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**Rhondda Cynon Taf County Borough Council****Statement of Accounts 2006/07**

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## **Explanatory Foreword**

### **1. Introduction**

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

Rhondda Cynon Taf is the second largest Council in Wales with a population of 231,946, serving an area in the South Wales Valleys covering 424 square kilometres, stretching from the Brecon Beacons National Park in the north to the Capital City of Cardiff in the south.

The accounts for 2006/07 have been prepared in accordance with:

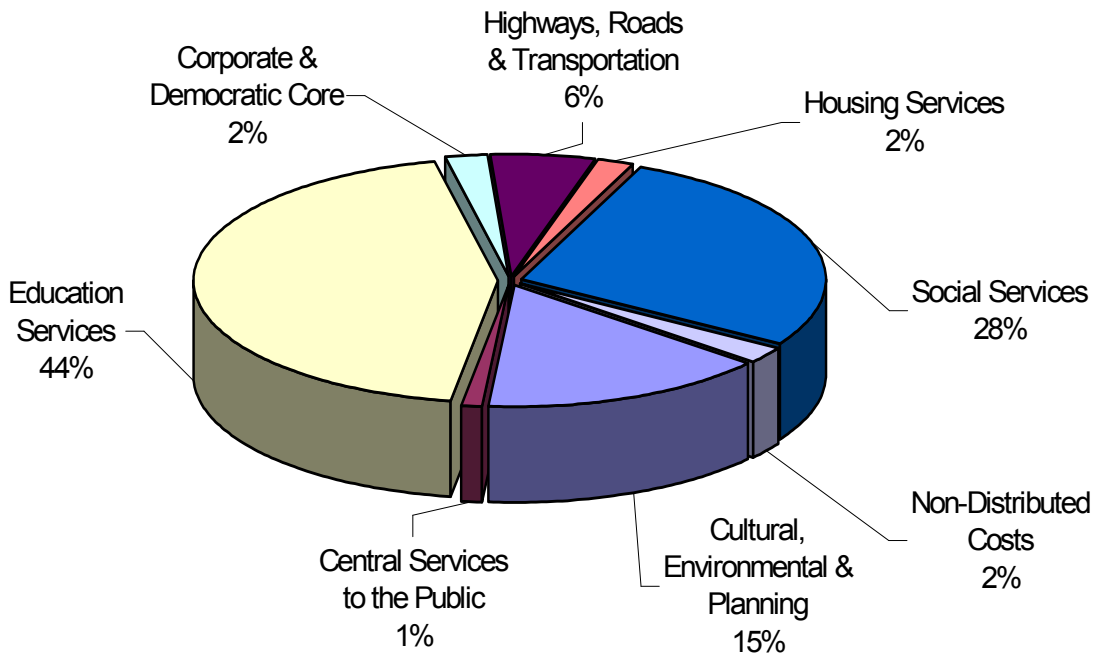
- The Code of Practice on Local Authority Accounting in the United Kingdom 2006 (“SORP”).
- The Best Value Accounting Code of Practice (BVACOP).
- Accounts and Audit (Wales) Regulations 2005.
- Sections 41 and 42 of the Local Government and Housing Act 1989.

The accounts set out on pages 2 to 95 comply with the above other than where specific reference is made to the contrary.

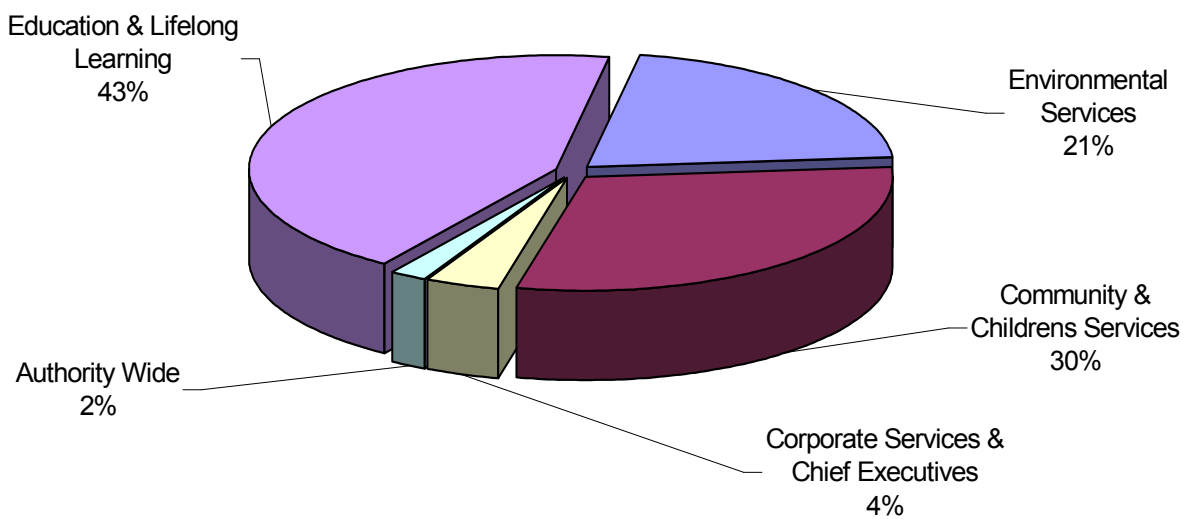
**2. Income and Expenditure 2006/07**

The Income and Expenditure 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 (£372m) 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 2006/07:

<b>Service Group</b>	<b>Budget £'000</b>	<b>Spend £'000</b>	<b>Variance £'000</b>
Education & Lifelong Learning	154,502	154,817	315
Community & Children's Services	98,303	100,198	1,895
Environmental Services	60,408	60,529	121
Chief Executives	10,303	9,920	(383)
Corporate Services	19,817	19,000	(817)
Authority Wide	34,710	33,926	(784)
<b>Total</b>	<b>378,043</b>	<b>378,390</b>	<b>347</b>

	<b>£'000</b>
<b>General Fund Reserves as at 31<sup>st</sup> March 2006</b>	<b>(10,616)</b>
Revenue Budget Out-turn (Variance as above)	347
<b>General Fund Reserves as at 31<sup>st</sup> March 2007</b>	<b>(10,269)</b>

Capital reserves as at 31<sup>st</sup> March 2007 totalled £525.0m (of which £2.1m can be used to support capital spending).

Gross Expenditure on Services amounted to £605m, this can be analysed over the following expenditure categories:

<b>Type of Expenditure</b>	<b>£'m</b>	<b>%</b>
Employees	275	45
Premises	38	6
Transport	25	4
Supplies and Services	92	15
Payments to Third Parties	73	12
Transfer Payments	50	9
Capital Charges (e.g. interest)	29	5
Other Operating Costs (e.g. support services)	23	4
<b>Total Gross Expenditure</b>	<b>605</b>	<b>100</b>

Income during the year totalled £628m and came from the following sources:

<b>Income Analysis</b>	<b>£'m</b>	<b>%</b>
<u>Direct Service Income</u>		
Specific Grants	121	19
Sales, Fees & Charges	41	7
HRA	27	4
Other Income	44	7
<b>Sub-total Direct Service Income</b>	<b>233</b>	
<u>Other Income</u>		
General Government Grants	269	43
National Non-Domestic Rates	51	8
Council Tax	75	12
<b>Total Income</b>	<b>628</b>	<b>100</b>

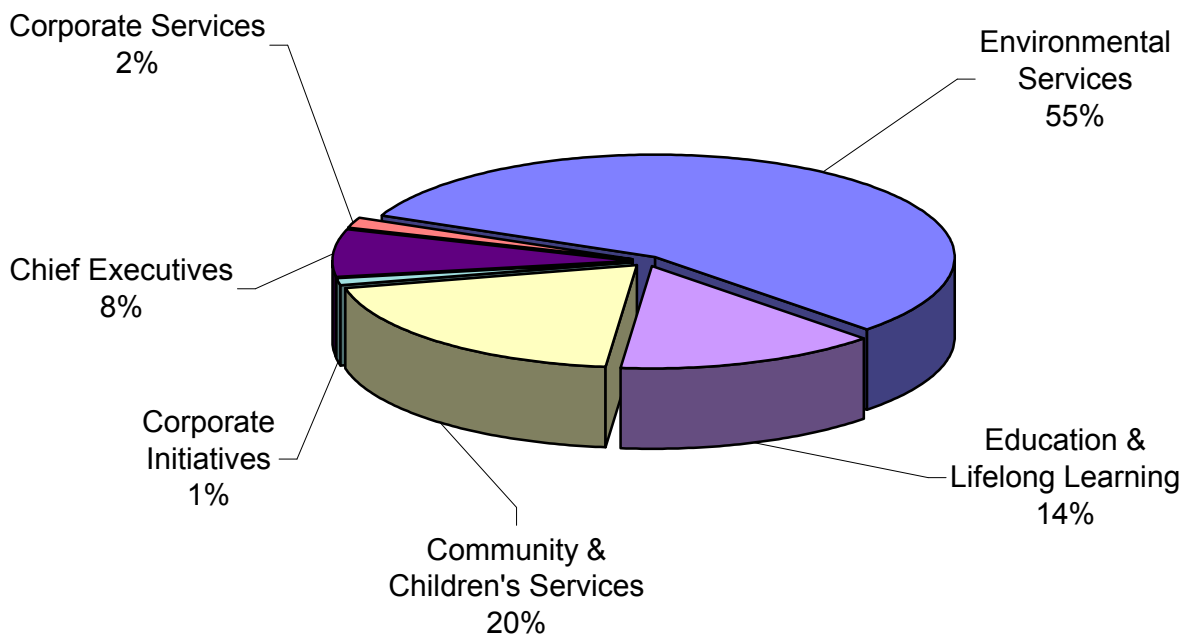
### 3. Housing Revenue Account

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 60.

### 4. Capital Expenditure and Income 2006/07

During the year the Council spent £96.350m on capital expenditure, as summarised below:

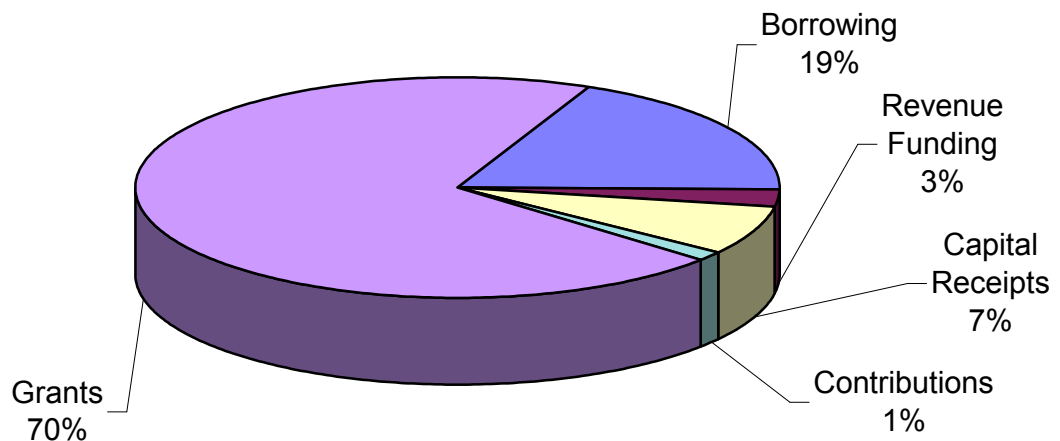
Group	£'000	%
Corporate Initiatives	1,039	1
Corporate Services	1,506	2
Chief Executives	7,280	8
Education & Lifelong Learning	13,770	14
Community & Children's Services	19,082	20
Environmental Services	53,673	55
<b>Total</b>	<b>96,350</b>	<b>100</b>



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

Expenditure on Fixed Assets	£'000	%
Tangible Fixed Assets	80,022	83
Intangible Fixed Assets	1,042	1
Investment in Companies	521	1
Deferred Charges	14,765	15
<b>Total</b>	<b>96,350</b>	<b>100</b>

This expenditure was financed as follows:



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

Estate Regeneration – Gilfach Goch  
 Ysgol Gyfun Y Cymer  
 Penderyn Primary School  
 Porth Relief Road  
 Purchase of New Fleet  
 Neighbourhood Renewal Areas

Major commitments over the next three years in respect of capital schemes as at 31<sup>st</sup> March 2007 include the following schemes:

Scheme	£'000
Neighbourhood Renewal Areas	6,000
Major Refurbishment of Service Group Accom. Ty Elai Phase 2	2,033
Customer Services (One for All Centres) Vehicles	3,086
Treherbert Line Platform Extensions	1,538
Porth Relief Road	3,204
Church Village Bypass	4,200
Rail Improvement Schemes	12,342
SEWTA Llanharan Station	1,000
Pontypridd to Merthyr Frequency Enhancements	7,274
B23 Development (Office block at Treforest)	2,720
Leisure Centre Refurbishment Programme	13,900
Maesgwyn Special School	1,650
Tonyrefail Primary School	3,784
Ynyshir Primary School	1,825
Dolau Primary School	3,087
Maesbryn Primary School	5,243
Williamstown Primary School	2,973
Coedpenmaen Primary School	2,101
Modernisation Programme of Community Services Establishments	3,598
	1,836
	1,675

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 3.0 to the Core Financial Statement 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:

<b>Authorised borrowing limit</b>	£407.1m
<b>Interest Rate Exposure – Borrowing</b>	<b>Range</b>
Limits on total % of borrowing at fixed interest rates	60% - 90%
Limits on total % of borrowing at variable interest rates	10% - 40%
<b>Interest Rate Exposure – Investments</b>	<b>Range</b>
Limits on total % of investments at fixed interest rates	0% - 25%
Limits on total % of investments at variable interest rates	75% - 100%

As can be seen from the Balance Sheet, overall borrowing totalled £294.9m. Long Term Borrowing totalled £282.1m at 31<sup>st</sup> March 2007.

