
Rhondda Cynon Taf County Borough Council**Statement of Accounts 2007/08**

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Explanatory Foreword

1. Introduction

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

Rhondda Cynon Taf is the second largest Council in Wales with a population of 231,946, serving an area in the South Wales Valleys covering 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 2007/08 have been prepared in accordance with:

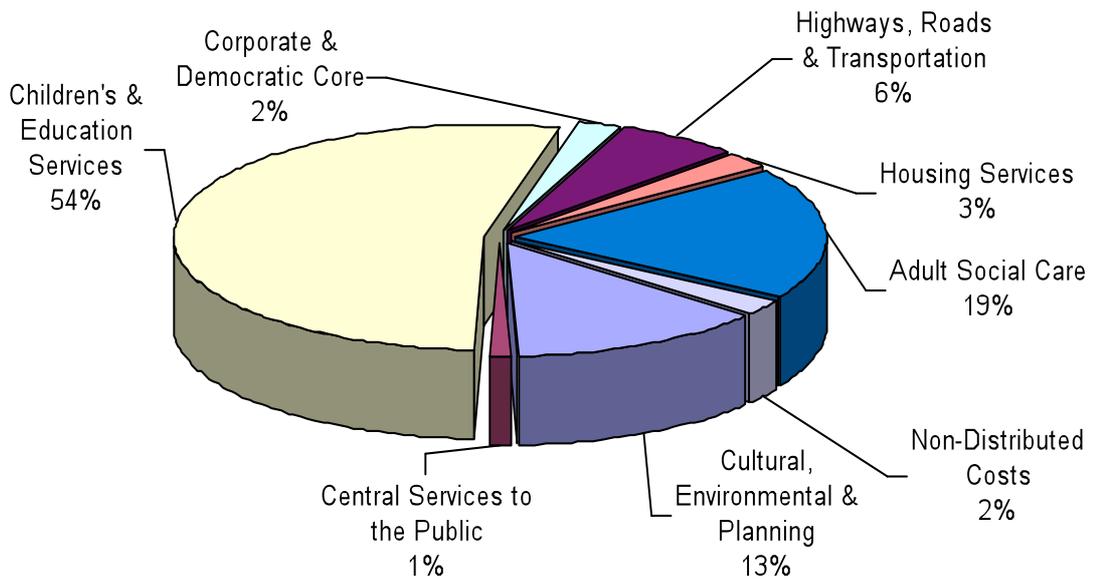
- The Code of Practice on Local Authority Accounting in the United Kingdom 2007 (“SORP”).
- The Best Value Accounting Code of Practice (BVACOP).
- Accounts and Audit (Wales) Regulations 2005.
- Sections 41 and 42 of the Local Government and Housing Act 1989.

The accounts set out on pages 2 to 103 comply with the above other than where specific reference is made to the contrary.

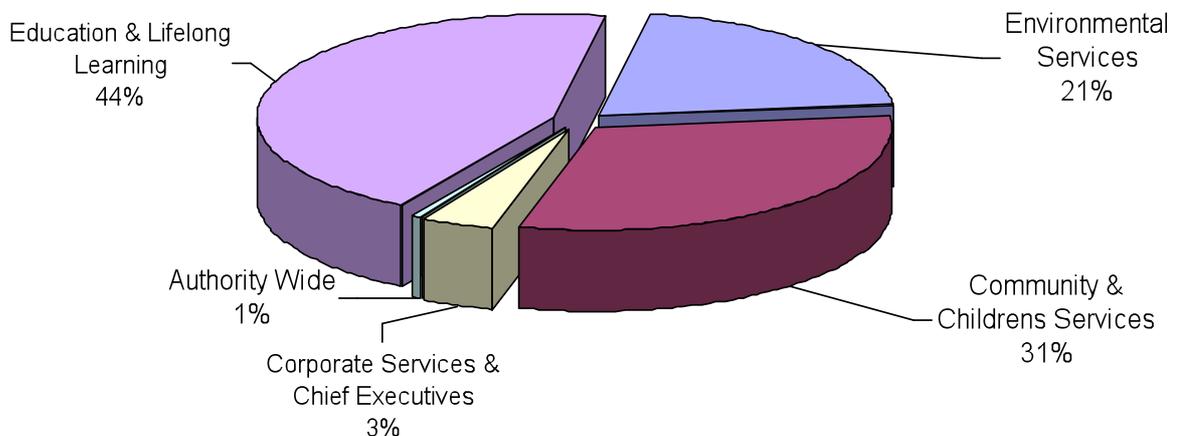
2. Income and Expenditure 2007/08

The Income and Expenditure Account provides an analysis of the Council's gross revenue expenditure and income in accordance with UK Generally Accepted Accounting Practice (UK GAAP). The chart below provides an analysis of the Net Cost of Services for Continuing Operations Excluding Exceptional Items (£378m) 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
(Continuing Operations Excluding Exceptional Items)**



**Net Cost of Services by Service Group
(Continuing Operations Excluding Exceptional Items)**



The following table details each of the service groups' actual performance and budget during 2007/08:

Service Group	Budget £'000	Spend £'000	Variance £'000
Education & Lifelong Learning	158,433	158,420	(13)
Community & Children's Services	104,808	104,883	75
Environmental Services	62,564	62,710	146
Chief Executives	10,557	10,340	(217)
Corporate Services	20,541	20,160	(381)
Authority Wide	37,382	37,738	356
Total	394,285	394,251	(34)

	£'000
General Fund Reserves as at 31st March 2007	(10,269)
Revenue Budget Out-turn (Variance as above)	(34)
General Fund Reserves as at 31st March 2008	(10,303)

Capital reserves as at 31st March 2008 totalled £440.6m (of which £12.4m can be used to support capital spending).

Gross Expenditure on Services for Continuing Operations amounted to £606m, this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	263	43
Premises	30	5
Transport	25	4
Supplies and Services	88	15
Payments to Third Parties	75	12
Transfer Payments	53	9
Capital Charges (e.g. Interest)	20	3
Other Operating Costs (e.g. Support Services)	24	4
Exceptional Items	28	5
Total Gross Expenditure	606	100

Income during the year for Continuing Operations totalled £735m and came from the following sources:

Income Analysis	£'m	%
<u>Direct Service Income</u>		
Specific Grants	127	17
Sales, Fees & Charges	34	5
Other Income	39	5
Exceptional Items	120	16
Sub-Total Direct Service Income	320	43
<u>Other Income</u>		
General Government Grants	280	39
National Non-Domestic Rates	55	7
Council Tax	80	11
Total Income	735	100

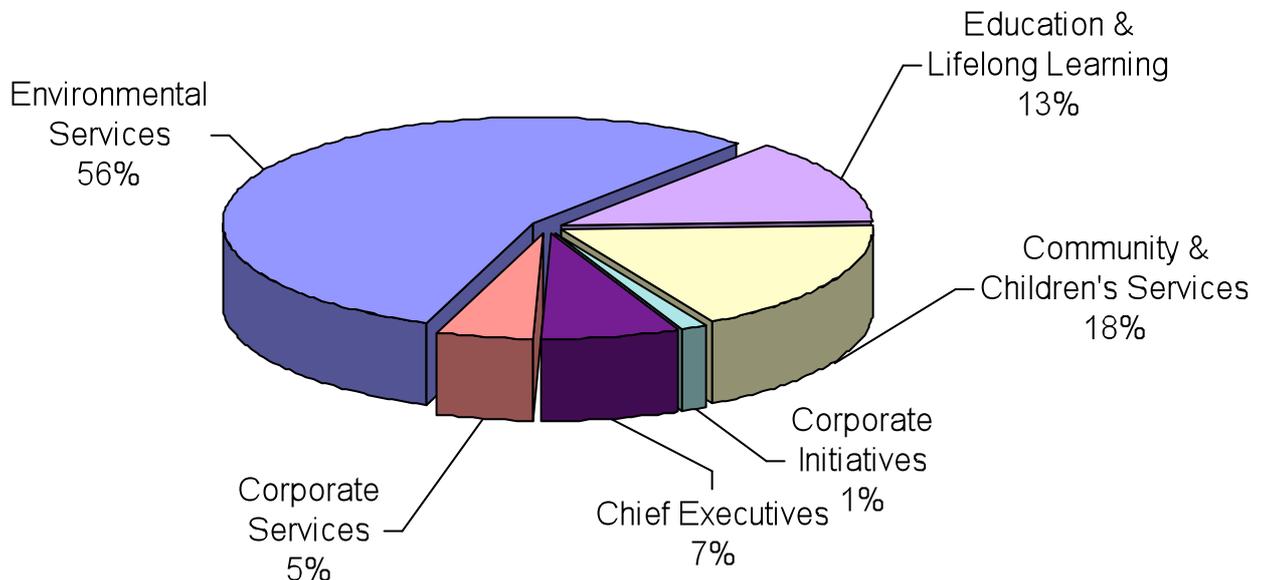
3. Housing Revenue Account

The Housing Revenue Account shows income and expenditure in relation to the provision of Council housing. This includes administration and capital financing costs, and how these are met by rents and other income. On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Housing Trust. The Housing Revenue Account, shown on page 67, reflects the transactions up to the date of transfer.

4. Capital Expenditure and Income 2007/08

During the year the Council spent £89.673m on capital expenditure, as summarised below:

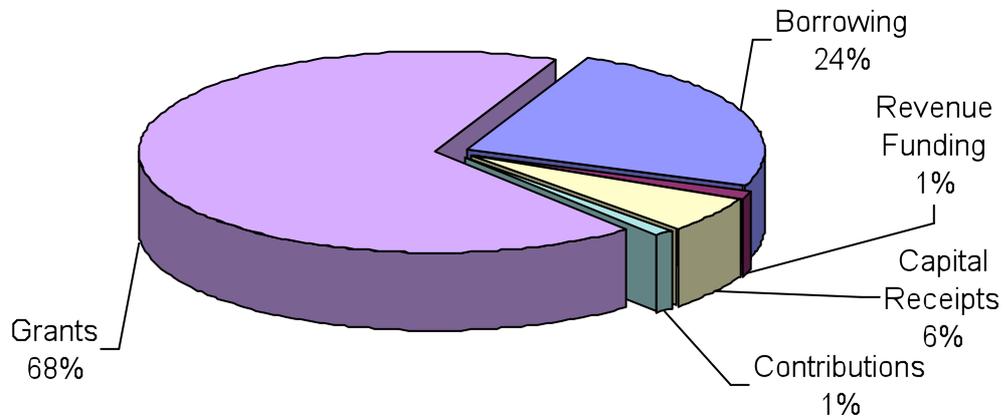
Group	£'000	%
Corporate Initiatives	1,089	1
Corporate Services	4,428	5
Chief Executives	6,622	7
Education & Lifelong Learning	11,654	13
Community & Children's Services	15,880	18
Environmental Services	50,000	56
Total	89,673	100



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

Expenditure on Fixed Assets	£'000	%
Tangible Fixed Assets	51,184	57.0
Intangible Fixed Assets	802	0.9
Investment in Companies	125	0.2
Deferred Charges	37,562	41.9
Total	89,673	100.0

This expenditure was financed as follows:



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

Waste Management
 Porth Relief Road
 Maesgwyn Special School
 Ystrad Rhondda Sports Centre
 Aberdare Swimming Pool
 Church Village Bypass

Major commitments over the next three years in respect of capital schemes as at 31st March 2008 include the following schemes:

Scheme	31/03/08 £'000
Neighbourhood Renewal Areas	5,850
Major Repair/Refurbishment and/or Rationalisation of Service Group Accommodation	1,412
Vehicles	3,150
Tonyrefail Primary School	1,873
Ynyshir Primary School	4,873
Dolau Primary School	2,693
Maesybryn Primary School	2,150
Williamstown Primary School	5,112
Coedpenmaen Primary School	1,025
Modernisation Programme (Adult Community Care)	1,220
Asbestos Remediation Works	7,243
Broadband	1,500
Buildings - Environmental	539
Commercial/Industrial Improvement Grant Programme	840
Community Regeneration	1,224
Computer Hardware & Software Costs	2,250
Corporate Improvement	650
Customer Services Plan Phase 2	1,063

Continued Overleaf....

Disabled Facilities Grants/Adaptations (DFGs)	12,150
Electrical Wiring – Education	600
Essential Works – Education	2,652
Glamorgan Records Office	1,692
Home Repair Assistance (HRAs)	9,000
Integrated Community Equipment Service (ICES)	537
Legionella Works	2,464
Public Contribution Fund	1,545
Renovation Grants Exceptional Circumstances & Home Improvement Zones	3,000
Residents Parking Reviews & New Schemes	669
Roads	6,184
Sustainable Waste Management	3,138
Taff Vale Precinct/Gas Lane Car Park	1,475
Telecare Equipment (including Carelink Equipment)	912
Toilet Refurbishments – Education	600
Tourism Gateway – Dare Valley Country Park	980
Window Replacements – Education	600

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 4.0 to the Core Financial Statements for further details.

5. Borrowing Arrangements and Sources of Funds

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

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

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

Authorised borrowing limit £418.1m
The Authorised Borrowing Limit was adjusted to £304.0m following Housing Stock Transfer.

