
Rhondda Cynon Taf County Borough Council**Statement of Accounts 2009/10**

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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 (2001 Census), serving an area in the South Wales Valleys covering 424 square kilometres, stretching from the Brecon Beacons National Park in the north to the Capital City of Cardiff in the south.

The accounts for 2009/10 have been prepared in accordance with:

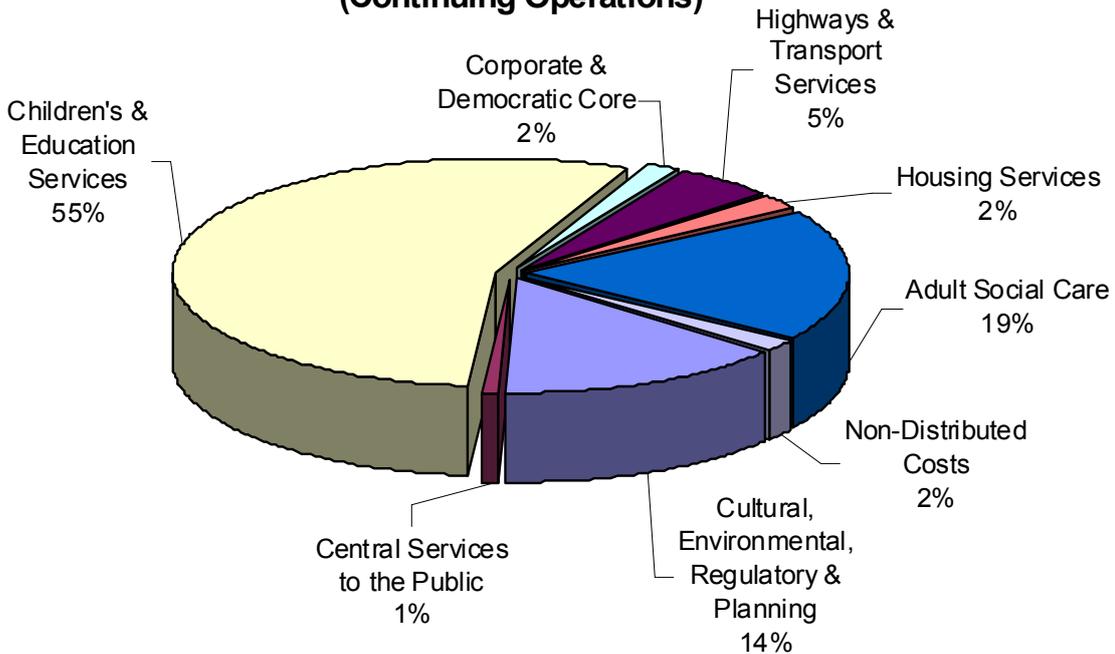
- The Code of Practice on Local Authority Accounting in the United Kingdom 2009 (“SORP”).
- Local Government Act 2003
- The Best Value Accounting Code of Practice (BVACOP).
- Accounts and Audit (Wales) Regulations 2005 (as amended).
- Sections 41 and 42 of the Local Government and Housing Act 1989.

The accounts set out on pages 2 to 101 comply with the above other than where specific reference is made to the contrary.

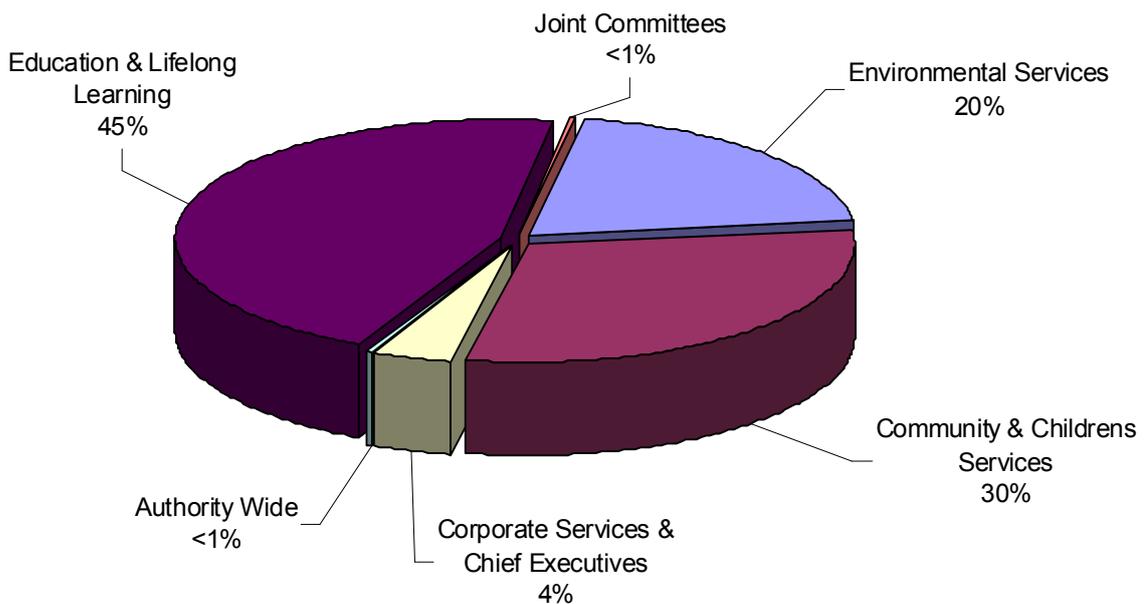
2. Income and Expenditure 2009/10

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 (£397m) by Best Value Accounting Code of Practice Service Expenditure Analysis Area. For information purposes, the net cost is also analysed by service groups operational within the Council.

**Net Cost of Services by BVACOP Category
(Continuing Operations)**



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



The following table details each of the service groups' actual performance and budget during 2009/10. This represents the net revenue expenditure of the Council in line with the statutory provisions that need to be taken into account when setting local taxes. The variance against budget reconciles to the movement on the General Fund balance:

Service Group	Budget £'000	Spend £'000	Variance £'000
Education & Lifelong Learning	166,423	166,221	(202)
Community & Children's Services	109,989	110,254	265
Environmental Services	59,693	59,964	271
Chief Executives	8,898	8,692	(206)
Corporate Services	21,055	20,899	(156)
Authority Wide	52,657	52,335	(322)
Total	418,715	418,365	(350)

	£'000
General Fund Reserves as at 31st March 2009	(10,120)
Revenue Budget Out-turn (Variance as above)	(350)
General Fund Reserves as at 31st March 2010	(10,470)

Capital reserves as at 31st March 2010 totalled £357.5m (of which £2.9m can be used to support capital spending).

Gross Expenditure on Services for Continuing Operations amounted to £630m, this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	269	43
Premises	31	5
Transport	26	4
Supplies and Services	88	14
Payments to Third Parties	81	13
Transfer Payments	68	11
Capital Charges (e.g. Interest)	34	5
Other Operating Costs (e.g. Support Services)	33	5
Total Gross Expenditure	630	100

Income during the year for Continuing Operations totalled £667m and came from the following sources:

Income Analysis	£'m	%
<u>Direct Service Income</u>		
Specific Grants	152	23
Sales, Fees & Charges	35	5
Other Income	46	7
Sub-Total Direct Service Income	233	35
<u>Other Income</u>		
General Government Grants	282	42
National Non-Domestic Rates	63	9
Council Tax	89	14
Total Income	667	100

3. Housing Revenue Account

On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Trust.

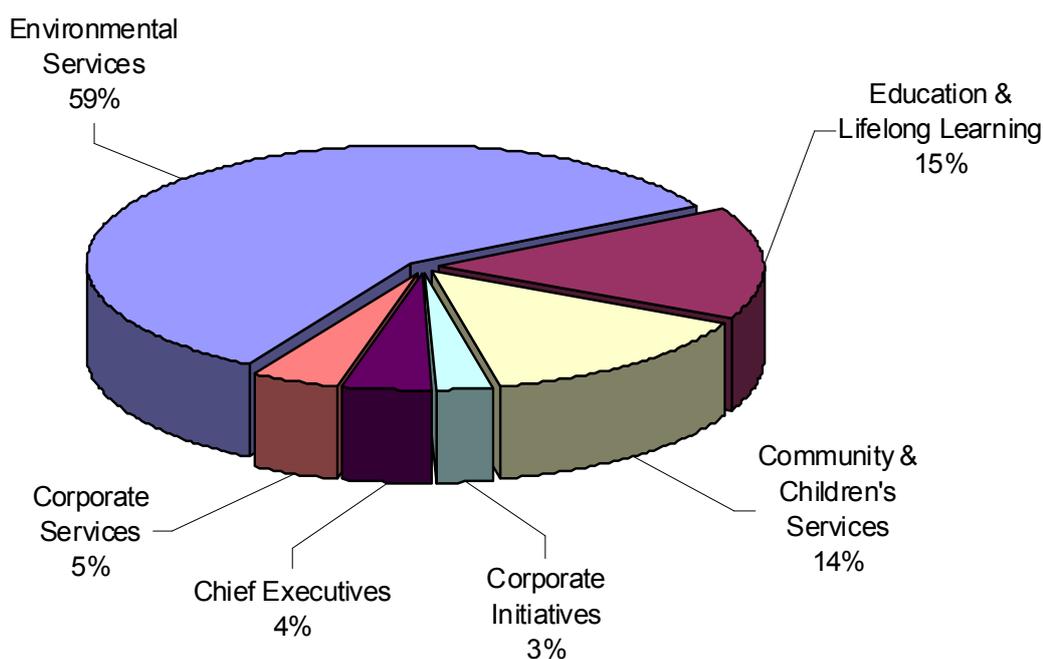
During 2009/10, the Welsh Assembly Government issued an Item 10 Direction giving the Council consent to transfer £2m from the Housing Revenue Account to Council Fund balances.

In addition, during 2009/10, the 2007/08 Housing Revenue Account Subsidy was finalised and audited. Subsequently, in March 2010, the Welsh Assembly Government gave consent under section 74(4) of the Local Government and Housing Act 1989 for the Housing Revenue Account to be closed and for the residual balance to be transferred to the Council Fund.

4. Capital Expenditure and Income 2009/10

During the year the Council spent £84.969m on capital expenditure, as summarised below:

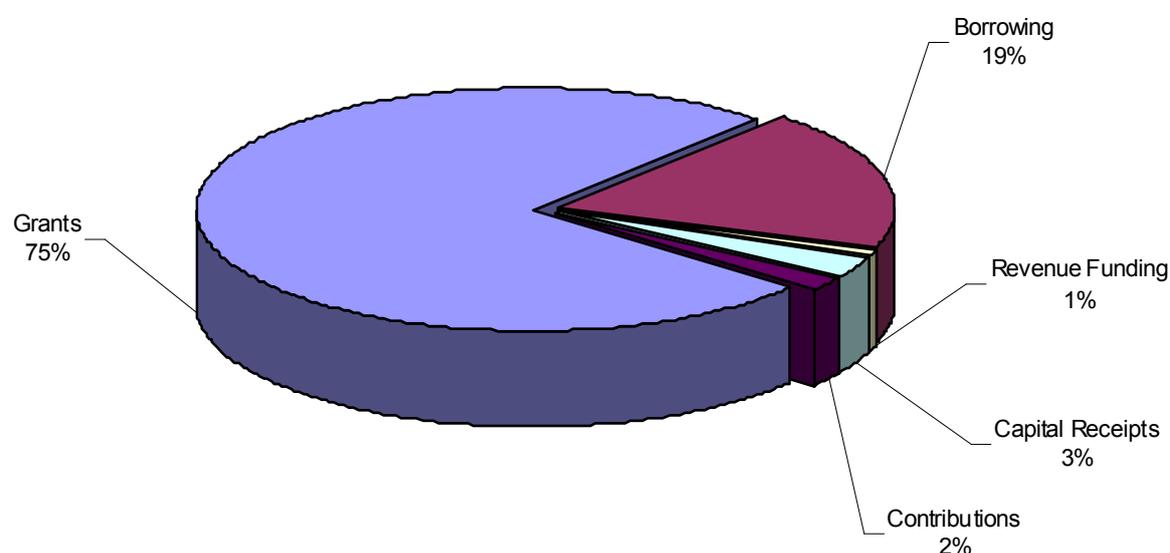
Group	£'000	%
Corporate Initiatives	2,339	3
Corporate Services	3,827	5
Chief Executives	3,745	4
Education & Lifelong Learning	13,065	15
Community & Children's Services	12,190	14
Environmental Services	49,803	59
Total	84,969	100



