanding. The balance at 1st April 2005 of £1.024m was reduced by repayments of £261k, leaving a balance at 31st March 2006 of £763k. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available.

17.0 Usable Capital Receipts Reserve

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

Under the Local Government Act 2003, as from 1st April 2004 Local Authorities now have the option in setting aside housing capital receipts to repay debt. The Council has continued to set aside 75% of Right to Buy receipts and 50% of other housing receipts in accordance with the current Housing Subsidy regulations. The Act also states that from 1st April 2004 housing capital receipts can only be used to finance housing capital expenditure.

The movements on the reserve are as follows:

	General Fund	Housing Revenue Account	Total
	£'000	£'000	£'000
Balance as at 1 st April 2005	(4,012)	0	(4,012)
<u>Receipts During the Year:</u>			
Sale of Assets	(5,779)	(4,663)	(10,442)
Mortgage Repayments	(109)	(261)	(370)
Set Aside	0	3,680	3,680
<u>Application During the Year:</u>			
Financing of Capital Expenditure	7,070	1,231	8,301
Balance as at 31st March 2006	(2,830)	(13)	(2,843)

18.0 Government Grants Deferred

The account recognises any grants and contributions which have been applied to finance capital expenditure. For assets which are depreciated an annual contribution to revenue is made from the account, for the useful economic life of the asset, to offset the depreciation charged. Where an asset is financed by grant or contribution but is not depreciated the balance remains in the account.

	£'000
Balance as at 1 st April 2005	(57,910)
Grants/Contributions applied in year	(68,719)
Grants/Contributions written down in year	7,119
Transfer to Asset Management Revenue Account	1,261
Balance as at 31st March 2006	(118,249)

19.0 General Fund Balances

Revenue balances are accumulated working balances held as general reserves. General fund balances relate to general fund services and exclude “ring fenced” Council services such as Housing Revenue Account and Delegated Schools.

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

	£'000
Balance as at 31/03/05	10,527
Increase/(Decrease) in Reserve	89
Balance as at 31/03/06	10,616

20.0 Mid Glamorgan County Council Insurance Reserve

Please refer to note 13.2 for further details.

21.0 Housing Revenue Account

Housing Revenue Account balance relates to the “ring fenced” council housing accounts. Please refer to pages 61 – 64 for further details.

22.0 Private Finance Initiative

The PFI contract has been deemed to be off Balance Sheet, in accordance with the SORP.

The Council meets the costs of the Unitary Charge from its own resources and funding from the Welsh Assembly. The profile of funding from the Assembly reduces annually until the expiry of the contract term whereas the unitary charge payable by the Authority increases annually over the same period. This results in a “surplus” of resources for PFI when compared to payments for the initial period of the contract period. These surplus amounts are set aside in an earmarked reserve as funding required for the later part of the contract period where annual payments are greater than annual resources.

As at 31st March 2006, the balance on the PFI acquisition earmarked reserve is £1,918k.

Please also refer to Consolidated Revenue Account note 19.0 for further details.

23.0 Earmarked Reserves

Earmarked Reserves are amounts set aside from revenue reserves in 2005/06 to meet the Council's committed service initiatives which will result in expenditure being incurred after 31st March 2006.

Balances are as follows:

Reserve	Purpose	31/03/05 £'000	Movement £'000	31/03/06 £'000
Customer Care	To deliver the Council's Customer Care Strategy.	63	269	332
E-Government / Service Re-engineering	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering.	1,191	338	1,529
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.	1,141	592	1,733
Financial Management	Amounts set aside as financial cover for future liabilities.	986	1,404	2,390
Private Finance Initiative	Balance of excess Welsh Assembly Govt support over actual unitary charge payments to reflect the differing expenditure and income profiles.	0	1,918	1,918
Development Fund	To deliver high impact visible improvements to key services as an outcome of the Whole Authority Assessment carried out under the Wales Programme for Improvement.	496	951	1,447
Social Inclusion	To fund activities and projects carried out to improve social inclusion.	661	(388)	273
Capital Developments	Resources required to be set-aside for the funding of the Council's approved 3 year capital programme.	3,391	2,567	5,958
Job Evaluation	Resources set aside for the financial implications of the job evaluation process.	4,800	(298)	4,502
Base Budget 2005/06	Amount set aside in the 2005/06 budget setting process.	765	(765)	0
Prior Year Commitments	Carry forward of funding to finance projects for which commitments have already been made in the prior year.	1,377	141	1,518
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	1,742	28	1,770
Insurance Reserve	To provide for estimated costs of incidents which have occurred during the policy year but have not yet resulted in a claim being received.	1,273	(435)	838
Total		17,886	6,322	24,208
Delegated Schools	Please see note 23.1 for details.	7,231	(1,709)	5,522
Total		25,117	4,613	29,730

23.1 Delegated Schools Reserve

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

The following details illustrate the movement on these balances, and any resulting over or under spend. Overspend figures are shown in brackets.

Type of school	31/03/04 £'000	2004/05 Movement £'000	31/03/05 £'000	2005/06 Movement £'000	31/03/06 £'000
Primary	2,303	614	2,917	(493)	2,424
Secondary	3,538	424	3,962	(1,123)	2,839
Special	281	71	352	(93)	259
Total	6,122	1,109	7,231	(1,709)	5,522

24.0 Deferred Premiums

These amounts relate to discount received or premia incurred on prematurely repaid loans from the Public Works Loan Board as a result of rescheduling debt. The General Fund's share of the net premia is charged to revenue over the life of the replacement loans, whereas the HRA's share is charged to the HRA over the unexpired period of the loans redeemed, up to a maximum of 10 years.

	31/03/05 £'000	31/03/06 £'000
Net Premia on Debt Rescheduled	(8,427)	(7,531)
Total	(8,427)	(7,531)

25.0 Trust Funds and Special Funds

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31st March 2006 are shown as follows and are not included in the Council's Consolidated Balance Sheet. The 2004/05 and 2005/06 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit for the others).

	31/03/05 £'000	31/03/06 £'000
Education & Social Services	157	163
Pontypridd & Districts Institute for the Blind	178	178
Welsh Church Act Fund	5,867	9,693

The Welsh Church Act Fund balance for both 2004/05 and 2005/06 is subject to amendment upon completion of disaggregation finalisation.

26.0 Associated and Subsidiary Companies/Investment in Companies

The Council is required to disclose interests in its associated and subsidiary companies within the Statement of Accounts. From 2005/06 additional disclosures are required consolidating the accounts of any entities meeting the criteria for group accounts into the main financial statements of the authority. The Companies Act defines a parent/subsidiary relationship as being where an organisation owns, directly or indirectly, a majority of the shares (51-100%) or where the organisation effectively controls the company (or has a dominant influence) through some other means. The criteria for an associated company is that of significant influence, which is generally taken as ownership of between 20-50% of the shares of the company.

The Council has a material interest in three companies, these being Amgen Cymru, Amgen Rhondda and the Model House Llantrisant Ltd.

Following a review of the Council's activities Amgen Cymru and Amgen Rhondda meet the criteria of subsidiary companies and have been included in the Group Accounts statement on page 65. Further details of these companies are given in note 3 to the "Introduction to Group Accounts" section, and in note 6.0 to the "Group Balance Sheet".

The Model House Llantrisant Ltd is not considered to meet the criteria for group accounts, and details of the company are given below:

Model House Llantrisant Ltd

This company is registered as limited by guarantee. All the members of the Model House Council are members of the company (and are also directors for the purpose of company law) and guarantee to contribute £1 in the event of liquidation. On 15th January 1991 it became a registered charity (No: 1001533). The Council has an "influence" over the company as 4 out of the 12 Directors are Councillors of Rhondda Cynon Taf County Borough Council. The principal activity of the company is to operate a regional centre of excellence in the field of contemporary craft and design.

The accounts for Model House Llantrisant have been prepared for the year ended 31st March 2006, copies of which are available from the Group Director – Corporate Services, Finance Division, Bronwydd House, Porth, Rhondda, CF39 9DL.

A summary of the accounts is given in the following table:

Model House	2004/05 £'000	2005/06 £'000
Shareholding	0	0
Net Current Assets	21	44
Total Assets less Current Liabilities	38	57
Net Assets	38	57
(Loss)/Profit Before Tax	(15)	19
(Loss)/Profit After Tax	(15)	19
Registration No.	2208104	
Registered Office/Location of Accounts	Model House Craft & Design Centre Bull Ring Llantrisant CF72 8EB	
Auditors	Exempt from Audit	

27.0 Contingent Gains/Assets

27.1 Litigation Case

The legal costs relating to a successful litigation case have now been received (£806k) and included within income in the Consolidated Revenue Account. Thus it is no longer a contingent gain.

27.2 Rhondda Waste Disposal in Administration

Rhondda Waste Disposal Ltd went into administration during the year ended 31st March 1999. Details of the latest Rhondda Waste Disposal Ltd balance sheet are as follows:

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

The Council is advised that the administration process is drawing to a close, the outcome of which is unlikely to have a material effect upon the Council.

28.0 Contingent Liabilities

28.1 Land Reclamation

Grant income has been received from the Welsh Development Agency (WDA) to fully fund Land Reclamation schemes.

Three projects, which commenced prior to Local Government Reorganisation have been qualified by the Wales Audit Office. The amount of expenditure subject to qualification on these schemes is £3.1m, the Council is still awaiting a final decision from the Welsh Assembly Government Department of Enterprise, Innovation and Networks (DEIN), as successor to the WDA, on how these claims are to be treated. Based upon previous WDA decisions, it is anticipated that clawback will not be sought on these grants.

The Council is working closely with the Welsh Assembly Government DEIN and the Wales Audit Office to bring this matter to a close.

28.2 Mid Glamorgan Disaggregation

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

A number of the issues identified by the successor authorities have now been settled. The respective authorities now need to agree to include or exclude these items from the disaggregation process. The accounts of Rhondda Cynon Taf include a provision for the relevant share of the settled claims as it is currently assumed likely that these items will be accepted by the Finance Officers.

Successor authorities have also identified claims that are currently in progress and have yet to be settled. Due to the uncertainty regarding amounts, timing and likelihood of success of the claims, it is not considered appropriate to provide for the costs.

28.3 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 the 31st March 2006. 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.

28.4 Job Evaluation

Rhondda Cynon Taf County Borough Council, in line with other Welsh Councils, is undergoing a Pay and Grading Review, as part of the Single Status Agreement and 2004 National Pay Award Agreement. Job Evaluation is the key to establishing a fair and transparent grading structure throughout the Council. The full costs of implementing the resultant pay and grading structure will not be known until the exercise is completed in around March 2007 for implementation in financial year 2007/08.

29.0 Post Balance Sheet Events

There are no post balance sheet events.

30.0 Euro Costs

The Council continues to monitor the progress and future action required pending the introduction of the Euro single currency. To date there has been no expenditure incurred or committed.

31.0 Retirement Benefits

The purpose of FRS17 is to provide information on future benefits payable in the year the Council is committed to providing them. For further notes relating to FRS17, please refer to the Consolidated Revenue Account note 8.0 and the Statement of Total Movement in Reserves note 2.0.