Note 22.0 to the Core Financial Statements demonstrates that the majority of external borrowing (£206.6m) was from the Public Works Loan Board (PWL B). The remaining balance comprises £87.5m from market loans and £0.8m 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 notes 28.5 and 34.0 to the Core Financial Statements for further details.

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

	<b>£'000</b>
Net Assets excluding Pensions Reserve	570,838
Net Assets as per Balance Sheet	173,308

## 7. **Statement of Recommended Practice 2006**

The 2006 Statement of Recommended Practice (SORP) has introduced a number of significant presentational amendments to local authority financial statements applicable for financial years commencing on or after 1<sup>st</sup> April 2006. These changes **do not** impact upon General Fund balances.

<b><u>Previous Financial Statements / Accounting Treatment</u></b>	<b><u>Replacement Financial Statements / Accounting Treatment</u></b>
<ul style="list-style-type: none"> <li>• Consolidated Revenue Account</li> </ul>	<ul style="list-style-type: none"> <li>• Income and Expenditure Account; Statement of the Movement on the Council Fund Balance</li> </ul>
<ul style="list-style-type: none"> <li>• Statement of Total Movements in Reserves</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Total Recognised Gains and Losses</li> </ul>
<ul style="list-style-type: none"> <li>• Consolidated Balance Sheet</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> </ul>
<ul style="list-style-type: none"> <li>• Housing Revenue Account</li> </ul>	<ul style="list-style-type: none"> <li>• Housing Revenue Account Income and Expenditure Account;</li> <li>• Statement of Movement on Housing Revenue Account Balance</li> </ul>
<ul style="list-style-type: none"> <li>• Notional Interest charged to services</li> </ul>	<ul style="list-style-type: none"> <li>• Removal of the Notional Interest charge</li> </ul>
<ul style="list-style-type: none"> <li>• Government Grants Deferred credited to the Asset Management Revenue Account</li> </ul>	<ul style="list-style-type: none"> <li>• Government Grants Deferred credited directly to services</li> </ul>
<p><b><u>Order of Accounts:</u></b></p> <ul style="list-style-type: none"> <li>• Explanatory Forward;</li> <li>• Consolidated Revenue Account;</li> <li>• Notes;</li> <li>• Consolidated Balance Sheet;</li> <li>• Notes;</li> <li>• Supplementary Statements;</li> <li>• Notes</li> </ul>	<p><b><u>Order of Accounts:</u></b></p> <ul style="list-style-type: none"> <li>• Explanatory Forward;</li> <li>• Income &amp; Expenditure Account;</li> <li>• Statement of the Movement on the Council Fund Balance;</li> <li>• Statement of Total Recognised Gains and Losses;</li> <li>• Balance Sheet;</li> <li>• Cash Flow;</li> <li>• Notes to Core Financial Statements;</li> <li>• Supplementary Statements and Related Notes</li> </ul>



<p><u>Balance Sheet Categorisation</u></p> <ul style="list-style-type: none"> <li>• Government Grants Deferred included within "Net Worth";</li> <li>• Net Deferred Premiums and Discounts included within "Net Worth"</li> </ul>	<p><u>Balance Sheet Categorisation</u></p> <ul style="list-style-type: none"> <li>• Government Grants Deferred included within Long Term Liabilities;</li> <li>• Deferred Premiums included within Long Term Assets;</li> <li>• Deferred Discounts included within Long Term Liabilities</li> </ul>
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Where applicable the prior year comparators have been adjusted to reflect the requirements of the 2006 SORP. A summary of these amendments is given in note 1.0 to the Core Financial Statements.

## 8. Introduction to Accounting Statements

### **Statement of Accounting Policies**

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

### **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.

### **Income and Expenditure Account**

This statement reports the financial performance of the Council for the year in accordance with UK Generally Accepted Accounting Practice (UKGAAP). The statement is prepared in the format prescribed by the Best Value Accounting Code of Practice and is split into three distinct sections:

- 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 shows the income received from Council Tax proceeds, National Non Domestic Rates (NNDR) and General Government Grants to give the NET DEFICIT OR SURPLUS FOR THE YEAR.

## **Statement of the Movement on the Council Fund Balance**

The Income and Expenditure Account shows the Council's actual performance for the year measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement Benefits are charged as amounts become payable to Pension Funds and pensioners rather than as future benefits are earned.
- The use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Council Fund Balance.

## **Statement of Total Recognised Gains and Losses (STRGL)**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase / decrease in Net Worth. In addition to the surplus generated on the Income and Expenditure account, it includes gains and losses relating to the valuation of fixed assets and remeasurement of the net liability to cover the cost of retirement benefits.

## **Balance Sheet**

This statement shows the Council's financial position as at 31<sup>st</sup> March 2007. 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.

## **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 technical and presentational amendments introduced by the 2006 SORP, the Housing Revenue Account is now presented in a similar format to the single entity accounts, and comprises of an Income and Expenditure Account and a Statement of Movement on the HRA balance. The prior year comparators have been restated to reflect these changes.

## **Group Accounts**

In order to reflect the changing methods of service provision, this set of financial statements and notes recognises the interest the Council has in any subsidiaries, associates and joint ventures, and consolidates these with the Council's single entity statements.

## **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**

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.

## **Independent Auditor's Report**

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

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## Statement of Accounting Policies

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2006, 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 (2006 edition).

The main accounting principles adopted are outlined below:

### 1. Intangible Assets

Intangible assets are fixed assets that do not have physical substance but are identifiable by the access to future economic benefits that 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.

### 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 and 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.

Impairment in the value of fixed assets is identified via the budget monitoring process throughout the year, and confirmed by a year-end impairment review.

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

<b>Asset Type</b>	<b>£'000</b>
Land & Buildings	20
Vehicles	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 individually subject to the de-minimis 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 Income and Expenditure 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.

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**5. Capital Receipts**

Capital receipts are derived from the sale of fixed assets.

Under the Local Government Act 2003, from 1<sup>st</sup> April 2004 Local Authorities 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 1<sup>st</sup> 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 two elements:

- 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 / Statutory Provision for the Repayment of Debt**

The Local Government Act 2003 requires each local authority to set aside a Minimum Revenue Provision (MRP) for debt redemption. 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.

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**10. Accruals of Debtors and Creditors**

The accounts of the Council have been prepared on an accrual of income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting. This 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.

**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. From 1<sup>st</sup> January 2007 employees contribute at a rate of 6.4% (previously 6%). 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 C.B.C. 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 31<sup>st</sup> March 2004. Resultant changes in contribution rates have taken effect from 1<sup>st</sup> April 2005.

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 2006/07:

- Employer contributions of £33.46m (£30.02m in 2005/06) have been removed from the cost of individual services and trading activities and been replaced by £30.67m (£25.48m in 2005/06) 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 £10.93m (£14.00m in 2005/06).
- The overall effect is a £8.14m (£9.46m in 2005/06) increase in the Net Operating Expenditure line of the Income and Expenditure 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 2006/07 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 five years.

#### **15. Interest Payable**

Interest payable on debt is accounted for in the year it relates to, not the year it is paid. 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,



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forecasts, cash flow requirements, prudential limits and other 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 Income and Expenditure 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.

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

**21. Associated and Subsidiary Companies**

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 Council's main financial statements.

**22. 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. However, it is accepted that further detailed guidance regarding consolidation methods is needed from CIPFA. Once appropriate guidance is available, the Council will liaise with other participant Councils to ensure a coordinated and consistent approach.

**23. 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.

**24. Contingent Assets / Contingent Gains**

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

Contingent assets are not recognised in the Income and Expenditure Account or the Balance Sheet because prudence cautions that the gain might never be realised.

**25. 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 notes to the Core Financial Statements.

**26. 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. From 2004/05 the provision is based on an independent assessment of outstanding claims. This independent assessment uses actuarial techniques to determine the required level of the provision. In assessing the required level of the provision for 2006/07 we have considered the results of this actuarial valuation, reviewed details of all claims outstanding and considered actual settlement patterns in previous years.

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## 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: \_\_\_\_\_

### Jane Ward

#### 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 31<sup>st</sup> March 2007.

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 2006/07**

I certify that the accounts set out on the pages 2 to 95 present fairly the financial position of Rhondda Cynon Taf C.B.C. at 31<sup>st</sup> March 2007 and its income and expenditure for the year then ended.

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

**Steve Merritt**

**Group Director - Corporate Services**  
Bronwydd House  
Porth  
CF39 9DL

## Income and Expenditure Account for the year ended 31<sup>st</sup> March 2007

2005/06 Net Exp		Note	2006/07		
			Gross Exp	Gross Income	Net Exp
£'000			£'000	£'000	£'000
	<b>Continuing Operations</b>				
1,716	Central Services to the Public		21,993	(19,929)	2,064
55,426	Cultural, Environmental and Planning		87,841	(30,690)	57,151
166,530	Education Services		217,184	(51,538)	165,646
20,015	Highways, Roads and Transportation		25,837	(4,705)	21,132
7,196	Housing Services		63,033	(52,433)	10,600
89,518	Social Services		136,901	(33,974)	102,927
7,910	Corporate and Democratic Core		10,440	(2,843)	7,597
4,293	Non-Distributed Costs		8,821	(637)	8,184
(2,881)	Housing Revenue Account		32,869	(36,411)	(3,542)
<b>349,723</b>	<b>Net Cost of Services</b>		<b>604,919</b>	<b>(233,160)</b>	<b>371,759</b>
21,268	Precepts	17.0	22,548	0	22,548
(179)	(Surplus) / Deficit on Trading Activities	4.0	22,301	(22,662)	(361)
15,535	Interest Payable and Similar Charges		14,012	0	14,012
(2,674)	Interest and Investment Income		5	(2,301)	(2,296)
14,000	Pensions Interest Cost and Expected Return on Pensions Assets	34.0	39,470	(28,540)	10,930
<b>397,673</b>	<b>Net Operating Expenditure</b>		<b>703,255</b>	<b>(286,663)</b>	<b>416,592</b>
(72,262)	Net Proceeds of Council Tax	16.0			(75,218)
(250,590)	General Government Grants				(268,636)
(47,203)	NNDR Pool Contribution	15.0			(51,048)
<b>27,618</b>	<b>(Surplus) / Deficit for the year</b>				<b>21,690</b>

## Statement of the Movement on the Council Fund Balance for the year ended 31<sup>st</sup> March 2007

2005/06			2006/07	
£'000		Note	£'000	£'000
27,618	(Surplus) / Deficit for the Year on the Income & Expenditure Account			21,690
	<b>Amounts Included in the Income &amp; Expenditure Account but Required by Statute to be Excluded when Determining the Movement on the Council Balance for the Year</b>			
838	Difference between amounts charged to Income and Expenditure for Amortisation of Premium and Discounts and the Charge for the Year in Accordance with Statute		1,236	
(26,586)	Depreciation and Impairment of Fixed Assets		(22,367)	
8,380	Government Grants Deferred Amortisation	26.0	6,794	
(13,856)	Deferred Charges	19.1	(14,421)	
(39,480)	Net Charges Made for Retirement Benefits in Accordance with FRS17	34.2	(41,600)	(70,358)
<b>(43,086)</b>	<b>Amounts not Included in the Income &amp; Expenditure Account but Required to be Included by Statute when Determining the Movement on the Council Fund Balance for the Year</b>			<b>(48,668)</b>
8,789	Statutory Repayment of Debt		10,251	
0	Capital Expenditure Charged to the Council Fund Balance		2,528	
30,020	Employer's Contributions Payable to the Pension Fund and Retirement Benefits Payable Direct to Pensioners	34.2	33,460	46,239
<b>(4,277)</b>	<b>Transfers (To) / From the Council Fund Balance that are Required to be Taken into Account when Determining the Movement on the Council Fund Balance for the Year</b>			<b>(2,429)</b>
(290)	Surplus / (Deficit) on the Housing Revenue Account		159	
4,478	Net Transfer To / (From) Earmarked Reserves		2,617	2,776
<b>(89)</b>	<b>Council Fund (Surplus) / Deficit for the year</b>			<b>347</b>
(10,527)	Balance on Council Fund Brought Forward			(10,616)
<b>(10,616)</b>	<b>Balance on Council Fund Carried Forward</b>			<b>(10,269)</b>

## Statement of Total Recognised Gains and Losses for 2006/07

<b>2005/06 £'000</b>		<b>2006/07 £'000</b>
27,618	Deficit on the Income & Expenditure Account for the year	21,690
(23,598)	(Gains) / Losses Arising on Revaluation of Fixed Assets	(78,359)
(3,070)	Actuarial (Gains) / Losses on Pension Assets and Liabilities	9,380
(550)	Any Other (Gains) / Losses Required to be Included in STRGL	(130)
<b>400</b>	<b>Total Recognised (Gains) / Losses for the year</b>	<b>(47,419)</b>



## Balance Sheet as at 31<sup>st</sup> March 2007

31/03/06			31/03/07	
£'000		Note	£'000	£'000
2,508	<b><u>Fixed Assets</u></b>			
	<u>Intangible Fixed Assets</u>	18.0	2,979	
	<u>Tangible Fixed Assets</u>			
	<u>Operational Assets</u>	19.1		
264,876	Council Dwellings		255,745	
333,277	Other Land & Buildings		414,525	
19,818	Vehicles, Plant, Furniture & Equipment		21,018	
229,806	Infrastructure Assets		226,796	
337	Community Assets		333	
	<u>Non Operational Assets</u>	19.1		
146	Investment Properties		141	
61,961	Assets Under Construction		104,309	
33,030	Surplus Assets		46,663	
<b>945,759</b>				<b>1,072,509</b>
50	Long Term Investments		50	
3,060	Investment in Companies	21.0	3,346	
1,586	Long Term Debtors		2,783	
7,923	Deferred Premiums on Early Repayment of Debt	27.0	7,143	13,322
<b>958,378</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>1,085,831</b>
767	<b><u>Current Assets</u></b>			
52,454	Stocks & Work in Progress		825	
(7,852)	Debtors		41,414	
29,180	Bad and Doubtful Debt Provision		(7,595)	
181	Investments		5,550	
	Cash and Bank		177	40,371
<b>1,033,108</b>	<b>TOTAL ASSETS</b>			<b>1,126,202</b>
(1,427)	<b><u>Current Liabilities</u></b>			
(52,209)	Borrowing Repayable on Demand or within 12 months	22.0	(12,842)	
(8,301)	Creditors		(57,701)	
	Bank Overdraft		(9,032)	(79,575)
<b>971,171</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>1,046,627</b>
(336,591)	<b><u>Long Term Liabilities</u></b>			
(1,275)	Borrowing Repayable within a period in excess of 12 months	22.0	(282,098)	
(8,765)	Deferred Liabilities	23.0	(1,213)	
(118,249)	Provisions	25.0	(12,258)	
(392)	Government Grants Deferred	26.0	(179,207)	
(380,010)	Deferred Discounts on Early Repayment of Debt	27.0	(1,013)	
	Defined Pension Scheme Liability	34.0	(397,530)	(873,319)
<b>125,889</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>173,308</b>

Continued Overleaf....