In addition, the Council's share of capital expenditure incurred by Joint Committees in which it has an interest was £73k. The type of Capital Expenditure made during the year is summarised below:

Expenditure on Fixed Assets	RCT £'000	Joint Committees £'000	Totals £'000
Tangible Fixed Assets	70,984	73	71,057
Intangible Fixed Assets	1,005	0	1,005
Revenue Expenditure Funded from Capital under Statute	12,980	0	12,980
Total	84,969	73	85,042

This expenditure was financed as follows:



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

- Capacity Grant Works
- Disabled Facilities Grants/Adaptations (DFGs)
- Ynyshir Primary School
- Dolau Primary School
- Church Village Bypass
- Treherbert & Penrhiwceiber Renewal Areas
- Glamorgan Archives Premises

Major commitments over the next three years in respect of capital schemes as at 31st March 2010 include the following schemes:

Scheme	31/03/10 £'000
Disabled Facilities Grants/Adaptations (DFGs)	11,850
Maintenance Repair Assistance (MRAs)	6,650
Home Improvement Zones/Renovation Grants	3,600
Community Regeneration	3,709
Williamstown Primary School	7,345
School Modernisation	5,351
Penywaun Primary School	3,299
Fleet Vehicles	8,212
Abercynon Park & Ride	2,603
Church Village Bypass	24,533
Ferndale Physical Regeneration	2,264
LIF Business Finance Grant (Convergence)	3,631
Treherbert & Penrhiwceiber Renewal Areas	5,700
Rhydyfelin Drainage Study & Flood Alleviation	2,277
Asbestos Remediation Works	7,354

The Council is also contracted to a Private Finance Initiative scheme - a Lifelong Learning Campus at Garth Olwg. The commitment is for £112.275m 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	£323.5m
Interest Rate Exposure – Borrowing	Range
Limits on total % of borrowing at fixed interest rates	55% - 90%
Limits on total % of borrowing at variable interest rates	10% - 45%
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 £212.5m. Long Term Borrowing totalled £209.0m at 31st March 2010.

The majority of external borrowing (£124.2m) was from the Public Works Loan Board (PWLB). The remaining balance comprises £87.5m from market loans and £0.8m from other sources including individual lenders in the form of local bonds.

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

6. Investments

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £3m invested in the sector at this time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the impairment upon principal invested has been mitigated in the accounts in accordance with Government regulations.

7. 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 23.5 and 28.0 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	435,379
Net Assets as per Balance Sheet	(170,876)

8. Prior Period Adjustments

The 2009 Statement of Recommended Practice (SORP) has introduced two significant changes resulting in the requirement for Prior Period Adjustments. The changes relate to accounting for National Non-Domestic Rates and Private Finance Initiative schemes. The 2008/09 comparator Balance Sheet has been adjusted for these issues.

Please refer to note 1.0 of the Notes to the Core Financial Statements for further detail.

9. 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 and approval 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 true and 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. From 2008/09 the statement also includes the Council's share of the transactions of the Joint Committees in which it has an interest (see Accounting Policy note 26). The statement is prepared in the format prescribed by the Best Value Accounting Code of Practice, and SORP 2009, 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, the National Non-Domestic Rates (NNDR) Pool and General Government Grants to give the 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 Council 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 consolidated financial position as at 31st March 2010. 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 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. During 2009/10, the Council obtained a direction from the Welsh Assembly Government to close the HRA.

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

Councils must conduct a review of the effectiveness of its system of internal control, reviewing its financial and non-financial transactions. 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 2009, issued by CIPFA, together with the guidance notes on the application of accounting standards. The Council and the Joint Committees consolidated into its accounts have 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 (2008 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. These have no determinable useful life and are assets that the Council intend to hold in perpetuity. Examples of community assets are parks and memorials.

Assets 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. 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 and reversed in the Statement of Movement on the Council Fund Balance.
- 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 and reversed in the Statement of Movement on the Council Fund Balance.

Where an impairment loss has occurred 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 via 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. Revenue Expenditure Funded from Capital Under Statute

Where such expenditure has been incurred, it is classified as either a tangible or an intangible asset or charged directly to the Income and Expenditure Account, with the necessary appropriations in the Statement of Movement on the General Fund Balance.

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.

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. Garages have a 15-year life. 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 to/from the Revaluation Reserve and 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. In accordance with the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 {S.I.2008/588 (W.59)} the Council's accounting treatment is as follows:

Supported Borrowing: MRP is charged to the revenue account at 4% of the Capital Finance Reserve (for assets which are operational).

Unsupported Borrowing: During 2009/10, MRP has been charged to the revenue account in accordance with the depreciation of the asset.

PFI: In accordance with MRP guidance issued by the Welsh Assembly Government, MRP for the PFI scheme represents the principal element of the Unitary Charge (refer to PFI Policy below).

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. Private Finance Initiative (PFI)

SORP 2009 requires changes to the way in which the Council accounts for its PFI scheme – a Lifelong Learning Campus at Garth Olwg. Previously the scheme was deemed "off balance sheet". As the Council controls the services provided and ownership of the property will pass to the Council at the end of the scheme, it will now be accounted for "on balance sheet". The original recognition of the fixed asset is balanced by a liability for amounts due to the scheme operator.

Fixed Assets recognised in the Balance Sheet are revalued and depreciated in the same way as other Council property.

The amounts payable to the PFI operator can be analysed into;

- services received - debited to Education service in the Income and Expenditure Account;
- finance cost - debited to Interest Payable and Similar Charges in the Income and Expenditure Account; and
- principal repaid - reduces Balance Sheet liability due to PFI operator.

11. 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.

Income from capital grants has been treated on an accrual basis. Debtors for such sums are 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 grants are included on an unaudited draft claim basis.

12. Stocks and Work in Progress

Council 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.

Most Joint Committees that maintain stock comply with SSAP 9 and show stock at either lower of cost or net realisable value. The one exception to this is Llwydcoed Crematorium, which values stock at cost. The effect of the different treatment is considered to be immaterial.

13. 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 has been classified as Non-Distributed Costs.

14. 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. The Pension Fund is currently working with its actuary on its March 2010 valuation.

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 has had the following effect in 2009/10:

- Employer contributions of £31.8m (£31.72m in 2008/09) have been removed from the cost of individual services and trading activities and been replaced by £20.76m (£19.12m in 2008/09) 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 £32.69m (£18.65m in 2008/09).
- The overall effect is a £21.6m (£6.05m in 2008/09) 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.

Quoted securities held as assets in the defined benefit pension scheme are valued at bid price.

15. 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 a loan has a single rate of interest over its term, it results in the amount presented in the Balance Sheet being the outstanding principal repayable, and the interest charged to the 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.

16. 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.

Interest that is due but unpaid at year-end is categorised in the Balance Sheet as current assets or liabilities. This is the case even if the financial asset or liability it relates to is a long-term instrument. This is a change in accounting treatment required by the 2009/10 Code of Practice.

17. 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.

18. Interest Receivable

During 2009/10 the Council has invested temporary cash surpluses for short-term periods, which may range from overnight to 364 days. The interest is credited to the Council Fund and other smaller funds proportionately. The Council's Investment Strategy allows investment in various instruments for up to a period of five years.

19. 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 Treasury Management Strategy report.

20. 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.

21. Foreign Currency

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

22. 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.

23. 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.

24. 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.

25. 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.

26. Joint Arrangements

From 2008/09 the Council has incorporated into its financial statements its share of the transactions and balances of the Joint Committees in which it has an interest.

The accounts of the Joint Committees have been consolidated into the Council's financial statements on a line-by-line basis, calculated using a reasonable apportionment methodology. The Joint Committees consolidated are:

- Llwydcoed Crematorium
- Glamorgan Record Office
- Coychurch Crematorium
- Catalogue Supplies Service
- Education School Improvement Service (ESIS)
- South East Wales Transport Alliance (SEWTA)

27. 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.

28. 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.

29. 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 2009/10 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. Simon Lloyd

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 a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year.

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

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

The Group Director has also throughout the financial year:

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

Certificate of the Group Director - Corporate Services Rhondda Cynon Taf CBC on the Accounts of Rhondda Cynon Taf CBC for 2009/10

I certify that the accounts set out on the pages 2 to 101 present a true and fair view of the financial position of Rhondda Cynon Taf CBC and the Rhondda Cynon Taf CBC Pension Fund at 31st March 2010 and its income and expenditure for the year.

Signature: _____ Date: _____

Steve Merritt

Group Director - Corporate Services
Bronwydd House
Porth
CF39 9DL

Income and Expenditure Account for the year ended 31st March 2010

2008/09 Restated Net Exp £'000		Note	2009/10		
			Gross Exp £'000	Gross Income £'000	Net Exp £'000
	Continuing Operations				
3,459	Central Services to the Public		27,429	(24,121)	3,308
61,683	Cultural, Environmental, Regulatory and Planning Services		92,729	(34,774)	57,955
256,011	Children's and Education Services		277,536	(58,298)	219,238
26,658	Highways and Transport Services		33,011	(11,991)	21,020
6,900	Housing Services		75,935	(66,826)	9,109
75,061	Adult Social Care		106,943	(32,994)	73,949
7,400	Corporate and Democratic Core		9,804	(3,360)	6,444
6,666	Non-Distributed Costs		6,542	(171)	6,371
	Discontinued Operations				
179	Housing Revenue Account	2.0	87	0	87
444,017	Net Cost of Services		630,016	(232,535)	397,481
302	(Gain)/Loss on Disposal of Fixed Assets		1,245	(962)	283
22,068	Precepts	14.0	25,669	(224)	25,445
(72)	(Surplus)/Deficit on Trading Activities	5.0	16,667	(16,844)	(177)
15,671	Interest Payable and Similar Charges	37.0	11,437	0	11,437
(3,292)	Interest and Investment Income		0	(462)	(462)
18,654	Pensions Interest Cost and Expected Return on Pensions Assets	28.2	32,930	(242)	32,688
497,348	Net Operating Expenditure		717,964	(251,269)	466,695
(84,410)	Income from Council Tax	13.0			(89,488)
(282,853)	General Government Grants	15.0			(281,982)
(61,137)	Distribution from NNDR Pool	12.0			(62,653)
68,948	(Surplus)/Deficit for the year				32,572

Statement of the Movement on the Council Fund Balance for the year ended 31st March 2010

2008/09 Restated		Note	2009/10	
			£'000	£'000
68,948	(Surplus)/Deficit for the Year on the Income and Expenditure Account			32,572
	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			
(107,472)	Depreciation and Impairment of Fixed Assets		(61,860)	
26,468	Government Grants Deferred Amortisation	22.0	23,033	
(2,116)	Difference Between Finance Costs Calculated in Accordance with SORP and Finance Costs Calculated in Accordance with Statutory Requirements		13	
(301)	Net Gain/(Loss) on Sale of Fixed Assets		(265)	
(37,771)	Net Charges Made for Retirement Benefits in Accordance with FRS 17	28.2	(53,444)	(92,523)
(52,244)	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			(59,951)
11,791	Statutory Repayment of Debt		13,069	
(12,847)	Capital Expenditure Charged to the Council Fund Balance		845	
31,720	Employer's Contributions Payable to the Pension Fund and Retirement Benefits Payable Direct to Pensioners	28.2	31,800	45,714
(21,580)	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			(14,237)
(179)	Surplus/(Deficit) on the Housing Revenue Account		(2,180)	
0	Transfer from HRA Reserve		(2,093)	
0	Item 10 Direction		2,093	
21,942	Net Transfer To/(From) Earmarked Reserves		16,067	13,887
183	Council Fund (Surplus)/Deficit for the year			(350)
(10,303)	Balance on Council Fund Brought Forward			(10,120)
(10,120)	Balance on Council Fund Carried Forward			(10,470)