The Rhondda Cynon Taf Pension Fund is a Local Government Pension Scheme, which is a multi employer defined benefit scheme. The most recent full actuarial valuation was at 31st March 2004, upon which the assumptions for the following disclosures are based.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6th April 2006 will take advantage of this change to the pension scheme.

Our actuaries have included the effect of this transaction within "Actuarial Gains and Losses" which is reported in the Statement of Total Movement in Reserves. Subsequently to our receipt of the actuary's FRS17 calculation,

CIPFA issued LAAP Bulletin 65 which states that these transactions should be treated as Past Service Gains within Non Distributed Costs. It is estimated the impact of this is 1-2% of funded liabilities.

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

	Fair Value (RCT Element)		Proportion		Rate of Return	
	31/03/05 £'m	31/03/06 £'m	31/03/05 %	31/03/06 %	31/03/05 %	31/03/06 %
Equities	251.15	345.60	77	82	7.7	7.3
Property	0	0	0	0	6.7	6.3
Bonds	55.45	59.00	17	14	4.7	4.3
Other	19.57	16.86	6	4	4.8	4.6
Total	326.17	421.46	100	100	7.0	6.8

The fair value of attributable scheme assets is £421.46m and the present value of the scheme liabilities based on actuarial assumptions is £801.47m. This results in a net fund liability of £380.01m.

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

	£m
Surplus (Deficit) 31/03/05	(373.62)
Contributions Paid	27.75
Contributions Towards Unfunded Liabilities	2.27
Current Service Cost	(23.10)
Past Service Cost	(2.38)
Settlement Cost	0
Curtailment Cost	0
Interest Cost	(37.26)
Expected Return on Assets	23.26
Actuarial Gains and Losses:	
Difference between actual and expected returns on assets	61.28
Experience gains and losses arising on scheme liabilities	0.50
Effect of changes in demographic & financial assumptions	(58.71)
Surplus (Deficit) 31/03/06	(380.01)

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

Where the payments made for the year in accordance with the scheme requirements do not match the change in the Council's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised from Council Tax. This is represented by an appropriation to or from the Pensions Reserve, which equals the net change in the Pensions Liability recognised in the Consolidated Revenue Account.

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

32.0 Issuing of Accounts

The Statement of Accounts is publicly available on the Council's internet site, in libraries within Rhondda Cynon Taf and will be distributed to participants in the Council's comprehensive budget setting consultation process.

33.0 Joint Arrangements

The Council has administrative responsibilities for the Glamorgan Record Office, Llwydcoed Crematorium and Glamorgan Engineering Consultancy. Independent financial statements continue to be prepared and audited for each of these joint committees. The Council also participates in joint arrangements for which it does not have administrative responsibility. These are Coychurch Crematorium, the Education Support and Inspection Service, Catalogue Supplies Service and South East Wales Transport Alliance. The activities of these joint arrangements are excluded from the Council's single entity financial statements.

The introduction of Group reporting requirements has refocused attention on the accounting treatment of joint committees and the previously accepted accounting treatment is not now considered to be compliant with the requirements of the SORP. This Council will now liaise with other participant Councils to ensure a coordinated and consistent approach to the accounting treatment is introduced.

Statement of Total Movements in Reserves 2005/06

2004/05		2005/06	
		£'000	£'000
	Surplus / (deficit) for the year		
(297)	- General Fund	89	
(228)	- Housing Revenue Account	(290)	
2,183	Add back movements on specific revenue reserves – earmarked reserves & MGCC insurance reserve	4,478	
(9,670)	Deduct Appropriation from Pension Reserve	(9,460)	
(97,250)	Actuarial Gains and (Losses) relating to Pensions (Note 2.0)	3,070	
(6,426)	Movements on Deferred Premiums	896	
(111,688)	Total increase / (decrease) in revenue reserves		(1,217)
(7,878)	Increase / (decrease) in usable capital receipts	(1,169)	
0	Increase / (decrease) in unapplied capital grants and contributions	0	
(7,878)	Total increase / (decrease) in realised capital resources (Note 3.0)		(1,169)
(15,897)	Gains / (losses) on revaluation of fixed assets	24,987	
0	Impairment losses on fixed assets due to general changes in prices	0	
(15,897)	Total increase / (decrease) in unrealised value of fixed assets (Note 4.0)		24,987
(16,056)	Value of assets sold, disposed of or decommissioned (Note 5.0)		(11,831)
21,519	Capital receipts set aside	11,981	
(23,887)	Revenue resources set aside	(21,994)	
26,429	Movement on Government Grant Deferred	60,339	
(301)	Movement on Deferred Capital Receipts	(261)	
23,760	Total increase / (decrease) in amounts set aside to finance capital investment (Note 6.0)		50,065
(127,759)	Total Recognised Gains / (Losses)		60,835

Notes to the Statement of Total Movements in Reserves

1.0 Movements in Revenue Resources

Please refer to the Consolidated Revenue Account note 8.0 and Balance Sheet note 31.0 for further details on actuarial gains and losses.

	General Fund Balances £'000	HRA Balances £'000	Specific Revenue Reserves £'000	Pensions Reserve £'000	Deferred Premiums £'000	Total £'000
Surplus/ (Deficit) for 2005/06	89	(290)	0	0	0	(201)
Appropriations to/from Revenue	0	0	4,478	(9,460)	896	(4,086)
Actuarial Gains and Losses relating to Pensions	0	0	0	3,070	0	3,070
Balance as at 01/04/2005	10,527	1,674	26,896	(373,620)	(8,427)	(342,950)
Balance as at 31/03/2006	10,616	1,384	31,374	(380,010)	(7,531)	(344,167)

Note: Deferred premiums entered as a revenue reserve in the Balance Sheet for 2005/06. Previously entered as a deferred liability. Balance as at 01/04/2005 also amended for comparator figures.

2.0 Actuarial Gains and Losses

The Actuarial Gains and Losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured in absolute amounts and as a percentage of assets and liabilities.

	2002/03 £'000	%	2003/04 £'000	%	2004/05 £'000	%	2005/06 £'000	%
Difference between actual and expected returns on assets	(103,700)	36	43,040	12	5,380	1.6	61,280	14.5
Experience gains and losses on Pensions liabilities	0		(5,540)	0.9	25,510	3.6	500	0.1
Changes in assumptions underlying the present value of liabilities	0		(8,370)	1.3	(128,140)	-18.3	(58,710)	-7.3
Total Actuarial Gains & Losses	(103,700)		29,130		(97,250)		3,070	

Note: 2003/04 was the first year where local authorities were required to disclose information fully in accordance with FRS 17.

3.0 Movements in Realised Capital Resources

2004/05 £'000		2005/06 £'000
Usable Capital Receipts		Usable Capital Receipts
13,641	Amounts receivable	10,812
(5,925)	Amounts set aside	(3,680)
(15,594)	Amounts applied to finance new capital investment	(8,301)
(7,878)	Total increase / (decrease) in realised capital resources	(1,169)
11,890	Balance brought forward	4,012
4,012	Balance carried forward	2,843

4.0 Movements in Unrealised Value of Fixed Assets

2004/05 £'000		2005/06 £'000
Fixed Asset Restatement Account		Fixed Asset Restatement Account
(15,897)	Gains / (losses) on revaluation of fixed assets	24,987
0	Impairment losses on fixed assets due to general price changes	0
(15,897)	Balance carried forward	24,987

5.0 Value of Assets Sold, Disposed of or Decommissioned

2004/05 £'000		2005/06 £'000
Fixed Asset Restatement Account		Fixed Asset Restatement Account
(15,897)	From Note 4.0	24,987
(16,056)	Amounts written off fixed asset balances for disposals	(11,831)
(31,953)	Total movement on reserve	13,156
423,039	Balances brought forward	391,086
391,086	Balance carried forward	404,242

6.0 Movements in Amounts Set Aside to Finance Capital Investment

2004/05				2005/06		
£'000	£'000	£'000		£'000	£'000	£'000
Capital Financing Account	Deferred Capital Receipts	Govt Grants Deferred		Capital Financing Account	Deferred Capital Receipts	Govt Grants Deferred
5,925			Capital receipts set aside	3,680		
15,594			- reserved receipts	8,301		
	(301)		- usable receipts applied		(261)	
			- deferred capital receipts			
21,519			Total capital receipts set aside	11,981		
			Revenue resources set aside			
710			- capital exp. financed from revenue	0		
601			- capital exp. financed from conts.	1,331		
0			- Government Grants	0		
0			- Payment of Premia	0		
(25,089)			- release of CFA	(23,273)		
(109)			- Other	(52)		
(23,887)			Total revenue resources set aside	(21,994)		
			Grants/contributions written down in year			(7,119)
		30,234	Grants applied to capital investment			68,719
		(3,805)	Amounts credited to AMRA			(1,261)
		26,429	Movement on Govt Grants Deferred			60,339
(2,368)	(301)	26,429	Movement on reserves	(10,013)	(261)	60,339
67,058	1,325	31,481	Balance brought forward	64,690	1,024	57,910
64,690	1,024	57,910	Balance carried forward	54,677	763	118,249

Cashflow Statement 2005/06

2004/05		2005/06	
£'m		£'m	£'m
	<u>Revenue Activities</u>		
	<u>Cash Outflows</u>		
295.9	Cash paid to and on behalf of employees	294.9	
282.0	Other operating cash payments	317.7	
26.5	Housing benefit paid out	28.9	
37.3	National non-domestic rate payments to national pool	40.3	
9.3	Precepts paid	9.7	691.5
	<u>Cash Inflows</u>		
(7.9)	Rents (after rebates)	(7.6)	
(54.2)	Council tax receipts	(58.0)	
(49.5)	National non-domestic rate receipts from national pool	(47.2)	
(37.4)	Non-domestic rate receipts	(42.5)	
(218.0)	Revenue support grant	(236.0)	
(59.2)	DWP grants for benefits	(62.4)	
(62.0)	Other government grants	(71.3)	
(154.0)	Cash received for goods and services	(166.9)	(691.9)
8.8	Net Cash (Inflow)/Outflow from Revenue Activities		(0.4)
	<u>Returns on Investments and Servicing of Finance</u>		
15.0	Interest paid	15.1	
(1.7)	Interest received	(2.8)	12.3
	<u>Capital activities</u>		
	<u>Cash Outflows</u>		
56.9	Purchase of fixed assets	108.0	108.0
	<u>Cash Inflows</u>		
(13.8)	Sale of fixed assets	(10.8)	
(33.7)	Capital grants received	(69.4)	
(1.1)	Other capital cash receipts	(2.6)	(82.8)
30.4	Net Cash (Inflow)/Outflow before Financing		37.1
	<u>Financing</u>		
	<u>Cash Outflows</u>		
77.8	Repayments of amounts borrowed	4.6	
	<u>Cash Inflows</u>		
(100.0)	New loans raised	(17.8)	(13.2)
8.2	(Increase)/Decrease in cash & equivalents		23.9