	<b>Represented by:</b>				
(404,242)	<b>Capital</b>	Fixed Asset Restatement Account	28.1	(471,719)	
(54,677)	<b>Reserves</b>	Capital Financing Account	28.2	(50,647)	
(763)		Deferred Capital Receipts Reserve	28.3	(589)	
(2,843)		Usable Capital Receipts Reserve	28.4	(2,080)	
<b>(462,525)</b>					<b>(525,035)</b>
380,010	<b>Revenue</b>	Pensions Reserve	28.5	397,530	
(10,616)	<b>Reserves</b>	General Fund Balances	28.6	(10,269)	
(1,644)		MGCC Insurance Reserve	28.7	(1,588)	
(1,384)		Housing Revenue Account	28.8	(1,543)	
(24,208)		Earmarked Reserves	28.9	(27,320)	
(5,522)		Delegated Schools Reserve	28.10	(5,083)	351,727
<b>(125,889)</b>	<b>NET WORTH</b>				<b>(173,308)</b>

## Cashflow Statement 2006/07

2005/06		2006/07	
		£'m	£'m
	<b><u>Revenue Activities</u></b>		
	<b><u>Cash Outflows</u></b>		
294.9	Cash paid to and on Behalf of Employees	305.0	
317.7	Other Operating Cash Payments	230.1	
28.9	Housing Benefit Paid Out	29.4	
40.3	National Non-Domestic Rate Payments to National Pool	42.6	
9.7	Precepts Paid	10.5	617.6
	<b><u>Cash Inflows</u></b>		
(7.6)	Rents (After Rebates)	(8.0)	
(58.0)	Council Tax Receipts	(61.5)	
(47.2)	National Non-Domestic Rate Receipts from National Pool	(51.0)	
(42.5)	Non-Domestic Rate Receipts	(43.6)	
(236.0)	Revenue Support Grant	(254.8)	
(62.4)	DWP Grants for Benefits	(62.2)	
(71.3)	Other Government Grants	(74.6)	
(166.9)	Cash Received for Goods and Services	(102.2)	(657.9)
<b>(0.4)</b>	<b>Net Cash (Inflow) / Outflow from Revenue Activities</b>		<b>(40.3)</b>
	<b><u>Returns on Investments and Servicing of Finance</u></b>		
14.3	Interest Paid	13.6	
(2.8)	Interest Received	(2.3)	11.3
	<b><u>Capital Activities</u></b>		
	<b><u>Cash Outflows</u></b>		
108.0	Purchase of Fixed Assets	92.6	92.6
	<b><u>Cash Inflows</u></b>		
(10.8)	Sale of Fixed Assets	(11.1)	
(69.4)	Capital Grants Received	(69.4)	
(1.8)	Other Capital Cash Receipts	(1.8)	(82.3)
<b>37.1</b>	<b>Net Cash (Inflow) / Outflow Before Financing</b>		<b>(18.7)</b>
	<b><u>Financing</u></b>		
	<b><u>Cash Outflows</u></b>		
4.6	Repayments of Amounts Borrowed	106.3	
	<b><u>Cash Inflows</u></b>		
(17.8)	New Loans Raised	(63.3)	43.0
<b>23.9</b>	<b>(Increase) / Decrease in Cash &amp; Equivalents</b>		<b>24.3</b>

## Notes to the Core Financial Statements

### 1.0 Prior Period Adjustments

In accordance with the accounting policy changes identified in the 2006 SORP (see explanatory foreword note 7) the following adjustments have been made to the 2005/06 prior period comparators:

	Original CRA	Remove Notional Interest	Allocation Govt. Grants Deferred	Heading Changes	Revised 2005/06 I & E Account
	£'000	£'000	£'000	£'000	£'000
<b>Continuing Operations</b>					
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	0	(32)	(7,068)	7,196
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
Housing Revenue Account	0	(9,694)	(176)	6,989	(2,881)
<b>Net Cost of Services</b>	<b>383,557</b>	<b>(32,494)</b>	<b>(1,261)</b>	<b>(79)</b>	<b>349,723</b>
Precepts	21,268	0	0	0	21,268
(Surplus) / Deficit on Trading Activities	(165)	(14)	0	0	(179)
Asset Management Revenue Account (2005/06 only)	(18,371)	32,508	1,261	(15,398)	0
Interest Payable & Similar Charges	0	0	0	15,535	15,535
Gains and Losses on Repurchase of Borrowing	896	0	0	(896)	0
Interest and Investment Income	(2,674)	0	0	0	(2,674)
Pensions Interest Cost and Expected Return on Assets	14,000	0	0	0	14,000
<b>Net Operating Expenditure</b>	<b>398,511</b>	<b>0</b>	<b>0</b>	<b>(838)</b>	<b>397,673</b>
Reversal of Amortisation of Premium and Discounts in the Statement of the Movement on the Council Fund Balance				838	838
<b>Net Operating Expenditure 2005/06 Consolidated Revenue Account</b>				<b>0</b>	<b>398,511</b>

## 2.0 Long-Term Contracts

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

Details	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010-End £'000
Financial Systems and Maintenance contract	979	0	0	0
Home to School Transport	9,071	9,727	0	0
<b>Total</b>	<b>10,050</b>	<b>9,727</b>	<b>0</b>	<b>0</b>

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

## 3.0 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
<b>Total</b>	<b>113,773</b>

The PFI contract has been deemed to be off Balance Sheet, in accordance with the SORP. During the term of the contract, the Council incrementally recognises a Long-Term Debtor that will be transferred to Fixed Assets upon expiry of the contract.

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 to fund the later part of the contract period where annual payments are greater than annual resources.

As at 31<sup>st</sup> March 2007 the balance on the PFI equalisation earmarked reserve is £3,482k.

#### 4.0 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	2005/06	2006/07		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	(778)	9,105	(9,505)	(400)
Building Cleaning	(44)	1,124	(1,166)	(42)
Education and Welfare Catering	723	8,589	(8,521)	68
<b>Total</b>	<b>(99)</b>	<b>18,818</b>	<b>(19,192)</b>	<b>(374)</b>

Other Trading Activities	2005/06	2006/07		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Other Catering	79	174	(148)	26
Central Print Unit	(41)	1,361	(1,277)	84
Creative Design	(24)	953	(977)	(24)
Commercial Waste (formerly Trade Waste)	(19)	504	(552)	(48)
Carelink	(61)	491	(516)	(25)
<b>Total</b>	<b>(66)</b>	<b>3,483</b>	<b>(3,470)</b>	<b>13</b>

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 mis-statement 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. Excluding FRS17, the surplus was £68k.

#### 5.0 Section 137 Expenditure

Under Section 137 of the Local Government Act 1972, an annual limit was placed on local authorities when incurring expenditure for which there was no specific statutory power. This statutory restraint on expenditure has been replaced by Section 8 of the Local Government Act 2000, which allows authorities to promote the economic, social or environmental well being of the area. Section 137(3) of the 1972 Act still applies and this allows, with certain conditions, an authority to contribute to the funds of charities. This Council spent £90k in 2006/07 (£46k in 2005/06) under the provisions of this Act.

## 6.0 Publicity

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

Category	2005/06 £'000	2006/07 £'000
Recruitment Advertising	541	338
General Advertising	1,083	1,155
Other Publicity	331	198
<b>Total</b>	<b>1,955</b>	<b>1,691</b>

## 7.0 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 1<sup>st</sup> April 1999.

The following statement shows the total cost of operating the building control unit for 2006/07 analysed between chargeable and non-chargeable activities.

Trading Account For Building Control						
	2005/06			2006/07		
	Charge-able (67%) £'000	Non-charge-able (33%) £'000	Total Building Control £'000	Charge-able (67%) £'000	Non-charge-able (33%) £'000	Total Building Control £'000
Employee Expenses	233	115	348	296	146	442
Transport	20	10	30	27	8	35
Supplies & Services	4	2	6	9	4	13
Cent & Supp Serv Charges	90	44	134	150	73	223
<b>Total Expenditure</b>	<b>347</b>	<b>171</b>	<b>518</b>	<b>482</b>	<b>231</b>	<b>713</b>
	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	(484)	0	(484)	(490)	0	(490)
<b>Total Income</b>	<b>(484)</b>	<b>0</b>	<b>(484)</b>	<b>(490)</b>	<b>0</b>	<b>(490)</b>
<b>(Surplus) / Deficit for Year</b>	<b>(137)</b>	<b>171</b>	<b>34</b>	<b>(8)</b>	<b>231</b>	<b>223</b>

**8.0 Agency Arrangements**

The Council does not undertake work on an agency basis.

**9.0 Road User Charging**

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

**10.0 Local Authorities Goods and Services Act 1970**

The Council is empowered by this Act to provide goods and services to other public bodies. The Council undertook the following work under the provisions of this Act:

<b>Category of Supply</b>	<b>Client</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
Supply of Goods or Materials	City & County of Cardiff	64	82
	Pontypridd & Rhondda NHS Trust	11	5
	Powys County Borough Council	3	3
	Merthyr Tydfil CBC	185	212
	Caerphilly CBC	47	78
	Bridgend CBC	524	453
	Newport CBC	10	12
	South Lanarkshire County Council	8	3
	Harrow (London Borough)	29	11
	Maidenhead Borough Council	15	0
	Rhondda Cynon Taf LHB	20	8
	Vale of Glamorgan CBC	110	59
	City & County of Swansea	0	6
	Carmarthenshire CC	9	7
	Wiltshire CBC	10	4
	Coleg Morgannwg	38	36
	Torfaen CBC	2	1
	Careers Wales West	1	0
	Gwynedd CBC	0	4
	Flintshire CC	0	4
Velindre NHS Trust	0	1	
		<b>1,086</b>	<b>989</b>
Provision of Administrative, Professional or Technical Services	Bridgend CBC	21	5
	Caerphilly CBC	57	61
	City & County of Cardiff	98	1
	Merthyr Tydfil College	21	10
	Merthyr Tydfil CBC	0	112
	North Glamorgan NHS Trust	41	18
	Pontypridd & Rhondda NHS Trust	102	89
	Coleg Morgannwg	834	795
Pontypridd Town Council	2	2	
Continued Overleaf....			



South Wales Fire Service	50	39
South Wales Police Authority	164	142
University of Glamorgan	0	17
Ystrad Mynach College	10	12
Bridgend & District NHS Trust	58	58
Rhondda Cynon Taf LHB	190	151
Care Council for Wales	2	3
Local Government Data Unit	4	1
Rhondda & Taff Ely Crossroads	4	0
London Institute of Education	10	0
Welsh Language Board	14	8
Welsh Joint Education Committee	1	0
Northamptonshire CC	0	1
Vale of Glamorgan CBC	0	4
Isle of Anglesey CC	0	1
ESIS	0	2
Velindre NHS Trust	0	1
City & County of Swansea	0	1
Cardiff School of Education	23	0
	<b>1,706</b>	<b>1,534</b>
<b>Total</b>	<b>2,792</b>	<b>2,523</b>

### **11.0 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 2006/07 the Council paid a total of £1.3m (£1.3m in 2005/06) 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.

### **12.0 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 2006/07 the Council paid 14,578 employees, paying total salaries of £235m (excluding employer's national insurance and pension contributions).

Within this, the following salary payments were made within the categories specified:

Remuneration Band	2005/06	2006/07		
	No. of Employees	No. of Employees		
	Total	At 31/03/07	Left in Year	Total
£60,000 - £69,999	19	17	1	18
£70,000 - £79,999	8	4	1	5
£80,000 - £89,999	0	4	2	6
£90,000 - £99,999	0	2	0	2
£100,000 - £109,999	1	1	0	1
£110,000 - £119,999	1	0	1	1
£120,000 - £129,999	0	1	0	1
<b>Total</b>	<b>29</b>	<b>29</b>	<b>5</b>	<b>34</b>

### **13.0 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 Income and Expenditure Account. An analysis of amounts levied on this Council by other bodies can be found at note 17.0 to the Core Financial Statements.

#### **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 £1.30m in respect of administration and support during financial year 2006/07. Specific details relating to contributions to the Pension Fund can be found in note 34.0 to the Core Financial Statements. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2007 is £1.45m.