Statement of Total Recognised Gains and Losses for 2009/10

2008/09 Restated £'000		Note	2009/10 £'000
68,948	Deficit on the Income and Expenditure Account for the year		32,572
(28,744)	(Gains)/Losses Arising on Revaluation of Fixed Assets		(218)
155,371	Actuarial (Gains)/Losses on Pension Assets and Liabilities	28.0	131,493
195,575	Total Recognised (Gains)/Losses for the year		163,847
(557)	Adjustment to Consolidate Joint Committee Opening Balances		0
8,662	Prior Year Adjustment to bring PFI "on Balance Sheet"		0
203,680			163,847

Balance Sheet as at 31st March 2010

31/03/09 Restated		Note	31/03/10	
			£'000	£'000
2,994	Fixed Assets			
	<u>Intangible Fixed Assets</u>	16.0	3,044	
	<u>Tangible Fixed Assets</u>			
	<u>Operational Assets</u>	17.1		
470,543	Other Land & Buildings		482,385	
15,983	Vehicles, Plant, Furniture & Equipment		13,765	
324,235	Infrastructure Assets		323,634	
82	Community Assets		3,820	
	<u>Non Operational Assets</u>	17.1		
515	Investment Properties		0	
35,476	Assets Under Construction		62,362	
39,079	Surplus Assets		21,874	
888,907				910,884
0	Long Term Investments		814	
3,470	Investment in Companies	19.0	3,503	
1,346	Long Term Debtors		1,221	5,538
893,723	TOTAL LONG TERM ASSETS			916,422
886	Current Assets			
52,415	Stocks & Work in Progress		922	
(8,041)	Debtors		46,171	
23,947	Bad and Doubtful Debt Provision		(7,617)	
570	Investments		14,051	
	Cash and Bank		966	54,493
963,500	TOTAL ASSETS			970,915
(10,586)	Current Liabilities			
(59,487)	Borrowing Repayable on Demand or Within 12 Months		(3,538)	
(15,543)	Creditors		(55,895)	
	Bank Overdraft		(6,202)	(65,635)
877,884	TOTAL ASSETS LESS CURRENT LIABILITIES			905,280
(211,866)	Long Term Liabilities			
(9,778)	Borrowing Repayable Within a Period in Excess of 12 Months		(209,011)	
(30,244)	Provisions	21.0	(8,927)	
(179,908)	Deferred Liabilities		(29,299)	
(453,117)	Government Grants Deferred	22.0	(222,664)	
	Defined Pension Scheme Liability	28.0	(606,255)	(1,076,156)
(7,029)	TOTAL ASSETS LESS LIABILITIES			(170,876)

Continued Overleaf...

(299,536)	Represented by:				
(78,316)	Capital	Capital Adjustment Account	23.1	(276,167)	
(337)	Reserves	Revaluation Reserve	23.2	(78,186)	
(4,572)		Deferred Capital Receipts Reserve	23.3	(266)	
		Usable Capital Receipts Reserve	23.4	(2,887)	
(382,761)					(357,506)
453,117	Revenue	Pensions Reserve	23.5	606,255	
1,063	Reserves	Unequal Pay Back Pay Account	23.6	1,048	
6,991		Financial Instruments Adjustment Account	23.7	6,682	
(10,120)		Council Fund Balance	23.8	(10,470)	
(1,816)		MGCC Insurance Reserve	23.9	(1,924)	
(2,180)		Housing Revenue Account	23.10	0	
(50,575)		Earmarked Reserves	23.11	(68,040)	
(6,690)		Delegated Schools Reserve	23.12	(5,169)	528,382
7,029	NET WORTH				170,876

Cashflow Statement 2009/10

2008/09 Restated		Note	2009/10	
			£'000	£'000
(9,998)	Net Cash (Inflow)/Outflow from Revenue Activities	30.0		(37,312)
	<u>Returns on Investments and Servicing of Finance</u>			
13,535	Interest Paid		11,646	
(3,320)	Interest Received		(400)	11,246
	<u>Capital Activities</u>			
	<u>Cash Outflows</u>			
88,588	Purchase of Fixed Assets		81,059	
0	Purchase of Long-Term Investments		814	81,873
	<u>Cash Inflows</u>			
(1,749)	Sale of Fixed Assets		(900)	
(63,649)	Capital Grants Received		(63,386)	
(2,354)	Other Capital Cash Receipts		(1,420)	(65,706)
21,053	Net Cash (Inflow)/Outflow Before Financing			(9,899)
	<u>Management of Liquid Resources</u>			
(42,895)	Net Inc/Dec in Short-Term Deposits		(10,479)	
1,945	Net Inc/Dec in Other Liquid Resources		650	
(40,950)				(9,829)
	<u>Financing</u>			
	<u>Cash Outflows</u>			
43,182	Repayments of Amounts Borrowed	33.0	9,991	
	<u>Cash Inflows</u>			
(5,000)	New Loans Raised		0	
(11,163)	New Short Term Loans Raised		0	9,991
7,122	(Increase)/Decrease in Cash & Equivalents			(9,737)

Notes to the Core Financial Statements

1.0 Prior Period Adjustments

The 2009 Statement of Recommended Practice (SORP) has introduced two significant changes resulting in the requirement for Prior Period Adjustments. The changes relate to accounting for National Non-Domestic Rates and Private Finance Initiative schemes.

National Non-Domestic Rates

Previously, the Balance Sheet recognised NNDR taxpayer debtors, creditors and provision for bad debt balances as those of the billing Authority. SORP 2009 states that the billing Authority is acting as agent of the Welsh Assembly Government and that the only item in the Balance Sheet should be cash collected on behalf of the Government that has not yet been paid to that Government body.

PFI

Please refer to accounting policy for PFI.

During 2003/04, the Council entered into a Private Finance Initiative (PFI) arrangement for the provision of a Lifelong Learning Campus at Garth Olwg.

Prior to the introduction of SORP 2009, the scheme was deemed to be "off Balance Sheet". The scheme is now deemed to be "on Balance Sheet". As a result the prior year's accounts have been adjusted as follows:

- Recognise a fixed asset and liability of the Council's obligations under the scheme.
- Revalue and depreciate the fixed asset.
- Remove the incremental long-term debtor representing the transfer of the property to the Council in 2030.
- Amend the principal element of the Unitary Charge to ensure it reduces the long-term liability. Previously, it was charged to the Education service.
- Charge MRP equal to the principal element of the Unitary Charge to ensure SORP 2009 introduction has no impact upon Council Fund balances.

2.0 Discontinued Operations

On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Trust.

The Welsh Assembly Government issued an Item 10 Direction (February 2009) giving the Council consent to transfer £2m from Housing Revenue Account to Council Fund balances during 2009/10.

In addition, during 2009/10 the 2007/08 Housing Revenue Account Subsidy was finalised and audited. Subsequently, in March 2010, the Welsh Assembly Government gave consent under section 74(4) of the Local Government and

Housing Act 1989 for the Housing Revenue Account to be closed and for the residual balance to be transferred to the Council Fund.

3.0 Long-Term Contracts

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

Details	2010/11 £'000	2011/12 £'000	2012/13 £'000
Financial Systems and Maintenance Contracts	5,242	871	786
Treasury Management Contract	17	17	0
Banking Contract	162	162	162
Non-Commercial Bus Routes	1,345	1,345	1,345
Home to School Transport	10,438	10,438	10,438
Total	17,204	12,833	12,731

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

Included within the 2010/11 obligation for Financial Systems and Maintenance Contracts is an estimated £3.5m payment to a supplier of building maintenance works. Actual expenditure will vary depending on work carried out.

The Banking Contract cost could vary depending on volume of transactions.

Home to School Transport figures and Non-Commercial Bus Routes are based on the contract payments made in 2009/10. However, future costs may vary as a result of the actual service provided.

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 Campus at Garth Olwg. The facilities provided comprise a Nursery, Primary School, Secondary School, Lifelong Learning Centre, Library and Youth Centre. The arrangement will run until September 2030. There is a commitment of £112.275m 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.

During 2009/10, in accordance with IFRS (International Financial Reporting Standards) guidance, the value of the assets held under the PFI contract has been brought onto the Council's Balance Sheet. Movements during the year were as follows:

PFI Assets	Other Land & Buildings £'000
Cost or Valuation	
At 1 st April 2009	26,785
Revaluations	0
At 31st March 2010	26,785
Depreciation and Impairments	
At 1 st April 2009	(932)
Charge for 2009/10	(432)
At 31st March 2010	(1,364)
Balance Sheet Amount at 31st March 2010	25,421
Balance Sheet Amount at 1st April 2009	25,853

The value of liabilities for the term of the contract has also been recorded in the Council's Balance Sheet. An analysis of the movements is as follows:

PFI Liabilities	£'000
Initial Liability	33,668
Principal Repayments to 31 st March 2009	(2,441)
Liability as at 1st April 2009	31,227
Repayments during 2009/10	(945)
Liability as at 31st March 2010	30,282

The service charge element of the annual payment will vary each year depending on RPI. The latest estimated commitments for future years' payments are as follows:

Period	Principal £'000	Interest £'000	Service Charges £'000	Total £'000
Within 1 Year	983	1,208	1,976	4,167
2 – 5 Years	4,338	4,425	8,409	17,172
6 – 10 Years	6,470	4,484	11,749	22,703
11 – 15 Years	7,869	3,086	13,293	24,248
16 – 20 Years	9,569	1,385	15,040	25,994
21 – 25 Years	1,053	42	1,619	2,714
Total	30,282	14,630	52,086	96,998

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 Council 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. 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 2010 the balance on the PFI equalisation earmarked reserve is £4.61m.

The Council has rights of access to the whole site for the provision of educational services during the agreed core hours and extended core hours.

The Council is not aware of being exposed to any significant risks under this arrangement, other than those common with the provision of educational services.

At the end of the agreement, the contractor's rights of access to the site will terminate and all assets, including buildings, equipment and materials previously provided and maintained under the contract will transfer to the Council at no cost.

5.0 Trading Activities

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

Former DLO Trading Activities	2008/09	2009/10		
	(Surplus) /Deficit	Exp	Income	(Surplus) /Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	268	4,779	(4,249)	530
Building Cleaning	(52)	1,020	(1,041)	(21)
Education and Welfare Catering	(204)	8,268	(8,705)	(437)
Total	12	14,067	(13,995)	72

Other Trading Activities	2008/09	2009/10		
	(Surplus) /Deficit	Exp	Income	(Surplus) /Deficit
	£'000	£'000	£'000	£'000
Other Catering	19	144	(153)	(9)
Central Print Unit	70	403	(431)	(28)
Creative Design	(46)	807	(853)	(46)
Commercial Waste	(19)	795	(820)	(25)
Carelink/Out of Hours	(108)	451	(592)	(141)
Total	(84)	2,600	(2,849)	(249)

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

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

FRS 17 "Retirement Benefits" applies to trading activities. Excluding FRS 17, the deficit was £252k.

6.0 Agency Arrangements

The Council does not undertake work on an agency basis.

7.0 Road User Charging

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

8.0 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 2009/10 the Council paid a total of £1.456m (£1.399m in 2008/09) in respect of basic allowances, special responsibility allowances and dependent care allowances to 75 members (excluding employer's national insurance contributions, employer's pension contribution and other associated costs).

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.

9.0 Officers' Emoluments

Under the Accounts and Audit (Wales) Regulations 2005 (as amended), local authorities must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding employer pension contributions). The disclosure includes redundancy payments.

During 2009/10 the Council paid 12,806 employees, paying total salaries of £247m (excluding employer's national insurance and pension contributions). Within this, the following salary payments were made within the categories specified:

Remuneration Band	2008/09	2009/10		
	No. of Employees	No. of Employees		
	Total	At 31/03/10	Left in Year	Total
£60,000 - £64,999	15	22	4	26
£65,000 - £69,999	14	12	7	19
£70,000 - £74,999	14	9	2	11
£75,000 - £79,999	6	9	3	12
£80,000 - £84,999	3	2	5	7
£85,000 - £89,999	4	7	1	8
£90,000 - £94,999	1	1	0	1
£95,000 - £99,999	0	1	3	4
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	3	3
£115,000 - £119,999	0	0	1	1
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	0	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	0	0
£155,000 - £159,999	0	0	0	0
£160,000 - £164,999	0	0	0	0
£165,000 - £169,999	0	0	0	0
£170,000 - £174,999	0	0	0	0
£175,000 - £179,999	0	0	1	1
Total	57	63	30	93

The above table excludes specific Senior Officers, as detailed below.