Notes to the Cashflow Statement

1.0 Reconciliation of Consolidated Revenue Account to Cash flow

2004/05 £'m		2005/06 £'m
0.3	Consolidated revenue A/C (surplus) / deficit	(0.1)
(8.4)	Depreciation/MRP adjustment	(8.8)
(2.0)	Net transfers from reserves	(4.2)
23.5	(Increase)/Decrease in creditors	10.3
3.3	Increase/(Decrease) in debtors	13.7
0.2	Increase/(Decrease) in stocks	(0.2)
2.6	(Increase)/Decrease in provisions	1.2
(13.2)	Financing items	(15.6)
2.5	Other items	0
8.8	Cash (inflow)/outflow from revenue items	(3.7)

2.0 Movements in Cash and Cash Equivalents

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

	31/03/05 £'m	31/03/06 £'m	Movement £'m
Cash in Hand	0.2	0.2	0.0
Bank balance (o/d)	(5.1)	(8.3)	(3.2)
S/term investments	49.9	29.2	(20.7)
Total	45.0	21.1	(23.9)

3.0 Net Financing 2005/06

The net decrease in financing of £13.2m shown in the statement is derived from the movements in both short and long term borrowing as reflected in the consolidated balance sheet: -

	31/03/05 £'m	31/03/06 £'m	Movement £'m
Long term borrowing	319.9	336.6	16.7
Short term borrowing	4.9	1.4	(3.5)
Total	324.8	338.0	13.2

4.0 Government Grants

Government grants shown in the statement are analysed below: -

2004/05 £'m		2005/06 £'m
	<u>Revenue</u>	
0.1	Housing Subsidy	0
1.5	Mandatory Awards	1.2
2.0	GEST	2.5
58.4	Other	67.6
62.0	Total	71.3
	<u>Capital</u>	
7.7	Transport Grant	40.5
11.2	Other grants	13.5
4.5	Objective 1/LRF	4.2
2.7	Capital Grant	3.7
7.6	Major Repairs Allowance	7.5
33.7	Total	69.4

5.0 Reconciliation of Net Cashflow to Movement in Net Debt

	£'m
(Decrease) / increase in cash	(23.9)
Cash to reduce net debt	(13.2)
Change in net debt	(37.1)
Net Debt 01/04/05	(279.8)
Net Debt 31/03/06	(316.9)

6.0 Analysis of Changes in Net Debt

	01/04/05 £'m	Cashflows £'m	Other £'m	31/03/06 £'m
Short term investments	49.9	(20.7)	0	29.2
Short term borrowing	(4.9)	7.9	(4.4)	(1.4)
Bank overdraft	(5.1)	(3.2)	0	(8.3)
Cash in hand	0.2	0	0	0.2
Long term borrowing	(319.9)	(21.1)	4.4	(336.6)
Total	(279.8)	(37.1)	0	(316.9)

Housing Revenue Account 2005/06

	2004/05 £'000	2005/06 £'000
INCOME		
Dwelling Rents	(25,216)	(25,317)
Non Dwelling Rents	(358)	(371)
Charges for Services and Facilities	(918)	(881)
Total Income	(26,492)	(26,569)
EXPENDITURE		
Management and Maintenance	15,511	16,966
Rents, Rates, Taxes and Other Charges	325	302
Housing Subsidy Payable	107	421
Increase in Provision for Bad and Doubtful Debts	347	68
Cost of Capital Charge	10,190	9,773
Depreciation and Impairment of Fixed Assets	5,949	5,958
Sums directed by the Welsh Assembly Government	196	98
Debt Management Costs	51	51
Total Expenditure	32,676	33,637
Net Cost Of Services	6,184	7,068
Net HRA Income or Expenditure on the AMRA	(4,312)	(4,493)
Amortised Premiums or Discounts	851	851
HRA Interest and Investment Income	(156)	(127)
Net Operating Expenditure	2,567	3,299
HRA Share of Contributions to / (from) Pensions Reserve	286	324
HRA Revenue Contributions to Capital Expenditure	710	0
HRA Contributions to / (from) HRA Capital Financing Account	(3,335)	(3,333)
Net Deficit/(Surplus) for Year	228	290
Reserve Balance b/fwd as at 1st April 2005	(1,902)	(1,674)
Reserve Balance c/fwd as at 31st March 2006	(1,674)	(1,384)

Notes to the Housing Revenue Account

1. Revised HRA Accounting Framework

From 2005/06 Local Authorities in Wales are required to prepare the HRA on a resource accounting basis. This has resulted in a number of technical amendments to the HRA that presents it in a similar format to the Consolidated Revenue Account of the Council. Further details of the required adjustments are given in the following notes.

The 2004/05 comparator figures have been restated in line with the new requirements.

2. Rental Income

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

3. Dwelling Rents

This represents rent income due from tenants. The average rent per week as at 31st March 2006 was £47.48 (less voids) compared to £45.70 (less voids) per week as at 31st March 2005. The Welsh Assembly Government sets the maximum level of rent increase for each authority. The Guideline Rent increase for the Council was £1.83 in 2005/06.

4. Rent Arrears

Rent arrears as at 31st March 2006 amount to some £1.66m (£1.6m as at 31st March 2005). The provision for bad debts in respect of these rent arrears is £1.17m (£1.14m as at 31st March 2005).

5. Capital Expenditure

Capital expenditure on HRA assets totalled £9.437m in 2005/06 (£10.310m in 2004/05), and was funded from the following sources:

Funding Source	Council Dwellings £'000	Other £'000	Total £'000
Major Repairs Allowance	7,500	0	7,500
Grants	442	0	442
Housing Capital Receipts	1,029	202	1,231
General Fund Capital Receipts	264	0	264
Total	9,235	202	9,437

6. Capital Receipts

Total capital receipts received in the year amounted to £4.924m (£7.912m in 2004/05). Usable capital receipts from the sale of HRA assets were £1.231m in 2005/06 (£1.978m in 2004/05). £3.680m has been set aside to repay debt (£5.925m in 2004/05).

7. Capital Charges

Net Cost of Services bears charges based on the current value of fixed assets. The charges are the following:-

- Notional Interest, which is charged at a rate specified annually by the Government. The rates for 2005/06 were 3.5% for assets at current value and 4.95% for assets carried at historic cost.

- Depreciation is charged on a straight-line basis on all tangible fixed assets with a finite useful life, excluding non-depreciable land. Council dwellings have an asset life of 50 years. Estate garages and shops have a 15 year and 30 year asset life respectively. All other assets' lives have been identified on an individual basis.
- Amortisation of intangible fixed assets is charged on a straight-line basis in line with the number of years that benefit is received, which is identified on an individual basis.
- Impairment costs, when the value of a fixed asset falls below the value it is currently held at in the Balance Sheet and Asset Register.

Within AMRA, the above charges are reversed and replaced with actual external interest. Deferred Government Grants are also credited to AMRA.

The items within AMRA are analysed below:-

		2005/06 £'000	
Charges	Depreciation	5,894	
	External Interest	5,377	
Credits	Deferred Government Grants	(176)	11,271
	Reverse Depreciation charged to Net Cost of Services	(5,894)	
	Reverse Notional Interest charged to Net Cost of Services	(9,694)	
			(15,764)
Net HRA Income or Expenditure on AMRA			(4,493)

HRA Contributions to / (from) HRA Capital Financing Account reverses the Depreciation charge in AMRA, reverses the Deferred Government Grants in AMRA and charges MRP to the HRA.

		2005/06 £'000
Minimum Revenue Provision		2,385
Depreciation		(5,894)
Deferred Government Grants		176
HRA Contribution to / (from) HRA Capital Financing Account		(3,333)

8. Depreciation Charges

The total depreciation charge for HRA assets in 2005/06 is shown below:

Asset Type	£'000
Council Dwellings	5,798
Land & Buildings	32
Vehicles, Plant & Equipment	64
Total Council Owned Assets	5,894
Transferred Assets	64
Total Charge to HRA	5,958

9. Rent Rebates (Housing Benefits)

Assistance with rent is available under the Housing Benefits scheme for those on low income. As at 31st March 2006 some 76.1% of the Council's tenants were receiving help with the cost of rent.

10. Sums Directed by the Welsh Assembly Government (WAG)

In 2004/05 ministers decided that, for a two-year period, authorities should be permitted to make transfers up to a specified amount between their HRA and Council Fund.

These transfers will allow the authority to phase in the impact on their Council Fund of any additional costs arising from the transfer of rent rebates from the HRA to the Council Fund.

11. Housing Stock

The Council was responsible for managing, on average, some 10,703 dwellings during 2005/06 (11,099 during 2004/05).

The total number of dwellings held at 31st March 2006 was 10,585, made up as follows:

Type	1 Bed room	2 Bed room	3 Bed room	4 Bed room	6 Bed room	Total
Bungalow	149	98	8	0	0	255
Bedsit	219	0	0	0	0	219
Caravan	3	0	0	0	0	3
Flat	1,843	1,712	84	0	0	3,639
House	39	1,407	4,917	103	3	6,469
Total	2,253	3,217	5,009	103	3	10,585

As at the 31st March 2006 95.82% of properties were available for letting compared with 95% as at 31st March 2005.

On 18th January 2006, a Council decision was made to progress to a tenant ballot for the transfer of Council Housing Stock to a new not-for-profit Registered Social Landlord, using the Community Mutual model.

12. Pension Costs

The HRA has been amended for FRS17 with Pensions Contributions Paid replaced by Current Service Costs, as calculated by the Actuary. There has been no adjustment for Interest Costs and Actuarial Gains and Losses, as no reliable estimates for the HRA can be calculated. This adjustment has credited £324k to "Management and Maintenance" and debited "HRA share of contributions to/from pensions reserve", thus nil effect on the HRA.

For further notes relating to FRS17, please refer to the Consolidated Revenue Account note 8.0, Balance Sheet note 31.0 and the Statement of Total Movements in Reserves note 2.0.

Group Accounts

1. Introduction

To reflect the changing nature of service provision in the public sector, the 2004 Statement of Recommended Practice (SORP) introduced a requirement for local authorities 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. For 2004/05 the Council adopted the transitional arrangements permitted by the SORP. Full group accounts with prior-year comparators have been prepared for the first time in 2005/06.

The group financial statements comprise of:

- Statement of Group Accounting Policies
- Group Income and Expenditure Account
- Group Balance Sheet
- Group Statement of Total Movements in Reserves
- Group Cashflow Statement

2. Basis of Consolidation

It is a requirement that Group Accounts are prepared using consistent accounting polices, more closely aligned to UK Generally Accepted Accounting Practice (UK GAAP) than currently set out in the Code of Practice on Local Authority Accounting. The main amendments to the single entity and company accounts are:

- The Asset Management Revenue Account (AMRA) does not exist under UK GAAP, and therefore the entries charged to this account must be removed and shown against the appropriate service in the Group Income and Expenditure Account.
- Entities must fully implement FRS17 (Retirement Benefits) into their accounting statements.
- Fixed asset valuations should be based on the measurement principles given in the Statement of Recommended Practice (SORP), which generally means assets are carried at a current valuation.