Interest Rate Exposure – Borrowing	Range
Limits on total % of borrowing at fixed interest rates	60% - 90%
Limits on total % of borrowing at variable interest rates	10% - 40%

Interest Rate Exposure – Investments	Range
Limits on total % of investments at fixed interest rates	0% - 25%
Limits on total % of investments at variable interest rates	75% - 100%

As can be seen from the Balance Sheet, overall borrowing totalled £247.4m. Long Term Borrowing totalled £246.5m at 31st March 2008.

The majority of external borrowing (£159.8m) was from the Public Works Loan Board (PWLB). The remaining balance comprises £86.6m from market loans

and £1.0m 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 PWLB, 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 FRS 17 upon the reserves of the Council is as follows:

	£'000
Net Assets excluding Pensions Reserve	486,191
Net Assets as per Balance Sheet	196,651

7. Statement of Recommended Practice 2007

The 2007 Statement of Recommended Practice (SORP) has introduced a number of amendments to local authority financial statements applicable for financial years commencing on or after 1st April 2007. These changes cover two main areas

Capital Accounting

- Replacement of the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA) with a Capital Adjustment Account (CAA). The new CAA represents the difference between the cost of fixed assets used by the Council and the capital financing set-aside to pay for them. The combined balance on the FARA and CFA is transferred to the CAA at 31st March 2007, which is reflected in the 2006/07 comparators.
- Establishment of a Revaluation Reserve that records the unrealised net gain from asset revaluations made after 1st April 2007. The opening balance on this reserve is nil as at 31st March 2007. Gains arising before 1st April 2007 have been consolidated into the Capital Adjustment Account.

Further information on these changes is given in Accounting Policy notes 2 and 6, and note 1.0 to the Core Financial Statements.

Financial Instruments

- Premiums and Discounts

Up to 2006/07, premiums incurred and discounts received on the early settlement of PWLB debt were held as discrete headings on the Balance Sheet. SORP 2007 and the Capital Financing and Accounting Regulations 2007 now require premiums and discounts to either be held in the Financial Instruments Adjustment Account or include them in the value of the loan they relate to.

- Stepped Interest Loans

Up to 2006/07, interest on stepped interest loans was charged to the Income and Expenditure Account on the basis of the rate payable for the year. From 2007/08, SORP 2007 requires the interest charge to be based upon the "Effective Interest Rate" (E.I.R.) which smoothes the impact of the stepped interest rates. To ensure there is no impact upon Council Fund Balances, the regulations issued by Welsh Assembly Government allow an adjustment in the Statement of Movement to negate the impact of the higher charge based on E.I.R. with an opposite entry in the Financial Instrument Adjustment Account.

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 (UK GAAP). The statement is prepared in the format prescribed by the Best Value Accounting Code of Practice, and SORP 2007, 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 SURPLUS OR DEFICIT 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, remeasurement of the net liability to cover the cost of retirement benefits and the difference between finance costs on a UK GAAP basis and the costs required to be charged according to regulations issued by Welsh Assembly Government.

Balance Sheet

This statement shows the Council's financial position as at 31st March 2008. 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. The Housing Revenue Account is 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. On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Housing Trust. The Housing Revenue Account, shown on page 67, reflects the transactions up to the date of transfer.

Group Accounts

This set of financial statements and notes recognises the interest the Council has in its subsidiary companies, and consolidates these with the Council's single entity statements.

Summary Pension Fund Accounts

As the administering authority responsible for the Rhondda Cynon Taf CBC 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 and Pension SORP.

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.

Statement of Accounting Policies

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2007, 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 complied with the Best Value Accounting Code of Practice (2007 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 accruals 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. This applies only to the 2006/07 Balance Sheet.

Assets are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment 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. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- where attributable to the clear consumption of economic benefits the loss is charged to the relevant service revenue account,
- otherwise it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal. Separate arrangements for capital financing require amounts to be appropriated to the Capital Adjustment Account from the Statement of Movement on the Council Fund Balance, thereby negating any impact upon Council Fund Balance and the taxpayer.

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

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

As an exception to this policy, certain classes of assets have been collectively valued. If these assets had been 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. Where 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.

5. Capital Receipts

Capital receipts are derived from the sale of fixed assets.

Under the Local Government Act 2003, from 1st April 2004 Local Authorities have the option of setting aside housing capital receipts to repay debt.

For 2007/08 the Council has not taken up this option, and therefore all capital receipts have been credited to the Usable Capital Receipts Reserve to fund future capital expenditure.

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.

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

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. For 2006/07 and prior, the charge was 2% of the adjusted Capital Financing Requirement at the beginning of the year for the Housing Revenue Account and 4% for Council Fund.

New regulations issued by the Welsh Assembly Government during 2007/08 introduced 4 options for charging Council Fund MRP. The Council has adopted "Option 2" which calculates MRP at 4% of an unadjusted Capital Financing Requirement.

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.

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, which is currently set at a rate of 6.4%. 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 FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997 (as amended), under which contribution rates are set by the fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The latest valuation was at 31st March 2007. Resultant changes in contribution rates have taken effect from 1st April 2008.

FRS 17 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 2007/08:

- Employer contributions of £35.99m (£33.46m in 2006/07) have been removed from the cost of individual services and trading activities and been replaced by £32.97m (£30.67m in 2006/07) 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 £12.71m (£10.93m in 2006/07).
- The overall effect is a £9.69m (£8.14m in 2006/07) 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. Financial Liabilities

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

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

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

15. Financial Assets

Financial Assets are classified into two types:

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

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

Loans and receivables are carried at amortised cost. Interest and Investment Income in the Income and Expenditure account is based upon the carrying amount of the asset multiplied by the effective interest rate for the instrument. This means that the value in the Balance Sheet is the principal plus any accrued income and the income recognised in the Income and Expenditure Account is based upon the rate quoted in the loan agreement.

16. Investments

Investments are held in the Balance Sheet at amortised 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.

17. Interest Receivable

During 2007/08 the Council has invested temporary cash surpluses for short-term periods, which may range from overnight to 365 days. The interest is credited to the Council Fund, Housing Revenue Account (up to the date of transfer) and other smaller funds proportionately. The Council’s Annual Investment Strategy allows investment in various instruments for up to a period of five years.

18. 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, forecasts, cash flow requirements, prudential limits and other limits set in the annual Treasury Management Strategy report.

19. 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.

20. Foreign Currency

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

21. 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.

22. 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.

23. Reserves and Provisions

Reserves and Provisions are regulated by the Local Government and Housing Act 1989, in accordance with FRS 12 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 claims.

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.

24. 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.

25. 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.

26. 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.

In accordance with the concept of prudence, contingent assets are not recognised in the Income and Expenditure Account or the Balance Sheet because the gain might never be realised.

27. 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.

28. 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 2007/08 we have considered the results of this actuarial valuation, reviewed details of all claims outstanding and considered actual settlement patterns in previous years.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to 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.
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Signature: _____ Date: _____

Cllr. Margaret Davies

Mayor

Civic Offices
Municipal Buildings
Gelliwastad Road
Pontypridd
CF37 2DP

The Group Director - Corporate Services' Responsibilities

The Group Director is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2008.

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

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

The Group Director has also throughout the financial year:

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

**Certificate of the Group Director - Corporate Services
Rhondda Cynon Taf CBC on the accounts of Rhondda Cynon
Taf CBC for 2007/08**

I certify that the accounts set out on the pages 2 to 103 present fairly the financial position of Rhondda Cynon Taf CBC at 31st March 2008 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 31st March 2008

2006/07 Net Exp		Note	2007/08		
			Gross Exp £'000	Gross Income £'000	Net Exp £'000
	Continuing Operations				
2,064	Central Services to the Public		24,124	(21,191)	2,933
57,151	Cultural, Environmental and Planning		83,249	(32,376)	50,873
165,646	Children's and Education Services *		259,269	(56,886)	202,383
21,132	Highways, Roads and Transportation		27,588	(3,263)	24,325
10,600	Housing Services		63,286	(54,112)	9,174
102,927	Adult Social Care **		102,880	(30,630)	72,250
7,597	Corporate and Democratic Core		8,887	(972)	7,915
8,184	Non-Distributed Costs		8,390	(330)	8,060
0	Exceptional Items Not Included in Costs of Specific Services	46.0	28,478	(120,204)	(91,726)
	Discontinued Operations				
(3,542)	Housing Revenue Account	2.0	244,527	(19,384)	225,143
371,759	Net Cost of Services		850,678	(339,348)	511,330
0	Gain on Disposal of Fixed Assets		311	(323)	(12)
22,548	Precepts	18.0	22,607	0	22,607
(361)	(Surplus)/Deficit on Trading Activities	5.0	23,729	(24,105)	(376)
14,012	Interest Payable and Similar Charges		13,478	0	13,478
(2,296)	Interest and Investment Income		0	(2,032)	(2,032)
10,930	Pensions Interest Cost and Expected Return on Pensions Assets	34.2	44,750	(32,040)	12,710
416,592	Net Operating Expenditure		955,553	(397,848)	557,705
(75,218)	Net Proceeds of Council Tax	17.0			(80,106)
(268,636)	General Government Grants				(280,320)
(51,048)	NNDR Pool Contribution	16.0			(55,141)
21,690	(Surplus)/Deficit for the year				142,138

(*) Prior year comparator excludes Children's Social Services

(**) Prior year comparator includes Children's Social Services

Statement of the Movement on the Council Fund Balance for the year ended 31st March 2008

2006/07			2007/08	
£'000		Note	£'000	£'000
21,690	(Surplus)/Deficit for the Year on the Income and Expenditure Account			142,138
	Amounts Included in the Income and Expenditure Account but Required by Statute to be Excluded when Determining the Movement on the Council Fund Balance for the Year			
0	Debt Repaid By W.A.G. Following Housing Transfer		105,593	
1,236	Difference Between Amounts Charged to Income and Expenditure Account for Amortisation of Premium and Discounts and the Charge for the Year in Accordance with Statute		0	
(22,367)	Depreciation and Impairment of Fixed Assets		(309,920)	
6,794	Government Grants Deferred Amortisation	26.0	92,873	
(14,421)	Deferred Charges	20.1	(34,735)	
0	Difference Between Finance Costs Calculated in Accordance with SORP and Finance Costs Calculated in Accordance with Statutory Requirements		68	
0	Net Gain on Sale of Fixed Assets		12	
(41,600)	Net Charges Made for Retirement Benefits in Accordance with FRS 17	34.2	(45,680)	(191,789)
(48,668)	Amounts not Included in the Income and Expenditure Account but Required to be Included by Statute when Determining the Movement on the Council Fund Balance for the Year			(49,651)
10,251	Statutory Repayment of Debt		10,785	
2,528	Capital Expenditure Charged to the Council Fund Balance		137	
33,460	Employer's Contributions Payable to the Pension Fund and Retirement Benefits Payable Direct to Pensioners	34.2	35,990	46,912
(2,429)	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			(2,739)
159	Surplus/(Deficit) on the Housing Revenue Account		620	
2,617	Net Transfer To/(From) Earmarked Reserves		2,085	2,705
347	Gain Arising on Transition to SORP 2007 Requirements (Recognised in STRGL) that impacts upon Council Fund Balance	28.6		(34)
0	Transfer of Gain Arising on Transition to SORP 2007 to Earmarked Reserves			845
347	Council Fund (Surplus)/Deficit for the year			(34)
(10,616)	Balance on Council Fund Brought Forward			(10,269)
(10,269)	Balance on Council Fund Carried Forward			(10,303)

Statement of Total Recognised Gains and Losses for 2007/08

2006/07 £'000		Note	2007/08 £'000
21,690	Deficit on the Income and Expenditure Account for the year		142,138
(78,359)	(Gains)/Losses Arising on Revaluation of Fixed Assets		(50,868)
9,380	Actuarial (Gains)/Losses on Pension Assets and Liabilities	34.5	(117,680)
(130)	Any Other (Gains)/Losses Required to be Included in STRGL		0
0	(Gains)/Losses on Financial Instruments	28.6	3,067
(47,419)	Total Recognised (Gains)/Losses for the year		(23,343)

Balance Sheet as at 31st March 2008

31/03/07			31/03/08	
£'000		Note	£'000	£'000
2,979	<u>Fixed Assets</u>		3,003	
	<u>Intangible Fixed Assets</u>	19.0		
	<u>Tangible Fixed Assets</u>			
	<u>Operational Assets</u>	20.1		
255,745	Council Dwellings		0	
414,525	Other Land & Buildings		455,338	
21,018	Vehicles, Plant, Furniture & Equipment		15,011	
226,796	Infrastructure Assets		227,900	
333	Community Assets		90	
	<u>Non Operational Assets</u>	20.1		
141	Investment Properties		754	
104,309	Assets Under Construction		113,385	
46,663	Surplus Assets		36,624	
1,072,509				852,105
50	Long Term Investments		50	
3,346	Investment in Companies	22.0	3,470	
2,783	Long Term Debtors		3,255	
7,143	Deferred Premiums on Early Repayment of Debt	27.0	0	6,775
1,085,831	TOTAL LONG TERM ASSETS			858,880
825	<u>Current Assets</u>		794	
41,414	Stocks & Work in Progress		54,548	
(7,595)	Debtors		(8,134)	
5,550	Bad and Doubtful Debt Provision		66,842	
177	Investments		174	114,224
1,126,202	TOTAL ASSETS			973,104
(12,842)	<u>Current Liabilities</u>		(951)	
(57,701)	Borrowing Repayable on Demand or Within 12 Months		(61,040)	
(9,032)	Creditors		(8,025)	(70,016)
1,046,627	TOTAL ASSETS LESS CURRENT LIABILITIES			903,088
(282,098)	<u>Long Term Liabilities</u>		(246,472)	
(1,213)	Borrowing Repayable Within a Period in Excess of 12 Months		0	
(12,258)	Deferred Liabilities	23.0	(21,853)	
(179,207)	Provisions	25.0	(148,572)	
(1,013)	Government Grants Deferred	26.0	0	
(397,530)	Deferred Discounts on Early Repayment of Debt	27.0	(289,540)	(706,437)
173,308	TOTAL ASSETS LESS LIABILITIES	34.0		196,651

Continued Overleaf....