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

Post Holder Information (Post Title)	A Total Remuneration (Including Pensions Conts)	B Salary	C Taxable Benefits in Kind	D (=B+C) Total Remuneration	E Employer Pension Contributions	F (=D+E) Total Remuneration (Including Pensions Conts)
	2008/09 £'000	2009/10 £'000				
Chief Executive	171	142	0	142	29	171
Chief Executive – Returning Officer	16	8	0	8	2	10

Continued Overleaf...

Group Director Corporate Services (Deputy Chief Executive)	137	122	0	122	25	147
Group Director Environmental Services	137	113	1	114	23	137
Group Director Community & Children's Services	136	113	0	113	23	136
Director of Legal & Democratic Services	111	92	0	92	19	111
Director of Legal & Democratic Services – Returning Officer	3	4	0	4	0	4
Director of Human Resources	111	92	0	92	19	111
Director of Education & Lifelong Learning	112	92	1	93	19	112

B = Actual Salary Paid

C = Taxable Benefits in Kind (e.g. Taxable Car Allowance)

E = Costs to the Employer of Pension Fund Contributions

10.0 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.

10.1 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 notes 12.0, 15.0 and 35.0.

10.2 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 14.0 to the Core Financial Statements.

10.3 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 2009/10. Specific details relating to contributions to the Pension Fund can be found in note 28.0 to the Core Financial Statements. The amount owed from the Council to the Pension Fund as at 31st March 2010 is £625k.

10.4 Chief Officers and Members

Details of Members allowances and Officers' emoluments are provided in the Core Financial Statements notes 8.0 and 9.0 respectively. Interests of Members are maintained in a register. The register is available for public inspection by appointment.

Members are nominated to represent Rhondda Cynon Taf Council on various bodies, for example, RCT Homes and Cwm Taf Health Board.

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)	2008/09 £'000	2009/10 £'000
Engineering & Mechanical Services	Vehicle Hire, Repairs & Maintenance	11	9
	Goods and Services	3	3
National Health Service Bodies & Support Groups	Goods and Services	65	106
	Grant Payments	130	53
Sports & Social Clubs	Goods and Services	17	10
	Grant Payments	14	22
Community Councils, Associations & Services	Goods and Services	1,556	1,485
	Grant Payments	984	1,047
	Vehicle Hire, Repairs & Maintenance	0	5
Educational & Cultural Establishments	Goods and Services	(393)	(543)
	Grant Payments	50	193
Government Bodies, Associations & Staff	Goods and Services	42	(179)
	Grant Payments	9	(150)
Private Companies	Goods and Services	(577)	(426)
	Grant Payments	0	2
	Vehicle Hire, Repairs & Maintenance	(133)	(123)
Charitable Organisations	Goods and Services	1,618	2,150
	Grant Payments	627	458
	Vehicle Hire, Repairs & Maintenance	2	1
Public Houses, Halls & Institutes	Goods and Services	0	(1)

10.5 Associated and Subsidiary Companies

The Council has an interest in three companies, these being; Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. Further details of each are given in note 19.0 to the Core Financial Statements and note 3 to the Introduction to Group Accounts. During 2009/10 the following related party transactions took place with the associated companies and Joint Committees:

Amgen Cymru Ltd.

Royalties of £365k (£340k in 2008/09) were billed by the Council to Amgen Cymru. At 31st March 2010 £38k (£27k in 2008/09) was outstanding.

The Council paid Amgen Cymru £3,723k (£3,759k in 2008/09) in respect of waste management and waste disposal charges, with £1,210k (£618k in 2008/09) due to the company at the year-end.

Amgen Rhondda Ltd.

The Council paid Amgen Rhondda £250k (£250k in 2008/09) in respect of site management fees, with £24k (£23k in 2008/09) outstanding at 31st March 2010.

Capita Glamorgan Consultancy Ltd.

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

During 2009/10, the Council was charged £556k (£1.5m in 2008/09) in respect of consultancy fees and the balance owed to Capita Glamorgan Consultancy at 31st March 2010 was £266k.

10.6 Joint Committees

The remainder of this note refers to Related Party Transactions with Joint Committees in which the Council participates.

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 19 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 2009/10, the Council contributed to the Joint Committee an amount of £224k (£201k in 2008/09). This was calculated proportionately based upon population. As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated.

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 2009/10, the Council charged Llwydcoed Crematorium £22k (£21k in 2008/09) in respect of central establishment charges. As at 31st March 2010 the Council held cash balances relating to the Crematorium of £202k (£219k in

2008/09). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated.

Education School Improvement Service (ESIS)

ESIS is administered by a Joint Committee comprising Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils. ESIS provides training and advisory services to both the local education authorities and schools in each of its joint authority areas, as well as providing such services and undertaking inspection work on behalf of other public sector bodies such as ESTYN, General Teaching Council for Wales (GTCW) and Welsh Local Government Association (WLGA). Rhondda Cynon Taf consolidates 39.52% of transactions, assets and liabilities into its financial statements eliminating transactions between the Council and the Joint Committee.

During 2009/10, the Council incurred expenditure of £2,754k (£2,743k in 2008/09) with ESIS in respect of advisory and training services. As at 31st March 2010, an amount of £336k (£630k in 2008/09) was owed by the Council to ESIS and an amount of £5k (£3k in 2008/09) owed by ESIS to the Council.

Catalogue Supplies Service

Catalogue Supplies Service is administered by Bridgend County Council and supplies goods such as stationery. The Council consolidates 40.04% of the assets, liabilities and transactions of Catalogue Supplies Service into its financial statements.

During 2009/10, the Council purchased goods of £2,138k (£2,275k in 2008/09) from Catalogue Supplies Service. At year-end, the Council owed £211k (£233k in 2008/09) to the Joint Committee. These transactions have been eliminated from the financial statements.

Coychurch Crematorium

The Council consolidates 18% of the assets, liabilities and transactions of Coychurch Crematorium into its financial statements. There were no transactions between the Council and the Crematorium during the year.

South East Wales Transport Alliance (SEWTA)

The Council consolidates 10% of the assets, liabilities and transactions of SEWTA into its financial statements. There were no transactions between the Council and SEWTA during the year.

11.0 Audit Fees

The fees payable to external auditors for audit and inspection work relating to the audit of the Council for the 2009/10 financial year are:

Category of Wales Audit Office Fee	2008/09 £'000	2009/10 £'000
External Audit Services Carried Out by the Appointed Auditor	366	260
Regulatory Programme for Performance Audit Plan	52	65
Certification of Grant Claims and Returns	213	161
Other Services Provided by the Appointed Auditor	0	0
Total	631	486

12.0 National Non-Domestic Rates

The level of National Non-Domestic Rates (NNDR) is based on a “multiplier” set nationally by the Welsh Assembly 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 2009/10 was 48.9p (46.6p for 2008/09). The total rateable value as at 31st March 2010 was £136.2m (£117.7m as at 31st March 2009).

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 2009/10 rates is £47.6m (£46.8m in 2008/09). The contribution back to the Council from the pool in the year amounted to £62.7m (£61.1m in 2008/09) and the amount paid to the pool amounted to £46.6m (£47.2m in 2008/09).

13.0 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 2009/10 was calculated to be £74,084.12 (compared with £74,845.01 for 2008/09). 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	241	38,158	21,254	13,803	7,464	5,077	2,763	1,001	161	27
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 2009/10 was 97%.

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

Council Tax Analysis	2008/09 £'000	2009/10 £'000
Council Tax Collectable	84,410	89,488
Net Proceeds from Council Tax	84,410	89,488
Less Payable		
South Wales Police Authority	(10,119)	(10,517)
Community Councils	(1,417)	(1,461)
Total	72,874	77,510

14.0 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	2008/09 £'000	2009/10 £'000
South Wales Fire and Rescue Service	10,071	12,992
South Wales Police Authority	10,119	10,517
Community Councils	1,417	1,461
Coroner	405	419
Brecon Beacons National Park	56	56
Total	22,068	25,445

15.0 General Government Grants

An analysis of General Government Grants is given in the following table:

	2008/09 £'000	2009/10 £'000
Revenue Support Grant	267,110	272,041
Deprivation Grant	4,224	4,224
Improvement Agreement Grant	2,564	2,538
PFI WAG Support Grant	3,266	3,179
Concessionary Fares	5,689	0
Total	282,853	281,982

The awarding body for the above grants is the Welsh Assembly Government.

For 2009/10, the income from Concessionary Fares Grant is within Highways and Transport Services in the Income and Expenditure Account.

16.0 Intangible Fixed Assets

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

Operational Assets	Purchased Software Licences	Licences, Trade Marks and Artistic Originals	Total
	£'000	£'000	£'000
Cost or Valuation			
At 1 st April 2009	3,578	2,493	6,071
Additions	359	646	1,005
At 31st March 2010	3,937	3,139	7,076
Depreciation and Impairments			
At 1 st April 2009	(2,221)	(856)	(3,077)
Charge for 2009/10	(712)	(243)	(955)
At 31st March 2010	(2,933)	(1,099)	(4,032)
Balance Sheet Amount at 31st March 2010	1,004	2,040	3,044
Balance Sheet amount at 1st April 2009	1,357	1,637	2,994
Nature of Asset Holding			
Owned	1,004	2,040	3,044
	1,004	2,040	3,044

17.0 Tangible Fixed Assets**17.1 Movements in Tangible Fixed Assets**

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

Operational Assets	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
Restated at 1 st April 2009	574,501	41,012	366,623	487	982,623
Additions	20,721	3,345	9,240	63	33,369
Disposals	0	(1,337)	0	0	(1,337)
Reclassifications	15,338	1,500	1,124	3,576	21,538
Impairments	(670)	0	0	0	(670)
Revaluations	2,897	523	0	105	3,525
At 31st March 2010	612,787	45,043	376,987	4,231	1,039,048
Depreciation and Impairments					
Restated at 1 st April 2009	(103,958)	(25,029)	(42,388)	(405)	(171,780)
Charge for 2009/10	(22,902)	(7,313)	(10,965)	0	(41,180)
Disposals	0	1,064	0	0	1,064

Continued Overleaf...

Revaluations	(3,542)	0	0	(6)	(3,548)
At 31st March 2010	(130,402)	(31,278)	(53,353)	(411)	(215,444)
Balance Sheet Amount at 31st March 2010	482,385	13,765	323,634	3,820	823,604
Restated Balance Sheet Amount at 1st April 2009	470,543	15,983	324,235	82	810,843
Nature of Asset Holding					
Owned	456,964	13,765	323,634	3,820	798,183
PFI	25,421	0	0	0	25,421
	482,385	13,765	323,634	3,820	823,604

<u>Non-Operational Assets</u>	Investment Properties	Surplus Assets	Assets Under C'struction	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 st April 2009	640	40,827	38,816	80,283
Additions	0	0	37,688	37,688
Disposals	0	(737)	0	(737)
Reclassifications	(490)	(12,426)	(8,632)	(21,548)
Impairments	(39)	(5,656)	(2,288)	(7,983)
Revaluations	22	1,625	118	1,765
At 31st March 2010	133	23,633	65,702	89,468
Depreciation and Impairments				
At 1 st April 2009	(125)	(1,748)	(3,340)	(5,213)
Charge for 2009/10	(8)	(37)	0	(45)
Disposals	0	26	0	26
At 31st March 2010	(133)	(1,759)	(3,340)	(5,232)
Balance Sheet Amount at 31st March 2010	0	21,874	62,362	84,236
Balance Sheet Amount at 1st April 2009	515	39,079	35,476	75,070
Nature of Asset Holding				
Owned	0	21,874	62,362	84,236
	0	21,874	62,362	84,236

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>Movement on Revenue Funded by Capital Under Statute (Previously Deferred Charges)</u>	Other Land & Buildings	Vehicles, Plant & Equipment	Revenue Expenditure Funded From Capital Under Statute	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 st April 2009	6,909	15	19,031	25,955
Additions	1,403	0	12,980	14,383
At 31st March 2010	8,312	15	32,011	40,338
Depreciation and Impairments				
At 1 st April 2009	(1,686)	(6)	(19,031)	(20,723)
Charge for 2009/10	(613)	(2)	(12,980)	(13,595)
At 31st March 2010	(2,299)	(8)	(32,011)	(34,318)
Balance Sheet Amount at 31st March 2010	6,013	7	0	6,020
Balance Sheet Amount at 1st April 2009	5,223	9	0	5,232
Nature of Asset Holding				
Owned	6,013	7	0	6,020
	6,013	7	0	6,020

The Council's property assets are subject to a five-yearly revaluation. The revaluation of the Council's Land and Buildings was completed by GVA Grimley, and a land review was undertaken by Cooke & Arkwright.