3. Bodies Consolidated

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

- **Amgen Cymru** – 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’. The principal activities of the company are the provision of waste management services and waste disposal facilities. The Council has a 100% interest in the company of £2.8m.
- **Amgen Rhondda** – This company was set up during September 1999 as a wholly owned subsidiary of Amgen Cymru. The principal activity of the company is the stewardship of waste management and waste disposal facilities. The company has taken over the running of Nantgwyddon Landfill site from Rhondda Waste Disposal Limited, which went into liquidation during the year ended 31st 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 County Borough Council holds 100% of the voting rights of Amgen Cymru, who in turn hold 100% of the voting rights of Amgen Rhondda.

The SORP requires that group accounts are prepared, wherever practicable, to the same financial year-end and for the same accounting period for the parent and any subsidiaries. For the Amgen group of companies the financial year runs from 1st June to 31st May, and therefore interim financial statements have been prepared for the consolidated accounts. These are based on two months of the audited accounts for the financial year ending 31st May 2005, and ten months of the management accounts for the period ending 31st March 2006.

Rhondda Waste Disposal Limited (In Administration) is no longer trading and as a result it has not been consolidated into the group statements. The administration process is drawing to a close, the outcome of which is unlikely to have a material impact upon the Council.

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 (shown on pages 11 to 18), with the exception of the following items:

1. **Tangible Fixed Assets**

Amgen Cymru and Amgen Rhondda fixed assets are valued in the company balance sheets at depreciated historical cost. Although this accounting policy is not consistent with that used by the authority, 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 authority, they have been consolidated into the Group Balance Sheet on this basis.

2. **Government Grants**

Under UK GAAP, where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the income received is deferred and released to the Group Income and Expenditure Account over the life of the asset to which it relates. In the single entity accounts the income is released to the Asset Management Revenue Account. Further details of this adjustment are given in notes 1.0 and 2.0 to the Group Income and Expenditure Account.

3. **Basis of Charges for Use of Fixed Assets**

Notional interest charges are not applicable under UK GAAP, and therefore should not be included in the Group Income and Expenditure Account. Depreciation is charged to services on a straight line basis and these charges are included above Net Cost of Services in the Group Income and Expenditure Account. This adjustment is detailed in notes 1.0 and 2.0 to the Group Income and Expenditure Account.

4. **Finance Leases**

Assets obtained under finance leases are capitalised in the Group Balance Sheet. The interest element of these obligations is charged to the Group Income and Expenditure Account over the relevant period. The capital element of future payments is treated as a liability.

5. Pensions

Amgen Cymru makes pension contributions in respect of defined benefit and defined contribution schemes. Due to the small number of members in the defined benefit scheme it is considered that the disclosures required under FRS17 for the company would not have a material impact on the group accounts. Amgen Rhondda makes contributions in respect of a defined contribution scheme only. For these reasons the pension costs charged to the Group Income and Expenditure Account in respect of the Amgen companies represent the actual contributions paid in the year.

Group Income and Expenditure Account for the year ended 31st March 2006

2004/05 Net Exp £'000		Note	2005/06		
			Gross Exp £'000	Gross Income £'000	Net Exp £'000
	Continuing Operations				
2,114	Central Services to the Public		21,884	(20,168)	1,716
52,833	Cultural, Environmental and Planning	3.0	88,890	(33,602)	55,288
157,340	Education Services		213,878	(47,348)	166,530
15,699	Highways, Roads and Transportation		32,986	(12,971)	20,015
7,586	Housing Services		91,536	(87,142)	4,394
78,821	Social Services		126,916	(37,398)	89,518
6,963	Corporate and Democratic Core		11,335	(3,425)	7,910
5,023	Non Distributed Costs		4,843	(550)	4,293
326,379	Net Cost of Services	1.0	592,268	(242,604)	349,664
	Precepts: -				
8,173	South Wales Police Authority		8,385	0	8,385
1,162	Community Councils		1,276	0	1,276
11,715	Levies		11,607	0	11,607
(1,779)	Interest and Investment Income		5	(2,732)	(2,727)
139	(Surplus)/Deficit on Trading Activities		20,824	(21,003)	(179)
14,580	Interest Payable		15,400	0	15,400
852	(Gains)/Losses on the Repurchase of Borrowing		896	0	896
14,560	Pensions Interest Cost and Expected Return on Pensions Assets		37,260	(23,260)	14,000
23	Taxation of Group Entities		17	0	17
375,804	Net Operating Expenditure		687,938	(289,599)	398,339
(228)	Transfer of HRA Surplus/(Deficit) to Reserves				(290)
(498)	Transfer to/(from) MGCC Insurance Reserve				(135)
(24,300)	Release of Capital Financing Account				(21,985)
2,681	Net Contributions to/(from) Earmarked Reserves				4,613
(9,670)	Contribution from Pensions Reserve				(9,460)
523	Appropriation to/(from) Group I&E Reserve				(1,116)
344,312	Amount to be met from Government Grants/Local Taxpayers				369,966
(227,670)	General Government Grants				(250,590)
(47,428)	NNDR Pool Contribution				(47,203)
(68,917)	Net Proceeds of Council Tax				(72,262)
297	Net General Fund (Surplus) / Deficit				(89)
(10,824)	Balance on General Fund Brought Forward				(10,527)
0	Movement Between Reserves				0
(10,527)	Balance on General Fund Carried Forward				(10,616)

Notes to the Group Income and Expenditure Account

These notes should be read in conjunction with the notes to the Council's Consolidated Revenue Account on pages 20 to 32. Unless specifically identified below, the information provided for the single entity accounts also applies to the group statements.

1.0 Adjustments to Reflect UK GAAP

The following adjustments have been made to the Council's Revenue Account to meet the requirements of UK GAAP prior to group consolidation:

	2005/06				
	Original CRA £'000	Reverse Notional Interest (note 2.0) £'000	Allocate Govt Grants (note 2.0) £'000	Other Adjust. (note 2.0) £'000	Revised CRA £'000
Continuing Operations					
Central Services to the Public	1,725	(9)	0	0	1,716
Cultural, Environmental and Planning	58,347	(2,883)	(38)	0	55,426
Education Services	174,196	(7,104)	(562)	0	166,530
Highways, Roads and Transportation	31,693	(11,334)	(344)	0	20,015
Housing Services	14,296	(9,694)	(208)	0	4,394
Social Services	90,376	(774)	(84)	0	89,518
Corporate and Democratic Core	8,598	(663)	(25)	0	7,910
Non Distributed Costs	4,326	(33)	0	0	4,293
Net Cost of Services	383,557	(32,494)	(1,261)	0	349,802
Precepts: -					
South Wales Police Authority	8,385	0	0	0	8,385
Community Councils	1,276	0	0	0	1,276
Levies	11,607	0	0	0	11,607
Asset Management Revenue Account	(18,371)	32,508	1,261	(15,398)	0
Interest and Investment Income	(2,674)	0	0	0	(2,674)
(Surplus)/Deficit on Trading Activities	(165)	(14)	0	0	(179)
Interest Payable	0	0	0	15,398	15,398
(Gains)/Losses on the Repurchase of Borrowing	896	0	0	0	896
Pensions Interest Cost and Expected Return on Pensions Assets	14,000	0	0	0	14,000
Net Operating Expenditure	398,511	0	0	0	398,511
Transfer of HRA Surplus/(Deficit) to Reserves	(290)	0	0	0	(290)
Transfer to/(from) MGCC Insurance Reserve	(135)	0	0	0	(135)
Release of Capital Financing Account	(23,273)	0	0	0	(23,273)
Net Contributions to/(from) Earmarked Reserves	4,613	0	0	0	4,613
Contribution from Pensions Reserve	(9,460)	0	0	0	(9,460)
Appropriation to/(from) Group I&E Reserve	0	0	0	0	0
Amount to be met from Government Grants/Local Taxpayers	369,966	0	0	0	369,966

2.0 Elimination of Asset Management Revenue Account

The following adjustments represent the elimination of the AMRA as required under UK GAAP:

	2004/05 £'000	2005/06 £'000
Notional Interest Charges to Services removed	(33,115)	(32,494)
Government Grants Deferred credited to Services	(1,760)	(1,261)
Depreciation on 'Non-Charged' items to Services	5	0
Effect on Net Cost of Services	(34,870)	(33,755)
Notional Interest Charges to Trading Activities removed	(7)	(14)
External Interest	14,579	15,398
AMRA Balance Removed	20,298	18,371
Effect on Net Operating Expenditure	0	0

3.0 Segmental Analysis

The operating income and expenditure of Amgen Cymru and Amgen Rhondda has been included within Cultural, Environmental and Planning services.

4.0 Publicity

During 2005/06 the group spent a total of £2,004k in respect of the following:

Category	2004/05 £'000	2005/06 £'000
Recruitment advertising	843	541
General advertising	1,080	1,083
Other publicity	451	380
Total	2,374	2,004

Group Balance Sheet as at 31st March 2006

31/03/05			31/03/06	
£'000		Note	£'000	£'000
4,082	Fixed Assets		2,508	
	<u>Intangible Fixed Assets</u>			
	<u>Tangible Fixed Assets</u>	1.0		
	<u>Operational Assets</u>			
275,878	Council Dwellings		264,876	
304,371	Other Land & Buildings		337,543	
6,589	Vehicles, Plant & Equipment		20,076	
210	Landfill Cells		215	
231,024	Infrastructure Assets		230,143	
1,585	Community Assets		337	
	<u>Non Operational Assets</u>			
160	Investment Properties		146	
4,990	Miscellaneous Properties		8,252	
14,894	Surplus Assets		24,778	
28,487	Assets Under Construction		61,961	
872,270				950,835
50	Long Term Investments		50	
1,966	Long Term Debtors		1,586	1,636
874,286	TOTAL LONG TERM ASSETS			952,471
1,001	Current Assets		767	
31,768	Stocks & Work in Progress	2.0	44,968	
49,900	Debtors		29,180	
1,538	Short Term Investments	3.0	1,635	76,550
	Cash In Hand			
958,493	TOTAL ASSETS			1,029,021
(4,943)	Current Liabilities		(1,427)	
(66,184)	Short Term Borrowing	4.0	(53,262)	
(5,043)	Creditors		(8,301)	(62,990)
	Bank Overdraft			
882,323	TOTAL ASSETS LESS CURRENT LIABILITIES			966,031
(319,942)	Long Term Liabilities		(336,591)	
(1,334)	Long Term Borrowing		(1,275)	
(9,986)	Deferred Liabilities		(8,765)	
(373,620)	Provisions		(380,010)	(726,641)
	Defined Pension Scheme Liability			
177,441	TOTAL ASSETS LESS LIABILITIES			239,390
	Represented by :-			
(391,086)	Capital		(404,242)	
(65,479)	Reserves		(56,754)	
(1,024)	Fixed Asset Restatement Account		(763)	
(4,012)	Capital Financing Account		(2,843)	
(57,910)	Deferred Capital Receipts Reserve		(119,191)	
	Usable Capital Receipts Reserve			
	Government Grants Deferred			
(519,511)				(583,793)
373,620	Revenue Reserves		380,010	
(10,527)	Pensions Reserve		(10,616)	
(1,779)	Income & Expenditure Reserve		(1,644)	
(1,674)	MGCC Insurance Reserve		(1,384)	
(17,886)	Housing Revenue Account		(24,208)	
(7,231)	Earmarked Reserves		(5,522)	
(880)	Delegated Schools	5.0	236	
8,427	Subsidiary Company Reserves		7,531	344,403
	Deferred Premiums			
(177,441)	TOTAL EQUITY			(239,390)

Notes to the Group Balance Sheet

These notes should be read in conjunction with the notes to the Council's Balance Sheet on pages 34 to 53. Unless specifically identified below, the information provided for the single entity accounts also applies to the group statements.