	Represented by:				
(522,366)	Capital	Capital Adjustment Account	28.1	(377,515)	
0	Reserves	Revaluation Reserve	28.2	(50,322)	
(589)		Deferred Capital Receipts Reserve	28.3	(449)	
(2,080)		Usable Capital Receipts Reserve	28.4	(12,362)	
(525,035)					(440,648)
397,530	Revenue	Pensions Reserve	28.5	289,540	
0	Reserves	Equal Pay Back Pay Account	28.12	14,101	
0		Financial Instruments Adjustment Account	28.6	4,040	
(10,269)		Council Fund Balance	28.7	(10,303)	
(1,588)		MGCC Insurance Reserve	28.8	(1,441)	
(1,543)		Housing Revenue Account	28.9	(2,359)	
(27,320)		Earmarked Reserves	28.10	(43,123)	
(5,083)		Delegated Schools Reserve	28.11	(6,458)	243,997
(173,308)	NET WORTH				(196,651)

Cashflow Statement 2007/08

2006/07		2007/08	
£'m		£'m	£'m
	<u>Revenue Activities</u>		
	<u>Cash Outflows</u>		
305.0	Cash Paid to and on Behalf of Employees	312.2	
230.1	Other Operating Cash Payments	231.4	
29.4	Housing Benefit Paid Out	36.8	
42.6	National Non-Domestic Rate Payments to National Pool	44.0	
10.5	Precepts Paid	10.9	635.3
	<u>Cash Inflows</u>		
(8.0)	Rents (After Rebates)	(4.8)	
(61.5)	Council Tax Receipts	(65.1)	
(51.0)	National Non-Domestic Rate Receipts from National Pool	(55.1)	
(43.6)	Non-Domestic Rate Receipts	(44.3)	
(254.8)	Revenue Support Grant	(264.2)	
(62.2)	DWP Grants for Benefits	(66.4)	
(74.6)	Other Government Grants	(204.6)	
(102.2)	Cash Received for Goods and Services	(72.5)	(777.0)
(40.3)	Net Cash (Inflow)/Outflow from Revenue Activities		(141.7)
	<u>Returns on Investments and Servicing of Finance</u>		
13.6	Interest Paid	14.3	
(2.3)	Interest Received	(2.1)	12.2
	<u>Capital Activities</u>		
	<u>Cash Outflows</u>		
92.6	Purchase of Fixed Assets	87.9	
0	Purchase of Long-Term Investments	0.1	88.0
	<u>Cash Inflows</u>		
(11.1)	Sale of Fixed Assets	(15.9)	
(69.4)	Capital Grants Received	(52.7)	
(1.8)	Other Capital Cash Receipts	(1.8)	(70.4)
(18.7)	Net Cash (Inflow)/Outflow Before Financing		(111.9)
	<u>Financing</u>		
	<u>Cash Outflows</u>		
106.3	Repayments of Amounts Borrowed	225.0	
	<u>Cash Inflows</u>		
(63.3)	New Loans Raised	(175.3)	49.7
24.3	(Increase)/Decrease in Cash & Equivalents		(62.2)

Notes to the Core Financial Statements

1.0 Prior Period Adjustments

In accordance with the accounting policy changes identified in the 2007 SORP (see explanatory foreword), the Balance Sheet at 31st March 2007 has been adjusted from that included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve. At 31st March 2007 the credit balances on the Fixed Asset Restatement Account (£471.72m) and the Capital Financing Account (£50.65m) have been transferred to form the new Capital Adjustment Account with a credit balance of £522.37m. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31st March 2008 therefore only shows revaluation gains accumulated since 1st April 2007.

2.0 Discontinued Operations

On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Housing Trust. Therefore the Housing Revenue Account has been identified as a Discontinued Operation.

3.0 Long-Term Contracts

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

Details	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011-End £'000
Financial Systems and Maintenance Contracts	1,504	827	788	1,442
Total	1,504	827	788	1,442

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

4.0 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 £113.77m over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Assembly Government, and Council/Delegated School resources.

Details of the committed spend is as follows:

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

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 Government. 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 31st March 2008 the balance on the PFI equalisation earmarked reserve is £3.93m.

5.0 Trading Activities

The Council operates the following activities on a trading account basis:

Former DLO Trading Activities	2006/07	2007/08		
	(Surplus) /Deficit £'000	Exp £'000	Income £'000	(Surplus) /Deficit £'000
Highways Maintenance	(400)	10,606	(10,914)	(308)
Building Cleaning	(42)	1,106	(1,155)	(49)
Education and Welfare Catering	68	8,708	(8,751)	(43)
Total	(374)	20,420	(20,820)	(400)

Other Trading Activities	2006/07	2007/08		
	(Surplus) /Deficit £'000	Exp £'000	Income £'000	(Surplus) /Deficit £'000
Other Catering	26	154	(100)	54
Central Print Unit	84	1,198	(1,185)	13
Creative Design	(24)	971	(1,023)	(52)
Commercial Waste (formerly Trade Waste)	(48)	405	(438)	(33)
Carelink	(25)	581	(539)	42
Total	13	3,309	(3,285)	24

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).

FRS 17 "Retirement Benefits" applies to trading activities. Excluding FRS 17, the surplus was £22k.

6.0 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 £45k in 2007/08 (£90k in 2006/07) under the provisions of this Act.

7.0 Publicity

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

Category	2006/07 £'000	2007/08 £'000
Recruitment Advertising	338	269
General Advertising	1,155	900
Other Publicity	198	253
Total	1,691	1,422

8.0 Building Control

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

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

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

Certain activities carried out by the building control section cannot be charged for. The costs of these activities are excluded from the break-even regulations.

The following statement shows the total cost of operating the building control unit for 2007/08 analysed between chargeable and non-chargeable activities.

Trading Account For Building Control						
	2006/07			2007/08		
	Charge-able (67%) £'000	Non-charge-able (33%) £'000	Total Building Control £'000	Charge-able (70%) £'000	Non-charge-able (30%) £'000	Total Building Control £'000
Employee Expenses	296	146	442	303	143	446
Transport	27	8	35	24	10	34
Supplies & Services	9	4	13	7	3	10
Support Service Charges	150	73	223	93	40	133
Total Expenditure	482	231	713	427	196	623
	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	(490)	0	(490)	(421)	0	(421)
Total Income	(490)	0	(490)	(421)	0	(421)
(Surplus)/Deficit for Year	(8)	231	223	6	196	202

9.0 Agency Arrangements

The Council does not undertake work on an agency basis.

10.0 Road User Charging

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

11.0 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:

Category of Supply	Client	2006/07 £'000	2007/08 £'000
Supply of Goods or Materials	City & County of Cardiff	82	43
	Pontypridd & Rhondda NHS Trust	5	1
	Powys CC	3	2
	Merthyr Tydfil CBC	212	224
	Caerphilly CBC	78	65
	Caerphilly Local Health Board	0	1
	Bridgend CBC	453	500
	Newport CBC	12	8
	South Lanarkshire CC	3	1
	Harrow (London Borough)	11	0
	Rhondda Cynon Taf LHB	8	39
	Vale of Glamorgan CBC	59	44
	City & County of Swansea	6	5
	Carmarthenshire CC	7	5
	Wiltshire CBC	4	0
	Coleg Morgannwg	36	23
	Torfaen CBC	1	7
	Gwynedd CBC	4	4
	Flintshire CC	4	0
	Velindre NHS Trust	1	3
Gloucestershire CC	0	19	
		989	994
Provision of Administrative, Professional or Technical Services	Bridgend CBC	5	30
	Caerphilly CBC	61	22
	City & County of Cardiff	1	85
	Merthyr Tydfil College	10	0
	Merthyr Tydfil CBC	112	232
	North Glamorgan NHS Trust	18	89
	Pontypridd & Rhondda NHS Trust	89	103
	Coleg Morgannwg	795	573
	Pontypridd Town Council	2	2
	South Wales Fire Service	39	41
	South Wales Police Authority	142	135
	University of Glamorgan	17	17
	Ystrad Mynach College	12	13
	Bridgend & District NHS Trust	58	60
	Rhondda Cynon Taf LHB	151	242
	Care Council for Wales	3	4
	Local Government Data Unit	1	1
	Welsh Language Board	8	0
	Northamptonshire CC	1	0
	Vale of Glamorgan CBC	4	10
	Isle of Anglesey CC	1	0
	ESIS	2	4
	Velindre NHS Trust	1	4
	City & County of Swansea	1	33
	Blaenau Gwent CBC	0	73
	Neath & Port Talbot Local Health Board	0	41
	Tameside MBC	0	11
		1,534	1,825
	Total	2,523	2,819

12.0 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 2007/08 the Council paid a total of £1.37m (£1.33m in 2006/07) 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.

13.0 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 2007/08 the Council paid 14,834 employees, paying total salaries of £242m (excluding employer's national insurance and pension contributions). Within this, the following salary payments were made within the categories specified:

Remuneration Band	2006/07	2007/08		
	No. of Employees	No. of Employees		
	Total	At 31/03/08	Left in Year	Total
£60,000 - £69,999	18	27	2	29
£70,000 - £79,999	5	9	1	10
£80,000 - £89,999	6	4	0	4
£90,000 - £99,999	2	1	0	1
£100,000 - £109,999	1	2	0	2
£110,000 - £119,999	1	0	0	0
£120,000 - £129,999	1	0	0	0
£130,000 - £139,999	0	1	0	1
Total	34	44	3	47

14.0 Related Party Transactions

In accordance with FRS 8, 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 18.0 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 £1.3m in respect of administration and support during financial year 2007/08. 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 31st March 2008 is £183k.

Chief Officers and Members

Details of Members allowances and Officers' emoluments are provided in the Core Financial Statements notes 12.0 and 13.0 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)	2006/07 £'000	2007/08 £'000
Engineering & Mechanical Services	Vehicle Hire, Repairs & Maintenance	6	13
National Health Service Bodies & Support Groups	Goods and Services	90	61
National Health Service Bodies & Support Groups	Grant Payments	64	78
Sports & Social Clubs	Goods and Services	8	(8)
Sports & Social Clubs	Grant Payments	30	20
Community Councils, Associations & Services	Goods and Services	990	403
Community Councils, Associations & Services	Grant Payments	2,314	1,026
Community Councils, Associations & Services	Vehicle Hire, Repairs & Maintenance	1	10
Childrens' Clubs & Associations	Goods and Services	72	6

Continued Overleaf....

Childrens' Clubs & Associations	Grant Payments	0	5
Childrens' Clubs & Associations	Vehicle Hire, Repairs & Maintenance	2	3
Educational & Cultural Establishments	Goods and Services	(482)	(767)
Educational & Cultural Establishments	Grant Payments	314	321
Educational & Cultural Establishments	Vehicle Hire, Repairs & Maintenance	0	1
Government Bodies, Associations & Staff	Goods and Services	178	147
Government Bodies, Associations & Staff	Grant Payments	(5)	39
Private Companies	Goods and Services	1	(427)
Private Companies	Grant Payments	3	0
Private Companies	Vehicle Hire, Repairs & Maintenance	0	(30)
Public Houses, Halls & Institutes	Goods and Services	1	0
Charitable Organisations	Goods and Services	0	598
Charitable Organisations	Grant Payments	0	560

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 22.0 to the Core Financial Statements and note 3 to the Introduction to Group Accounts. During 2007/08 the following related party transactions took place with the associated companies:

Amgen Cymru

Royalties of £386k were billed by the Council to Amgen Cymru. At 31st March 2008 £27k was outstanding.

The Council paid Amgen Cymru £3,547k in respect of waste management and waste disposal charges, with £605k due to the company at the year-end.

Amgen Rhondda

The Council paid Amgen Rhondda £250k in respect of site management fees, with £21k outstanding at 31st March 2008.

During the year the Council purchased additional preference shares in the company at a cost of £125k.

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 20 members in total,

of which 16 are elected members with voting rights. There are 4 Rhondda Cynon Taf CBC Members on the Joint Committee.

During 2007/08, this Council contributed to the Joint Committee an amount of £197k. This was calculated proportionately based upon population. As at 31st March 2008 the Council held cash balances relating to Glamorgan Archives of £146k.