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 17.4 to the Core Financial Statements.

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

Funding Source	Intangible Fixed Assets	Tangible Fixed Assets	Revenue Expenditure Funded By Capital Under Statute	Total Exp. on Fixed Assets
	£'000	£'000	£'000	£'000
Borrowing	289	7,519	7,974	15,782
Capital Receipts	684	1,875	26	2,585
Contributions	0	1,322	237	1,559
Grants	32	59,455	4,743	64,230
Revenue	0	813	0	813
Sub Total	1,005	70,984	12,980	84,969
Joint Committees	0	73	0	73
Total	1,005	71,057	12,980	85,042

17.2 Major Items of Capital Expenditure 2009/10

As can be seen from note 17.1, additions to tangible fixed assets during the year totalled £71m. In addition to £9m on operational infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed in the following table:

Scheme	£'000
Capacity Grant Works	1,333
Disabled Facilities Grants/Adaptations (DFGs)	3,908
Ynyshir Primary School	3,778
Dolau Primary School	1,009
Church Village Bypass	34,829
Treherbert & Penrhiwceiber Renewal Areas	2,129
Glamorgan Archives	1,014

17.3 Capital Commitments

The major commitments for the next three years in respect of capital schemes as at 31st March 2010 include the following schemes:

Scheme	31/03/10 £'000
Disabled Facilities Grants/Adaptations (DFGs)	11,850
Maintenance Repair Assistance (MRAs)	6,650
Home Improvement Zones/Renovation Grants	3,600
Community Regeneration	3,709
Williamstown Primary School	7,345
School Modernisation	5,351
Penywaun Primary School	3,299
Fleet Vehicles	8,212
Abercynon Park & Ride	2,603
Church Village Bypass	24,533
Ferndale Physical Regeneration	2,264
LIF Business Finance Grant (Convergence)	3,631
Treherbert & Penrhiwceiber Renewal Areas	5,700
Rhydyfelin Drainage Study & Flood Alleviation	2,277
Asbestos Remediation Works	7,354

17.4 Analysis of Fixed Assets

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

Asset type	31/03/10
Caravan Site	1
Municipal Offices Operational	35
Municipal Offices Non Operational	16
Adult Education Centres	5
Schools - Nursery	26
- Primary	81
<i>Continued Overleaf...</i>	

- Primary Welsh	12
- Secondary	14
- Secondary Welsh	3
- Special	8
Education Youth Centres	8
Other Education Establishments	6
Libraries	29
Homes for the Elderly	12
Children's Homes	3
Day Centres	30
Physical Disability Establishments	6
Garden Centre	1
Special Sites	6
Leisure Centres	9
Pools	18
Parks/Play Areas/Leisure Facilities	238
Community Centres	38
Cemeteries	14
Country Parks	2
Industrial Estate	1
Depots/Stores	6
Tourism – Museums/Theatres	6
Animal Shelter	1
Heritage Structures	2
War Memorials	25
Car Parks	73
Bus Stations	3
Allotments	65
Social Centres	6
Miscellaneous Housing Establishments	4
Works of Art/Exhibits and Statues	5
Assets Under Construction	6
<u>Infrastructure:</u>	
Principal Roads	163.8km
Other Roads	1,081.7km
Trunk Roads	29.0km

17.5 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
Other Land & Buildings	Rolling Programme	EUV
Specialist Building	Rolling Programme	DRC
Vehicles, Plant, Equip.	N/A	DHC
Infrastructure	N/A	DHC
Community Assets	N/A	DHC

- EUV - Existing Use Value
DRC - Depreciated Replacement Cost
DHC - Depreciated Historic 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.

18.0 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	411	62	473
Corporate Services & Chief Executives	755	113	868
Education & Lifelong Learning	495	587	1,082
Environmental Services	94	447	541
Total	1,755	1,209	2,964

The Council was committed at 31st March 2010 to making payments of £2,467k under operating leases in 2010/11, comprising the following elements:

	Committed Expenditure in 2010/11 for Leases Expiring:			Total £'000
	In 2010/11 £'000	Between 2011/12 and 2014/15 £'000	After 2014/15 £'000	
Other Land & Buildings	18	1,165	321	1,504
Vehicles, Plant & Equipment	153	777	33	963
Total	171	1,942	354	2,467

19.0 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 criterion 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 Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd.

Following a review of the Council's activities, Amgen Cymru Ltd. and Amgen Rhondda Ltd. meet the criteria of subsidiary companies, whilst Capita Glamorgan Consultancy meets the criteria of an associated company. All are 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 4.0 of the Group Accounts Section.

Model House Llantrisant Ltd

Prior to the Model House being brought into the Council's structure it was a limited company in which the Council had an interest. During November 2009, the company experienced financial difficulty and in December the Board decided to voluntarily liquidate the company. The operations became the full responsibility of the Council in January 2010 and are now managed by Corporate Estates.

20.0 Insurance

20.1 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 2010 was £6.59m, which has been adjusted for internal claims of £160k.

An earmarked reserve is set aside to contribute towards the cost of claims incurred but not yet received. See note 23.11 to the Core Financial Statements for further details.

20.2 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	524
Insurance Reserve	1,924
Total	2,448

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.

21.0 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	31/03/09	Transfers to Provisions	Transfers from Provisions	31/03/10
	£'000	£'000	£'000	£'000
Insurance	7,938	0	(824)	7,114
MGCC Disaggregation	724	28	0	752
Housing Benefits	8	0	(8)	0
Unequal Pay Costs	1,063	327	(342)	1,048
Housing Disrepair Claims	41	0	(28)	13
Integrated Community Equip.	4	0	(4)	0
Total	9,778	355	(1,206)	8,927

21.1 Insurance

The Council makes provision for the cost of insurance claims. See notes 20.1 and 20.2 for further information.

21.2 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 24.1 for further details.

21.3 Housing Benefits

The 2007/08 provision of £8k held to cover the claw-back of Housing Benefit subsidy is no longer required and has been written back during 2009/10.

21.4 Unequal Pay Costs

The Council has a provision of £1.048m in its accounts for the estimated costs of outstanding back pay claims made against it under the Equal Pay Act 1970. (It is anticipated that these claims will be paid during 2010/11). See note 23.6 for further information.

21.5 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 three cases outstanding with an estimated cost of £13k. At 31st March 2009 there were ten cases outstanding with the estimated cost of £41k. The timing of the potential settlement of claims cannot be estimated with certainty.

21.6 Integrated Community Equipment Service Provision

The Council (and partners in the Integrated Community Equipment Service) earmarks funds for the future cost of replacing the decontamination machinery that is integral to the cleaning and reuse of equipment provided to clients. During 2009/10 these funds have been reclassified from provisions to earmarked reserves.

22.0 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, until the asset is disposed of.

	£'000
Balance as at 1st April 2009	(179,908)
Grants/Contributions applied in year	(65,789)
Grants/Contributions written down in year	23,033
Balance as at 31st March 2010	(222,664)

23.0 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 2009 Restated £'000	(Gains)/ Losses Credited/ Debited to Reserve £'000	Transfers Between Reserves £'000	Balance 31st March 2010 £'000
Capital Adjustment Account	(299,536)	23,369	0	(276,167)
Revaluation Reserve	(78,316)	130	0	(78,186)
Deferred Capital Receipts Reserve	(337)	71	0	(266)
Usable Capital Receipts	(4,572)	1,685	0	(2,887)
Pensions Reserve	453,117	153,138	0	606,255
Unequal Pay Back Pay Account	1,063	(15)	0	1,048
Financial Instruments Adjustment Account	6,991	(309)	0	6,682
Council Fund Balances	(10,120)	(14,222)	13,872	(10,470)
MGCC Insurance Reserve	(1,816)	0	(108)	(1,924)
Housing Revenue Account	(2,180)	0	2,180	0
Earmarked Reserves	(50,575)	0	(17,465)	(68,040)
Delegated School Reserve	(6,690)	0	1,521	(5,169)
Net Worth	7,029	163,847	0	170,876

23.1 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.

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

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

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

	RCT £'000	Joint Comm's £'000	Total £'000
Restated Balance as at 1 st April 2009	(298,740)	(796)	(299,536)
<u>Capital Financing</u>			
-Capital Receipts	(2,585)	(28)	(2,613)
-Capital Expenditure Charged to Revenue	(813)	(32)	(845)
Fixed Assets Write Down	619	0	619
Historical Cost Depreciation Adjustment	125	0	125
Depreciation, Amortisation and Impairment	62,052	95	62,147
Deferred Government Grants	(23,033)	0	(23,033)
Minimum Revenue Provision	(13,069)	0	(13,069)
Private Mortgages Repayments	38	0	38
Balance as at 31st March 2010	(275,406)	(761)	(276,167)

23.2 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

	2009/10 £'000
Balance as at 1st April 2009	78,316
Movements During Year:	
Revaluations	4,463
Revalued Assets Disposed of/Impairment	(4,593)
Balance as at 31st March 2010	78,186

23.3 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 at 1st April 2009 of £337k was reduced by repayments of £71k leaving a balance at 31st March 2010 of £266k. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available. The repayments relate to Right to Buy (RTB) mortgages and the transfer into Usable Capital Receipts is shown in the table on Note 23.4.

23.4 Usable Capital Receipts Reserve

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

The movements on the reserve are as follows:

	General Fund £'000
Balance as at 1 st April 2009	(4,572)
<u>Receipts During the Year:</u>	
Sale of Assets	(792)
Mortgage Repayments	(37)
Repayment of Discount (RTB)	(71)
<u>Application During the Year:</u>	
Financing of Capital Expenditure	2,585
Balance as at 31st March 2010	(2,887)

23.5 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".

23.6 Unequal 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 charge in the Statement of Movement on the Council Fund Balance (in Net Transfer to/from Earmarked Reserves) and setting up a negative reserve in the Balance Sheet.

23.7 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.

	2009/10
	£'000
Balance as at 1 st April 2009	6,991
Amortisation to Council Fund Balance	(309)
Balance as at 31st March 2010	6,682

23.8 Council Fund Balance

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

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

	£'000
Balance as at 31 st March 2009	(10,120)
(Increase)/Decrease in Reserve	(350)
Balance as at 31st March 2010	(10,470)

23.9 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. Please refer to note 20.2.

23.10 Housing Revenue Account

On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Trust.

The Welsh Assembly Government issued an Item 10 Direction (February 2009) giving the Council consent to transfer £2m from Housing Revenue Account to Council Fund balances during 2009/10.

In addition, during 2009/10 the 2007/08 Housing Revenue Account Subsidy was finalised and audited. Subsequently, in March 2010, the Welsh Assembly Government gave consent under section 74(4) of the Local Government and Housing Act 1989 for the Housing Revenue Account to be closed and for the residual balance to be transferred to Council Fund.

23.11 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 2010. Balances are as follows:

Reserve	Purpose	31/03/09 Restated £'000	Movement £'000	31/03/10 £'000
E-Government/ Service Re- engineering	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering.	81	(81)	0
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.	6,600	0	6,600
Financial Management	Amounts set aside as financial cover for future liabilities.	7,275	2,235	9,510
Private Finance Initiative	Balance of excess Welsh Assembly Govt support over unitary charge payments to reflect the differing expenditure and income profiles.	5,295	932	6,227
Development Fund	To deliver high impact visible improvements to key services as an outcome of the Whole Authority Assessment carried out under the Wales Programme for Improvement.	1,799	(699)	1,100
Social Inclusion	To fund activities and projects carried out to improve social inclusion.	131	0	131
Capital Developments	Resources required to be set-aside for the funding of the Council's approved 3-year capital programme.	12,841	6,572	19,413
Job Evaluation	Resources set aside for the financial implications of the job evaluation process.	6,590	6,675	13,265
Prior Year Commitments	Carry forward of funding to finance projects for which commitments have already been made in the prior year.	2,894	963	3,857
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	2,860	454	3,314
Medium-Term High Risk Financial Issues	Amount set aside to help offset the major risks likely to impact on the Council in the short to medium term (including the consequences of the European and UK waste management legislation).	0	1,957	1,957
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.	994	304	1,298
Joint Committee Reserve	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.	1,810	(442)	1,368
South Wales Fire and Rescue Service Reserve	Represents the Council's share of the South Wales Fire and Rescue Service Reserves.	1,405	(1,405)	0
Total		50,575	17,465	68,040
Delegated Schools	Please see note 23.12 for details.	6,690	(1,521)	5,169
Total		57,265	15,944	73,209

As a result of regulation changes, the Council is no longer required to maintain earmarked reserves representing its share of Fire and Rescue Service Reserves.