1.0 Tangible Fixed Assets

1.1 Movements in Tangible Fixed Assets

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

<u>Operational Assets</u>	<u>Council Dwellings</u> £'000	<u>Other Land & Buildings</u> £'000	<u>Vehicles, Plant & Equip.</u> £'000	<u>Infra-structure</u> £'000	<u>Landfill Cells</u> £'000	<u>Commun-ity Assets</u> £'000	<u>Total</u> £'000
Net Book Value as at 31st March 2005							
Rhondda Cynon Taf	275,878	301,097	6,544	230,673	0	1,585	815,777
Amgen Cymru	0	3,274	45	351	210	0	3,880
Total Net Book Value	275,878	304,371	6,589	231,024	210	1,585	819,657
<u>Movement in 2005/06</u>							
Additions	9,437	15,111	13,910	3,861	188	0	42,507
Disposals/Demolitions	(5,259)	(47)	(154)	0	0	0	(5,460)
Revaluations	41	25,539	1,826	0	0	4,864	32,270
Reclassifications	14	10,290	1,496	2,388	0	(6,112)	8,076
Non-Enhancement of Assets	(9,437)	(5,523)	(2,544)	(1,149)	0	0	(18,653)
Depreciation	(5,798)	(12,198)	(1,047)	(5,981)	(183)	0	(25,207)
Net Book Value as at 31st March 2006	264,876	337,543	20,076	230,143	215	337	853,190

1.2 Valuation of Fixed 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.

<u>Asset Type</u>	<u>Date Of Last Valuation</u>	<u>Basis of Valuation</u>
Council Dwellings	31 st March 2004	EUV-SH
Other Land & Buildings (Excl Amgen)	31 st March 2004	EUV
Amgen Land & Buildings	N/A	DHC
Specialist Building	31 st March 2004	DRC
Vehicles, Plant & Equip	N/A	DHC
Infrastructure	N/A	DHC
Community Assets	N/A	DHC
Landfill Cells	N/A	DHC

EUV-SH	-	Existing Use Value – Social Housing
EUV	-	Existing Use Value
DRC	-	Depreciated Replacement Costs
DHC	-	Depreciated Historic Cost

2.0 Debtors

This represents amounts due to the Group at 31st March 2006, less a provision for potentially uncollectable debts, analysed as follows: -

31/03/05 £'000		31/03/06 £'000
12,814	Government Departments	21,716
8,248	Ratepayers / Chargepayers	8,931
706	Housing Rents (Current Tenants)	584
16,840	Sundry Debtors	21,292
0	Sundry Debtors (Pensions)	65
67	Housing Advances	66
38,675		52,654
175	Amounts due after one year:- Car Loans to Employees	166
38,850		52,820
(7,082)	Less Provision for Doubtful Debt	(7,852)
31,768	Total	44,968

3.0 Cash In Hand

The balance of £1,635k represents:

	2004/05 £'000	2005/06 £'000
Rhondda Cynon Taf		
- Cash Floats	14	13
- Petty Cash Balances	157	168
Subsidiaries		
- Current Account & Short Term Deposit Account	1,367	1,454
Total	1,538	1,635

4.0 Creditors

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

31/03/05 £'000		31/03/06 £'000
2,043	Glam. Engineering Consultancy	3,173
6,337	Government departments	4,553
1,435	Ratepayers / chargepayers	1,790
453	Housing rents	425
111	Housing advances	80
48,176	Sundry creditors	42,883
6,447	Pensions	0
1,182	Payments Received in Advance	358
66,184	Total	53,262

5.0 Subsidiary Companies Reserve

Movements in the Subsidiary Companies Reserve are summarised as follows:

	Amgen Cymru £'000	Amgen Rhondda £'000	Total £'000
Balance as at 31/03/04	1,060	(703)	357
Increase/(Decrease) 2004/05	462	61	523
Balance as at 31/03/05	1,522	(642)	880
Increase/(Decrease) 2005/06	319	(1,435)	(1,116)
Balance as at 31/03/06	1,841	(2,077)	(236)

6.0 Subsidiary Companies Statutory Accounts

A summary of the statutory accounts for the Amgen group of companies for the period 1st June to 31st May is given below. These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities.

	Amgen Cymru		Amgen Rhondda	
	May 2005 £'000	May 2006 Draft £'000	May 2005 £'000	May 2006 Draft £'000
Shareholding	2,806	2,806	121	327
Net Current Assets	866	372	121	148
Total Assets less Current Liabilities	4,823	5,594	121	327
Net Assets	4,366	4,744	121	327
(Loss)/Profit Before Tax	506	377	(121)	(1,291)
(Loss)/Profit After Tax	481	377	(121)	(1,291)

Continued Overleaf....

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 Issued	Not Yet Issued

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

Group Statement of Total Movements in Reserves 2005/06

	Capital Reserves					Revenue Reserves					Total Reserves
	Fixed Asset Restatement Account	Capital Financing Account	Deferred Capital Receipts Reserve	Government Grants Deferred	Usable Capital Receipts Reserve	Pensions Reserve	General Fund Balances	Housing Revenue Account	Specific Revenue Reserves (RCT)	Associate Company Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance Brought Forward											
- Rhondda Cynon Taf	(391,086)	(65,479)	(1,024)	(57,910)	(4,012)	373,620	(10,527)	(1,674)	(18,469)		(176,561)
- Amgen Group										(880)	(880)
Net Surplus/Deficit for year											
- Rhondda Cynon Taf						6,390	(89)	290	(5,374)		1,217
- Amgen Group										1,116	1,116
Movements in Realised Capital Resources - RCT					1,169						1,169
Movements in Unrealised Value of Fixed Assets - RCT	(24,946)										(24,946)
Effects of Disposal of Fixed Assets - RCT	11,790										11,790
Financing of Assets											
- Rhondda Cynon Taf		8,725	261	(60,339)							(51,353)
- Amgen Group				(942)							(942)
Balance Carried Forward	(404,242)	(56,754)	(763)	(119,191)	(2,843)	380,010	(10,616)	(1,384)	(23,843)	236	(239,390)

Notes to Group Statement of Total Movements in Reserves

These notes should be read in conjunction with the notes to the Council's Statement of Total Movement in Reserves on pages 55 to 57. Unless specifically identified below, the information provided for the single entity accounts also applies to the group statements.

1.0 Consolidation Adjustments

1.1 Capital Financing Account

	£'000
Balance as at 1st April 2004	(67,058)
Total Capital Receipts set-aside	(21,519)
Total Revenue Resources set-aside	23,887
Reinstate investments in companies value in RCT accounts	(789)
Balance as at 31st March 2005	(65,479)
Total Capital Receipts set-aside	(11,981)
Total Revenue resources set-aside	21,994
Reinstate investments in companies value in RCT accounts	(1,288)
Balance as at 31st March 2006	(56,754)

In RCT accounts the value of the share holding in Amgen Cymru 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 Financing Account of £1,288k in 2005/06 (£121k in 2004/05 and £668k in prior years).

1.2 Government Grants Deferred

	Rhondda Cynon Taf £'000	Amgen Cymru £'000	Total £'000
Balance as at 1 st April 2005	(57,910)	0	(57,910)
Grants/contributions written down in year	7,119	42	7,161
Grants Applied to Capital Investments in 2005/06	(68,719)	(984)	(69,703)
Additional amounts credited to services	1,261	0	1,261
Balance as at 31st March 2006	(118,249)	(942)	(119,191)

The "Additional amounts credited to Services" were originally included in AMRA in the Rhondda Cynon Taf CBC accounts, but have been included above Net Operating Expenditure as required in the consolidation process.

Group Cashflow Statement 2005/06

2004/05		2005/06	
£'000		£'000	£'000
	<u>Revenue Activities</u>		
7,979	Net Cash (Inflow)/Outflow from Revenue Activities		(675)
	<u>Returns on Investments and Servicing of Finance</u>		
15,045	Interest paid	15,122	
(1,821)	Interest received	(2,839)	12,283
23	<u>Taxation</u>		17
	<u>Capital activities</u>		
	<u>Cash Outflows</u>		
58,301	Purchase of fixed assets	109,697	
	Other capital cash payments		
	<u>Cash Inflows</u>		
(13,766)	Sale of fixed assets	(10,829)	
(33,702)	Capital grants received	(69,450)	
(1,120)	Other capital cash receipts	(2,489)	26,929
30,939	Net Cash (Inflow)/Outflow before Financing		38,554
	<u>Financing</u>		
	<u>Cash Outflows</u>		
77,745	Repayments of amounts borrowed	4,609	
1	Capital element of finance lease payments	0	
	<u>Cash Inflows</u>		
(100,000)	New loans raised	(17,861)	
	Issue of Preference Shares	(1,421)	(14,673)
8,685	(Increase)/Decrease in cash & equivalents		23,881

Notes to Group Cashflow Statement 2005/06

1.0 Reconciliation of Group Income and Expenditure Account to Cash Flow

2004/05 £'000		2005/06 £'000
(226)	Group I&E A/c and RCT CBC General Fund (surplus) / deficit	1,027
(8,680)	Depreciation/MRP adjustment	(9,179)
2,799	(Increase)/Decrease in provisions	1,221
(2,184)	Net transfers from reserves	(4,188)
23,131	(Increase)/Decrease in creditors	9,295
3,610	Increase/(Decrease) in debtors	13,724
157	Increase/(Decrease) in stocks	(234)
(13,080)	Financing items	(12,283)
2,452	Other items	(58)
7,979	Cash (inflow)/outflow from revenue items	(675)

2.0 Movements in Cash and Cash Equivalents

	31/03/05 £000	31/03/06 £000	Movement £000
Cash In Hand			
- RCT	171	181	10
- Amgen Cymru	0	0	0
- Amgen Rhondda	0	0	0
Sub Total	171	181	10
Bank Balance			
- RCT	(5,043)	(8,301)	(3,258)
- Amgen Cymru	1,329	1,360	31
- Amgen Rhondda	38	94	56
Sub Total	(3,676)	(6,847)	(3,171)
Short Term Investments			
- RCT	49,900	29,180	(20,720)
- Amgen Cymru	0	0	0
- Amgen Rhondda	0	0	0
Sub Total	49,900	29,180	(20,720)
Overall Total	46,395	22,514	(23,881)

Summary Pension Fund Accounts

The Fund

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

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

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Borough Councils, together with the employees of more than 40 other scheduled or admitted bodies.