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 CBC elected Members.

During 2007/08, this Council was charged £2.5m in respect of consultancy fees incurred. As at 31st March 2008 the Council held cash balances relating to Glamorgan Engineering Consultancy of £1.0m.

Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf CBC and Merthyr Tydfil CBC. During 2007/08, the Council charged Llwydcoed Crematorium £14k in respect of Central Establishment Charges. As at 31st March 2008 the Council held cash balances relating to the Crematorium of £567k.

15.0 Audit Fees

The fees payable to external auditors for audit and inspection work relating to the 2007/08 financial year are:

Category of Wales Audit Office Fee	2006/07 £'000	2007/08 £'000
External Audit Services Carried out by the Appointed Auditor	375	379
Statutory Inspection	49	51
Certification of Grant Claims and Returns	217	231
Other Services Provided by the Appointed Auditor	0	0
Total	641	661

16.0 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 2007/08 was 44.8p (43.2p for 2006/07). The total rateable value as at 31st March 2008 was £116.4m (£116.0m as at 31st March 2007).

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 2007/08 rates is £43.5m (£43.1m in 2006/07). The contribution back to the Council from the pool in the year amounted to £55.1m (£51.0m in 2006/07) and the amount paid to the pool amounted to £44.0m (£42.6m in 2006/07).

17.0 Council Tax

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

The Council tax base for 2007/08 was calculated to be £73,815.94 (compared with £73,784.62 for 2006/07). This represents the anticipated yield for every £1 of Council tax levied.

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

Band	A*	A	B	C	D	E	F	G	H	I
No. of Properties	317	44,802	23,154	15,197	7,683	4,981	2,863	1,027	164	41
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 2007/08 was 97.0%.

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

Council Tax Analysis	2006/07 £'000	2007/08 £'000
Council Tax Collectable	75,218	80,106
Net Proceeds from Council Tax	75,218	80,106
Less Payable		
South Wales Police Authority	(9,048)	(9,504)
Community Councils	(1,419)	(1,391)
Total	64,751	69,211

18.0 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:

Organisation Name	2006/07 £'000	2007/08 £'000
South Wales Fire Service	11,428	11,136
South Wales Police Authority	9,048	9,504
Community Councils	1,419	1,391
Magistrates' Courts	(12)	0
Coroner	332	324
Glamorgan Archives	189	197
Registrars	91	0
Brecon Beacons National Park	53	55
Total	22,548	22,607

Registrars are now treated as a Council Core Service.

19.0 Intangible Fixed Assets

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

Operational Assets	Software £'000	Licences and Trademarks £'000	Total £'000
Certified Valuation as at 31 st March 2007	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a
Net Book Value as at 31st March 2007	1,702	1,277	2,979
<u>Movement in 2007/08</u>			
Additions	312	490	802
Reclassifications	(4)	4	0
Depreciation/Amortisation	(509)	(269)	(778)
Net Book Value as at 31st March 2008	1,501	1,502	3,003

20.0 Tangible Fixed Assets**20.1 Movements in Tangible Fixed Assets**

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

<u>Operational Assets</u>	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Communi-ty Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation as at 31st March 2007	271,795	430,127	N/a	N/a	N/a	N/a
Accumulated Depreciation	(16,050)	(15,602)	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2007	255,745	414,525	21,018	226,796	333	918,417
<u>Movement in 2007/08</u>						
Additions	5,186	19,719	2,475	9,193	0	36,573
Disposals/Demolitions	(3,521)	(60)	(1,894)	0	0	(5,475)
Revaluations	1,174	45,694	53	0	122	47,043
Reclassifications	(839)	2,985	0	0	(90)	2,056
Impairments	(252,152)	(20,244)	(2,137)	(1,855)	(275)	(276,663)
Depreciation	(5,593)	(7,281)	(4,504)	(6,234)	0	(23,612)
Net Book Value as at 31st March 2008	0	455,338	15,011	227,900	90	698,339

<u>Non-Operational Assets</u>	Investment Properties	Surplus Assets	Assets Under C'struction	Total
	£'000	£'000	£'000	£'000
Certified Valuation as at 31st March 2007	N/a	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2007	141	46,663	104,309	151,113
<u>Movement in 2007/08</u>				
Additions	0	70	17,341	17,411
Disposals/Demolitions	0	(11,943)	(2,518)	(14,461)
Revaluations	0	3,580	142	3,722
Reclassifications	730	(237)	(2,549)	(2,056)
Impairments	(109)	(1,463)	(3,340)	(4,912)
Depreciation	(8)	(46)	0	(54)
Net Book Value as at 31st March 2008	754	36,624	113,385	150,763

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. Where this has occurred, the expenditure is included in the relevant asset category in the Balance Sheet and written off to revenue over the period

the benefit is received. The related balances, which are included in the table above, are as follows:

<u>Operational Assets (Deferred Charges)</u>	Other Land & Buildings	Vehicles, Plant & Equipment	Deferred Charges Written off in Year	Total
	£'000	£'000	£'000	£'000
Certified Valuation as at 31 st March 2007	N/a	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2007	2,054	12	0	2,066
<u>Movement in 2007/08</u>				
Additions	2,800	0	34,762	37,562
Depreciation/Amortisation	(334)	(1)	(34,762)	(35,097)
Net Book Value as at 31st March 2008	4,520	11	0	4,531

The Council retained legal title of the Welsh Joint Education Committee offices in Western Avenue, Cardiff on behalf of all Welsh Unitary Authorities. In 2007/08 the properties were transferred to the WJEC. They did not form part of the Council's fixed asset portfolio as they are controlled by the WJEC.

The Council's property assets are subject to a five-yearly revaluation. On 31st March 2004 the revaluation of the Council's Land and Buildings was completed by Chestertons, and a land review was undertaken by Cooke & Arkwright. Council Dwellings were also revalued on 31st March 2004 by a RICS qualified Senior Estates Surveyor of the Council's Corporate Estates Division, using the Beacons Principle. The Council has in place arrangements for a five-year rolling programme of revaluations, with effect from 1st April 2005.

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

An analysis of the Council's Fixed Assets is provided at note 20.4 to the Core Financial Statements.

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

Funding Source	Tangible Fixed Assets £'000	Intangible Fixed Assets £'000	Deferred Charges £'000	Total Exp. on Fixed Assets £'000	Investm't in Co's £'000	Total Capital Exp £'000
Borrowing	10,655	0	10,943	21,598	125	21,723
Capital Receipts	4,598	802	175	5,575	0	5,575
Contributions	894	0	389	1,283	0	1,283
Grants	34,900	0	26,055	60,955	0	60,955
Revenue	137	0	0	137	0	137
Total	51,184	802	37,562	89,548	125	89,673

20.2 Major Items of Capital Expenditure 2007/08

As can be seen from note 20.1, additions to tangible fixed assets during the year totalled £51m. In addition to £9m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed in the following table:

Scheme	£'000
Waste Management	2,324
Porth Relief Road	8,305
Maesgwyn Special School	1,062
Ystrad Rhondda Sports Centre	2,109
Aberdare Swimming Pool	1,085
Church Village Bypass	1,966

20.3 Capital Commitments

The major commitments for the next three years in respect of capital schemes as at 31st March 2008 include the following schemes:

Scheme	31/03/08 £'000
Neighbourhood Renewal Areas	5,850
Major Repair/Refurbishment and/or Rationalisation of Service Group Accommodation	1,412
Vehicles	3,150
Tonyrefail Primary School	1,873
Ynyshir Primary School	4,873
Dolau Primary School	2,693
Maesybryn Primary School	2,150
Williamstown Primary School	5,112
Coedpenmaen Primary School	1,025
Modernisation Programme (Adult Community Care)	1,220
Asbestos Remediation Works	7,243
Broadband	1,500
Buildings - Environmental	539
Commercial/Industrial Improvement Grant Programme	840
Community Regeneration	1,224

Continued Overleaf....

Computer Hardware & Software Costs	2,250
Corporate Improvement	650
Customer Services Plan Phase 2	1,063
Disabled Facilities Grants/Adaptations (DFGs)	12,150
Electrical Wiring – Education	600
Essential Works – Education	2,652
Glamorgan Records Office	1,692
Home Repair Assistance (HRAs)	9,000
Integrated Community Equipment Service (ICES)	537
Legionella Works	2,464
Public Contribution Fund	1,545
Renovation Grants Exceptional Circumstances & Home Improvement Zones	3,000
Residents Parking Reviews & New Schemes	669
Roads	6,184
Sustainable Waste Management	3,138
Taff Vale Precinct/Gas Lane Car Park	1,475
Telecare Equipment (inc of Carelink Equipment)	912
Toilet Refurbishments – Education	600
Tourism Gateway – Dare Valley Country Park	980
Window Replacements – Education	600

20.4 Analysis of Fixed Assets

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

Asset type	31/03/08
Caravans	2
Municipal Offices Operational	37
Municipal Offices Non Operational	17
Adult Education Centres	6
Schools	29
- Nursery	81
- Primary	12
- Primary Welsh	14
- Secondary	3
- Secondary Welsh	9
- Special	11
Education Youth Centres	6
Other Education Establishments	27
Libraries	15
Homes for the Elderly	4
Children's Homes	30
Day Centres	3
Physical Disability Establishments	1
Garden Centre	5
Special Sites	9
Leisure Centres	50
Other Leisure Facilities	18
Pools	251
Parks/Play Areas	40
Community Centres	14
Cemeteries	2
Country Park	1
Industrial Estate	

Continued Overleaf...

Depots/Stores	5
Tourism – Museum/Theatre	5
Animal Shelter	1
Heritage Structures	2
War Memorials	24
Car Parks	68
Bus Stations	3
Allotments	65
Social Centres	7
Miscellaneous Housing Establishments	4
Works of Art/Exhibits and Statues	2
Assets Under Construction	14
Infrastructure:	
Principal Roads	164.8km
Other Roads	1068.6km
Trunk Roads	29.0km

20.5 Valuation of Fixed Assets

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

Asset Type	Date Of Last Valuation	Basis Of Valuation
Council Dwellings	31 st March 2004	EUV-SH
Other Land & Buildings	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.

21.0 Operating Leases

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

Group	Other Land & Buildings £'000	Vehicles, Plant & Equip £'000	Total £'000
Community & Children's Services	293	0	293
Corporate Services & Chief Executives	0	170	170
Education & Lifelong Learning	478	598	1,076
Environmental Services	144	0	144
Total	915	768	1,683

The Council was committed at 31st March 2008 to making payments of £1,613k under operating leases in 2008/09, comprising the following elements:

	Committed Expenditure in 2008/09 for Leases Expiring:			Total £'000
	In 2008/09 £'000	Between 2009/10 and 2012/13 £'000	After 2012/13 £'000	
Other Land & Buildings	144	788	0	932
Vehicles, Plant & Equipment	59	620	2	681
Total	203	1,408	2	1,613

22.0 Associated and Subsidiary Companies/Investment in Companies

The Council is required to disclose interests in its associated and subsidiary companies, and where appropriate to consolidate the accounts of any entities meeting the criteria for group accounts into the main financial statements. 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. 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 15th 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 CBC. 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 for the year ended 31st March 2008 are available from the Group Director - Corporate Services, Finance Division, Bronwydd House, Porth, Rhondda, CF39 9DL.

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

Model House	2006/07 £'000	2007/08 £'000
Shareholding	0	0
Net Current Assets	14	10
Total Assets less Current Liabilities	23	23
Net Assets	23	23
(Loss)/Profit Before Tax	(33)	(1)
(Loss)/Profit After Tax	(33)	(1)
Company Registration No.	2208104	
Registered Office/Location of Accounts	Model House Craft & Design Centre Bull Ring Llantrisant CF72 8EB	
Accountants	Dennis, Freedman, Clayton & Co.	

23.0 Deferred Liabilities

The liability related to the Council's debt in respect of the former Taff Ely Borough Council's housing stock and was owed to Caerphilly and the Vale of Glamorgan CBC. The loan management rested with these authorities as a consequence of the Local Government Reorganisation on 1st April 1974. As a result of the transfer of the Housing Stock to RCT Homes in 2007 the debt was repaid during this financial year.

Liability	31/03/07 £'000	31/03/08 £'000
Vale of Glamorgan CBC	739	0
Caerphilly CBC	474	0
Total	1,213	0

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 FRS 12, the provision is based on the probable ultimate cost of the reported losses at the balance sheet date. The value of the provision as at 31st March 2008 was £5.89m, which has been adjusted for internal claims of £192k.

An earmarked reserve is set aside to contribute towards the cost of claims incurred but not yet received. See note 28.10 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:

MGCC	£'000
Provision for Outstanding Claims	1,087
Insurance Reserve	1,441
Total	2,528

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:

Provision	31/03/07 £'000	Transfers to Provisions £'000	Transfers from Provisions £'000	31/03/08 £'000
Insurance	7,638	131	(791)	6,978
MGCC Disaggregation	685	39	0	724
Job Evaluation	3,415	0	(3,415)	0
Housing Benefits	520	0	(512)	8
Equal Pay Costs	0	14,101	0	14,101
Housing Disrepair Claims	0	42	0	42
Total	12,258	14,313	(4,718)	21,853

25.1 Insurance

The Council makes provision for the cost of insurance claims. See notes 24.1 and 24.2 for further information.