23.12 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.

At the end of 2009/10, 25 of the Councils 139 schools were in deficit. In accordance with Section 4.5 and Section 4.8 of the Schools Standards and Framework Act 1998, each of these schools has financial plans illustrating how the deficit will be recouped. The 114 remaining schools have surplus funds, which are to be managed as part of ongoing budgetary control.

The following details illustrate the movement on these balances, and any resulting over or under spend.

Type of School	31/03/08 £'000	2008/09 Movement £'000	31/03/09 £'000	2009/10 Movement £'000	31/03/10 £'000
Primary	3,684	105	3,789	(498)	3,291
Secondary	2,285	(91)	2,194	(594)	1,600
Special	342	274	616	(456)	160
Nursery	147	(56)	91	27	118
Total	6,458	232	6,690	(1,521)	5,169

24.0 Contingent Liabilities

24.1 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.

24.2 Insurance

The Council is liable for insurance claims made against it in respect of certain events. A provision is made in respect of claims received as at 31st March 2010. 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.

24.3 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. 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 2010/11.

24.4 Municipal Mutual Insurance Ltd.

The former authorities of Rhondda Borough Council, Cynon Valley Borough Council, Taff Ely Borough Council and Mid Glamorgan County Council are creditors of Municipal Mutual Insurance Ltd. (MMI). MMI ceased to write new insurance business from 30th September 1992 and a Scheme of Arrangement was put in place January 1994. The Scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As creditors of MMI, the Council is legally bound by the Scheme and in the event of MMI not being solvent, the Council would be liable to repay a proportion of claims being defined within the terms of the Scheme. The Board of MMI are currently of the opinion that a solvent run off can be achieved hence the likelihood of the scheme being triggered is remote. As a result there is no provision in accounts.

25.0 Issuing of Accounts

The audited Statement of Accounts were authorised for issue on 29th September 2010 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.

26.0 Post Balance Sheet Events

In its emergency budget of 22nd June 2010, the Government announced future public sector pension increases would be in line with Consumer Price Index (CPI) effective from April 2011. Increases are currently determined by Retail Price Index (RPI). The Rhondda Cynon Taf Pension Fund actuary, Hewitt Associates Ltd. have estimated that the impact of this would be to reduce future pension liabilities by between 8%-10%. This would mean that the pension liability in the Balance Sheet (£606.3m) would reduce by between £48.5m and £60.6m. The effect of this announcement is deemed to be a non-adjusting Post Balance Sheet Event and as

such, does not impact upon the financial statements. Please refer to note 28 for further details on Retirement Benefits.

27.0 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 2010 are shown as follows and are not included in the Council's Balance Sheet. The 2009/10 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit for the other Funds).

	31/03/09 £'000	31/03/10 £'000
Education & Social Services	176	178
Pontypridd & Districts Institute for the Blind	182	182
Welsh Church Act Fund	8,679	9,939

28.0 Retirement Benefits - Defined Benefit Schemes

28.1 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 29.0.
- Other employees and Members - The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit final salary 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".

Llwydcoed Crematorium and the ESIS Joint Committees charge pension costs to their accounts in line with FRS 17. The Rhondda Cynon Taf CBC share of these entries is consolidated into the main accounts, and disclosed in notes 28.2 to 28.5 below.

The remaining Joint Committees are unable to produce FRS17 compliant accounts as they are not treated as separate employers in the relevant Pension Fund. However, where the employees of the Joint Committee contribute to the Rhondda Cynon Taf CBC pension fund, the resultant assets and liabilities are included within the Rhondda Cynon Taf CBC accounts.

In its budget on 22nd June 2010, the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to Retail Price Index (RPI) and the Balance Sheet reflects this basis. It is our actuary's view that CPI will be lower than RPI and this will reduce the value of pension liabilities. The actuary will reflect this change in assumptions within the 2010/11 FRS 17 calculation and the Balance Sheet will reflect the revised basis.

28.2 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	2008/09	2009/10		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<i>Net Cost of Services:</i>				
Current Service Cost	18,557	19,260	186	19,446
Past Service Cost	560	1,310	0	1,310
<i>Net Operating Expenditure:</i>				
Interest Cost	52,084	54,470	510	54,980
Expected Return on Scheme Assets	(33,430)	(22,050)	(242)	(22,292)
Net Charge to the Income and Expenditure Account	37,771	52,990	454	53,444

Statement of Movement on the Council Fund Balance	2008/09	2009/10		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Reversal of Net Charges Made for Retirement Benefits in Accordance with FRS 17	(37,771)	(52,990)	(454)	(53,444)
Actual Amount Charged Against the Council Fund Balance for Pensions in the Year - Employers' Contributions Payable to the Scheme	31,720	31,530	270	31,800

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £131.49m (£155.37m 2008/09) were included in the STRGL. The cumulative amount of actuarial gains and losses recognised in the STRGL since 2005/06 is £175.49m (loss)

28.3 Reconciliation of Present Value of the Scheme Liabilities

	2008/09	2009/10		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Balance b/f at 1 st April	767,915	827,250	7,768	835,018
Current Service Cost	18,556	19,260	186	19,446
Interest Cost	52,084	54,470	510	54,980
Contributions by Scheme Participants	8,436	8,510	78	8,588
Actuarial (Gains) and Losses	19,073	249,550	2,460	252,010
Benefits Paid	(31,606)	(33,140)	(562)	(33,702)
Past Service Costs	560	1,310	0	1,310
Balance c/f at 31st March	835,018	1,127,210	10,440	1,137,650

28.4 Reconciliation of Fair Value of the Scheme Assets

	2008/09	2009/10		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Balance b/f at 1 st April	476,219	377,630	4,271	381,901
Expected Rate of Return	33,430	22,050	242	22,292
Actuarial Gains/(Losses) on Assets	(136,298)	119,210	1,307	120,517
Employer Contributions	28,740	28,470	270	28,740
Contributions by Scheme Participants	8,436	8,510	78	8,588
Benefits Paid	(28,626)	(30,080)	(563)	(30,643)
Balance c/f at 31st March	381,901	525,790	5,605	531,395

The actual return on scheme assets in the year was £142.81m (gain) (£104.12m (loss) in 2008/09)

28.5 Scheme History

	2005/06	2006/07	2007/08	2008/09 Inc Joint Comm's	2009/10 Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	(801,470)	(849,090)	(760,580)	(835,018)	(1,137,650)
Value of Assets (Mid Market)	421,460	451,560	471,040	N/A	N/A
Surplus/(Deficit)	(380,010)	(397,530)	(289,540)	N/A	N/A
Restated Fair Value of Asset (Bid Price)	N/A	451,140	470,610	381,901	531,395
Restated Surplus/Deficit	N/A	(397,950)	(289,970)	(453,117)	(606,255)

The Council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £606.26m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council (including its share of Joint Committees) in the year to 31st March 2011 is £32.32m.

28.6 Basis for Estimating Assets and Liabilities

Rhondda Cynon Taf CBC employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as 31st March 2010.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council Fund liabilities have been assessed by Hewitt Associates Ltd, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31st March 2007.

The liability in the Balance Sheet has increased significantly over the year mainly as a result of changes to actuarial assumptions.

The principal assumptions used by the actuary have been:

	31/03/09	31/03/10
Long-Term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.0%	8.0%
Property	6.0%	8.5%
Government Bonds	4.0%	4.5%
Corporate Bonds	5.8%	5.5%
Other	1.6%	0.7%
Mortality Assumptions:		
Longevity at 65 for:		
Men	21.1	21.2
Women	23.5	23.6
Rate of Inflation	3.5%	3.9%
Rate of Increase in Salaries	5.0%	5.4%
Rate of Increase in Pensions	3.5%	3.9%
Discount Rate	6.6%	5.5%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2008 Service	75%	75%
Pre-2008 Service	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/09	31/03/10
	%	%
Equity Investments	61.7	66.8
Property	4.3	5.9
Government Bonds	17.9	14.1
Corporate Bonds	8.4	10.1
Other	7.7	3.1
	100.0	100.0

28.7 History of Experience Gains and Losses

The actuarial gains identified as movements on the Councils element of the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2010:

	2005/06	2006/07	2007/08	2008/09		2009/10	
	%	%	%	Funded	Unfunded	Funded	Unfunded
	%	%	%	%	%	%	%
Difference Between Expected and Actual Return on Assets	14.5	(2.0)	(0.6)	(35.6)	N/A	22.7	N/A
Experience Gains and Losses on Liabilities	0.1	(0.3)	(3.1)	(0.4)	(1.2)	0.9	3.1

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on, or after, 6th April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for periods prior to 2008/09 and includes the experience relating to unfunded liabilities.

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.

29.0 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 2009/10 the Council paid £11.7m (£11.6m in 2008/09) to the Agency in respect of teachers' pension costs, which represent 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 2009/10 these amounted to £881k (£857k in 2008/09).

30.0 Reconciliation of Income and Expenditure Account to Cashflow

2008/09 Restated £'000		2009/10 £'000
68,948	I & E Account (Surplus)/Deficit	32,572
(107,472)	Depreciation and Impairment	(61,860)
26,468	Government Grants Deferred	23,033
(6,051)	FRS 17 Adjustment	(21,644)
64	(Increase)/Decrease in Creditors	7,733
7,193	Increase/(Decrease) in Debtors	(6,522)
92	Increase/(Decrease) in Stock	36
12,075	(Increase)/Decrease in Provisions	851
(11,315)	Financing Items	(11,246)
0	Net Gain/(Loss) on Sale of Fixed Assets	(265)
(9,998)	Cash (Inflow)/Outflow from Revenue Items	(37,312)

31.0 Reconciliation of Net Cashflow to Movement in Net Debt (Principal Values)

	£'000
(Decrease)/Increase in Cash	9,737
Cash to Increase Net Debt	9,991
Change in Net Debt	19,728
Net Debt 1 st April 2009	(235,480)
Net Debt 31st March 2010	(215,752)

32.0 Analysis of Changes in Net Debt (Principal Values)

	31/03/09 Restated £'000	Cashflows £'000	31/03/10 £'000
Short-Term Borrowing	(10,680)	10,044	(636)
Bank Overdraft	(15,543)	9,341	(6,202)
Cash in Hand	570	396	966
Long-Term Borrowing	(209,827)	(53)	(209,880)
Total	(235,480)	19,728	(215,752)

33.0 Net Financing 2009/10 (Principal Values)

The net decrease in financing of £9.9m is derived from the movements in principal values of both short and long-term borrowing:

	31/03/09 £'000	Movement £'000	31/03/10 £'000
Long-Term Borrowing	(209,827)	(53)	(209,880)
Short-Term Borrowing	(10,680)	10,044	(636)
Total	(220,507)	9,991	(210,516)

34.0 Movements in Cash and Cash Equivalents (Principal Values)

	31/03/09 £'000	Movement £'000	31/03/10 £'000
Cash in Hand	570	396	966
Bank Balance	(15,543)	9,341	(6,202)
Total	(14,973)	9,737	(5,236)

35.0 Government Grants

Government Grants included in the Cashflow Statement are analysed below:

2008/09 £'000		2009/10 £'000
	Revenue	
67	Mandatory Awards	7
1,920	GEST	1,970
72,356	Benefits	82,967
3,266	Deprivation Grant	4,224
5,689	Concessionary Fares	5,711
2,564	Improvement Agreement Grant	2,538
66,148	Other	68,637
152,010	Total	166,054
	Capital	
34,555	Transport Grant	38,272
24,794	Other grants	20,811
4,299	Capital Grant	4,303
63,648	Total	63,386

36.0 Financial Instruments Balances

The Rhondda Cynon Taf CBC element of borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Long term		Short term	
	31/03/09	31/03/10	31/03/09	31/03/10
	£'000	£'000	£'000	£'000
<i>Financial Liabilities – Principal</i>	209,827	209,880	10,680	636
Financial Liabilities at Amortised Cost	211,866	209,011	10,586	3,538
Total Borrowings	211,866	209,011	10,586	3,538
<i>Investments – Principal</i>	0	814	24,530	14,051
Loans and Receivables	0	814	23,947	14,051
Total Investments	0	814	23,947	14,051

Under accounting requirements the financial instrument values of long-term assets and liabilities shown in the Balance Sheet represent the principal amount borrowed or lent adjusted for breakage costs or stepped interest loans (measured by an

effective interest rate calculation). Interest due to the Council or payable by the Council is categorised as a short-term asset or liability.