#### **Chief Officers and Members**

Details of Members allowances and Officers' emoluments are provided in the Core Financial Statements notes 11.0 and 12.0 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)	2005/06 £'000	2006/07 £'000
Engineering & Mechanical Services	Vehicle Hire, Repairs & Maintenance	8	6
National Health Service Bodies & Support Groups	Goods and Services	36	90
National Health Service Bodies & Support Groups	Grant Payments	105	64
Sports & Social Clubs	Goods and Services	(1)	8
Sports & Social Clubs	Grant Payments	47	30
Community Councils, Associations & Services	Goods and Services	794	990
Community Councils, Associations & Services	Grant Payments	1,831	2,314
Community Councils, Associations & Services	Vehicle Hire, Repairs & Maintenance	0	1
Childrens' Clubs & Associations	Goods and Services	12	72
Childrens' Clubs & Associations	Grant Payments	33	0
Childrens' Clubs & Associations	Vehicle Hire, Repairs & Maintenance	0	2
Educational & Cultural Establishments	Goods and Services	(614)	(482)
Educational & Cultural Establishments	Grant Payments	153	314
Government Bodies, Associations & Staff	Goods and Services	156	178
Government Bodies, Associations & Staff	Grant Payments	(50)	(5)
Private Companies	Goods and Services	108	1
Private Companies	Grant Payments	0	3
Public Houses, Halls & Institutes	Goods and Services	0	1

### 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 21.0 to the Core Financial Statements and note 3 to the Introduction to Group Accounts. During 2006/07 the following related party transactions took place with the associated companies:

#### Amgen Cymru

Royalties of £342k were billed by the Council to Amgen Cymru. At 31<sup>st</sup> March 2007 £23k was outstanding.

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The Council paid Amgen Cymru £3,537k in respect of waste management and waste disposal charges, with £507k due to the company at the year-end.

### **Amgen Rhondda**

The Council paid Amgen Rhondda £337k in respect of site management fees, with £24k outstanding at 31<sup>st</sup> March 2007.

During the year the Council purchased additional preference shares in the company at a cost of £521k. The investment in Amgen Rhondda was written down by £235k to reflect the revised value of the net assets of the company.

At 31<sup>st</sup> March 2007 the Council had a commitment of £204k 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 C.B.C. Members on the Joint Committee.

During 2006/07, this Council contributed to the Joint Committee an amount of £189k. This was calculated proportionately based upon population. As at 31<sup>st</sup> March 2007 the Council held cash balances relating to Glamorgan Archives of £635k.

### **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 C.B.C. elected Members.

During 2006/07, this Council was charged £3.6m in respect of Consultancy Fees incurred. As at 31<sup>st</sup> March 2007 the Council held cash balances relating to Glamorgan Engineering Consultancy of £1.3m.

### **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 2006/07, the Council charged Llwydcoed Crematorium £14k in respect of Central Establishment Charges. As at 31<sup>st</sup> March 2007 the Council held cash balances relating to the Crematorium of £470k.

**14.0 Audit Fees**

The fees payable to external auditors for audit and inspection work relating to the 2006/07 financial year are:

<b>Category of Wales Audit Office Fee</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
External Audit Services Carried out by the Appointed Auditor	371	375
Statutory Inspection	47	49
Certification of Grant Claims and Returns	229	217
Other Services Provided by the Appointed Auditor	0	0
<b>Total</b>	<b>647</b>	<b>641</b>

**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 2006/07 was 43.2p (42.1p for 2005/06). The total rateable value as at 31<sup>st</sup> March 2007 was £116.0m (£114.8m as at 31<sup>st</sup> March 2006).

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 in respect of 2006/07 rates is £43.1m (£41.4m in 2005/06). The contribution back to the Council from the pool in the year amounted to £51.0m (£47.2m in 2005/06) and the amount paid to the pool amounted to £42.6m (£40.3m in 2005/06).

**16.0 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 C.B.C. 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 2006/07 was calculated to be £73,784.62 (compared with £72,170.80 for 2005/06). 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:

<b>Band</b>	<b>A*</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>
No. of Properties	324	45,277	22,893	15,206	7,507	4,917	2,829	1,029	187	43
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

The resultant number of band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2006/07 was 96.5%.

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

<b>Council Tax Analysis</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
Council Tax Collectable	72,262	75,218
<b>Net Proceeds from Council Tax</b>	<b>72,262</b>	<b>75,218</b>
Less Payable		
South Wales Police Authority	(8,385)	(9,048)
Community Councils	(1,276)	(1,419)
<b>Total</b>	<b>62,601</b>	<b>64,751</b>

## **17.0 Precepts**

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 that levy on the appropriate Authorities.

An analysis of precepts and levies is given in the following table:

<b>Organisation Name</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
South Wales Fire Service	11,020	11,428
South Wales Police Authority	8,385	9,048
Community Councils	1,276	1,419
Magistrates' Courts	0	(12)
Coroner	294	332
Glamorgan Archives	179	189
Registrars	61	91
Brecon Beacons National Park	53	53
<b>Total</b>	<b>21,268</b>	<b>22,548</b>

**18.0 Intangible Fixed Assets**

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

<b>Operational Assets</b>	<b>Software</b>	<b>Licences and Trademarks</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Certified Valuation as at 31 <sup>st</sup> March 2006	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a
<b>Net Book Value as at 31<sup>st</sup> March 2006</b>	<b>1,904</b>	<b>604</b>	<b>2,508</b>
<u>Movement in 2006/07</u>			
Additions	291	751	1,042
Reclassifications	0	0	0
Depreciation / Amortisation	(493)	(78)	(571)
<b>Net Book Value as at 31<sup>st</sup> March 2007</b>	<b>1,702</b>	<b>1,277</b>	<b>2,979</b>

**19.0 Tangible Fixed Assets****19.1 Movements in Tangible Fixed Assets**

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

<b>Operational Assets</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equip.</b>	<b>Infra-structure</b>	<b>Communi-ty Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Certified Valuation as at 31<sup>st</sup> March 2006</b>	<b>276,253</b>	<b>357,376</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
Accumulated Depreciation	(11,377)	(24,099)	N/a	N/a	N/a	N/a
<b>Net Book Value as at 31<sup>st</sup> March 2006</b>	<b>264,876</b>	<b>333,277</b>	<b>19,818</b>	<b>229,806</b>	<b>337</b>	<b>848,114</b>
<u>Movement in 2006/07</u>						
Additions	8,390	13,015	6,413	4,726	0	32,544
Disposals/Demolitions	(6,263)	(5,700)	(21)	0	0	(11,984)
Revaluations	2,828	98,928	1,077	0	396	103,229
Reclassifications	0	(10,663)	0	0	(400)	(11,063)
Non-Enhancement of Assets	(8,390)	(7,624)	(3,237)	(1,611)	0	(20,862)
Depreciation	(5,696)	(6,708)	(3,032)	(6,125)	0	(21,561)
<b>Net Book Value as at 31<sup>st</sup> March 2007</b>	<b>255,745</b>	<b>414,525</b>	<b>21,018</b>	<b>226,796</b>	<b>333</b>	<b>918,417</b>

<b><u>Non-Operational Assets</u></b>	<b>Investment Properties</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Certified Valuation as at 31<sup>st</sup> March 2006</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
Accumulated Depreciation	N/a	N/a	N/a	N/a
<b>Net Book Value as at 31<sup>st</sup> March 2006</b>	<b>146</b>	<b>33,030</b>	<b>61,961</b>	<b>95,137</b>
<b><u>Movement in 2006/07</u></b>				
Additions	0	0	47,822	47,822
Disposals/Demolitions	(5)	(4,617)	0	(4,622)
Revaluations	0	4,757	(3,044)	1,713
Reclassifications	0	13,493	(2,430)	11,063
Non-Enhancement of Assets	0	0	0	0
Depreciation	0	0	0	0
<b>Net Book Value as at 31<sup>st</sup> March 2007</b>	<b>141</b>	<b>46,663</b>	<b>104,309</b>	<b>151,113</b>

Miscellaneous Properties (Net Book Value as at 31<sup>st</sup> March 2006 £8,252k) have now been shown as surplus assets for 2006/07.

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:

<b><u>Operational Assets (Deferred Charges)</u></b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Deferred Charges Written off in Year</b>	<b>Total</b>
Certified Valuation as at 31 <sup>st</sup> March 2006	N/a	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a	N/a
<b>Net Book Value as at 31<sup>st</sup> March 2006</b>	<b>1,901</b>	<b>13</b>	<b>0</b>	<b>1,914</b>
<b><u>Movement in 2006/07</u></b>				
Additions	344	0	14,421	14,765
Depreciation/Amortisation	(191)	(1)	(14,421)	(14,613)
<b>Net Book Value as at 31<sup>st</sup> March 2007</b>	<b>2,054</b>	<b>12</b>	<b>0</b>	<b>2,066</b>

The Council retains legal title 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 31<sup>st</sup> March 2004 the revaluation of the Council's Land and Buildings was completed by Chestertons, and a land review was undertaken by Cooke & Arkwright. Council Dwellings were also revalued on 31<sup>st</sup> March 2004 by a RICS qualified Senior Estates Surveyor of the Council's Corporate Estates Division, using the Beacons Principle. The Council has in place arrangements for a five-year rolling programme of revaluations, with effect from 1<sup>st</sup> 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 19.4 to the Core Financial Statements.

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

<b>Funding Source</b>	<b>Tangible Fixed Assets £'000</b>	<b>Intangible Fixed Assets £'000</b>	<b>Deferred Charges £'000</b>	<b>Total Exp. on Fixed Assets £'000</b>	<b>Investm't in Cos £'000</b>	<b>Total Capital Exp £'000</b>
Borrowing	7,496	0	9,894	17,390	521	17,911
Capital Receipts	6,541	191	125	6,857	0	6,857
Contributions	1,051	100	152	1,303	0	1,303
Grants	63,094	69	4,588	67,751	0	67,751
Revenue	1,840	682	6	2,528	0	2,528
<b>Total</b>	<b>80,022</b>	<b>1,042</b>	<b>14,765</b>	<b>95,829</b>	<b>521</b>	<b>96,350</b>

## **19.2 Major Items of Capital Expenditure 2006/07**

As can be seen from note 19.1, additions to tangible fixed assets during the year totalled £80m. In addition to £4.7m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed in the following table:

<b>Scheme</b>	<b>£'000</b>
Estate Regeneration – Gilfach Goch	1,471
Ysgol Gyfun Y Cymer	1,361
Penderyn Primary School	2,695
Porth Relief Road	38,311
Purchase of New Fleet	3,267
Neighbourhood Renewal Areas	2,457

**19.3 Capital Commitments**

The major commitments for the next three years in respect of capital schemes as at 31<sup>st</sup> March 2007 include the following schemes:

<b>Scheme</b>	<b>31/03/07 £'000</b>
Neighbourhood Renewal Areas	6,000
Major Refurbishment of Service Group Accom.	2,033
Ty Elai Phase 2	3,086
Customer Services (One for All Centres)	1,538
Vehicles	3,204
Treherbert Line Platform Extensions	4,200
Porth Relief Road	12,342
Church Village Bypass	1,000
Rail Improvement Schemes	7,274
SEWTA Llanharan Station	2,720
Pontypridd to Merthyr Frequency Enhancements	13,900
B23 Development (Office block at Treforest)	1,650
Leisure Centre Refurbishment Programme	3,784
Maesgwyn Special School	1,825
Tonyrefail Primary School	3,087
Ynyshir Primary School	5,243
Dolau Primary School	2,973
Maesybryn Primary School	2,101
Williamstown Primary School	3,598
Coedpenmaen Primary School	1,836
Modernisation Programme of Community Services establishments	1,675

**19.4 Analysis of Fixed Assets**

Assets owned by Rhondda Cynon Taf C.B.C. are summarised as follows:

<b>Asset type</b>	<b>31/03/06</b>	<b>31/03/07</b>
Council Dwellings	9,838	9,615
Sheltered Housing	744	739
Estate Shops	8	8
Caravans	3	3
Municipal Offices Operational	33	28
Municipal Offices Non Operational	28	22
Adult Education Centres	6	6
Schools - Nursery	32	28
- Primary	81	80
- Primary Welsh	15	14
- Secondary	14	15
- Secondary Welsh	5	3
- Special	7	7
Education Youth Centres	13	12
Other Education Establishments	5	4
Libraries	28	28

Continued Overleaf....

Homes for the Elderly	15	15
Children's Homes	3	3
Day Centres	31	29
Physical Disability Establishments	3	3
Garden Centre	1	1
Special Sites	4	5
Leisure Centres	8	8
Other Leisure Facilities	30	29
Pools	10	10
Parks / Play Areas	236	236
Community Centres	39	39
Cemeteries	14	14
Country Park	1	1
Industrial Estate	1	1
Depots / Stores	7	6
Tourism – Museum / Theatre	6	6
Animal Shelter	1	1
Heritage Structures	2	2
War Memorials	23	23
Car Parks	67	67
Bus Stations	2	3
Allotments	6	6
Social Centres	6	5
Miscellaneous Housing Establishments	4	3
Works of Art / Exhibits and Statues	2	1
Assets Under Construction	21	16
<b>Infrastructure:</b>		
Principal Roads	166.7km	164.8km
Other Roads	1,057.0km	1,064.7km
Trunk Roads	29.0km	29.0km

### 19.5 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 <sup>st</sup> March 2004	EUV-SH
Other Land & Buildings	Rolling Programme	EUV
Specialist Building	Rolling Programme	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.

**20.0 Operating Leases**

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

<b>Group</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles, Plant &amp; Equip £'000</b>	<b>Total £'000</b>
Community & Children's Services	293	0	293
Corporate Services	0	174	174
Education & Lifelong Learning	448	711	1,159
Environmental Services	129	8	137
<b>Total</b>	<b>870</b>	<b>893</b>	<b>1,763</b>

The Council was committed at 31<sup>st</sup> March 2007 to making payments of £1,514k under operating leases in 2007/08, comprising the following elements:

	<b>Committed Expenditure in 2007/08 for Leases Expiring:</b>			<b>Total £'000</b>
	<b>In 2007/08 £'000</b>	<b>Between 2008/09 and 2011/12 £'000</b>	<b>After 2011/12 £'000</b>	
Other Land & Buildings	0	0	741	741
Vehicles, Plant & Equipment	69	704	0	773
<b>Total</b>	<b>69</b>	<b>704</b>	<b>741</b>	<b>1,514</b>

**21.0 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 statements from page 65. Further details of these

companies are given in note 3 to the “Introduction to Group Accounts” section, and in note 5.0 of the Group Accounts Section.