Fund Administration

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

Fund Investments

Investment strategy is considered and agreed by the Rhondda Cynon Taf Pension Fund Investments Panel. The panel consists of two Rhondda Cynon Taf Council Members, the Chief Finance Officer, the Deputy Chief Finance Officer, the Head of Accounting Services, the Service Director – Revenues and Exchequer, the Group Accountant, the Investments Officer, the Pensions Manager, the Pension Fund Accountant and two investment advisors.

The Panel meets quarterly to determine policy in the light of market movements and to question and challenge the Investment Managers on their performance. The Fund has two fund managers that carry out the actual day-to-day investment management of the Fund:

Baillie Gifford & Co.
F & C Management Ltd.

Fund Account

2004/05 £'000		2005/06		
		£'000	£'000	£'000
	<u>Dealings with Members, Employers and others directly involved in the scheme</u>			
	Contributions Receivable			
(59,126)	From Employers	(68,117)		
(18,743)	From Members	(20,135)		
			(88,252)	
(11,656)	Transfers In		(8,788)	
(2,211)	Other Income		(2,859)	
				(99,899)
	Benefits Payable			
52,203	Pensions	54,473		
5,219	Lump Sum Retirement Benefits	6,337		
671	Lump Sum Death Benefits	1,124		
			61,934	
	Payments to and on account of leavers			
257	Refunds of Contributions	126		
144	State Scheme Premiums	89		
6,134	Transfers out	9,125		
			9,340	
1,472	Administrative Expenses		1,508	72,782
(25,636)	Net (Additions) / Withdrawals from Dealings With Members			(27,117)
	<u>Returns On Investments</u>			
(27,456)	Investment Income		(31,087)	
	Change in Market Value of Investments			
(35,297)	Realised Gains	(58,926)		
(26,063)	Unrealised Gains	(168,273)		
			(227,199)	
	Investment Management Expenses			
996	Fund Management Fees	1,723		
258	Investment Administration Expenses	235		
			1,958	
(87,562)	Net Returns On Investments			(256,328)
(113,198)	Net (Increase)/Decrease In Fund during the Year			(283,445)
(840,283)	Opening Net Assets			(953,481)
(953,481)	Closing Net Assets			(1,236,926)

Net Assets Statement

31/03/05		31/03/06	
£'000		£'000	£'000
	<u>Investment Assets</u>		
	Fixed Interest Securities		
145,531	Public Sector	150,875	
12,818	Corporate Bonds	21,691	172,566
611,536	Equities		847,678
4,103	Index Linked Securities		0
	Pooled Investment Vehicles		
54,276	Open Ended Investment Companies	63,235	
54,185	Managed Funds	96,066	
0	Unit Trusts	0	
227	Property Unit Trusts	227	159,528
882,676			1,179,772
50,283	Cash Deposits		42,810
	Other Investment Balances		
4,431	Investment Debtors	6,043	
(2,403)	Investment Creditors	(3,573)	
56	Tax Recoverable	79	2,549
935,043			1,225,131
	<u>Net Current Assets and Liabilities</u>		
4,211	Contributions Due from Employers	4,307	
7,475	Cash Balances	7,304	
6,429	Amounts Owed (to) / from RCT	(65)	
323	Other Current Assets and Liabilities	249	11,795
953,481	Total Assets		1,236,926

The market value of investment assets is quoted at 31st March of the appropriate year.

1.0 Introduction

These accounts have been prepared in accordance with the requirements of The Financial Reports of Pension Schemes and the Code of Practice on Local Authority Accounting. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position, which does take account of such liabilities, is set out in the latest Actuarial Report, the main conclusions of which are summarised in note 3.0 below.

2.0 Accounting Policies

The accounts have been prepared on an accruals basis except where stated otherwise below.

2.1 Contributions

Fund contributions from employers and employees are included in the accounts on an accruals basis.

2.2 Investment Income

Investment Income is accounted for on an accruals basis except for income from Venture Funds and Property Unit Trusts, which is included in the accounts on a payments basis.

2.3 Transfers

Transfers to and from other pension funds are included in the accounts on a payments basis.

2.4 Benefits

Benefits paid to scheme members are included in the accounts on an accruals basis.

2.5 Investment Management and Administration Costs

Investment management fees and fund administration costs are accounted for on an accruals basis.

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

2.6 Investment Valuation

Listed securities are valued at mid market prices as at 31st March 2006 supplied by FT Interactive Data and obtained by them from recognised Stock Exchanges. Unit Trust and Property Unit Trust valuations are based on the latest valuations supplied by the Unit Trust Management Companies.

2.7 Future Liabilities

The financial statements do not take into account the Fund's liabilities to pay pensions and other benefits in future periods. These liabilities are reported separately by an actuarial valuation undertaken every three years. The result of the latest valuation is set out in note 3.0 below.

2.8 Foreign Currency

Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2006 supplied by FT Interactive Data.

2.9 Additional Voluntary Contributions (AVC's)

Scheme members may elect to make additional voluntary pension contributions from their salaries. These AVC's are paid directly to the AVC provider, by the member's employer and do not form part of the Rhondda Cynon Taf County Borough Council Pension Fund.

2.10 Costs of Acquiring Investments

Acquisition costs are included within original book value. However, at the end of the year, investments in the Net Assets Statement are valued at market value. The difference is recorded in the Fund Account as "Unrealised Gains".

3.0 Actuarial Position

The Fund's Actuary, Hewitt Bacon & Woodrow carried out an actuarial valuation of the Fund as at 31st March 2004, as required by Regulation 77 of the Local Government Pension Scheme Regulations 1997.

The funding objective is that all accrued benefits be fully covered by the actuarial value of the Fund's assets and that an appropriate level of contribution be agreed to meet the cost of future benefits that arise.

The result of the valuation is shown in the following table:

	£'m	£'m
Total Liabilities		1,417.8
Market Value of the Assets	840.7	
Smoothing Adjustment*	44.7	
Total Assets		885.4
Funding Deficit		532.4
Funding Ratio		62%

*In order to reduce volatility in the level of contributions payable, asset values are smoothed over a three-year period rather than taking the snapshot value at the valuation date.

The funding ratio as at the previous valuation in 2001 was 76%. The main reasons for the deterioration in the funding level have been the poor performance of the equity market and changes in gilt yields. The UK equity market, as measured by the FTSE All-Share Index, shows a five year annualised return of -1.7% (Europe -2.5%, North America -6.2%, Japan -9.8%).

In order to increase the funding ratio to meet the funding objective, the Actuary has recommended new levels of Employer contributions as shown in the table below. In recognition of the impact of raising contribution rates, the increases have been stepped over a maximum period of four years.

Employer	% Members' Contributions Year Commencing 1 st April		
	2005	2006	2007
Administering Body			
Rhondda Cynon Taf CBC	372	385	398
Scheduled Bodies			
Amgen Cymru	302	339	376
Brackla Community Council	240	270	300
Bridgend College	257	284	311
Bridgend County Borough Council	346	372	398
Bridgend Town Council	269	273	277
Coleg Morgannwg	257	284	311
Coychurch Crematorium	300	320	340
ESIS	303	342	380
Gelligaer Community Council	284	288	292
Llantrisant Community Council	300	320	340
Llantwit Fardre Community Council	297	314	331
Llwydcoed Crematorium	304	328	352
Maesteg Town Council	232	234	236
Merthyr College	257	284	311
Merthyr Tydfil County Borough Council	435	445	455
National Probation Service	280	280	280
Pontyclun Community Council	287	294	301
Pontypridd Town Council	319	358	397
South Wales Fire Authority	267	304	341
South Wales Police Authority	301	317	333
South Wales Sea Fisheries	291	302	313
South Wales Valuation Tribunal	306	332	358
Tonyrefail Community Council	310	340	370
University of Glamorgan	271	297	323
Ystrad Mynach College	257	284	311
Admitted Bodies			
Academi	287	344	401
Care Council for Wales	162	189	216
Care Standards Inspectorate for Wales	304	378	452
Finance Wales Investment	185	185	185
Local Government Data Unit	250	250	250
Maesteg Town Hall	278	326	374
Merthyr Tydfil Institute for the Blind	286	292	298
Mid Glamorgan Careers Ltd	285	305	325
<i>Continued Overleaf....</i>			

Penywaun Enterprise Partnership	234	238	242
SEWOCN	240	240	240
Valleys Arts Marketing	170	200	230
Valleys to Coast Housing	234	253	272
Welsh Development Agency	276	287	298
Welsh Joint Education Committee	307	334	361
WJEC/CBAC Services Ltd	245	260	275

Contribution rates were calculated using the projected unit actuarial method for most employers. For employers closed to new entrants the attained age method was used.

The main actuarial assumptions made are listed below:

	Assumed % per annum
Price inflation	2.9
Pay increases	4.4
Pension increases	2.9
Discount rate for active members whilst in service	6.2
Discount rate for members after retirement (or not in service but before retirement):	
• Admitted Bodies	5.2
• Other Employers	6.2
Investment return on bonds to the next valuation	5.2
Investment return on equity and property to the next valuation	7.7

The actuarial valuation also assumed the implementation of changes to the Local Government Pension Scheme which came into force on 1st April 2005. However, these changes have since been revoked. Since the Government has stated that employers will not bear the costs of this revocation, a revision to the actuarial valuation is not being sought.

4.0 Analysis of Investments

	2004/05		2005/06	
	£'000	£'000	£'000	£'000
<u>Equities</u>				
UK	422,794		526,185	
Overseas	188,742		321,493	
		611,536		847,678
<u>Fixed Interest</u>				
UK	117,335		129,440	
Overseas	41,014		43,126	
		158,349		172,566
<u>Index-Linked</u>				
UK	4,103		0	
Overseas	0		0	
		4,103		0
<u>Pooled Investments</u>				
UK	27,302		25,134	
Overseas	81,159		134,167	
UK Unit Trusts	0		0	
UK Property Unit Trusts	227		227	
		108,688		159,528
Total Long-Term Investments		882,676		1,179,772

All the investments are 'quoted' investments i.e. they are traded on a recognised investment exchange.

5.0 Movement in Market Value of Investments

The market value of the pension fund's investments (excluding cash) increased from £883m to £1,180m during 2005/06. This movement is summarised in the following table:

	£'000	£'000
Opening Investments at Market Value 2005/06		882,676
Total Purchases	761,736	
Total Sales	(633,973)	
		127,763
Stock Dividends		611
Increase in reserve debtors		(530)
Increase in reserve creditors		979
Reverse unrecognised profit in previous year	(49,427)	
Unrecognised profit this year	217,700	
Cumulative unrecognised profit		168,273
Closing Investments at Market Value 2005/06		1,179,772

6.0 Details of Fund Managers

The Fund is managed by two Fund Managers, Baillie Gifford and F&C Asset Management. The equity portfolio is split equally between these two managers and F&C also manage the bond portfolio. Both of these companies are UK registered.