37.0 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:

	2008/09	2009/10		
	Total	Financial Liabilities; Liabilities Measured at Amortised Cost	Financial Assets; Loans and Receivables	Total
	£'000	£'000	£'000	£'000
Interest Expense	14,745	11,462	0	11,462
Impairment Losses	926	0	(25)	(25)
Interest Payable and Similar Charges	15,671	11,462	(25)	11,437
Interest Income	(3,292)	0	(462)	(462)
Interest and Investment Income	(3,292)	0	(462)	(462)
Net (Gain)/Loss for the Year	12,379	11,462	(487)	10,975

38.0 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. The Rhondda Cynon Taf CBC assets and liabilities 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.

	31/03/09		31/03/10	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	133,907	149,038	124,236	135,525
Market Debt	87,600	101,194	87,594	97,817
Other Debt	1,240	1,240	719	719
Trade Creditors	12,997	12,997	10,670	10,670
Total Financial Liabilities	235,744	264,469	223,219	244,731

39.0 Nature and Extent of Risks Arising From Financial Instruments

39.1 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.

39.2 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.
- By adopting a Treasury Management Policy Statement and Treasury Management Clauses being incorporated into Financial Procedure Rules.
- Approving annually in advance Prudential and Treasury Indicators for the following three years.
- Approving an Investment Strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with guidance from the Welsh Assembly Government.

These are required to be reported before the start of the year to which they relate. They are reported with the treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

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

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

39.3 Credit Risk

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

This risk is minimised through the Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Investment Strategy also imposes a maximum amount and duration to be invested with a financial institution. In addition, at the point of an investment being made with a counterparty, it will not exceed 10% of the Council's overall investment portfolio at the time of making the investment (excluding the Government backed Debt Management Office and deposits made with public bodies). Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. There are also other criteria and controls in place regarding counterparty selection, further details of which can be found in the approved Treasury Management Strategy.

The following analysis summarises the Council's potential maximum exposure to credit risk. The default rates (from a composite of Fitch, Moody's and Standard & Poors) give details of global corporate finance average cumulative default rates (including financial organisations) for periods up to 2009, and the Council's experience of its customer collection levels.

	31/03/10	Historical Experience of Default	Adjustment for Market Conditions at 31/03/10	Estimated Maximum Exposure to Default
	(a)	(b)	(c)	(a*c)
	£'000	%	%	£'000
Deposits with Banks and Institutions				
AA Rated Counterparties	0	0.03	0.03	0
Government Departments & Local Authorities	13,470	0.00	0.00	0
Trade Debtors	8,436	0.62	0.62	52

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

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £3m invested in the sector at this time (not included in table above). In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts in accordance with Government regulations. Related investment income has been fully impaired.

The Council does not generally allow credit for its trade debtors, such that £3.8m of the £8.4m balance is past its due date for payment. The past due date can be analysed as follows:

	31/03/09 £'000	31/03/10 £'000
Less than 3 months	863	847
3 – 6 months	692	449
6 months to 1 year	230	467
More than 1 year	2,443	2,077
Total	4,228	3,840

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

39.4 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, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

39.5 Refinancing and Maturity Risk

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

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

This includes;

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day 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 the Rhondda Cynon Taf CBC element of financial liabilities is as follows:

	31/03/09	31/03/10
	£'000	£'000
Less than 1 year	10,680	636
Between 1 and 2 years	0	5,005
Between 2 and 5 years	13,577	8,003
Between 5 and 10 years	2,000	2,000
More than 10 years	194,250	194,872
Total	220,507	210,516

The maturity analysis of financial assets is as follows:

	31/03/09	31/03/10
	£'000	£'000
Less than 1 year	21,530	13,470

The investment held in Heritable Bank and Trade Debtors are not included in the table above.

39.6 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 treasury indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team, together with the appointed Treasury Management Advisors, monitor market and forecast interest rates within the year to adjust the Council's exposures appropriately.

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

	£'000
Increase in Interest Payable on Variable Rate Borrowings	9
Increase in Interest Receivable on Variable Rate Investments	N/A
Impact on Income and Expenditure Account	9
Decrease in Fair Value of Fixed Rate Borrowing Liabilities (No Impact on I&E or STRGL)	11,230

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.

40.0 Exceptional Items

There are no exceptional items during 2009/10 or in the prior year.

Housing Revenue Account 2009/10 Income and Expenditure Account

2008/09		2009/10	
£'000		£'000	£'000
	EXPENDITURE		
184	Management and Maintenance	0	
(5)	Rents, Rates, Taxes and Other Charges	0	
0	Housing Subsidy Payable	87	
179	Net Cost of HRA Services		87

Statement of Movement on the Housing Revenue Account Balance 2009/10

2008/09		2009/10	
£'000		£'000	£'000
179	(Increase)/Decrease in the Housing Revenue Account Balance Comprising: (Surplus)/Deficit for Year on the HRA Income and Expenditure Account		87
	Items not Included in the HRA Income and Expenditure Account but Included in the Movement on HRA Balance for the Year:		
0	Transfer to Council Fund – Item 10 Direction	2,000	
0	Transfer HRA Balance to Council Fund	93	2,093
179	HRA (Surplus)/Deficit for the Year		2,180
(2,359)	Reserve Balance b/fwd as at 1 st April 2009		(2,180)
(2,180)	Reserve Balance c/fwd as at 31st March 2010		0

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.

During 2009/10, the Welsh Assembly Government issued an Item 10 Direction giving the Council consent to transfer £2m from the Housing Revenue Account to Council Fund balances.

In addition, during 2009/10 the 2007/08 Housing Revenue Account Subsidy was finalised and audited. Subsequently, in March 2010, the Welsh Assembly Government gave consent under section 74(4) of the Local Government and Housing Act 1989 for the Housing Revenue Account to be closed and for the residual balance to be transferred to the Council Fund.

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 have been identified as group companies and have been consolidated into the group financial statements:

- **Amgen Cymru Ltd.** - This company was set up by the former Cynon Valley Borough Council as an arms length company under the 1990 Environment Act. It is registered as "Cynon Valley Waste Disposal" but trades as "Amgen Cymru Ltd.". The principal activities of the company are the provision of waste management services and waste disposal facilities. The Council has a 100% interest in the company of £2.8m. The company is a subsidiary of the Council and arms length status was removed during 2009/10.
- **Amgen Rhondda Ltd.** - This company was set up during September 1999 as a wholly owned subsidiary of Amgen Cymru Ltd. The principal activity of the company is the stewardship of waste management and 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 Ltd., who in turn hold 100% of the voting rights of Amgen Rhondda, and is therefore classed as a subsidiary.

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

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

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

Statement of Group Accounting Policies

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

1. Tangible Fixed Assets (Subsidiary Companies)

Amgen Cymru Ltd. and Amgen Rhondda Ltd. 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 Council, 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 Ltd. 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 Ltd. 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.

4. Basis of Consolidation

Subsidiary Companies are consolidated into the group statements using the acquisition method.

Associate Companies are consolidated using the equity method.

5. Accounting Periods

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

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

Group Income and Expenditure Account for the year ended 31st March 2010

2008/09 Restated		Note	2009/10		
			Gross Exp	Gross Income	Net Exp
			£'000	£'000	£'000
	Continuing Operations				
3,459	Central Services to the Public		27,429	(24,121)	3,308
61,695	Cultural, Environmental, Regulatory and Planning Services	1.0	95,709	(36,979)	58,730
256,011	Children's and Education Services		277,536	(58,298)	219,238
26,658	Highways and Transport Services		33,012	(11,992)	21,020
6,900	Housing Services		75,935	(66,826)	9,109
75,061	Adult Social Care		106,943	(32,994)	73,949
7,400	Corporate and Democratic Core		9,804	(3,360)	6,444
6,666	Non-Distributed Costs		6,542	(171)	6,371
(8)	Share of Operating Result of Associate		(44)	0	(44)
	Discontinued Operations				
179	Housing Revenue Account		87	0	87
444,021	Net Cost of Services		632,953	(234,741)	398,212
302	Gain on Disposal of Fixed Assets		1,245	(962)	283
22,068	Precepts		25,669	(224)	25,445
(72)	(Surplus)/Deficit on Trading Activities		16,667	(16,844)	(177)
15,671	Interest Payable and Similar Charges		11,439	0	11,439
(3,356)	Interest and Investment Income		0	(466)	(466)
18,654	Pensions Interest Cost and Expected Return on Pensions Assets		32,930	(242)	32,688
30	Taxation of Group Entities		0	(9)	(9)
497,318	Net Operating Expenditure		720,903	(253,488)	467,415
(84,410)	Net Proceeds of Council Tax				(89,488)
(282,853)	General Government Grants				(281,982)
(61,137)	NNDR Pool Contribution				(62,653)
68,918	Group (Surplus)/Deficit for Year				33,292

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

2008/09 Restated £'000		2009/10 £'000
68,948	(Surplus)/Deficit on the Authority's Single Entity Income and Expenditure Account For the Year	32,572
(22)	Authority's Share of the (Surplus)/Deficit Achieved by Subsidiaries	744
(8)	Authority's Share of (Surplus)/Deficit Achieved by Associate	(24)
68,918	Group Account (Surplus)/Deficit for the Year	33,292

Group Statement of Total Recognised Gains and Losses

2008/09 Restated £'000		2009/10 £000
68,918	Deficit on the Income and Expenditure Account for the Year	33,292
(28,746)	(Gains)/Loss Arising on Revaluation of Fixed Assets	(217)
155,371	Actuarial (Gains)/Loss on Pension Assets and Liabilities	131,493
195,543	Total Recognised (Gains)/Losses For The Year	164,568
(557)	Adjustment to Consolidate Joint Committee Opening Balances	0
8,662	Prior Year Adjustment to bring PFI "on Balance Sheet"	0
203,648		164,568

Group Balance Sheet as at 31st March 2010

31/03/09 Restated			31/03/10	
£'000		Note	£'000	£'000
1,357	Fixed Assets			
1,637			1,004	
	Intangible Fixed Assets			
	Purchased Software Licenses		2,040	
	Licences, Trademarks and Artistic Originals			
	Tangible Fixed Assets			
	Operational Assets	2.1		
473,865	Other Land & Buildings		485,429	
17,869	Vehicles, Plant, Furniture & Equipment		15,538	
225	Landfill Cells		67	
324,235	Infrastructure Assets		323,634	
82	Community Assets		3,820	
	Non Operational Assets			
515	Investment Properties		0	
39,079	Surplus Assets		21,874	
35,476	Assets Under Construction		62,362	
894,340				915,768
0	Long Term Investments		814	
8	Share in Net Assets of Associate		32	
1,346	Long Term Debtors		1,221	2,067
895,694	TOTAL LONG TERM ASSETS			917,835
886	Current Assets			
45,560	Stocks & Work in Progress		922	
23,947	Debtors		39,255	
2,624	Investments		14,051	
	Cash and Bank		2,914	57,142
968,711	TOTAL ASSETS			974,977
(10,586)	Current Liabilities			
(61,056)	Borrowing Repayable on Demand or within 12 months		(3,536)	
(15,543)	Creditors		(56,985)	
	Bank Overdraft		(6,202)	(66,723)
881,526	TOTAL ASSETS LESS CURRENT LIABILITIES			908,254
(211,866)	Long Term Liabilities			
(10,323)	Borrowing Repayable within a period in excess of 12 months		(209,013)	
(30,244)	Provisions		(9,657)	
(180,472)	Deferred Liabilities		(29,299)	
(453,117)	Government Grants Deferred	6.2	(223,127)	
	Defined Pension Scheme Liability		(606,255)	(1,077,351)
(4,496)	TOTAL ASSETS LESS LIABILITIES			(169,097)

Continued overleaf...