The Model House Llantrisant Ltd does not 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 15<sup>th</sup> January 1991 it became a registered charity (No: 1001533). The Council has an “influence” over the company, as four out of the twelve 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 31<sup>st</sup> March 2007, copies of which will be 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:

<b>Model House</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
Shareholding	0	0
Net Current Assets	44	14
Total Assets less Current Liabilities	57	23
Net Assets	57	23
(Loss)/Profit Before Tax	19	(33)
(Loss)/Profit After Tax	19	(33)
Company Registration No.	2208104	
Registered Office/Location of Accounts	Model House Craft & Design Centre Bull Ring Llantrisant CF72 8EB	
Auditors	Dennis, Freedman, Clayton & Co.	

## **22.0 Borrowing**

Borrowing is classified as long-term if it matures one year after the balance sheet date. Total borrowing is £294.9m, of which £282.1m is long-term. This represents borrowing to finance capital expenditure. Current borrowing is from the Public Works Loan Board (£206.6m), market loans (£87.5m), and other borrowing (£0.8m).

Borrowing as at 31<sup>st</sup> March 2007 is analysed as follows:

<b>Maturity</b>	<b>31/03/06 £'000</b>	<b>31/03/07 £'000</b>
Repayable on demand	896	842
Within one year	821	12,000
One to two years	0	0
Two to five years	0	0
Five to ten years	30,527	11,274
Ten to fifteen years	25,000	11,500
More than fifteen years	280,774	259,324
<b>Total</b>	<b>338,018</b>	<b>294,940</b>

PWLB amounts due within one year and other borrowing 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:

<b>£M</b>	<b>Date taken</b>	<b>Initial Period</b>	<b>Initial Rate</b>	<b>Reversionary Period</b>	<b>Reversionary Rate</b>
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%

### **23.0 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 1<sup>st</sup> April 1974.

<b>Liability</b>	<b>31/03/06 £'000</b>	<b>31/03/07 £'000</b>
Vale of Glamorgan CBC	792	739
Caerphilly CBC	483	474
<b>Total</b>	<b>1,275</b>	<b>1,213</b>

**24.0 Insurance****24.1 Rhondda Cynon Taf Insurance**

The Council is liable for liability, property and motor insurance claims which are not covered by insurance policies i.e. below excess. An insurance provision is established for these costs. 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 31<sup>st</sup> March 2007 was £6.596m, which has been adjusted for internal claims of £277k.

An earmarked reserve is set aside to contribute towards the cost of claims incurred but not yet received. See note 28.9 to the Core Financial Statements for further details.

**24.2 Mid Glamorgan County Council 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:

<b>MGCC</b>	<b>£'000</b>
Provision for Outstanding Claims	1,042
Insurance Reserve	1,588
<b>Total</b>	<b>2,630</b>

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

**25.0 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.

Movements in provisions during the year were:

<b>Provision</b>	<b>31/03/06 £'000</b>	<b>Transfers to Provisions</b>	<b>Transfers from Provisions</b>	<b>31/03/07 £'000</b>
Insurance	7,717	79	(158)	7,638
Other Provisions	1,048	3,967	(395)	4,620
<b>Total</b>	<b>8,765</b>	<b>4,046</b>	<b>(553)</b>	<b>12,258</b>

**26.0 Government Grants Deferred**

The account recognises any grants and contributions that have been applied to finance capital expenditure. For assets that are depreciated an annual

contribution to revenue is made from the account to offset the depreciation charged. Where an asset is financed by grant or contribution but is not depreciated the balance remains in the account.

	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2006	(118,249)
Grants/Contributions applied in year	(67,752)
Grants/Contributions written down in year	6,794
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>(179,207)</b>

## **27.0 Deferred Premiums and Deferred Discounts on Early Repayment of Debt**

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.

## **28.0 Movements on Reserves**

The Council maintains both Capital and Revenue reserves in the Balance Sheet. Together they are termed "Net Worth". An analysis of each reserve is detailed below:

<b>Reserve</b>	<b>Balance 1<sup>st</sup> April 2006</b>	<b>Gains / Losses credited / debited to reserve</b>	<b>Transfers between reserves</b>	<b>Balance 31<sup>st</sup> March 2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed Asset Restatement Account	404,242	67,477	0	471,719
Capital Financing Account	54,677	(4,030)	0	50,647
Deferred Capital Receipts Reserve	763	(174)	0	589
Usable Capital Receipts	2,843	(763)	0	2,080
Pensions Reserve	(380,010)	(17,520)	0	(397,530)
General Fund Balances	10,616	2,429	(2,776)	10,269
MGCC Insurance Reserve	1,644	0	(56)	1,588
Housing Revenue Account	1,384	0	159	1,543
Earmarked Reserves	24,208	0	3,112	27,320
Delegated School Reserve	5,522	0	(439)	5,083
<b>Net Worth</b>	<b>125,889</b>	<b>47,419</b>	<b>0</b>	<b>173,308</b>



### **28.1 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 prior to revaluation and the revalued amount. 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.

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

### **28.2 Capital Financing Account**

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 written down element of Government Grants Deferred and Deferred Charges.

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

### **28.3 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 is reduced as mortgage payments are received. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available.

### **28.4 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 1<sup>st</sup> 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 1<sup>st</sup> April 2004 housing capital receipts can only be used to finance housing capital expenditure.

**28.5 Pension Reserve**

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as required by FRS17 "Retirement Benefits".

**28.6 General Fund Balance / Council Fund Balance**

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.

**28.7 Mid Glamorgan County Council Insurance Reserve**

This reserve is to fund the cost of insurance claims not yet received, but that relate to the period when Mid Glamorgan County Council was in existence, prior to local government reorganisation in 1996.

**28.8 Housing Revenue Account**

The Housing Revenue Account balance relates to the "ring-fenced" council housing account. Please refer to pages 60 to 64 for further details.

**28.9 Earmarked Reserves**

Earmarked Reserves are amounts set aside from revenue resources to meet the Council's committed service initiatives that will result in expenditure being incurred after 31<sup>st</sup> March 2007.

Balances are as follows:

<b>Reserve</b>	<b>Purpose</b>	<b>31/03/06 £'000</b>	<b>Movement £'000</b>	<b>31/03/07 £'000</b>
Customer Care	To deliver the Council's Customer Care Strategy.	332	(307)	25
E-Government / Service Re-engineering	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering.	1,529	(458)	1,071
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.	1,733	1,540	3,273
Financial Management	Amounts set aside as financial cover for future liabilities.	2,390	1,006	3,396
Private Finance Initiative	Balance of excess Welsh Assembly Govt support over actual unitary charge payments to reflect the differing expenditure and income profiles. Also includes reserve for incremental recognition of the PFI asset.	1,918	2,329	4,247

Continued Overleaf...

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.	1,447	1,839	3,286
Social Inclusion	To fund activities and projects carried out to improve social inclusion.	273	128	401
Capital Developments	Resources required to be set-aside for the funding of the Council's approved 3-year capital programme.	5,958	500	6,458
Job Evaluation	Resources set aside for the financial implications of the job evaluation process. Utilised in year as funding for the cost of social worker regradings plus the costs of undertaking the job evaluation exercise. Balance reclassified to Provisions.	4,502	(4,502)	0
Prior Year Commitments	Carry forward of funding to finance projects for which commitments have already been made in the prior year.	1,518	140	1,658
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	1,770	352	2,122
Insurance Reserve	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.	838	545	1,383
<b>Total</b>		<b>24,208</b>	<b>3,112</b>	<b>27,320</b>
Delegated Schools	Please see note 28.10 for details.	5,522	(439)	5,083
<b>Total</b>		<b>29,730</b>	<b>2,673</b>	<b>32,403</b>

### 28.10 Delegated Schools Reserve

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

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

The table includes the unspent element of the Welsh Assembly Government RAISE grant, which the schools have until the end of August 2007 to spend.

Type of School	31/03/05	2005/06 Movement	31/03/06	2006/07 Movement	31/03/07	Net of RAISE Grant
	£'000	£'000	£'000	£'000	£'000	£'000
Primary	2,917	(493)	2,424	410	2,834	2,420
Secondary	3,962	(1,123)	2,839	(986)	1,853	1,493
Special	352	(93)	259	11	270	239
Nursery	0	0	0	126	126	126
<b>Total</b>	<b>7,231</b>	<b>(1,709)</b>	<b>5,522</b>	<b>(439)</b>	<b>5,083</b>	<b>4,278</b>

**29.0 Contingent Gains / Assets****29.1 Rhondda Waste Disposal in Liquidation**

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

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

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

**30.0 Contingent Liabilities****30.1 Land Reclamation**

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

Two 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 £1.6m; 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.

**30.2 Mid Glamorgan County Council Disaggregation**

The Local Government Reorganisation on 1<sup>st</sup> 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 Post Balance

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Sheet Events relating to Mid Glamorgan County Council have been identified. The Section 56 agreement between unitary authorities includes a mechanism for dealing with these.

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 Finance Officers of the successor authorities.

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 these costs.

### **30.3 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 31<sup>st</sup> March 2007. 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.

### **30.4 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 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 completion of the exercise, which is anticipated to be during the course of financial year 2007/08.

### **30.5 Equal Pay**

The Council has received a number of claims in respect of unequal pay, pursuant to the Equal Pay Act 1970, with the potential of further claims being lodged in the future. The Council is currently undertaking extensive review work and receiving formal legal advice in order to fully determine whether any liability exists and if it does the extent (in financial terms) of the liability. There remains considerable uncertainty in this regard and work will continue during 2007/08 to more fully determine liability.

### **31.0 Issuing of Accounts**

The draft, unaudited Statement of Accounts was authorised for issue on 27<sup>th</sup> June 2007 when approved by Council. The authority for issuing the Statement of Accounts has been given by The Group Director Corporate Services.

### **32.0 Post Balance Sheet Events**

On 18<sup>th</sup> 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. On 22<sup>nd</sup> November 2006 a positive ballot result was announced in support of the transfer and Council, on 5<sup>th</sup> December 2006, authorised the formal process of transfer to RCT Homes to be undertaken. The formal transfer had not taken place at the balance sheet date but is due to be completed during the course of 2007/08 financial year. Post transfer, there will no longer be a requirement to maintain a Housing Revenue Account and Council Housing Stock will be written out of the Council's Balance Sheet.

### **33.0 Trust Funds and Special Funds**

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31<sup>st</sup> March 2007 are shown as follows and are not included in the Council's Balance Sheet. The 2006/07 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit for the others).

	<b>31/03/06</b>	<b>31/03/07</b>
	<b>£'000</b>	<b>£'000</b>
Education & Social Services	163	167
Pontypridd & Districts Institute for the Blind	178	177
Welsh Church Act Fund	9,360	9,724

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

#### **34.1 Participation**

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

The Council participates in two pension schemes:

- Teachers – Please refer to note 35.

- Other employees and Members – The Local Government Pension Scheme administered by Rhondda Cynon Taf County Borough Council. This is a funded scheme, meaning that the Council and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Council's accounts are defined by FRS17 "Retirement Benefits".

### 34.2 Transactions

The cost of retirement benefits is recognised in the Net Cost of Services when earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year. The cost of retirement benefits is reversed out in the Statement of Movement on the Council Fund Balance to negate the effect upon the council tax payers. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the Council Fund Balance during the year:

<b>Income &amp; Expenditure Account</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
Current Service Cost	23,100	27,080
Past Service Cost	2,380	3,590
<b>Total Charged to Net Cost of Services</b>	<b>25,480</b>	<b>30,670</b>
Expected Return on Pension Fund Assets	(23,260)	(28,540)
Interest on Pension Scheme Liabilities	37,260	39,470
<b>Net Charge to Interest Cost and Expected Returns</b>	<b>14,000</b>	<b>10,930</b>
<b>Net Charge to the Income &amp; Expenditure Account</b>	<b>39,480</b>	<b>41,600</b>

<b>Statement of Movement on the Council Fund Balance</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
Reversal of Net Charges Made for Retirement Benefits in Accordance with FRS17	(39,480)	(41,600)
Employers' Contributions Payable to the Scheme	30,020	33,460
<b>Actual Amount Charged Against the Council Fund Balance for Pensions in the Year</b>	<b>30,020</b>	<b>33,460</b>

### 34.3 Assets and Liabilities in relation to retirement benefits

The underlying assets and liabilities for retirement benefits at 31<sup>st</sup> March are:

	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
Estimated Liabilities in Scheme	(801,470)	(849,090)
Estimated Assets in Scheme	421,460	451,560
<b>Net Assets / (Liabilities)</b>	<b>(380,010)</b>	<b>(397,530)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. An analysis of the movements in the surplus or deficit in the scheme during the period is as follows:

	<b>£m</b>
Surplus / (Deficit) 31 <sup>st</sup> March 2006	(380.01)
Contributions Paid	30.47
Contributions Towards Unfunded Liabilities	2.99
Current Service Cost	(27.08)
Past Service Cost	(3.59)
Settlement Cost	0
Curtailement Cost	0
Interest Cost	(39.47)
Expected Return on Assets	28.54
<b>Actuarial Gains and Losses:</b>	
Difference Between Actual and Expected Returns on Assets	(9.25)
Experience Gains and Losses Arising on Scheme Liabilities	(2.29)
Effect of Changes in Demographic & Financial Assumptions	2.16
<b>Surplus / (Deficit) 31<sup>st</sup> March 2007</b>	<b>(397.53)</b>

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

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

#### **34.4 Basis for Estimating Assets and Liabilities**

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.