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

Fund Manager	Market Value		Proportion of Fund	
	31/03/05 £'000	31/03/06 £'000	31/03/05 %	31/03/06 %
Baillie Gifford	367,459	514,823	39.20	41.94
F&C (equities)	378,264	512,747	40.35	41.77
F&C (bonds)	165,878	177,196	17.69	14.44
Internally managed	25,905	22,767	2.76	1.85
Total	937,506	1,227,533	100.00	100.00

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

The book value of investments at 31st March 2006 was £962.1m (excluding short-term loans and cash) with a market value of £1,179.8m, £217.7m above cost.

7.0 Contingencies

There is a contingent liability of £435k (£417k in 2004/05) in respect of potentially refundable contributions for leavers who have not yet claimed refunds.

8.0 Membership of The Fund

Fund membership at 31st March is as follows: -

	2004/05	2005/06
Employing Bodies	41	41
Contributors	21,110	22,110
Pensioners	12,087	12,174
Dependants	2,296	2,334
Deferred Beneficiaries	6,609	7,416

9.0 Purchases and Sales

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

Quarter	Purchases £'000	Sales £'000
June 2005	134,382	103,769
September 2005	148,889	136,921
December 2005	147,980	124,656
March 2006	310,833	300,027
Total	742,084	665,373

The figures in the table above are shown at their historic value throughout the year, whereas the accounts show investments at their market value at 31st March 2006.

10.0 Statement of Investment Principles

As the local authority responsible for the administration of the Rhondda Cynon Taf Pension Fund, the Council has prepared, maintains and publishes a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2002.

The SIP provides details of responsibility, funding and investment objectives, risk policy and other operational factors of relevance to the management of the Pension Fund. It also provides a Statement of Compliance with the 10 investment principles contained in the CIPFA document "Principles for Investment Decision Making in the Local Government Pension Scheme" published in April 2002 (Myners).

The full SIP is published in the Pension Fund Annual Report and is available on the Pension Fund website (www.rhondda-cynon-taf.gov.uk).

11.0 Contributions Receivable and Benefits Payable

The Pension Fund is made up of a number of bodies, as identified in note 3.0 to these accounts. These bodies can be divided into three categories - administering authority, admitted bodies and scheduled bodies. The contributions received and benefits paid, analysed between each category in 2005/06 are shown in the following table:

Type of Body	Employee Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2004/05 £'000	2005/06 £'000	2004/05 £'000	2005/06 £'000	2004/05 £'000	2005/06 £'000
Administering	6,750	7,387	23,957	27,018	7,754	8,959
Admitted	2,369	2,678	6,004	7,700	3,162	3,933
Scheduled	9,624	10,070	29,165	33,399	47,177	49,042
Total	18,743	20,135	59,126	68,117	58,093	61,934

12.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.3m (£1.2m in 2004/05). 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 £4.3m (£4.2m in 2004/05), of which £3.3m related to employer contributions and £1.0m to employee contributions.

13.0 Stock Lending

The Pension Fund Investments Panel has decided that the Fund will not enter into any stock lending arrangements. The Panel will review this decision periodically.

14.0 Other Income

In the Fund Account 'Other Income' comprises of the following:

	2004/05 £'000	2005/06 £'000
Capital cost of early access to retirement benefits	1,804	2,500
Reimbursements re former Glamorgan CC	401	353
Other	6	6
Total 'Other Income'	2,211	2,859

15.0 Investment Income

In the Fund Account 'Investment Income' comprises of the following:

	2004/05 £'000	2005/06 £'000
Income from fixed interest securities	7,940	11,178
Dividends from equities	16,004	17,958
Income from index linked securities	0	0
Income from pooled investment vehicles	1,472	422
Interest on cash deposits	2,040	1,529
Total Investment income	27,456	31,087

16.0 Group Transfers

Included in the transfers for 2005/06 is a group transfer out to the Care Standards Inspectorate for Wales for £1.3m.

Actuaries' Report

We have carried out a valuation of the Rhondda Cynon Taf County Borough Council Pension Fund (the Fund) as at 31 March 2004. The main purposes of the actuarial valuation are to review the financial position of the Fund and to recommend the rates of contributions payable to the Fund in the future.

The main conclusions from our valuation are that:

- On the basis of our long term assumptions there is a past service deficit against our funding target of £532.4 million which corresponds to a funding target ratio of 62%.
- The long-term rate of Employer contributions for all Employers combined, disregarding the Fund deficit, is 210% of members' contributions.
- In the light of the past service deficit, and taking account of higher assumed investment income on equity and property assets over the next three years, we recommend that employers contribute at the rates set out in the Regulation 77 Actuary's Certificate, at Appendix I of the Valuation Report.
- Recognising the impact of increasing contribution rates, and having regard to Regulation 77(5)(b) of the Local Government Pension Scheme Regulations 1997, we have agreed with the Administering Authority that increases to Employer contribution rates will be stepped over a maximum period of 4 years.
- If our assumptions are borne out in practice, the rate of contribution for each Employer would be expected to continue stepping up to the end of the relevant stepping period. The rate would then increase, due to cessation of the assumed short term additional investment return, and continue at the resultant level for the balance of the relevant recovery period before reverting to the relevant long term rate. In practice, the rate will be reviewed at the next valuation due as at 31 March 2007 and further assumptions may be made at that time concerning short term additional investment returns.
- The Administering Authority requires separate funding of all early retirements in normal health as they occur by means of special contributions paid over a maximum period of three years. These special contributions should be paid in addition to the standard contribution rate since this valuation makes no allowance for the extra liabilities arising from such retirements.

Hewitt Bacon & Woodrow Actuaries

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

Statement on Internal Control

1. Scope of Responsibility

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, used economically, efficiently and effectively.

The Council also has a duty under the Wales Programme for Improvement to make arrangements to secure continuous improvement in the way its functions are exercised.

In discharging this overall responsibility, the Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control provides a reasonable assurance that the risks to the achievement of the Council's policies, aims and objectives have been identified, prioritised and evaluated in terms of their likelihood and impact if realised.

The system of internal control set out in this Statement has been in place for the year ending 31st March 2006 and continues to operate at the current time.

3. The Internal Control Environment

The Council's overarching objectives for the next 10 years are set out in its Community Plan 2004/2014: "A Better Life". Its short-term aims and performance assessment is set out in the annual Improvement Plan. Within the current Improvement Plan, the Council also sets out 5 Service Priorities and 5 Whole Authority Priorities for the next 3 years. These priorities were identified as a result of a rigorous WPI Risk Assessment, undertaken jointly by the Council and the Wales Audit Office in early 2005. The 2006/07 Improvement Plan, scheduled for publication in July 2006, will take into account any outcomes arising from the 2006 WPI Risk Assessment.

In order to effectively deliver its priorities, the components summarised below are in place that make up the overall Internal Control Framework:-

- Decision Making and the Scheme of Delegation
- Wales Programme for Improvement
- Performance Management
- Financial Management
- Project Management
- Risk Management

- Member & Officer Codes of Conduct
- Anti-Fraud and Corruption and Whistle Blowing Policies
- Internal and External Audit work
- Other Regulatory Inspections

4. Review of the Effectiveness of the System of Internal Control

(i) Decision Making and the Scheme of Delegation

The Council - sets the Policy Framework for the Council, its Annual Budgets and its Council Tax levy. It can delegate Council functions to Committees eg Planning Committee.

The Executive (Cabinet) - makes all major decisions in line with the policy framework and annual budgets set by Council. The Leader can delegate Executive functions to Cabinet Committees and Chief Officers.

Individual Cabinet Members - can make urgent decisions, within their agreed portfolio, having taken advice from the relevant officer.

Chief Officer Scheme of Delegation - Council/Executive functions are delegated from Council or Cabinet to Chief Officers for decision.

Authorised Officers - A Chief Officer with functions delegated to him or her can "authorise" an officer to take certain "delegated" decisions on his or her behalf.

The various levels of decision-making, outlined above, are incorporated into the Council's Constitution and are regularly reviewed by the Monitoring Officer. This framework provides an assurance that all decisions taken comply with relevant policies, procedures, laws and regulations.

(ii) Wales Programme for Improvement

Introduced by the Welsh Assembly Government to replace Best Value, the objective of the Wales Programme for Improvement is to achieve the delivery of high quality services to the public which meet identified local needs. It focuses the Council's attention on delivering improvements to those services that have the greatest impact on the public and enables elected Members and Officers to focus their energies and resources on tackling the biggest issues by providing a sense of clear priorities.

As a result of the WPI Risk Assessment in 2005, undertaken jointly with the Wales Audit Office, the Council identified the following priorities for which detailed Action Plans have been approved:-

Street Care Services	Better Customer Contact
Children and Family Centred Services	Enforcement and Regulation

Maintaining People's Independence	Effective Partnership Working
Physical Regeneration of our Communities	Communication
Managing our Assets	3 year strategic and financial planning

Monitoring reports will be provided to Cabinet on a quarterly basis and the individual Action Plans will also be subjected to the scrutiny process.

(iii) Performance Management

The key elements of the Performance Management Framework are as follows:

Improvement Plan - The Improvement Plan is the Council's strategic plan that sets out the Council's own contribution to delivering the Community Plan and also reports the Council's performance each year in achieving those objectives. The Plan is currently a publicly available document and is used as a mechanism to monitor and report on the performance of the Council. A summary version of the Plan is available on the Council's Website.

Business Plans – All services prepare annual business plans that set out how they contribute to delivering both the key strategies set out in the Community Plan and the targets in the Improvement Plan, through short-term operational objectives and action plans. Following the annual WPI Risk Assessment in 2005, the Performance Management Framework has been further strengthened, requiring Services to prepare 3 year Business Plans linked to the improvement framework and budget cycle, thereby taking more of a medium term approach to service delivery and improvement. The operational objectives will continue to be the driving force behind the Council's system of performance measurement, with all Action Plans having a mechanism for the monitoring, review and reporting of progress towards agreed improvement targets.

Individual Plans - The Business Plans are also the driver for assessing individual staff performance ("Performance Plus") by enabling officers to understand how their work contributes to the overall achievement of the Community Plan objectives. At the current time, Performance Plus has been rolled out to all Heads of Service and Senior Managers.

In particular, Business Plans support the setting of individual performance targets and are the reference point for the identification of learning and development needs, thus ensuring that the service has the capacity/capability to improve.

A comprehensive set of performance measures have been developed to assess how well the Council is performing against its objectives. Measures have been developed at each level of the Council, from high-level Community Plan objectives to individual measures and targets.

The Council uses these performance measures as the basis on which elected Members and the Corporate Management Team receive quarterly management

reports that provide a complete and accurate picture of the Council's performance on a timely basis.

(iv) Financial Management

Financial Management is an essential function that underpins all the Council's activities.

The Council's financial management framework is at the heart of its System of Internal Control and its Improvement Agenda. The framework includes:-

A Robust System of Budget Setting and Monitoring – Financial resources are clearly linked to Council and service priorities. Detailed annual reviews of budget need are undertaken, that determine resource allocations each year. Currently, revenue budgets are agreed annually and are linked with decisions made on Council Tax levels. Capital budgets are considered on a three-year timeframe, and the Council is currently undertaking a comprehensive and holistic approach to Medium Term financial planning.