25.2 Mid Glamorgan County Council Disaggregation

The provision relates to estimated liabilities due to other local authorities in respect of MGCC post balance sheet events. The exact values and timing of payments is uncertain. Refer to note 30.2 for further details.

25.3 Job Evaluation

Rhondda Cynon Taf CBC, 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. It is anticipated the evaluation exercise will be completed during the course of 2008/09. The provision of £3.4m has been transferred to an earmarked reserve during 2007/08. See note 30.4 for further information.

25.4 Housing Benefits

A provision of £520k had been set up to cover the claw-back of Housing Benefit subsidy following the audit of the 2004/05 and 2005/06 grant claims. During the year the £512k was paid to the DWP in respect of these claims. The balance of £8k will be reviewed in 2008/09.

25.5 Equal Pay Costs

The Council has made a provision of £14.1m in its accounts for the estimated costs of back pay claims made against it under the Equal Pay Act 1970. It is anticipated that these claims will be paid during 2008/09. See note 28.12 for further information.

25.6 Housing Disrepair Claims

This provision has been set up to cover the potential costs of claims made against the Council in respect of Housing Disrepairs. Currently there are eleven cases outstanding with an estimated cost of £42k. The timing of the potential settlement of claims cannot be estimated with certainty.

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.

	£'000
Balance as at 1 st April 2007	(179,207)
Transfer of MRA Grant (Part of Housing Stock Transfer)	22,103
Revised Balance as at 1st April 2007	(157,104)
Grants/Contributions applied in year	(62,238)
Grants/Contributions written down in year	65,800
Transfer of In-Year MRA Grant	4,970
Balance as at 31st March 2008	(148,572)

27.0 Deferred Premiums and Deferred Discounts on Early Repayment of Debt

These amounts in the prior year comparator Balance Sheet relate to discounts received or premia incurred on prematurely repaid loans from the PWLB as a result of debt rescheduling. Up to 2006/07, the Council Fund's share of the net premia was charged to revenue over the life of replacement loans (HRA over the unexpired period of the loans redeemed, up to a maximum of 10 years). From 2007/08, discounts and premia are no longer discrete headings on the Balance Sheet but, in accordance with SORP 2007, are to be held either within the Financial Instruments Adjustment Account or incorporated in the value of the loan they relate to.

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:

	Balance 1st April 2007	(Gains)/ Losses Credited/ Debited to Reserve	Transfers Between Reserves	Balance 31st March 2008
	£'000	£'000	£'000	£'000
Capital Adjustment Account	(522,366)	144,851	0	(377,515)
Revaluation Reserve	0	(50,322)	0	(50,322)
Deferred Capital Receipts Reserve	(589)	140	0	(449)
Usable Capital Receipts	(2,080)	(10,282)	0	(12,362)
<i>Continued Overleaf....</i>				

Pensions Reserve	397,530	(107,990)	0	289,540
Equal Pay Back Pay Account	0	0	14,101	14,101
Financial Instruments Adjustment Account	0	4,040	0	4,040
Council Fund Balances	(10,269)	(3,584)	3,550	(10,303)
MGCC Insurance Reserve	(1,588)	0	147	(1,441)
Housing Revenue Account	(1,543)	(196)	(620)	(2,359)
Earmarked Reserves	(27,320)	0	(15,803)	(43,123)
Delegated School Reserve	(5,083)	0	(1,375)	(6,458)
Net Worth	(173,308)	(23,343)	0	(196,651)

28.1 Capital Adjustment Account

The Capital Adjustment Account comprises balances of resources that have been applied to capital financing. They represent advance provision against the depreciation/impairment of fixed assets.

28.2 Revaluation Reserve

The Revaluation Reserve records the unrealised net gain from asset revaluations made after 1st April 2007. 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 1st April 2004 Local Authorities had the option in setting aside housing capital receipts to repay debt. From 2007/08 the Council has not taken up this option and therefore all 2007/08 Capital Receipts have been credited to the Usable Capital Reserve.

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 FRS 17 "Retirement Benefits".

28.6 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account represents the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the Council Fund Balance.

The 2007 SORP required a change to the way in which Financial Instruments are recognised in the financial statements, although the provisions of capital finance and accounting regulations ameliorate the impact this would have on the Council Fund Balance.

28.7 Council Fund Balance

Council Fund Balances are accumulated working balances and relate to general fund services. These exclude "ring-fenced" Council services such as Housing Revenue Account and Delegated Schools.

28.8 Mid Glamorgan County Council Insurance Reserve

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

28.9 Housing Revenue Account

The Housing Revenue Account balance relates to the "ring-fenced" council housing account. The balance remains with the Council following the transfer of the Housing Stock to RCT Homes. Please refer to pages 67 to 71 for further details.

28.10 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 31st March 2008. Balances are as follows:

Reserve	Purpose	31/03/07 £'000	Movement £'000	31/03/08 £'000
Customer Care	To deliver the Council's Customer Care Strategy.	25	(25)	0
E-Government /Service Re-engineering	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering.	1,071	(898)	173
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.	3,273	3,193	6,466
Financial Management	Amounts set aside as financial cover for future liabilities.	3,396	3,875	7,271

Continued Overleaf....

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.	4,247	1,862	6,109
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.	3,286	(55)	3,231
Social Inclusion	To fund activities and projects carried out to improve social inclusion.	401	(263)	138
Capital Developments	Resources required to be set-aside for the funding of the Council's approved 3-year capital programme.	6,458	2,023	8,481
Job Evaluation	Resources set aside for the financial implications of the job evaluation process.	0	3,975	3,975
Prior Year Commitments	Carry forward of funding to finance projects for which commitments have already been made in the prior year.	1,658	644	2,302
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	2,122	253	2,375
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.	1,383	1,219	2,602
Total		27,320	15,803	43,123
Delegated Schools	Please see note 28.11 for details.	5,083	1,375	6,458
Total		32,403	17,178	49,581

28.11 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.

The table includes the unspent element of the Welsh Assembly Government RAISE grant, which the schools have until the end of August 2008 to spend.

Type of School	31/03/06 £'000	2006/07 Movement £'000	31/03/07 £'000	2007/08 Movement £'000	31/03/08 £'000	Net of RAISE Grant £'000
Primary	2,424	410	2,834	850	3,684	3,310
Secondary	2,839	(986)	1,853	432	2,285	1,965
Special	259	11	270	72	342	342
Nursery	0	126	126	21	147	147
Total	5,522	(439)	5,083	1,375	6,458	5,764

28.12 Equal Pay Back Pay Account

The Council has made a provision in its accounts for the estimated costs of back pay claims made against it under the Equal Pay Act 1970. Regulations introduced by the Welsh Assembly Government give the Council discretion not to charge this cost to the Council Fund until payments have actually been made. This is achieved by reversing the provision in the Statement of Movement on the Council Fund Balance and setting up a negative reserve in the balance sheet (the 'Equal Pay Back Pay Account').

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

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

Rhondda Waste Disposal as at 31st March 1998		£'000
Net Current Assets		505
Total Assets less Current Liabilities		2,925
Net Assets		513
(Loss)/Profit Before Tax		(731)
(Loss)/Profit After Tax		(578)
Registration No.	2630483	
Registered Office	3 Hilliards Court, Chester Business Park, Wrexham Road, Chester CH4 9QX.	
Auditors	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 £1.5m. The Council is still awaiting a final decision from the Welsh Assembly Government Department of Enterprise and Transport (DET), 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 continues to work closely with the Welsh Assembly Government DET and the Wales Audit Office to bring this matter to a close.

30.2 Mid Glamorgan County Council Disaggregation

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

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 31st March 2008. 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 CBC, 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 2008/09.

31.0 Issuing of Accounts

The audited Statement of Accounts were authorised for issue on 24th September 2008 when approved by Council. The authority for issuing the Statement of Accounts has been given by the Group Director - Corporate Services, as Chief Finance Officer.

32.0 Post Balance Sheet Events

There are no post balance sheet events that have an impact on the 2007/08 accounts.

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 31st March 2008 are shown as follows and are not included in the Council's Balance Sheet. The 2007/08 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit for the others).

	31/03/07 £'000	31/03/08 £'000
Education & Social Services	167	175
Pontypridd & Districts Institute for the Blind	177	184
Welsh Church Act Fund	9,969	9,851

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 35.0.
- Other employees and Members - The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. 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 FRS 17 "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:

Income and Expenditure Account	2006/07 £'000	2007/08 £'000
Current Service Cost	27,080	27,200
Past Service Cost	3,590	8,550
Loss/(Gain) on Curtailments and Settlements	0	(2,780)
Total Charged to Net Cost of Services	30,670	32,970
Expected Return on Pension Fund Assets	(28,540)	(32,040)
Interest on Pension Scheme Liabilities	39,470	44,750
Net Charge to Interest Cost and Expected Returns	10,930	12,710
Net Charge to the Income and Expenditure Account	41,600	45,680

Statement of Movement on the Council Fund Balance	2006/07 £'000	2007/08 £'000
Reversal of Net Charges Made for Retirement Benefits in Accordance with FRS 17	(41,600)	(45,680)
Actual Amount Charged Against the Council Fund Balance for Pensions in the Year - Employers' Contributions Payable to the Scheme	33,460	35,990

34.3 Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits at 31st March are:

	2006/07 £'000	2007/08 £'000
Estimated Liabilities in Scheme	(849,090)	(760,580)
Estimated Assets in Scheme	451,560	471,040
Net Assets/(Liabilities)	(397,530)	(289,540)

	£m
Surplus/(Deficit) 31 st March 2007	(397.53)
Contributions Paid	32.94
Contributions Towards Unfunded Liabilities	3.05
Current Service Cost	(27.20)
Past Service Cost	(8.55)
Settlement Cost	2.78
Curtailment Cost	0
Interest Cost	(44.75)
Expected Return on Assets	32.04
Actuarial Gains and Losses:	
Difference Between Actual and Expected Returns on Assets	(2.62)
Experience Gains and Losses Arising on Scheme Liabilities	(23.29)
Effect of Changes in Demographic & Financial Assumptions	143.59
Surplus/(Deficit) 31st March 2008	(289.54)

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

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:

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the latest review being as at 31st March 2007. Changes to contributions have taken effect from 1st April 2008. The next valuation is to be completed as at 31st March 2010.

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:

	2006/07	2007/08
Rate of Inflation	3.2%	3.7%
Rate of Increase in Salaries	4.7%	5.2%
Rate of Increase in Pensions	3.2%	3.7%
Rate for Discounting Liabilities	5.3%	6.8%

The assumption for commutation for post 2008 service has been set at 75%. The assumption for pre-2008 service remains at 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	
	31/03/07 £'m	31/03/08 £'m	31/03/07 %	31/03/08 %	31/03/07 %	31/03/08 %
Equities	367.21	345.50	81	73	7.7	7.6
Property	0	17.90	0	4	6.7	6.6
Government Bonds	53.17	54.85	12	12	4.7	4.6
Corporate Bonds	6.49	11.42	2	2	5.3	6.8
Other	24.69	41.37	5	9	5.6	6.0
Total	451.56	471.04	100	100	7.2	7.1

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 31st March each year:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Diff between expected and actual return on assets	43,040	12	5,380	1.6	61,280	14.5	(9,250)	(2.0)	(2,620)	(0.6)
Diff between actuarial assumptions about liabilities and actual experience	(5,540)	(0.9)	25,510	3.6	500	0.1	(2,290)	(0.3)	(23,290)	(3.1)
Changes in demographic and financial assumptions	(8,370)	(1.3)	(128,140)	(18.3)	(58,710)	(7.3)	2,160	0.3	143,590	18.9
Total	29,130		(97,250)		3,070		(9,380)		117,680	

This note is concerned only with the Rhondda Cynon Taf CBC 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 2007/08 the Council paid £11.5m (£10.8m in 2006/07) to the Agency in respect of teachers' pension costs, which represents 14.1% 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 2007/08 these amounted to £837k (£821k in 2006/07).