The main assumptions used in the calculations are:

	<b>2005/06</b>	<b>2006/07</b>
Rate of Inflation	3.0%	3.2%
Rate of Increase in Salaries	4.5%	4.7%
Rate of Increase in Pensions	3.0%	3.2%
Rate for Discounting Liabilities	4.9%	5.3%
Take up of Option to Convert Annual Pension into Retirement Grant	50%	50%

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	
	31/03/06 £'m	31/03/07 £'m	31/03/06 %	31/03/07 %	31/03/06 %	31/03/07 %
Equities	345.60	367.21	82	81	7.3	7.7
Government Bonds	51.55	53.17	12	12	4.3	4.7
Corporate Bonds	7.45	6.49	2	2	4.9	5.3
Other	16.86	24.69	4	5	4.6	5.6
<b>Total</b>	<b>421.46</b>	<b>451.56</b>	<b>100</b>	<b>100</b>	<b>6.8</b>	<b>7.2</b>

### 34.5 Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31<sup>st</sup> March each year:

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Diff between expected and actual return on assets	(103,700)	36	43,040	12	5,380	1.6	61,280	14.5	(9,250)	(2.0)
Diff between actuarial assumptions about liabilities and actual experience	0	0	(5,540)	0.9	25,510	3.6	500	0.1	(2,290)	(0.3)
Changes in demographic and financial assumptions	0	0	(8,370)	1.3	(128,140)	(18.3)	(58,710)	7.3	2,160	0.3
<b>Total</b>	<b>(103,700)</b>		<b>29,130</b>		<b>(97,250)</b>		<b>3,070</b>		<b>(9,380)</b>	

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.

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.

### 35.0 Retirement Benefits – Defined Contribution Schemes

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 2006/07 the Council paid £10.8m (£10.6m in 2005/06) to the Agency in respect of teachers' pension costs, which represents 13.5% (Apr to Dec) and 14.1% (Jan to March) (13.5% in 2005/06) 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 2006/07 these amounted to £821k (£808k in 2005/06).

**36.0 Reconciliation of Income and Expenditure Account to Cash flow**

2005/06 £'m		2006/07 £'m
27.6	I & E Account (Surplus) / Deficit	21.7
(26.6)	Depreciation	(22.4)
8.4	Government Grants Deferred	6.8
(13.9)	Deferred Charges	(14.4)
(9.5)	FRS17 Adjustment	(8.1)
10.3	(Increase) / Decrease in Creditors	(1.4)
13.7	Increase / (Decrease) in Debtors	(7.7)
(0.2)	Increase / (Decrease) in Stocks	0
1.2	(Increase) / Decrease in Provisions	(3.5)
(14.7)	Financing Items	(11.3)
<b>(3.7)</b>	<b>Cash (Inflow) / Outflow from Revenue Items</b>	<b>(40.3)</b>

**37.0 Reconciliation of Net Cashflow to Movement in Net Debt**

	£'m
(Decrease) / Increase in Cash	(24.3)
Cash to Reduce Net Debt	43.0
Change in Net Debt	18.7
Net Debt 1 <sup>st</sup> April 2006	(316.9)
<b>Net Debt 31<sup>st</sup> March 2007</b>	<b>(298.2)</b>

**38.0 Analysis of Changes in Net Debt**

	01/04/06 £'m	Cashflows £'m	Other £'m	31/03/07 £'m
Short-Term Investments	29.2	(23.6)	0	5.6
Short-Term Borrowing	(1.4)	(10.7)	(0.8)	(12.9)
Bank Overdraft	(8.3)	(0.7)	0	(9.0)
Cash in Hand	0.2	0	0	0.2
Long-Term Borrowing	(336.6)	53.7	0.8	(282.1)
<b>Total</b>	<b>(316.9)</b>	<b>18.7</b>	<b>0</b>	<b>(298.2)</b>

**39.0 Net Financing 2006/07**

The net decrease in financing of £43.0m is derived from the movements in both short and long-term borrowing as reflected in the Balance Sheet:

	31/03/06 £'m	31/03/07 £'m	Movement £'m
Long-Term Borrowing	336.6	282.1	(54.5)
Short-Term Borrowing	1.4	12.9	11.5
<b>Total</b>	<b>338.0</b>	<b>295.0</b>	<b>(43.0)</b>

**40.0 Movements in Cash and Cash Equivalents**

This can be derived from the Balance Sheet as follows:

	<b>31/03/06</b> £'m	<b>31/03/07</b> £'m	<b>Movement</b> £'m
Cash in Hand	0.2	0.2	0
Bank Balance (o/d)	(8.3)	(9.0)	(0.7)
S/term Investments	29.2	5.6	(23.6)
<b>Total</b>	<b>21.1</b>	<b>(3.2)</b>	<b>(24.3)</b>

**41.0 Government Grants**

Government Grants shown in the Cash Flow Statement are analysed below:

<b>2005/06</b> £'m		<b>2006/07</b> £'m
	<b><u>Revenue</u></b>	
1.2	Mandatory Awards	0.5
2.5	GEST	1.9
67.6	Other	72.2
<b>71.3</b>	<b>Total</b>	<b>74.6</b>
	<b><u>Capital</u></b>	
40.5	Transport Grant	41.5
13.5	Other grants	14.0
4.2	Objective 1 / LRF	2.5
3.7	Capital Grant	4.1
7.5	Major Repairs Allowance	7.3
<b>69.4</b>	<b>Total</b>	<b>69.4</b>

## Housing Revenue Account 2006/07

### Income and Expenditure Account

2005/06 £'000		2006/07 £'000	2006/07 £'000
	<b>INCOME</b>		
(25,317)	Dwelling Rents (Gross)	(25,720)	
(371)	Non Dwelling Rents (Gross)	(386)	
(881)	Charges for Services and Facilities	(871)	
<b>(26,569)</b>	<b>Total Income</b>		<b>(26,977)</b>
	<b>EXPENDITURE</b>		
16,166	Management and Maintenance	15,385	
303	Rents, Rates, Taxes and Other Charges	409	
421	Housing Subsidy Payable	836	
98	Sums Directed by the National Assembly that are Expenditure in Accordance with UK GAAP	0	
5,782	Depreciation and Impairment of Fixed Assets	5,655	
51	Debt Management Costs	46	
68	Increase in Bad Debt Provision	289	
<b>22,889</b>	<b>Total Expenditure</b>		<b>22,620</b>
<b>(3,680)</b>	<b>Net Cost of HRA Services as Included in the Whole Authority Income and Expenditure Account</b>		<b>(4,357)</b>
799	HRA Services Share of Corporate and Democratic Core		815
<b>(2,881)</b>	<b>Net Cost of HRA Services</b>		<b>(3,542)</b>
	<b>HRA Share of Operating Income and Expenditure Included in the Whole Authority Income and Expenditure Account</b>		
5,456	Interest Payable and Similar Charges		5,400
13	Amortisation of Premiums and Discounts		(632)
(127)	HRA Interest and Investment Income		(105)
<b>2,461</b>	<b>(Surplus) / Deficit for the Year on HRA Services</b>		<b>1,121</b>

## Statement of Movement on the Housing Revenue Account Balance 2006/07

2005/06 £'000		2006/07 £'000	2006/07 £'000
2,461	<b>(Increase) / Decrease in the Housing Revenue Account Balance Comprising:</b> (Surplus) / Deficit for Year on the HRA Income and Expenditure Account		1,121
838	<b>Items Included in the HRA Income and Expenditure Account but Excluded from the Movement on HRA Balance for the Year:</b> Difference between amounts charged to Income and Expenditure for Amortisation of Premium and Discounts and the Charge for the Year in Accordance with Statute	1,236	
(5,718)	Depreciation and Impairment of Fixed Assets	(5,563)	
(1,082)	Net Charges Made for Retirement Benefits in Accordance with FRS17	(1,263)	(5,590)
<b>(3,501)</b>	<b>Items not Included in the HRA Income and Expenditure Account but Included in the Movement on HRA Balance for the Year:</b>		<b>(4,469)</b>
1,406	Employer Contributions Payable to the Pension Fund	1,559	
2,385	HRA Minimum Revenue Provision	2,264	
0	Capital Expenditure Funded by the Housing Revenue Account	487	4,310
<b>290</b>	<b>HRA (Surplus) / Deficit for the Year</b>		<b>(159)</b>
(1,674)	Reserve Balance b/fwd as at 1 <sup>st</sup> April 2006		(1,384)
<b>(1,384)</b>	<b>Reserve Balance c/fwd as at 31<sup>st</sup> March 2007</b>		<b>(1,543)</b>

## Notes to the Housing Revenue Account

### 1.0 Revised HRA Accounting Framework

The Statement of Recommended Practice (SORP) sets out the accounting concepts and principles, which underpin the Statement of Accounts. From 2006/07 the format of the HRA statement has been changed to bring it into line with the single entity accounts.

To reflect the revised HRA accounting requirements the 2005/06 comparator figures have been restated using the new policies.

### 2.0 Housing Stock

The Council was responsible for managing, on average, some 10,468 dwellings during 2006/07 (10,703 during 2005/06).

The total number of dwellings held at 31<sup>st</sup> March 2007 was 10,357, made up as follows:

Type	1 Bed-room	2 Bed-room	3 Bed-room	4 Bed-room	5-6 Bed-room	Total
Bungalow	148	96	7	0	0	251
Bedsit	205	0	0	0	0	205
Caravan	3	0	0	0	0	3
Flat	1,851	1,689	76	0	0	3,616
House	15	1,376	4,782	104	5	6,282
<b>Total</b>	<b>2,222</b>	<b>3,161</b>	<b>4,865</b>	<b>104</b>	<b>5</b>	<b>10,357</b>

As at the 31<sup>st</sup> March 2007 95.78% of properties were available for letting compared with 95.82% as at 31<sup>st</sup> March 2006.

### 3.0 Rental Income

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

### 4.0 Dwelling Rents

This represents rent income due from tenants. The average rent per week as at 31<sup>st</sup> March 2007 was £49.22 (less voids) compared to £47.48 (less voids) per week as at 31<sup>st</sup> March 2006. The Welsh Assembly Government sets the maximum level of rent increase for each authority. The Guideline Rent increase for the Council was £1.90 in 2006/07.

**5.0 Rent Arrears**

Rent arrears as at 31<sup>st</sup> March 2007 amount to some £1.82m (£1.66m as at 31<sup>st</sup> March 2006). The provision for bad debts in respect of these rent arrears is £1.30m (£1.17m as at 31<sup>st</sup> March 2006).

**6.0 Capital Expenditure**

Capital expenditure on HRA assets totalled £8.510m in 2006/07 (£9.437m in 2005/06), and was funded from the following sources:

<b>Funding Source</b>	<b>Council Dwellings £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Grants	7,300	0	7,300
Capital Receipts	329	274	603
HRA Revenue Contributions	487	0	487
Council Fund Contribution	120	0	120
<b>Total</b>	<b>8,236</b>	<b>274</b>	<b>8,510</b>

**7.0 Capital Receipts**

Total capital receipts from the sale of HRA assets were £7.715m in 2006/07 (£4.924m in 2005/06).

**8.0 Cost of Capital Charges / Capital Asset Charges**

Users of fixed assets bear a capital charge based on the current value of the assets:

- 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.

**9.0 Depreciation Charges**

The total depreciation charge for HRA property in 2006/07 is shown below:

<b>Asset Type</b>	<b>£'000</b>
Operational Assets - Dwellings	5,724
Operational Assets – Other	185
<b>Total</b>	<b>5,909</b>

## **10.0 Rent Rebates (Housing Benefits)**

Assistance with rent is available under the Housing Benefits scheme for those on low income. As at 31<sup>st</sup> March 2007 some 74.8% of the Council's tenants were receiving help with the cost of rent.



## Group Accounts

### 1. Introduction

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

While the 2005/06 group statements were prepared broadly under UK Generally Accepted Accounting Practice, the revised accounting policies implemented in the 2006 SORP has resulted in some changes to the format and presentation of the group statements, which now comprise of:

- Statement of Group Accounting Policies.
- Group Income and Expenditure Account.
- Reconciliation of the Single Entity Surplus or Deficit for the year to the Group Surplus or Deficit.
- Group Statement of Total Recognised Gains and Losses.
- Group Balance Sheet.
- Group Cash Flow Statement.

### 2. Basis of Consolidation

It is a requirement that Group Accounts are prepared using consistent accounting policies, which can differ between company and local authority accounts. The main amendments made to the single entity and company accounts are:

- 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 management of Nantgwyddon Landfill site from Rhondda Waste Disposal Limited, which went into liquidation during the year ended 31<sup>st</sup> March 1999. In April 2005 the company entered into a formal stewardship agreement with Rhondda Cynon Taf C.B.C., 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. Prior to 2006/07, the Amgen companies had a financial year running from 1<sup>st</sup> June to 31<sup>st</sup> May, but have now revised their year-end date to 31<sup>st</sup> March. As a result, financial statements have been prepared for the consolidated accounts based on two months of the accounts for the financial year ending 31<sup>st</sup> May 2006, and ten months of the accounts for the period ending 31<sup>st</sup> March 2007.

Rhondda Waste Disposal Limited (in liquidation) is no longer trading and as a result it has not been consolidated into the group statements. The liquidation 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, 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. This accounting policy is not consistent with that used by the Council. However, as the land and buildings are specialist assets used in the running of a waste disposal facility, and in the case of landfill cells a distinct class of asset not currently held by the authority, they have been consolidated into the Group Balance Sheet on this basis.