Budgets are monitored and controlled using agreed protocols. Budget monitoring is seen as both an early warning mechanism to alert services to financial pressures and, also, as an opportunity to review overall spending patterns regularly and divert resources to meet identified service needs. The Director of Financial Services coordinates monthly Section 151 meetings across the Service Groups to identify budget pressures.

Clear Links Between Financial and Operational Performance – The Council is committed to closely integrating service and financial planning. Examples of this are a greater emphasis on the Business Plans for service areas being used to inform decision-making on resource allocation and a closer analysis of the correlation between financial and operational performance.

An example of the latter is that reporting mechanisms have now been set up to provide financial monitoring and service performance indicators side by side, so that the impact of changes in resource levels on performance can be assessed and vice versa.

Effective Internal Financial Procedures - As part of the Council's establishment of a new Constitution in May 2002, Financial and Contract Procedure Rules were updated to reflect the requirements of a large, complex organisation in terms of strong internal controls and stewardship over its resources. Allied with this is a need to maintain flexibility in order to encourage Services to innovate and improve.

The Procedures do this, for example, by providing guidance on dealing with new forms of partnership, securing external grant funding and other potential new ways of working.

The Procedure Rules Working Group ensures that the Financial and Contract Procedure Rules are regularly reviewed, training is provided to staff on their implementation and compliance is monitored through internal audit programmes. Interactive versions are available on the Council's intranet site.

Proactive Financial Management – Financial Management is proactive and goes beyond what can be considered the traditional ‘accounting’ role. An example of this is the importance of sourcing new types of funding, including grants from existing Welsh Assembly Government initiatives and from other external sources. The Council has secured significant additional resources from various external grants in 2005/06 and into the medium term.

Community Focus – Effective Financial Management contributes to the openness and transparency of Council affairs and decision-making. Financial information is available to the community through published annual accounts, various budget information leaflets and a summary of income and expenditure is also placed in the Council’s annual Improvement Plan. Regular financial information is also presented to Members at meetings that are open to the press and public, which again promotes the transparency needed to engage local communities. This engagement is further built upon by the detailed consultation undertaken with a variety of different local interest groups as an integral part of the revenue budget strategy and service allocations each year.

(v) Project Management

The Council utilises the PRINCE 2 model for Project Management and 2-day training modules have been undertaken by over 200 Heads of Service and Senior Managers in the last 3 years.

This model has been successfully used in major projects, including the Porth Relief Road.

(vi) Risk Management

The Council has a Corporate Risk Management Group, chaired by the Head of Internal Audit & Risk Management. The Group is charged with regular review of the corporate risks and the co-ordination of Risk Registers across the Service Groups. A Corporate Risk Management Strategy has been presented to the Corporate Management Team and is to be presented to Members during 2006/07.

All Heads of Service and Senior Managers have received Risk Management training, facilitated by Marsh UK, in the last 3 years. The Council is also affiliated to the Association of Local Authority Risk Managers (ALARM).

(vii) Members and Officers Codes of Conduct

The Members Code of Conduct is clearly set out in the Council’s Constitution and every Member has been provided with advice and guidance on the Code. As part of the Constitution, it is also available on the Council’s internet and intranet sites. The Council also has a Standards Committee to deal with issues in respect of Member conduct.

An Officers’ Code of Conduct is a key element of the Constitution and the Council also has clear guidelines in terms of the receipt of gifts and hospitality.

The Council's Disciplinary Procedures have recently been subjected to Internal Audit review and were found to be robust. They are made available to new members of staff at the Corporate Induction days and can also be found on the Council's Intranet site.

(viii) Anti-Fraud and Corruption Policy and Whistle Blowing Policy

As part of its 'zero tolerance' of fraudulent or corrupt activities, the Council has a defined Anti-Fraud and Corruption Policy and offers guidance to officers on 'whistle blowing'. Both can be found on the Intranet Site. The Anti-Fraud and Corruption Policy is currently under review and the revised Policy will be presented to Audit Committee for consideration in the new Municipal Year.

The Council also has a dedicated Benefits Fraud Team ensuring that all suspicions regarding attempted benefits fraud are properly investigated.

(ix) Internal Audit

Internal Audit's Operational Work Plan for 2005/06 has been substantially completed. This Plan was formulated in consultation with Group Directors, Directors and Heads of Service and was agreed by Audit Committee.

Audit Committee regularly receives reports on Internal Audit's performance and selects reports on key audit assignments that they wish to consider. Committee also receives update reports on special audit investigations where fraud or misappropriation is suspected.

The latest annual inspection of the Internal Audit Service, undertaken by the Wales Audit Office, comments on the continuing improvement in the Service's performance in meeting the standards set out in the CIPFA guidance for Internal Audit.

(x) External Audit and other Regulatory Inspections

The Wales Audit Office undertakes the Council's external audit requirements. In fulfilling this role, it provides improvement, assessment and assurance services. Reports are prepared, in relation to audit, under the relevant enabling legislation and the responsibilities detailed in the Code of Audit and Inspection Practice, and in the context of the 'Statement of Responsibilities', issued by the Auditor General for Wales.

Reports are prepared in relation to inspection, following inspection work carried out under the Local Government Act 1999, as amended by the Public Audit (Wales) Act 2004, and in accordance with guidance issued by the Welsh Assembly Government.

In addition to the work of the Wales Audit Office, the Benefit Fraud Inspectorate and the Social Services Inspectorate for Wales undertook major inspections during 2005/06.

5. Significant Internal Control Issues

To the best of our knowledge, the System on Internal Control, as summarised above, operated effectively throughout 2005/06 and continues to operate effectively at the current time. All services are subjected to annual assessment, robust performance and financial monitoring is in place at Senior Management and Cabinet level and Audit Committee provides effective scrutiny of the internal control environment. During 2005/06, no significant internal control issues were identified.

Signature: _____

Date: _____

Keith Griffiths
Chief Executive

Signature: _____

Date: _____

Russell Roberts
Leader of the Council

Statement of Responsibilities for Preparation of Statement of Accounts

The Council's Responsibilities

The Council is required: -

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

Signature: _____ **Date:** _____

Joyce Cass

Mayor
Civic Offices
Municipal Buildings
Gelliwastad Road
Pontypridd
CF37 2DP

The Group Director - Corporate Services' Responsibilities

The Group Director is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2006.

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

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

The Group Director has also throughout the financial year:

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

Certificate of the Group Director - Corporate Services Rhondda Cynon Taf C.B.C. on the accounts of Rhondda Cynon Taf C.B.C for 2005/06

I certify that the accounts set out on the pages 2 to 99 present fairly the financial position of Rhondda Cynon Taf C.B.C. at 31st March 2006 and its income and expenditure for the year then ended.

Signature: _____ **Date:** _____

Steve Merritt

Group Director – Corporate Services

Bronwydd House

Porth

CF39 9DL

Independent auditor's report to the Members of Rhondda Cynon Taf C.B.C.

We have audited the accounting statements and pension fund accounts of Rhondda Cynon Taf County Borough Council for the year ended 31st March 2006 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Consolidated Revenue Account, the Housing Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and pension fund accounts have been prepared under the accounting policies set out in the statement of accounts.

This report is made solely to Rhondda Cynon Taf C.B.C. in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales.

Respective Responsibilities of Chief Financial Officer and Auditors

The Group Director – Corporate Services' responsibilities for preparing the Statement of Accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

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

We review whether the Statement on Internal Control reflects compliance with CIPFA's guidance (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice). We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounts. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- The accounting statements present fairly, in accordance with the relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of Rhondda Cynon Taf C.B.C. as at 31st March 2006 and its income and expenditure for the year then ended.
- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Fund during the year ended 31st March 2006, and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Signature: _____ **Date:** _____

Gill Lewis

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary of Terms

Accrual

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

Actuary

An actuary is an individual or organisation that calculates insurance and pension premiums and liabilities.

Agency Services

Agency services are services provided by an outside organisation.

Amortisation

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

Audit

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

Balance Sheet

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

Best Value Accounting Code of Practice (BVACOP)

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

Budget

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

Capital Expenditure

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

Capital Financing Account

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

Capital Receipt

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

Cashflow Statement

This statement summarises the movements in cash during the year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is responsible for issuing financial guidance to public bodies.

Consolidated Balance Sheet (CBS)

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

Consolidated Revenue Account (CRA)

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

Contingent Liabilities

A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence of uncertain future events not wholly within the organisation's control.

Corporate and Democratic Core (CDC)

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

Corporate Management (CM)

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

Creditor

A creditor is an organisation / someone 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 year.

Current Liabilities

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

DEIN

Department of Enterprise, Innovation and Networks, successor to WDA.

DWP

Department for Work and Pensions.

Debtor

A debtor is an organisation / someone who owes the Council money at the end of the financial year for goods / services received.

Deferred Grants

The Government Grants Deferred account recognises any grants and contributions which have been applied to finance capital expenditure. For assets which are depreciated an annual contribution to revenue is made from the account, for the useful economic life of the asset, to offset the depreciation charged. Where an asset is financed by grant or contribution but is not depreciated the balance remains in the account.

Defined Benefit

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

Delegated Schools

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

Democratic Representation and Management (DRM)

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

Depreciated Historic Cost

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

Depreciated Replacement Cost (DRC)

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

Depreciation

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

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

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

Earmarked Reserves

These are reserves set aside for a specific purpose.

Financial Year

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

Fixed Asset

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

Fixed Asset Restatement Account

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

Financial Reporting Standard (FRS)

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

Housing Revenue Account (HRA)

This account contains all council housing income and spending.

ICT

Information and Communication Technology.

Impairment Review

Impairment occurs when the value of a fixed asset falls below the value it is currently held at in the Balance Sheet and Asset Register.

Leasing

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

Liability

A liability is an obligation to transfer economic benefits as a result of past transactions or events.

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net Realisable Value

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

Non Distributable Costs (NDC)

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

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

Open Market Value in Existing Use (OMVEU)

OMVEU is a basis for valuation of fixed assets

Operating Assets

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

Operating Leases

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

Post Balance Sheet Events

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

Precepts

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

Prior Year Adjustment

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

Provision

A provision is an 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 which provides loans to local authorities for periods between 1 and 50 years. It charges interest rates only slightly higher than those at which the Government can borrow.

Related Party

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

Statement of Standard Accounting Practice (SSAP)

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

Statement of Total Movements in Reserves

The purpose of the statement is to show all gains and losses recognised in a period, to reflect the Council's financial performance during the year.

Statement on the System on Internal Control

This statement sets out the framework within which internal control is managed and reviewed and outlines the main components of the system.

Stocks

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

Temporary Borrowing or Investment

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

Trust Fund

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

Voids

Voids are empty properties.

Wales Programme for Improvement (WPI)

As part of the requirement of the Wales Programme for Improvement, all Welsh Councils have to produce an annual Improvement Plan. This plan sets the Council's priorities for the coming year, identifies where improvements can be made and explains how performance can be measured.

Work in Progress (WIP)

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