36.0 Reconciliation of Income and Expenditure Account to Cashflow

2006/07 £'m		2007/08 £'m
21.7	I & E Account (Surplus)/Deficit	142.1
(22.4)	Depreciation	(309.9)
6.8	Government Grants Deferred	92.9
(14.4)	Deferred Charges	(34.7)
(8.1)	FRS 17 Adjustment	(9.7)
(1.4)	(Increase)/Decrease in Creditors	(1.4)
(7.7)	Increase/(Decrease) in Debtors	0.9
(3.5)	(Increase)/Decrease in Provisions	(9.6)
(11.3)	Financing Items	(12.3)
(40.3)	Cash (Inflow)/Outflow from Revenue Items	(141.7)

37.0 Reconciliation of Net Cashflow to Movement in Net Debt

	£'m
(Decrease)/Increase in Cash	62.2
Cash to Reduce Net Debt	47.6
Change in Net Debt	109.8
Net Debt 1 st April 2008	(298.2)
Net Debt 31st March 2008	(188.4)

38.0 Analysis of Changes in Net Debt

	31/03/07 £'m	Cashflows £'m	31/03/08 £'m
Short-Term Investments	5.6	61.2	66.8
Short-Term Borrowing	(12.9)	12.0	(0.9)
Bank Overdraft	(9.0)	1.0	(8.0)
Cash in Hand	0.2	0	0.2
Long-Term Borrowing	(282.1)	35.6	(246.5)
Total	(298.2)	109.8	(188.4)

39.0 Net Financing 2007/08

The net decrease in financing of £47.6m is derived from the movements in both short and long-term borrowing as reflected in the Balance Sheet:

	31/03/07 £'m	31/03/08 £'m	Movement £'m
Long-Term Borrowing	282.1	246.5	(35.6)
Short-Term Borrowing	12.9	0.9	(12.0)
Total	295.0	247.4	(47.6)

40.0 Movements in Cash and Cash Equivalents

This can be derived from the Balance Sheet as follows:

	31/03/07 £'m	31/03/08 £'m	Movement £'m
Cash in Hand	0.2	0.2	0
Bank Balance (o/d)	(9.0)	(8.0)	1.0
S/term Investments	5.6	66.8	61.2
Total	(3.2)	59.0	62.2

41.0 Government Grants

Government Grants shown in the Cashflow Statement are analysed below:

2006/07 £'m		2007/08 £'m
	Revenue	
0.5	Mandatory Awards	0.1
1.9	GEST	2.1
72.2	Other	202.3
74.6	Total	204.5
	Capital	
41.5	Transport Grant	21.1
14.0	Other grants	13.9
2.5	Objective 1/LRF	8.4
4.1	Capital Grant	4.3
7.3	Major Repairs Allowance	5.0
69.4	Total	52.7

42.0 Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Long term		Short term	
	31/03/07	31/03/08	31/03/07	31/03/08
	£'000	£'000	£'000	£'000
<i>Financial Liabilities – Principal</i>	294,134	245,572	816	951
Financial Liabilities at amortised cost	N/A	246,472	N/A	951
Total Borrowings	N/A	246,472	N/A	951
<i>Investments – Principal</i>	50	50	5,560	66,550
Loans and receivables	50	50	N/A	66,842
Total Investments	50	50	N/A	66,842

The prior year comparators are based on principal only and not valued at amortised cost. Amortised cost is a valuation method introduced by SORP 2007, therefore, 31st March 2007 figures are not available.

During the year £106m of PWLB Debt was repaid as a result of the transfer of the Housing Stock.

43.0 Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to Financial Instruments are made up as follows:

	Financial Liabilities; Liabilities Measured at Amortised Cost £'000	Financial Assets; Loans and Receivables £'000	Total £'000
Interest Expense	13,478	0	13,478
Interest Payable and Similar Charges	13,478	0	13,478
Interest Income	0	(2,032)	(2,032)
Interest and Investment Income	0	(2,032)	(2,032)
Net (Gain)/Loss for the year	13,478	(2,032)	11,446

44.0 Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cashflows that take place over the remaining life of the instrument, using the following assumptions:

- For loans from the PWLB and market loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- All loans receivable have a maturity of less than 12 months and the fair value is taken to be the principal outstanding.
- No early repayment or impairment is recognised.
- Fair Value of Trade and other receivables are taken to be the invoiced amount.

	31/03/07		31/03/08	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	206,598	218,155	159,761	178,401
Market Debt	87,500	94,901	86,676	102,886
Other Debt	832	832	986	986
Trade Creditors	12,450	12,450	16,735	16,735
Total Financial Liabilities	307,380	326,338	264,158	299,008

45.0 Nature and Extent of Risks Arising From Financial Instruments

45.1 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks being:

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

45.2 Overall Procedures for Managing Risk

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

- Formally adopting the requirements of the Code of Practice.
- Approving annually in advance Prudential Indicators for the following three years.
- Approving an Annual Investment Strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with guidance from the Welsh Assembly Government.

45.3 Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers. Deposits are placed with banks and financial institutions in accordance with criteria outlined in the Annual Investment Strategy.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the credit rating agencies and the Council's experience of its customer collection levels:

	31/03/08 (a)	Historical Experience of Default (b)	Adjustment for Market Conditions at 31/03/08 (c)	Estimated Maximum Exposure to Default (a*c)
	£'000	%	%	£'000
Deposits with banks and institutions				
AAA rated counterparties	0.0	0.0	0.0	0.0
AA rated Counterparties	24,533	0.0	0.0	0.0
A rated Counterparties	36,940	0.007	0.007	3.0
Trade Debtors	8,676	0.96	0.96	83

No breaches of the Council's counterparty criteria occurred during the reporting period.

The Council does not generally allow credit for its trade debtors. £4.5m of the £8.7m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31/03/08 £'000
Less than 3 months	1,399
3 – 6 months	529
6 months to 1 year	435
More than 1 year	2,123
Total	4,486

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

45.4 Liquidity Risk

The Council manages its liquidity position through effective cashflow management procedures.

The Council has ready access to borrowings from the money markets to cover any day-to-day cashflow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to produce a balanced budget in accordance with the Local Government Finance Act 1992.

45.5 Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury

and investment strategies address the main risks and the central Treasury team manage operational risks within approved parameters.

This includes:

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

The maturity analysis of the principal value of financial liabilities is as follows:

	31/03/08 £'000
Less than 1 year	951
Between 1 and 2 years	0
Between 2 and 7 years	13,035
Between 7 and 15 years	2,547
More than 15 years	229,990
Total	246,523

The maturity analysis of financial assets is as follows:

	31/03/08 £'000
Less than 1 year	66,550

Trade Debtors are not included in the table above.

45.6 Market Risk

Interest Rate Risk

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

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

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

	£'000
Increase in interest payable on variable rate borrowings	54
Increase in interest receivable on variable rate investments	N/a
Impact on Income and Expenditure Account	54
Share of overall impact affecting HRA	10
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E or STRGL)	42,860

The approximate impact of a 1% fall in interest rates would be as above but with the same methodology as used in the note of Fair Value of Assets and Liabilities carried at Amortised Cost.

46.0 Exceptional Items

Due to their nature and values, the following items have been identified as 'Exceptional Items' in the Income and Expenditure Account:

- The Council has made a provision of £14.1m in its accounts for the estimated costs of back pay claims made against it under the Equal Pay Act 1970. It is anticipated that these claims will be paid during 2008/09. See note 28.12 for further information.
- As part of the Housing Stock Transfer the Council received £118m from the Welsh Assembly Government to repay debt related to the Housing Revenue Account. The Council incurred premia/breakage costs of £12m on the debt repayment resulting in a credit to Net Cost of Services of £106m.
- In accordance with WAG guidelines, the Council was reimbursed for costs which it incurred (£233k) in relation to the transfer of the Housing Stock (set up costs).

Housing Revenue Account 2007/08

Income and Expenditure Account

2006/07			2007/08	
£'000		Note	£'000	£'000
	INCOME			
(25,720)	Dwelling Rents (Gross)	4.0	(18,471)	
(386)	Non Dwelling Rents (Gross)		(304)	
(871)	Charges for Services and Facilities		(609)	
(26,977)	Total Income			(19,384)
	EXPENDITURE			
15,385	Management and Maintenance		11,464	
409	Rents, Rates, Taxes and Other Charges		236	
836	Housing Subsidy Payable		550	
5,655	Depreciation and Impairment of Fixed Assets	1.0/9.0	231,657	
46	Debt Management Costs		55	
289	Increase in Bad Debt Provision		0	
22,620	Total Expenditure			243,962
(4,357)	Net Cost of HRA Services as Included in the Whole Authority Income and Expenditure Account			224,578
815	HRA Services Share of Corporate and Democratic Core			565
(3,542)	Net Cost of HRA Services			225,143
	HRA Share of Operating Income and Expenditure Included in the Whole Authority Income and Expenditure Account			
0	Gain or Loss on Sale of HRA Fixed Assets			224
5,400	Interest Payable and Similar Charges			2,737
(632)	Amortisation of Premiums and Discounts			0
(105)	HRA Interest and Investment Income			(68)
1,121	(Surplus)/Deficit for the Year on HRA Services			228,036

Statement of Movement on the Housing Revenue Account Balance 2007/08

2006/07		2007/08	
£'000		£'000	£'000
1,121	(Increase)/Decrease in the Housing Revenue Account Balance Comprising: (Surplus)/Deficit for Year on the HRA Income and Expenditure Account		228,036
1,236	Items Included in the HRA Income and Expenditure Account but Excluded from the Movement on HRA Balance for the Year: Difference between amounts charged to Income and Expenditure for Amortisation of Premium and Discounts and the Charge for the Year in Accordance with Statute	0	
(5,563)	Depreciation and Impairment of Fixed Assets	(231,613)	
0	Difference between Finance Costs Calculated in Accordance with SORP and Finance Costs Calculated in Accordance with Statutory Requirements	1,418	
0	Gain or Loss on Sale of HRA Fixed Assets	(224)	
(1,263)	Net Charges Made for Retirement Benefits in Accordance with FRS 17	(889)	(231,308)
(4,469)	Items not Included in the HRA Income and Expenditure Account but Included in the Movement on HRA Balance for the Year:		(3,272)
1,559	Employer Contributions Payable to the Pension Fund	1,177	
2,264	HRA Minimum Revenue Provision	1,475	
487	Capital Expenditure Funded by the Housing Revenue Account	0	2,652
(159)	Gain Arising on Transition to SORP 2007 Requirements (Recognised in STRGL) that Impacts Upon HRA Reserve Balance		(620) (196)
(159)	HRA (Surplus)/Deficit for the Year		(816)
(1,384)	Reserve Balance b/fwd as at 1 st April 2007		(1,543)
(1,543)	Reserve Balance c/fwd as at 31st March 2008		(2,359)

Notes to the Housing Revenue Account

1.0 Discontinued Operations

On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Trust. The 2007/08 accounts and associated notes reflect transactions up to the date of transfer.

The Housing Stock was transferred at a value of £358.7m and a development agreement signed with RCT Homes to spend this sum in bringing the condition of the stock up to the Welsh Housing Quality Standard.

The transactions for this are netted off within the Housing Revenue Account and through the Capital Adjustment Account maintained as part of the Balance Sheet.

2.0 Housing Stock

The Council was responsible for managing, on average, 10,321 dwellings between 1st April 2007 and 9th December 2007 (10,468 during 2006/07).

The total number of dwellings held at 9th December 2007 was 10,271, made up as follows:

Type	1 Bed-room	2 Bed-room	3 Bed-room	4 Bed-room	5-6 Bed-room	Total
Bungalow	147	94	7	0	0	248
Bedsit	205	0	0	0	0	205
Caravan	3	0	0	0	0	3
Flat	1,847	1,681	76	0	0	3,604
House	16	1,359	4,727	104	5	6,211
Total	2,218	3,134	4,810	104	5	10,271

As at the 9th December 2007 94.89% of properties were available for letting compared with 95.78% as at 31st March 2007.

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 9th December 2007 was £52.11 (less voids). The Welsh Assembly Government sets the maximum level of rent increase for each authority. The Guideline Rent increase for the Council was £2.29 in 2007/08.

5.0 Rent Arrears

Rent arrears as at 9th December 2007 amounted to £2.22m (£1.82m as at 31st March 2007). Rent arrears due from current tenants transferred to RCT Homes. Arrears due for former tenants of £1.45m remain with the Council. The provision for bad debts in respect of these rent arrears is £1.27m (£1.30m as at 31st March 2007).

6.0 Capital Expenditure

Capital expenditure on HRA assets totalled £5.27m in 2007/08 (£8.51m in 2006/07), and was funded from the following sources:

Funding Source	Council Dwellings £'000
Grants	4,970
Capital Receipts	303
Total	5,273

7.0 Capital Receipts

Total capital receipts from the sale of HRA assets were £4.83m in 2007/08 (£7.72m in 2006/07).

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 2007/08 is shown below:

Asset Type	£'000
Operational Assets - Dwellings	5,593
Operational Assets - Other	295
Impairment of Assets	252,678
Write Off Deferred Government Grants	(26,953)
Total Council Owned Assets	231,613
Former Taff Ely BC Transferred Assets	44
Total Charge to HRA	231,657

10.0 Rent Rebates (Housing Benefits)

Assistance with rent is available under the Housing Benefits scheme for those on low income. As at 9th December 2007, 77.53% 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.

The Group Accounts Statements comprise:

- 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 FRS 17 (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 Nantygwyddon Landfill site from Rhondda Waste Disposal Limited, which went into administration during the year ended 31st March 1999. In April 2005 the company entered into a formal stewardship agreement with Rhondda Cynon Taf CBC, which provides for the remediation and long-term stewardship of the facility in conjunction with the shareholder.

Rhondda Cynon Taf CBC holds 100% of the voting rights of Amgen Cymru, who in turn hold 100% of the voting rights of Amgen Rhondda.

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

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. **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 FRS 17 for the company would not have a material impact on the group accounts. Amgen Rhondda makes contributions in respect of a defined contribution scheme only. For these reasons the pension costs charged to the Group Income and Expenditure Account in respect of the Amgen companies represent the actual contributions paid in the year.