### 2. **Basis of Charges for Use of Fixed Assets**

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

### 3. **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.

### 4. **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 31<sup>st</sup> March 2007**

2005/06 Net Exp		Note	2006/07		
			Gross Exp	Gross Income	Net Exp
£'000			£'000	£'000	£'000
	<b>Continuing Operations</b>				
1,716	Central Services to the Public		21,993	(19,929)	2,064
55,288	Cultural, Environmental and Planning	1.0	88,946	(32,136)	56,810
166,530	Education Services		217,184	(51,538)	165,646
20,015	Highways, Roads and Transportation		25,837	(4,705)	21,132
7,196	Housing Services		63,033	(52,433)	10,600
89,518	Social Services		136,901	(33,974)	102,927
7,910	Corporate and Democratic Core		10,440	(2,843)	7,597
4,293	Non-Distributed Costs		8,821	(637)	8,184
(2,881)	Housing Revenue Account		32,869	(36,411)	(3,542)
<b>349,585</b>	<b>Net Cost of Services</b>		<b>606,024</b>	<b>(234,606)</b>	<b>371,418</b>
21,268	Precepts		22,548	0	22,548
(179)	(Surplus) / Deficit on Trading Activities		22,301	(22,662)	(361)
15,537	Interest Payable and Similar Charges		14,012	0	14,012
(2,727)	Interest and Investment Income		5	(2,340)	(2,335)
14,000	Pensions Interest Cost and Expected Return on Pensions Assets		39,470	(28,540)	10,930
17	Taxation of Group Entities		24	0	24
<b>397,501</b>	<b>Net Operating Expenditure</b>		<b>704,384</b>	<b>(288,148)</b>	<b>416,236</b>
(72,262)	Net Proceeds of Council Tax				(75,218)
(250,590)	General Government Grants				(268,636)
(47,203)	NNDR Pool Contribution				(51,048)
<b>27,446</b>	<b>Group (Surplus) / Deficit for Year</b>				<b>21,334</b>

## Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group (Surplus) / Deficit

2005/06 £'000		2006/07 £'000
27,618	<b>(Surplus) / Deficit on the Authority's Single Entity Income and Expenditure Account For the Year</b>	21,690
1,116	Authority Share of the Surplus Achieved by the Authority's Subsidiaries	(121)
(1,288)	Re-Instate Write Down of Value of Investment in Companies	(235)
<b>27,446</b>	<b>Group Account (Surplus) / Deficit for the Year</b>	<b>21,334</b>

## Group Statement of Total Recognised Gains and Losses

2005/06 £'000		2006/07 £000
27,446	Deficit on the Income and Expenditure Account for the Year	21,334
(23,598)	(Gains) / Loss Arising on Revaluation of Fixed Assets	(78,359)
(3,070)	Actuarial (Gains) / Loss on Pension Assets and Liabilities	9,380
(550)	Any other (Gains) / Losses Required to be Included in STRGL	(130)
<b>228</b>	<b>Total Recognised (Gains) / Losses For The Year</b>	<b>(47,775)</b>

## Group Balance Sheet as at 31<sup>st</sup> March 2007

31/03/06			31/03/07	
£'000		Note	£'000	£'000
2,508	<b>Fixed Assets</b>		2,979	
	<u>Intangible Fixed Assets</u>			
	<u>Tangible Fixed Assets</u>			
	<u>Operational Assets</u>	3.1		
264,876	Council Dwellings		255,745	
337,543	Other Land & Buildings		419,001	
20,076	Vehicles, Plant, Furniture & Equipment		21,660	
215	Landfill Cells		410	
230,143	Infrastructure Assets		226,796	
337	Community Assets		333	
	<u>Non Operational Assets</u>			
146	Investment Properties		141	
33,030	Surplus Assets		46,663	
61,961	Assets Under Construction		104,309	
<b>950,835</b>				<b>1,078,037</b>
50	Long Term Investments		50	
1,586	Long Term Debtors		2,783	
7,923	Deferred Premiums on Early Repayment of Debt		7,143	9,976
<b>960,394</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>1,088,013</b>
767	<b>Current Assets</b>		825	
44,968	Stocks & Work in Progress		34,737	
29,180	Debtors		5,550	
1,635	Investments		1,718	42,830
<b>1,036,944</b>	<b>TOTAL ASSETS</b>			<b>1,130,843</b>
(1,427)	<b>Current Liabilities</b>		(12,842)	
(53,262)	Borrowing Repayable on Demand or within 12 months		(59,379)	
(8,301)	Creditors		(9,032)	(81,253)
<b>973,954</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>1,049,590</b>
(336,591)	<b>Long Term Liabilities</b>		(282,098)	
(1,275)	Borrowing Repayable within a period in excess of 12 months		(1,213)	
(8,765)	Deferred Liabilities		(12,258)	
(119,191)	Provisions	6.2	(179,973)	
(392)	Government Grants Deferred		(1,013)	
(380,010)	Deferred Discounts on Early Repayment of Debt		(397,530)	(874,085)
<b>127,730</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>175,505</b>

Continued overleaf....

	<b>Represented by:</b>				
(404,242)	<b>Capital</b>	Fixed Asset Restatement Account		(471,719)	
(56,754)	<b>Reserves</b>	Capital Financing Account	6.1	(52,959)	
(763)		Deferred Capital Receipts Reserve		(589)	
(2,843)		Usable Capital Receipts Reserve		(2,080)	
<b>(464,602)</b>					<b>(527,347)</b>
380,010	<b>Revenue</b>	Pensions Reserve		397,530	
(10,616)	<b>Reserves</b>	Income & Expenditure Reserve		(10,269)	
(1,644)		MGCC Insurance Reserve		(1,588)	
(1,384)		Housing Revenue Account		(1,543)	
(24,208)		Earmarked Reserves		(27,320)	
(5,522)		Delegated Schools		(5,083)	
236		Subsidiary Company Reserves	4.0	115	351,842
<b>(127,730)</b>	<b>Group Net Worth</b>				<b>(175,505)</b>

## Group Cashflow Statement 2006/07

2005/06		2006/07	
£m		£m	£m
	<b><u>Revenue Activities</u></b>		
(0.7)	<b>Net Cash (Inflow) / Outflow from Revenue Activities</b>		<b>(40.8)</b>
	<b><u>Returns on Investments and Servicing of Finance</u></b>		
14.3	Interest Paid	13.6	
(2.8)	Interest Received	(2.4)	11.2
	<b><u>Capital Activities</u></b>		
	<b><u>Cash Outflows</u></b>		
109.7	Purchase of Fixed Assets	93.7	
	<b><u>Cash Inflows</u></b>		
(10.8)	Sale of Fixed Assets	(11.1)	
(69.5)	Capital Grants Received	(69.5)	
(1.7)	Other Capital Cash Receipts	(1.8)	11.3
<b>38.5</b>	<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>(18.3)</b>
	<b><u>Financing</u></b>		
	<b><u>Cash Outflows</u></b>		
4.6	Repayments of Amounts Borrowed	106.3	
	<b><u>Cash Inflows</u></b>		
(17.9)	New Loans Raised	(63.3)	
(1.4)	Issue of Preference Shares	(0.5)	42.5
<b>23.8</b>	<b>(Increase) / Decrease in Cash &amp; Equivalents</b>		<b>24.2</b>



## Notes to the Group Accounts

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

### 1.0 Segmental Analysis

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

### 2.0 Publicity

During 2006/07 the group spent a total of £1,748k in respect of the following:

Category	2005/06 £'000	2006/07 £'000
Recruitment Advertising	541	338
General Advertising	1,083	1,155
Other Publicity	380	255
<b>Total</b>	<b>2,004</b>	<b>1,748</b>

### 3.0 Tangible Fixed Assets

#### 3.1 Movements in Tangible Fixed Assets

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

<u>Operational Assets</u>	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equip. £'000	Infra- structure £'000	Landfill Cells £'000	Commun- -ity Assets £'000	Total £'000
<b>Net Book Value as at 31<sup>st</sup> March 2006</b>	<b>264,876</b>	<b>337,543</b>	<b>20,076</b>	<b>230,143</b>	<b>215</b>	<b>337</b>	<b>853,190</b>
<u>Movement in 2006/07</u>							
Additions	8,390	13,242	6,872	4,726	384	0	33,614
Disposals/Demolitions	(6,263)	(5,700)	(21)	0	0	0	(11,984)
Revaluations	2,828	98,928	1,077	0	0	396	103,229
Reclassifications	0	(10,326)	0	(337)	0	(400)	(11,063)
Non-Enhancement of Assets	(8,390)	(7,624)	(3,237)	(1,611)	0	0	(20,862)
Depreciation	(5,696)	(7,062)	(3,107)	(6,125)	(189)	0	(22,179)
<b>Net Book Value as at 31<sup>st</sup> March 2007</b>	<b>255,745</b>	<b>419,001</b>	<b>21,660</b>	<b>226,796</b>	<b>410</b>	<b>333</b>	<b>923,945</b>

### 3.2 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.

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

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

### 4.0 Subsidiary Companies Reserve

Movements in the Subsidiary Companies Reserve are summarised as follows:

	Amgen Cymru £'000	Amgen Rhondda £'000	Total £'000
<b>Balance as at 31<sup>st</sup> March 2006</b>	<b>(1,841)</b>	<b>2,077</b>	<b>236</b>
Increase / (Decrease) 2006/07	(357)	236	(121)
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>(2,198)</b>	<b>2,313</b>	<b>115</b>

### 5.0 Subsidiary Companies Statutory Accounts

A summary of the statutory accounts for the Amgen group is given in the following table. As a result of the change to the accounting year-end date, the accounts for 2005/06 cover the 12-month period, and the accounts for 2006/07 cover the 10-month period. These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities.

	Amgen Cymru		Amgen Rhondda	
	May 2006	March 2007	May 2006	March 2007
	£'000	£'000	£'000	£'000
Shareholding	2,806	2,806	327	539
Net Current Assets	372	674	148	125
Total Assets less Current Liabilities	5,594	5,788	327	539
Net Assets	4,744	5,004	327	539
(Loss) / Profit Before Tax	377	299	(1,291)	(233)
(Loss) / Profit After Tax	377	261	(1,291)	(233)
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	True and Fair		True and Fair	

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

## 6.0 Consolidation Adjustments

### 6.1 Capital Financing Account

	£'000
<b>Balance as at 31<sup>st</sup> March 2006</b>	<b>(56,754)</b>
(Gains) / Losses in Single Entity Accounts	4,030
Reinstate Investment in Companies Value in RCT Accounts	(235)
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>(52,959)</b>

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 £235k in 2006/07 (£1,288k in 2005/06 and £789k in prior years).

**6.2 Government Grants Deferred**

	<b>Rhondda Cynon Taf £'000</b>	<b>Amgen Cymru £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2006	(118,249)	(942)	(119,191)
Grants / Contributions Written Down in Year	6,794	176	6,970
Grants Applied to Capital Investments in 2006/07	(67,752)	0	(67,752)
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>(179,207)</b>	<b>(766)</b>	<b>(179,973)</b>

**7.0 Reconciliation of Group Income and Expenditure Account to Cash Flow**

<b>2005/06 £m</b>		<b>2006/07 £m</b>
27.4	<b>(Surplus) / Deficit on Group I&amp;E Account</b>	21.3
(27.0)	Depreciation	(23.0)
8.4	Government Grants Deferred	6.9
(13.9)	Deferred Charges	(14.4)
(9.5)	FRS17 adjustment	(8.1)
1.2	(Increase) / Decrease in Provisions	(3.5)
9.3	(Increase) / Decrease in Creditors	(1.7)
13.7	Increase / (Decrease) in Debtors	(7.3)
(0.2)	Increase / (Decrease) in Stocks	0
(11.4)	Financing Items	(11.2)
1.3	Other Items	0.2
<b>(0.7)</b>	<b>Cash (Inflow) / Outflow from Revenue Items</b>	<b>(40.8)</b>

**8.0 Movements in Cash and Cash Equivalents**

	<b>31/03/06 £m</b>	<b>31/03/07 £m</b>	<b>Movement £m</b>
<b>Cash In Hand</b>			
- RCT	0.2	0.2	0
- Amgen Cymru	0	0	0
- Amgen Rhondda	0	0	0
<b>Sub Total</b>	<b>0.2</b>	<b>0.2</b>	<b>0</b>
<b>Bank Balance</b>			
- RCT	(8.3)	(9.0)	(0.7)
- Amgen Cymru	1.4	1.4	0
- Amgen Rhondda	0.1	0.2	0.1
<b>Sub Total</b>	<b>(6.8)</b>	<b>(7.4)</b>	<b>(0.6)</b>
<b>Short Term Investments</b>			
- RCT	29.2	5.6	(23.6)
- Amgen Cymru	0	0	0
- Amgen Rhondda	0	0	0
<b>Sub Total</b>	<b>29.2</b>	<b>5.6</b>	<b>(23.6)</b>
<b>Overall Total</b>	<b>22.6</b>	<b>(1.6)</b>	<b>(24.2)</b>

## **Summary Pension Fund Accounts**

### **The Fund**

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

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 C.B.C. 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 Service Director; Financial Management and Accounting, the Senior Accountant; Treasury and Pension Fund Investments, Accountant; Treasury and Pension Fund, the Head of Service (Pensions, Payroll & Payments) 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 Fund Management Ltd.

**Fund Account**

2005/06 £'000		2006/07		
		£'000	£'000	£'000
	<b><u>Dealings with Members, Employers and Others Directly Involved in the Scheme</u></b>			
	<b>Contributions Receivable</b>			
(68,117)	From Employers	(74,802)		
(20,135)	From Members	(21,330)		
			(96,132)	
(8,788)	<b>Transfers In</b>		(7,478)	
(2,859)	<b>Other Income</b>		(3,163)	
				<b>(106,773)</b>
	<b>Benefits Payable</b>			
54,473	Pensions	56,886		
6,337	Lump Sum Retirement Benefits	11,957		
1,124	Lump Sum Death Benefits	623		
			69,466	
	<b>Payments to and on account of leavers</b>			
126	Refunds of Contributions	35		
89	State Scheme Premiums	2		
9,125	Transfers Out	15,002		
			15,039	
1,508	<b>Administrative Expenses</b>		1,446	85,951
<b>(27,117)</b>	<b>Net (Additions) / Withdrawals from Dealings with Members</b>			<b>(20,822)</b>
	<b><u>Returns on Investments</u></b>			
(31,087)	<b>Investment Income</b>		(32,565)	
	<b>Change in Market Value of Investments</b>			
(58,926)	Realised Gains	(43,980)		
(168,273)	Unrealised Gains	16,025		
			(27,955)	
	<b>Investment Management Expenses</b>			
1,723	Fund Management Fees	2,042		
235	Investment Administration Expenses	271		
			2,313	
(256,328)	<b>Net Returns on Investments</b>			(58,207)
<b>(283,445)</b>	<b>Net (Increase) / Decrease in Fund During the Year</b>			<b>(79,029)</b>
<b>(953,481)</b>	<b>Opening Net Assets</b>			<b>(1,236,926)</b>
<b>(1,236,926)</b>	<b>Closing Net Assets</b>			<b>(1,315,955)</b>

**Net Assets Statement**

31/03/06 £'000		31/03/07	
		£'000	£'000
	<b><u>Investment Assets</u></b>		
	<b>Fixed Interest Securities</b>		
150,875	Public Sector	153,797	
21,691	Corporate Bonds	18,769	172,566
847,678	<b>Equities</b>		864,940
	<b>Pooled Investment Vehicles</b>		
63,235	Open Ended Investment Companies	83,721	
96,066	Managed Funds	113,458	
0	Unit Trusts	0	
227	Property Unit Trusts	0	197,179
1,179,772			1,234,685
42,810	<b>Cash Deposits</b>		59,090
	<b>Other Investment Balances</b>		
6,043	Investment Debtors	5,940	
(3,573)	Investment Creditors	(1,135)	
79	Tax Recoverable	183	4,988
1,225,131			1,298,763
	<b><u>Net Current Assets and Liabilities</u></b>		
4,307	Contributions Due from Employers	5,084	
7,304	Cash Balances	10,672	
(65)	Amounts Owed (To) / From RCT	1,452	
249	Other Current Assets and Liabilities	(16)	17,192
<b>1,236,926</b>	<b>Total Assets</b>		<b>1,315,955</b>

The market value of investment assets is quoted at 31<sup>st</sup> 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. No such investments are currently held.

### **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. Of the two pension fund advisors, one receives a fixed fee and the other receives a fixed fee plus expenses, plus a fee for additional meetings above the four quarterly Panel meetings.

### **2.6 Investment Valuation**

Listed securities are valued at mid market prices as at 31<sup>st</sup> March 2007 obtained from recognised Stock Exchanges.



**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 31<sup>st</sup> March 2007.

**2.9 Additional Voluntary Contributions (AVC's)**

Scheme members may elect to make additional voluntary pension contributions from their salaries. These AVC's are not included in the Pension Fund Accounts in accordance with regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

The amount of AVC contributions paid during the year amounted to £517k and the market value of separately invested AVC's at the balance sheet date was £3,595k.

**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 31<sup>st</sup> 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
<b>Total Liabilities</b>		<b>(1,417.8)</b>
Market Value of the Assets	840.7	
Smoothing Adjustment*	44.7	
<b>Total Assets</b>		<b>885.4</b>
<b>Funding Deficit</b>		<b>(532.4)</b>
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 were the poor performance of the equity market and changes in gilt yields. The UK equity market, as measured by the FTSE All-Share Index, had 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 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 <sup>st</sup> April		
	2005	2006	2007
<b>Administering Body</b>			
Rhondda Cynon Taf CBC	372	385	398
<b>Scheduled Bodies</b>			
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
<b>Admitted Bodies</b>			
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
<i>Continued Overleaf....</i>			

Merthyr Tydfil Institute for the Blind	286	292	298
Mid Glamorgan Careers Ltd	285	305	325
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
<b>Admitted after 2004 valuation</b>			
Royal Welsh College of Music and Drama			
Careers Wales			

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:

	<b>Assumed % per annum</b>
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 1<sup>st</sup> 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

	2005/06		2006/07	
	£'000	£'000	£'000	£'000
<b><u>Equities</u></b>				
UK	526,185		532,395	
Overseas	321,493		332,545	
		847,678		864,940
<b><u>Fixed Interest</u></b>				
UK	129,440		129,193	
Overseas	43,126		43,373	
		172,566		172,566
<b><u>Index-Linked</u></b>				
UK	0		0	
Overseas	0		0	
		0		0
<b><u>Pooled Investments</u></b>				
UK	25,134		26,378	
Overseas	134,167		170,801	
UK Unit Trusts	0		0	
UK Property Unit Trusts	227		0	0
		159,528		197,179
<b>Total Long-Term Investments</b>		<b>1,179,772</b>		<b>1,234,685</b>

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

#### 5.0 Details of Fund Managers

The Fund is managed by two Fund Managers, Baillie Gifford and F&C Fund Management Ltd. 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	
	31/03/06 £'000	31/03/07 £'000	31/03/06 %	31/03/07 %
Baillie Gifford	514,823	540,048	41.94	41.35
F&C (equities)	512,747	547,977	41.77	41.96
F&C (bonds)	177,196	177,372	14.44	13.58
Internally managed	22,767	40,701	1.85	3.11
<b>Total</b>	<b>1,227,533</b>	<b>1,306,098</b>	<b>100.00</b>	<b>100.00</b>

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

The book value of investments at 31<sup>st</sup> March 2007 was £1,033.0m (excluding short-term loans and cash) with a market value of £1,234.7m, £201.7m above cost.

## 6.0 Contingencies

There is a contingent liability of £417k (£435k in 2005/06) in respect of potentially refundable contributions for leavers who have not yet claimed refunds.

## 7.0 Membership of The Fund

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

	2005/06	2006/07
Employing Bodies	41	43
Contributors	22,110	22,656
Pensioners	12,174	12,400
Dependants	2,334	2,342
Deferred Beneficiaries	7,416	8,427

## 8.0 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 2006	216,897	210,685
September 2006	126,932	120,172
December 2006	175,390	150,602
March 2007	249,355	216,366
<b>Total</b>	<b>768,574</b>	<b>697,825</b>

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 31<sup>st</sup> March 2007.

## 9.0 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 ten 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](http://www.rhondda-cynon-taf.gov.uk)).

## 10.0 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 2006/07 are shown in the following table:

Type of Body	Employee Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2005/06 £'000	2006/07 £'000	2005/06 £'000	2006/07 £'000	2005/06 £'000	2006/07 £'000
Administering	7,387	7,793	27,018	29,613	8,959	11,738
Admitted	2,678	2,616	7,700	7,283	3,933	5,110
Scheduled	10,070	10,921	33,399	37,906	49,042	52,618
<b>Total</b>	<b>20,135</b>	<b>21,330</b>	<b>68,117</b>	<b>74,802</b>	<b>61,934</b>	<b>69,466</b>

## 11.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf C.B.C. provided services to the Fund for which it charged £1.3m (£1.3m in 2005/06). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year-end, contributions outstanding from the employing bodies in the Fund amounted to £5.1m (£4.3m in 2005/06), of which £3.9m related to employer contributions and £1.2m to employee contributions.

## 12.0 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.

**13.0 Other Income**

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

	<b>2005/06</b> <b>£'000</b>	<b>2006/07</b> <b>£'000</b>
Capital Cost of Early Access to Retirement Benefits	2,500	2,808
Reimbursements re former Glamorgan CC	353	311
Other	6	44
<b>Total Other Income</b>	<b>2,859</b>	<b>3,163</b>

**14.0 Investment Income**

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

	<b>2005/06</b> <b>£'000</b>	<b>2006/07</b> <b>£'000</b>
Income from Fixed Interest Securities	11,178	8,869
Dividends from Equities	17,958	19,850
Income from Pooled Investment Vehicles	422	1,429
Interest on Cash Deposits	1,529	2,417
<b>Total Investment Income</b>	<b>31,087</b>	<b>32,565</b>

**15.0 Group Transfers**

Included in the transfers for 2006/07 is a group transfer out to the City and County of Cardiff in respect of Magistrates Courts for £7.7m.

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## 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 31<sup>st</sup> March 2007 and continues to operate at the current time.

This Statement on Internal Control applies to Rhondda Cynon Taf County Borough Council as a single entity and also to group companies consolidated in the Group Accounts. The section of this statement relating to the Council's subsidiaries, Amgen Cymru and Amgen Rhondda, is at section 6.

### 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 2007/08 Improvement Plan, scheduled for publication (draft) in July 2007, will take into account any outcomes arising from the 2007 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 are provided to Cabinet on a quarterly basis and the individual Action Plans also subject 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 and is currently in the process of being rolled out to all staff within the Council.

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. An annual review of budget holder performance was also introduced from 2006/07 financial year.

***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. Electronic 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 2006/07 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.

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 has developed a Corporate Risk Register that identifies key business risks, who is responsible for managing them and the progress made in limiting their potential to impede the Council's key objectives. A Corporate Risk Management Strategy has been developed and was adopted by Cabinet in May 2007.

Heads of Service and Senior Managers have received Risk Management training, facilitated by Marsh UK. 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 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 has recently been reviewed and has a prominent place on the Home Page of the Council's website. The Council also has a dedicated Benefits Fraud Team ensuring that all suspicions regarding attempted benefits fraud are properly investigated.

**(ix) Internal Audit**

The High Risk element of Internal Audit's Operational Work Plan for 2006/07 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 are advised of all high priority recommendations made. 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 that the operational standards set out in the CIPFA Code of Practice 2006 are being met. Plans to prepare an Internal Audit Charter and update the Internal Audit manual will strengthen these arrangements.

**(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 Social Services Inspectorate for Wales agreed a Joint Review Action Plan with the Council during 2006/07, with progress being monitored by Overview & Scrutiny Committee.

## **5. Significant Internal Control Issues**

To the best of our knowledge, the System on Internal Control, as summarised above, operated effectively throughout 2006/07 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.

Based on the work undertaken by Internal Audit in 2006/07, significant weaknesses in the internal control framework for several service areas have been identified although in the opinion of the Head of Internal Audit & Risk Management, none had a material impact on the Council's affairs.

Recommendations have been made to ensure management review and strengthen the control environment in those specific service areas.

The Chair of Audit Committee has also written to the Group Directors with responsibility for delivering these services, seeking an assurance that the recommendations will be implemented as a matter of urgency and pointing out that follow up work in these areas will be given priority by Internal Audit in 2007/08.

Progress will be reported to Audit Committee for consideration.

## **6. Group Companies**

The following statements have been provided by the management of the Amgen Companies:

The directors of the companies are responsible for ensuring there is a sound system of internal control.

It is acknowledged that the system of internal control can provide reasonable but not absolute assurance that risks have been identified and addressed. The system of internal control has been in place for the year ending 31<sup>st</sup> March 2007 and continues to operate at the current time.

### **The Internal Control Environment**

**Business Planning** – A three-year business plan is in place to provide the future framework of the company. The document, which will be reviewed and updated at

Board level, details the aspirations and objectives of the company on a project by project basis.

**Budget Monitoring / Financial and Performance Management** – Budgets are set annually with the performance against actual results reviewed at Board level monthly. Budget heads are part of the budget setting process to secure ownership of budgets. Variances are discussed with budget heads when required.

Monthly management accounts are circulated to the Board together with a written report on significant results in the month. On a quarterly basis a departmental analysis of the company performance is prepared to assist in strategy and decision making.

Cash forecasts are prepared annually to complement the company budget. Rolling 12 month forecasts are prepared on a quarterly basis to provide an updated position to assist decision making.

**Process for decision making / authorisation protocols / project management** – All projects are discussed at Senior Management Team level. Once a project is progressed, a Project Team consisting of key staff members runs the project and reports back to the Senior Management Team. All the Management Team have authorisation to raise orders subject to Budget Head approval.

**Risk Management** – A corporate risk register has recently been compiled. This will be used to document all business risks and also identify weaknesses that require further resource to reduce or remove the risk. The register will be reviewed and updated quarterly at Senior Management Team level.

**Role of Auditors** – The statutory audit takes place annually. A management letter is produced to identify any areas of risk or weaknesses that need to be addressed. There has been no requirement for such a letter in the last seven years. An audit report is circulated as part of the statutory accounts which contain the audit opinion. The auditors attend the AGM to present their audit report.

**Significant Control Issues** – There are no significant control issues that have been identified by the Amgen Companies or the auditors.

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

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

**Keith Griffiths**  
**Chief Executive**

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

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

**Russell Roberts**  
**Leader of the Council**

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## **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 and its Group for the year ended 31<sup>st</sup> March 2007 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Income and Expenditure Account, Statement of Movement on Housing Revenue Account Balance, 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 2006 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 2006:

- 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 published in 2004 (The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003). 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 2006, the financial position of Rhondda Cynon Taf C.B.C. and its Group as at 31<sup>st</sup> March 2007 and its income and expenditure for the year then ended; and
- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31<sup>st</sup> March 2007, 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.

### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales.

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Our conclusion on Rhondda Cynon Taf County Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2007 will be reported separately in the published Relationship Manager's Annual Letter.

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

**Gill Lewis**

**Wales Audit Office**

2-4 Park Grove

Cardiff

CF1 3PA

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

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## **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.

### **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 account brings together all capital financing transactions.

### **Capital Receipt**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is responsible for issuing financial guidance to public bodies.

**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 that have been applied to finance capital expenditure. For assets that 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 (e.g. 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 1<sup>st</sup> April and finishes on 31<sup>st</sup> 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 includes;

- 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 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 that 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).

**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.