Group Income and Expenditure Account for the year ended 31st March 2008

2006/07			2007/08		
Net Exp			Gross Exp	Gross Income	Net Exp
£'000		Note	£'000	£'000	£'000
	Continuing Operations				
2,064	Central Services to the Public		24,124	(21,191)	2,933
56,810	Cultural, Environmental and Planning	1.0	85,323	(34,705)	50,618
165,646	Children's and Education Services		259,269	(56,886)	202,383
21,132	Highways, Roads and Transportation		27,588	(3,263)	24,325
10,600	Housing Services		63,286	(54,112)	9,174
102,927	Adult Social Care		102,880	(30,630)	72,250
7,597	Corporate and Democratic Core		8,887	(972)	7,915
8,184	Non-Distributed Costs		8,390	(330)	8,060
0	Exceptional Items		28,478	(120,204)	(91,726)
	Discontinued Operations				
(3,542)	Housing Revenue Account		244,527	(19,384)	225,143
371,418	Net Cost of Services		852,752	(341,677)	511,075
0	Gain on Disposal of Fixed Assets		311	(323)	(12)
22,548	Precepts		22,607	0	22,607
(361)	(Surplus)/Deficit on Trading Activities		23,729	(24,105)	(376)
14,012	Interest Payable and Similar Charges		13,485	0	13,485
(2,335)	Interest and Investment Income		0	(2,114)	(2,114)
10,930	Pensions Interest Cost and Expected Return on Pensions Assets		44,750	(32,040)	12,710
24	Taxation of Group Entities		26	0	26
416,236	Net Operating Expenditure		957,660	(400,259)	557,401
(75,218)	Net Proceeds of Council Tax				(80,106)
(268,636)	General Government Grants				(280,320)
(51,048)	NNDR Pool Contribution				(55,141)
21,334	Group (Surplus)/Deficit for Year				141,834

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

2006/07 £'000		2007/08 £'000
21,690	(Surplus)/Deficit on the Authority's Single Entity Income and Expenditure Account For the Year	142,138
(121)	Authority Share of the Surplus Achieved by the Authority's Subsidiaries	(304)
(235)	Re-Instate Write Down of Value of Investment in Companies	0
21,334	Group Account (Surplus)/Deficit for the Year	141,834

Group Statement of Total Recognised Gains and Losses

2006/07 £'000		2007/08 £000
21,334	Deficit on the Income and Expenditure Account for the Year	141,834
(78,359)	(Gains)/Loss Arising on Revaluation of Fixed Assets	(50,868)
9,380	Actuarial (Gains)/Loss on Pension Assets and Liabilities	(117,680)
(130)	Any other (Gains)/Losses Required to be Included in STRGL	0
0	(Gains)/Losses on Financial Instruments	3,067
(47,775)	Total Recognised (Gains)/Losses For The Year	(23,647)

Group Balance Sheet as at 31st March 2008

31/03/07			31/03/08		
£'000			Note	£'000	£'000
2,979	<u>Fixed Assets</u>	<u>Intangible Fixed Assets</u>		3,003	
		<u>Tangible Fixed Assets</u>			
		<u>Operational Assets</u>	3.1		
255,745		Council Dwellings		0	
419,001		Other Land & Buildings		458,937	
21,660		Vehicles, Plant, Furniture & Equipment		16,975	
410		Landfill Cells		452	
226,796		Infrastructure Assets		227,900	
333		Community Assets		90	
		<u>Non Operational Assets</u>			
141		Investment Properties		754	
46,663		Surplus Assets		36,624	
104,309		Assets Under Construction		113,385	
1,078,037					858,120
50		Long Term Investments		50	
2,783		Long Term Debtors		3,255	
7,143		Deferred Premiums on Early Repayment of Debt		0	3,305
1,088,013		TOTAL LONG TERM ASSETS			861,425
825	<u>Current Assets</u>	Stocks & Work in Progress		794	
34,737		Debtors		47,414	
5,550		Investments		66,842	
1,718		Cash and Bank		1,698	116,748
1,130,843		TOTAL ASSETS			978,173
(12,842)	<u>Current Liabilities</u>	Borrowing Repayable on Demand or within 12 months		(951)	
(59,379)		Creditors		(62,568)	
(9,032)		Bank Overdraft		(8,025)	(71,544)
1,049,590	TOTAL ASSETS LESS CURRENT LIABILITIES				906,629
(282,098)	<u>Long Term Liabilities</u>	Borrowing Repayable within a period in excess of 12 months		(246,472)	
(1,213)		Deferred Liabilities		0	
(12,258)		Provisions		(22,228)	
(179,973)		Government Grants Deferred	6.2	(149,237)	
(1,013)		Deferred Discounts on Early Repayment of Debt		0	
(397,530)		Defined Pension Scheme Liability		(289,540)	(707,477)
175,505	TOTAL ASSETS LESS LIABILITIES				199,152

Continued overleaf....

(524,678)	Represented by:			
0	Capital	Capital Adjustment Account	(379,827)	
(589)	Reserves	Revaluation Reserve	(50,322)	
(2,080)		Deferred Capital Receipts Reserve	(449)	
		Usable Capital Receipts Reserve	(12,362)	
(527,347)				(442,960)
397,530	Revenue	Pensions Reserve	289,540	
0	Reserves	Equal Pay Back Pay Account	14,101	
0		Financial Instruments Adjustment Account	4,040	
(10,269)		General Fund Balances	(10,303)	
(1,588)		MGCC Insurance Reserve	(1,441)	
(1,543)		Housing Revenue Account	(2,359)	
(27,320)		Earmarked Reserves	(43,123)	
(5,083)		Delegated Schools	(6,458)	
115		Subsidiary Company Reserves	4.0 (189)	243,808
(175,505)	Group Net Worth			(199,152)

Group Cashflow Statement 2007/08

2006/07		2007/08	
£m		£m	£m
	<u>Revenue Activities</u>		
(40.8)	Net Cash (Inflow)/Outflow from Revenue Activities		(142.6)
	<u>Returns on Investments and Servicing of Finance</u>		
13.6	Interest Paid	14.3	
(2.4)	Interest Received	(2.2)	12.1
	<u>Capital Activities</u>		
	<u>Cash Outflows</u>		
93.7	Purchase of Fixed Assets	89.1	
	<u>Cash Inflows</u>		
(11.1)	Sale of Fixed Assets	(15.9)	
(69.5)	Capital Grants Received	(52.8)	
(1.8)	Other Capital Cash Receipts	(1.8)	18.6
(18.3)	Net Cash (Inflow)/Outflow Before Financing		(111.9)
	<u>Financing</u>		
	<u>Cash Outflows</u>		
106.3	Repayments of Amounts Borrowed	225.0	
	<u>Cash Inflows</u>		
(63.3)	New Loans Raised	(175.3)	
(0.5)	Issue of Preference Shares	0	49.7
24.2	(Increase)/Decrease in Cash & Equivalents		(62.2)

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 2007/08 the group spent a total of £1.48m in respect of the following:

Category	2006/07 £'000	2007/08 £'000
Recruitment Advertising	338	269
General Advertising	1,155	900
Other Publicity	255	313
Total	1,748	1,482

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
Net Book Value as at 31st March 2007	255,745	418,394	22,267	226,796	410	333	923,945
<u>Movement in 2007/08</u>							
Additions	5,186	19,726	3,396	9,193	253	0	37,754
Disposals/Demolitions	(3,521)	(60)	(1,922)	0	0	0	(5,503)
Revaluations	1,174	45,694	53	0	0	122	47,043
Reclassifications	(839)	2,985	0	0	0	(90)	2,056
Impairments	(252,152)	(20,244)	(2,137)	(1,855)	0	(275)	(276,663)
Depreciation	(5,593)	(7,558)	(4,682)	(6,234)	(211)	0	(24,278)
Net Book Value as at 31st March 2008	0	458,937	16,975	227,900	452	90	704,354

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 st 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
Balance as at 31st March 2007	(2,198)	2,313	115
Increase/(Decrease) 2007/08	(307)	3	(304)
Balance as at 31st March 2008	(2,505)	2,316	(189)

5.0 Subsidiary Companies Statutory Accounts

A summary of the statutory accounts for the Amgen group is given in the following table. These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities.

	Amgen Cymru		Amgen Rhondda	
	March 2007	March 2008	March 2007	March 2008
	£'000	£'000	£'000	£'000
Shareholding	2,806	2,806	539	664
Net Current Assets	674	707	125	289
Total Assets less Current Liabilities	5,788	6,351	539	661
Net Assets	5,004	5,311	539	661
(Loss)/Profit Before Tax	299	332	(233)	(2)
(Loss)/Profit After Tax	261	307	(233)	(3)
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 View		True and Fair View	

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

6.0 Consolidation Adjustments

6.1 Capital Adjustment Account

	£'000
Balance as at 31st March 2007	(524,678)
(Gains)/Losses in Single Entity Accounts	144,851
Reinstate Investment in Companies Value in RCT Accounts	0
Balance as at 31st March 2008	(379,827)

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 Adjustment Account of £2,312k.

6.2 Government Grants Deferred

	Rhondda Cynon Taf £'000	Amgen Cymru £'000	Total £'000
Balance as at 1 st April 2007	(179,207)	(766)	(179,973)
Transfer of MRA Grant (Part of Housing Stock Transfer)	22,103	0	22,103
Revised Balance as at 1st April 2007	(157,104)	(766)	(157,870)
Grants/Contributions Applied in Year	(62,238)	0	(62,238)
Grants/Contributions Written Down in Year	65,800	101	65,901
Transfer of In-Year MRA Grant	4,970	0	4,970
Balance as at 31st March 2008	(148,572)	(665)	(149,237)

7.0 Reconciliation of Group Income and Expenditure Account to Cashflow

2006/07 £m		2007/08 £m
21.3	(Surplus)/Deficit on Group I&E Account	141.8
(23.0)	Depreciation	(310.6)
6.9	Government Grants Deferred	93.0
(14.4)	Deferred Charges	(34.7)
(8.1)	FRS 17 adjustment	(9.7)
(3.5)	(Increase)/Decrease in Provisions	(10.0)
(1.7)	(Increase)/Decrease in Creditors	(1.5)
(7.3)	Increase/(Decrease) in Debtors	1.4
(11.2)	Financing Items	(12.1)
0.2	Other Items	(0.2)
(40.8)	Cash (Inflow)/Outflow from Revenue Items	(142.6)

8.0 Movements in Cash and Cash Equivalents

	31/03/07 £m	31/03/08 £m	Movement £m
Cash In Hand			
- RCT	0.2	0.2	0
- Amgen Cymru	0	0	0
- Amgen Rhondda	0	0	0
Sub Total	0.2	0.2	0
Bank Balance			
- RCT	(9.0)	(8.0)	1.0
- Amgen Cymru	1.4	1.5	0.1
- Amgen Rhondda	0.2	0.1	(0.1)
Sub Total	(7.4)	(6.4)	1.0
Short Term Investments			
- RCT	5.6	66.8	61.2
- Amgen Cymru	0	0	0
- Amgen Rhondda	0	0	0
Sub Total	5.6	66.8	61.2
Overall Total	(1.6)	60.6	62.2

Rhondda Cynon Taf Pension Fund Accounts

Background to the fund

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

The Local Government Pension Scheme is open to all employees in Local Government apart from teachers, police officers and firefighters, who have their own schemes. It is also open to employees of other organisations that have been accepted into the fund.

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil CBC, together with employees from around 40 other bodies.

Fund Administration

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

Fund Investments

Investment strategy is considered and agreed by the Pension Fund Investments Panel, which is chaired by the Rhondda Cynon Taf Group Director - Corporate Services and consists of two Rhondda Cynon Taf Council Members, two independent investment advisors and other senior finance officers.

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 four Investment Managers that carry out the actual day-to-day investment management of the Fund:

Baillie Gifford
F & C
ING Real Estate
Record Currency Management

Fund Account

2006/07 £'000		2007/08		
		£'000	£'000	£'000
	<u>Dealings with Members, Employers and Others Directly Involved in the Scheme</u>			
	Contributions Receivable			
(74,802)	From Employers	(82,130)		
(21,330)	From Members	(22,569)		
			(104,699)	
(7,478)	Transfers In		(14,634)	
(3,163)	Other Income		(3,498)	
				(122,831)
	Benefits Payable			
56,886	Pensions	59,804		
11,957	Lump Sum Retirement Benefits	10,988		
623	Lump Sum Death Benefits	785		
			71,577	
	Payments to and on Account of Leavers			
15,002	Transfers Out	5,201		
37	Other Payments	37		
			5,238	
1,446	Administrative Expenses		1,686	78,501
(20,822)	Net (Additions)/Withdrawals from Dealings With Members			(44,330)
	<u>Returns On Investments</u>			
(32,565)	Investment Income		(40,003)	
	Change in Market Value of Investments			
(43,980)	Realised Gains	(106,193)		
16,025	Unrealised Gains	146,615		
			40,422	
	Investment Management Expenses			
2,042	Fund Management Fees	2,648		
271	Investment Administration Expenses	475		
			3,123	
(58,207)	Net Returns On Investments			3,542
(79,029)	Net (Increase)/Decrease In Fund During The Year			(40,788)
(1,236,926)	Opening Net Assets			(1,315,955)
(1,315,955)	Closing Net Assets			(1,356,743)

Net Assets Statement

31/03/07 £'000		31/03/08	
		£'000	£'000
	<u>Investment Assets</u>		
	Fixed Interest Securities		
153,797	Public Sector	156,560	
18,769	Corporate Bonds	32,583	189,143
864,940	Equities		817,704
	Pooled Investment Vehicles		
83,721	Open Ended Investment Companies	62,991	
113,458	Managed Funds	105,687	
0	Forward Foreign Exchange Contracts	54,481	
0	Property	51,071	274,230
1,234,685			1,281,077
59,090	Cash Deposits		47,635
	Other Investment Balances		
5,940	Investment Debtors	10,039	
(1,135)	Investment Creditors	(4,911)	
183	Tax Recoverable	300	5,428
1,298,763			1,334,140
	<u>Net Current Assets and Liabilities</u>		
5,084	Contributions Due from Employers	5,230	
10,672	Cash Balances	17,355	
1,452	Amounts Owed From RCT	183	
(16)	Other Current Assets and Liabilities	(165)	22,603
1,315,955	Total Assets		1,356,743

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

1.0 Introduction

These accounts have been prepared in accordance with the requirements of the Pensions SORP (The Financial Reports of Pension Schemes (2002)) 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

2.1 Accruals Concept

All material categories of income and expenditure are accounted for using the accruals concept, except transfer values. These categories include fund contributions, investment income, benefits paid, administration costs, investment management fees and advisors fees.

2.2 Fund Manager and Advisors Fees

Equity and bond managers' fees are charged on a reducing scale based upon the market value of the fund. The property (ING) and currency (Record) managers are paid a fee based on the market value of the fund plus a share of any outperformance if targets are achieved.

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.

2.3 Investment Valuation

Listed securities are valued at mid market prices as at 31st March 2008 obtained from recognised Stock Exchanges. Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2008. Valuations of property investments are supplied by the managers, based on independent professional valuations.

2.4 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 £552k (£517k in 2006/07) and the market value of separately invested AVC's at the balance sheet date was £3,670k (£3,595k in 2006/07).

2.5 Acquisition and Disposal Costs

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

3.0 Actuarial Position

The Fund's Actuary, Hewitt Bacon & Woodrow carried out an actuarial valuation of the Fund as at 31st March 2007, as required by Regulation 77 of the Local Government Pension Scheme Regulations 1997.

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

The funding policy of the scheme is to ensure that:

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

The result of the 2007 valuation is shown in the table below:

	31/03/2004 £'m	31/03/2007 £'m
Funding Target	1,417.8	1,908.6
Market Value of Assets	885.4	1,327.3
Funding Deficit	532.4	581.3
Funding Ratio	62%	70%

The funding level has therefore improved from 62% to 70% since the previous triennial valuation, mainly due to higher than assumed investment returns.

The aggregate employer contribution rate for future service (benefits accruing after the valuation date) is calculated to be 14.7%. In order to restore the funding ratio to 100% using a recovery period of 25 years the aggregate employer contribution rate is calculated to be 20.3%. Rates of contribution payable by individual scheme employers vary depending on their particular circumstances and are given in the table below:

Employer	% Pensionable Pay Year Commencing 1 st April		
	2008	2009	2010
Administering Body			
Rhondda Cynon Taf CBC	20.2	20.2	20.2
Scheduled and Resolution Bodies			
Amgen Cymru	19.2	19.2	19.2
Brackla Community Council	16.3	16.3	16.3
Bridgend CBC	21.0	21.0	21.0
Bridgend Town Council	17.2	17.9	18.7
Colleges	17.4	17.4	17.4
Coychurch Crematorium	21.1	22.1	23.1
ESIS	23.6	24.4	25.1
Gelligaer Community Council	17.9	17.9	17.9
Llantrisant Community Council	19.4	19.4	19.4
Llantwit Fardre Community Council	20.5	20.5	20.5
Llwydcoed Crematorium	18.4	18.4	18.4
Maesteg Town Council	15.0	16.0	16.9
Merthyr Tydfil CBC	23.1	23.1	23.1
National Probation Service	14.7	14.7	14.7
Pontyclun Community Council	18.0	18.0	18.0
Pontypridd Town Council	21.8	21.8	21.8
Royal Welsh College of Music & Drama	15.6	16.1	16.7
South Wales Fire Authority	19.0	19.0	19.0
South Wales Police Authority	16.3	16.3	16.3
South Wales Sea Fisheries Committee	19.4	19.4	19.4
South Wales Tribunal Panel	21.9	22.5	23.2
Tonyrefail Community Council	20.5	20.5	20.5
University of Glamorgan	16.7	16.7	16.7
Admitted Bodies			
Academi	24.7	25.5	25.5
Care Council for Wales	13.8	14.6	15.5
Careers Wales – Mid Glamorgan & Powys	20.0	20.8	21.6
Careers Wales Association	12.0	13.0	14.0
Finance Wales Investment	12.1	13.1	14.1
Finance Wales Plc	18.2	18.2	18.2
Local Government Data Unit	15.4	15.4	15.4
Maesteg Town Hall	23.3	24.5	25.7
Merthyr Tydfil Institute for the Blind	18.6	19.6	20.6
Penywaun Enterprise Council	15.3	16.3	17.1
RCT Homes	17.1	17.1	17.1
SEWOCN	15.2	16.2	17.2
Valleys to Coast Housing	16.4	17.2	18.1
WDA	18.3 + £0.38m	18.3 + £0.92m	18.3 + £1.46m
Welsh Joint Education Committee	22.6	22.6	22.6
WJEC/CBAC Services Ltd	17.5	18.8	20.1

Contribution rates were calculated using the Projected Unit Method for employers with stable membership. For employers closed to new entrants the Attained Age Method was used.

The main financial actuarial assumptions made are listed below:

	2004 Valuation	2007 Valuation
Assumption	% p.a.	% p.a.
Rate of price inflation	2.9	3.2
Rate of pension increases	2.9	3.2
Rate of pay increases	4.4	4.7
In service discount rate	6.2	6.2
Left service discount rate (Scheduled bodies)	6.2	6.2
Left service discount rate (Admitted bodies)	5.2	5.2
Short term investment return on equity and property	7.7	7.1
Short term investment return on other assets	5.2	5.2

The key demographic actuarial assumption is member mortality, which can be split into two main elements:

- Current levels of mortality
- Expected future improvements in life expectancy

Current levels of mortality are based on new mortality tables PNA00 with medium cohort improvements to 2007 and further adjusted to reflect the experience of the Fund.

Since the previous valuation, research generally indicates that life expectancy is improving faster than previously anticipated, so the Fund's mortality improvement assumption has been revised to reflect this.

Life expectancy assumptions have a significant impact on the actuarial valuation of the fund and will be kept under close scrutiny in future.

4.0 Analysis of Investments

	2006/07		2007/08	
	£'000	£'000	£'000	£'000
<u>Equities</u>				
UK	532,395		412,866	
Overseas	332,545		404,838	
		864,940		817,704
<u>Fixed Interest</u>				
UK	129,193		134,014	
Overseas	43,373		55,129	
		172,566		189,143
<u>Pooled Investments</u>				
UK – Property	0		4,866	
Overseas – Property	0		46,205	
UK – Forward Forex Contracts	0		54,481	
UK - Other	26,378		18,089	
Overseas – Other	170,801		150,589	
		197,179		274,230
Total Long-Term Investments		1,234,685		1,281,077

The Investments Panel has decided that the Fund will not enter into any stock lending arrangements. The Panel will review this decision periodically. All investments held are 'quoted' investments.

5.0 Details of Fund Managers

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

Fund Manager	Market Value		Proportion of Fund	
	31/03/07 £'000	31/03/08 £'000	31/03/07 %	31/03/08 %
Baillie Gifford (Equities)	540,048	325,857	41.3	24.2
Baillie Gifford (High Alpha Equities)	0	218,486	0.0	16.2
F&C (Equities)	547,977	473,143	42.0	35.2
F&C (Bonds)	177,372	191,370	13.6	14.3
ING (Property)	0	51,601	0.0	3.8
Record (Currency)	0	54,481	0.0	4.1
Internally Managed	40,701	29,788	3.1	2.2
Total	1,306,098	1,344,726	100.0	100.0

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

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

6.0 Contingencies

There is a contingent liability of £380k (£417k in 2006/07) in respect of potentially refundable contributions for leavers who have not yet claimed refunds.

7.0 Membership of The Fund

Fund membership at 31st March is as follows:

	2006/07	2007/08
Active Employers	43	44
Contributors	22,656	23,103
Pensioners	12,400	12,563
Dependants	2,342	2,373
Deferred Beneficiaries	8,427	9,594
Frozen Refunds	2,355	2,352

8.0 Purchases and Sales

Rhondda Cynon Taf makes 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 2007	165,371	131,796
September 2007	393,248	381,541
December 2007	807,989	801,928
March 2008	267,092	242,251
Total	1,633,700	1,557,516

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 10 investment principles contained in the CIPFA document "Principles for Investment Decision Making in the Local Government Pension Scheme" published in April 2002 (Myners).

The full SIP is published in the Pension Fund Annual Report and is available on the Pension Fund website (www.rctpensions.org.uk).

10.0 Contributions Receivable and Benefits Payable

Contributions received and benefits paid are shown in the following table, analysed by type of employing body:

Type of Body	Employee Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000
Administering	7,793	7,984	29,613	31,501	11,738	14,429
Admitted	2,616	2,773	7,283	7,828	5,110	4,867
Scheduled	10,921	11,812	37,906	42,801	52,618	52,281
Total	21,330	22,569	74,802	82,130	69,466	71,577

11.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.3m (£1.3m in 2006/07). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year-end contributions outstanding from the Employing Bodies in the Fund amounted to £5.2m (£5.1m in 2006/07), of which £4.1m related to employer contributions and £1.1m to employee contributions.

12.0 Other Income

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

	2006/07 £'000	2007/08 £'000
Capital Charge for Early Access to Retirement Benefits	2,808	3,158
Reimbursements re Former Glamorgan CC	311	282
Other	44	58
Total 'Other Income'	3,163	3,498

13.0 Investment Income

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

	2006/07 £'000	2007/08 £'000
Interest from Fixed Interest Securities	8,869	7,472
Dividends from Equities	19,850	27,202
Income from Pooled Investment Vehicles	1,429	1,969
Interest on Cash Deposits	2,417	3,360
Total Investment Income	32,565	40,003

14.0 Group Transfers

Included in the transfers for 2007/08 is a group transfer from the City and County of Swansea in respect of the South Wales Probation Service of £7.50m.

Statement on Internal Control : Rhondda Cynon Taf County Borough Council

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 and is also 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 throughout the 2007/08 financial year 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 agreed by Cabinet in March 2006. 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 2008/09 Improvement Plan, scheduled for publication (draft) in July 2008,

will take into account any outcomes arising from the 2008 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 are 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 was 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 being more widely 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 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 in place for the 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. Links to 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 2007/08 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 Council also has a dedicated Benefits Fraud Team ensuring that all suspicions regarding attempted benefits fraud are properly investigated.

(ix) Internal Audit

Internal Audit's Operational Work Plan for 2007/08 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.

(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.

5. Significant Internal Control Issues

To the best of our knowledge, the System on Internal Control, as summarised above, operated effectively throughout 2007/08 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 2007/08, 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.

Also, as directed by Audit Committee, the Head of Internal Audit & Risk Management has written to the Group Directors and 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 2008/09.

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 31st March 2008 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

Independent Auditor's Report to the Members of Rhondda Cynon Taf CBC

We have audited the accounting statements, pension fund accounts and the related notes of Rhondda Cynon Taf County Borough Council and its Group for the year ended 31st March 2008 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 Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Income and Expenditure Account, Statement of Movement on Housing Revenue Account Balance, together with the Group Accounts. The pension fund accounts comprise the Fund Account, the Net Assets Statement. The accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Rhondda Cynon Taf CBC 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 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements, pension fund accounts and related notes 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, pension fund accounts and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- The financial position of the Council and its income and expenditure for the year; and
- the financial transactions of the 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 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. 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. 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, pension fund accounts and related notes and consider whether it is consistent with the audited accounting statements, pension fund accounts and related notes. 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, pension fund accounts and related notes. 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, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the accounting statements and pension fund accounts, and of whether the accounting policies are appropriate to the Council's and pension fund'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, pension fund accounts and related notes.

Opinion

In our opinion:

- The accounting statements and related notes 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 2007, the financial position of Rhondda Cynon Taf CBC and its Group as at 31st March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Rhondda Cynon Taf Pension Fund during the year ended 31st March 2008, 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.

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 31st March 2008 will be reported separately in the published Relationship Manager's Annual Letter.

Signature: _____ **Date:** _____

Gill Lewis

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the Council's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Glossary of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually 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 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.

DET

Department of Enterprise and Transport.

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 1st April and finishes on 31st March of the following year.

Fixed Asset

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

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.