(301,850)	Represented by:				
(78,316)	Capital	Capital Adjustment Account	6.1	(278,447)	
(337)	Reserves	Revaluation Reserve		(78,186)	
(4,572)		Deferred Capital Receipts Reserve		(266)	
		Usable Capital Receipts Reserve		(2,887)	
(385,075)					(359,786)
453,117	Revenue	Pensions Reserve		606,255	
1,063	Reserves	Equal Pay Back Pay Account		1,048	
6,991		Financial Instruments Adjustment Account		6,682	
(10,120)		General Fund Balances		(10,470)	
(1,816)		MGCC Insurance Reserve		(1,924)	
(2,180)		Housing Revenue Account		0	
(50,575)		Earmarked Reserves		(68,040)	
(6,690)		Delegated Schools		(5,169)	
(219)		Group Companies Reserve	3.0	501	528,883
4,496	Group Net Worth				169,097

Group Cashflow Statement 2009/10

2008/09 Restated £'000		2009/10	
		£'000	£'000
	<u>Revenue Activities</u>		
(10,750)	Net Cash (Inflow)/Outflow from Revenue Activities		(37,843)
	<u>Returns on Investments and Servicing of Finance</u>		
13,535	Interest Paid	11,648	
(3,384)	Interest Received	(404)	11,244
30	Taxation	0	
	<u>Capital Activities</u>		
	<u>Cash Outflows</u>		
88,844	Purchase of Fixed Assets	81,881	
0	Purchase of Long-Term Investments	814	
	<u>Cash Inflows</u>		
(1,749)	Sale of Fixed Assets	(1,083)	
(63,649)	Capital Grants Received	(63,386)	
(2,354)	Other Capital Cash Receipts	(1,420)	16,806
20,522	Net Cash (Inflow)/Outflow Before Financing		(9,793)
	<u>Management of Liquid Resources</u>		
(42,895)	Net Inc/Dec in Short-Term Deposits	(10,479)	
1,945	Net Inc/Dec in Other Liquid Resources	650	(9,829)
	<u>Financing</u>		
	<u>Cash Outflows</u>		
43,182	Repayments of Amounts Borrowed	9,991	
	<u>Cash Inflows</u>		
(5,000)	New Loans Raised	0	
(11,163)	New Short-Term Loans Raised	0	9,991
6,591	(Increase)/Decrease in Cash & Equivalents		(9,631)

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 (Subsidiary Companies)

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

2.0 Tangible Fixed Assets

2.1 Movements in Tangible Fixed Assets

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

<u>Operational Assets</u>	<u>Other Land & Buildings</u> £'000	<u>Vehicles, Plant & Equip.</u> £'000	<u>Landfill Cells</u> £'000	<u>Infra-structure</u> £'000	<u>Communi-ty Assets</u> £'000	<u>Total</u> £'000
Cost or Valuation						
Restated at 1 st April 2009	579,547	43,817	627	366,623	487	991,101
Additions	20,721	3,733	434	9,240	63	34,191
Disposals	0	(1,596)	(369)	0	0	(1,965)
Reclassifications	15,338	1,500	0	1,124	3,576	21,538
Impairments	(670)	0	0	0	0	(670)
Revaluations	2,897	523	0	0	105	3,525
At 31st March 2010	617,833	47,977	692	376,987	4,231	1,047,720
Depreciation and Impairments						
Restated at 1 st April 2009	(105,682)	(25,948)	(402)	(42,388)	(405)	(174,825)
Charges for 2009/10	(23,180)	(7,627)	(592)	(10,965)	0	(42,364)
Disposals	0	1,136	369	0	0	1,505
Revaluations	(3,542)	0	0	0	(6)	(3,548)
At 31st March 2010	(132,404)	(32,439)	(625)	(53,353)	(411)	(219,232)
Balance Sheet Amount at 31st March 2010	485,429	15,538	67	323,634	3,820	828,488
Restated Balance Sheet Amount at 1st April 2009	473,865	17,869	225	324,235	82	816,276
Nature of Asset Holding						
Owned	460,008	15,538	67	323,634	3,820	803,067
PFI	25,421	0	0	0	0	25,421
	485,429	15,538	67	323,634	3,820	828,488

2.2 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
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 - Existing Use Value

DRC - Depreciated Replacement Costs

DHC - Depreciated Historic Cost

3.0 Group Companies Reserve

Movements in the Group Companies Reserve are summarised as follows:

	Amgen Cymru £'000	Amgen Rhondda £'000	Capita Glam. £'000	Total £'000
Balance as at 31st March 2009	(2,531)	2,320	(8)	(219)
(Increase)/Decrease 2009/10	785	(41)	(24)	720
Balance as at 31st March 2010	(1,746)	2,279	(32)	501

4.0 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 applicable law and United Kingdom Generally Accepted Accounting Practice.

	Amgen Cymru		Amgen Rhondda	
	March 2009	March 2010	March 2009	March 2010
	£'000	£'000	£'000	£'000
Shareholding	2,806	2,806	664	697
Net Current Assets	1,405	1,071	294	488
Total Assets less Current Liabilities	6,475	5,745	657	697
Net Assets	5,366	4,552	657	697
(Loss)/Profit Before Tax	56	(814)	(4)	40
(Loss)/Profit After Tax	55	(814)	(4)	40

Continued Overleaf...

Registration No.	2660628	3687641
Registered Office/Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX
Auditors	KTS Owens Thomas Ltd	KTS Owens Thomas Ltd
Audit Opinion	True and Fair View	True and Fair View

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

5.0 Associate Company Statutory Accounts

The first accounting period for Capita Glamorgan Consultancy Ltd. covers an eighteen-month period to 31st December 2009. Statutory accounts have been produced for this period.

	Capita Glamorgan Consultancy
	31st December 2009 18 Month Accounts £'000
Shareholding	27.93%
Net Current Assets	(107)
Total Assets less Current Liabilities	125
Net Assets	113
(Loss)/Profit Before Tax	184
(Loss)/Profit After Tax	113
Registration No.	06638751
Registered Office/Location of Accounts	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Auditors	Ernst & Young LLP
Audit Opinion	True and Fair View

6.0 Consolidation Adjustments

6.1 Capital Adjustment Account

	£'000
Restated Balance as at 31st March 2009	(301,850)
(Gains)/Losses in Single Entity Accounts	23,403
Balance as at 31st March 2010	(278,447)

In the Council's accounts the value of the shareholding in Amgen Rhondda Ltd. is written down to the value of the net assets of the company. To allow consolidation

of the accounts the value of shareholding must be reinstated, which results in a credit to the Capital Adjustment Account of £2,280k.

6.2 Government Grants Deferred

	Rhondda Cynon Taf £'000	Amgen Cymru £'000	Total £'000
Balance as at 1st April 2009	(179,908)	(564)	(180,472)
Grants/Contributions Applied in Year	(65,789)	0	(65,789)
Grants/Contributions Written Down in Year	23,033	101	23,134
Balance as at 31st March 2010	(222,664)	(463)	(223,127)

7.0 Reconciliation of Group Income and Expenditure Account to Cashflow

2008/09 Restated £'000		2009/10 £'000
68,918	(Surplus)/Deficit on Group I&E Account	33,292
(108,308)	Depreciation	(63,044)
26,569	Government Grants Deferred	23,134
(6,051)	FRS 17 adjustment	(21,644)
11,905	(Increase)/Decrease in Provisions	667
259	(Increase)/Decrease in Creditors	7,579
7,141	Increase/(Decrease) in Debtors	(6,403)
92	Increase/(Decrease) in Stock	36
(11,252)	Financing Items	(11,248)
(23)	Other Items	(212)
(10,750)	Cash (Inflow)/Outflow from Revenue Items	(37,843)

8.0 Movements in Cash and Cash Equivalents

	31/03/09 £'000	Movement £'000	31/03/10 £'000
Cash In Hand			
- RCT	570	396	966
- Amgen Cymru Ltd.	0	0	0
- Amgen Rhondda Ltd.	0	0	0
Sub Total	570	396	966
Bank Balance			
- RCT	(15,543)	9,341	(6,202)
- Amgen Cymru Ltd.	1,755	(273)	1,482
- Amgen Rhondda Ltd.	299	167	466
Sub Total	(13,489)	9,235	(4,254)
Overall Total	(12,919)	9,631	(3,288)

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 County Borough Councils, 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. At the balance sheet date there were four Investment Managers carrying out the actual day-to-day investment management of the Fund:

Baillie Gifford
Newton
F & C
ING Real Estate

Fund Account

2008/09 £'000		Note	2009/10	
			£'000	£'000
	<u>Contributions and Benefits</u>			
	Contributions Receivable			
(76,549)	From Employers	10.0	(77,448)	
(25,201)	From Members	10.0	(25,383)	
				(102,831)
(5,914)	Transfers In	14.0	(21,622)	
(3,471)	Other Income	12.0	(3,734)	
				(25,356)
	Benefits Payable			
63,373	Pensions		67,608	
15,168	Lump Sum Retirement Benefits		14,689	
1,388	Lump Sum Death Benefits		1,578	
		10.0		83,875
	Payments to and on Account of Leavers			
2,197	Transfers Out	14.0	17,368	
17	Other Payments	15.0	18	
				17,386
1,687	Administrative Expenses			1,715
(27,305)	Net (Additions)/Withdrawals from Dealings With Members			(25,211)
	<u>Returns On Investments</u>			
(39,400)	Investment Income	13.0		(39,858)
	Change in Market Value of Investments			
92,705	Realised (Gains)/Losses		45,833	
215,415	Unrealised (Gains)/Losses		(381,405)	
				(335,572)
	Investment Management Expenses			
3,342	Fund Management Fees		3,841	
281	Investment Administration Expenses		488	
				4,329
272,343	Net Returns on Investments			(371,101)
245,038	Net (Increase)/Decrease in Fund During the Year			(396,312)
(1,356,743)	Opening Net Assets			(1,111,705)
(1,111,705)	Closing Net Assets			(1,508,017)

Net Assets Statement

31/03/09 £'000		31/03/10		
		Note	£'000	£'000
	<u>Investment Assets</u>			
	<u>Fixed Interest Securities</u>			
185,737	Public Sector		189,737	
92,442	Corporate Bonds		152,020	
645,036	Equities			341,757
				939,215
	<u>Index Linked Securities</u>			
10,817	Public Sector		21,223	
	<u>Pooled Investment Vehicles</u>			21,223
32,462	Open Ended Investment Companies		59,700	
1,066	Managed Funds		1,746	
40,414	Forward Foreign Exchange Contracts		0	
46,848	Property		87,973	
49,153	Cash Investments			149,419
				58,128
	<u>Other Investment Balances</u>			
5,119	Investment Debtors		8,237	
648	Tax Recoverable		1,304	9,541
1,109,742				1,519,283
	<u>Investment Liabilities</u>			
(5,374)	Investment Creditors			(17,778)
1,104,368	Net Investment Assets			1,501,505
	<u>Current Assets</u>			
5,270	Contributions Due from Employers	11.0	5,482	
1,600	Cash Balances		693	
163	Other Assets		27	
648	Amounts Owed From RCT		625	
				6,827
	<u>Current Liabilities</u>			
(344)	Other Liabilities		(315)	
				(315)
1,111,705	Total Assets			1,508,017

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

The actuarial position of the scheme, which does take account of such obligations, is dealt with in the Actuarial Report, a summary of which is included in note 3.0. These accounts should be read in conjunction with that report.

1.0 Introduction

These summary accounts have been prepared in accordance with the requirements of the Pensions SORP (The Financial Reports of Pension Schemes (Revised May 2007)) and the Code of Practice on Local Authority Accounting.

A more detailed Pension Fund Annual Report is also published by the administering authority as a separate document, available on request.

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 that are recognised on a cash basis. 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 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 in accordance with FRS 26, using bid prices as at 31st March 2010 obtained from recognised Stock Exchanges. Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2010. Valuations of property investments are based on independent professional valuations.

2.4 Additional Voluntary Contributions (AVCs)

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

The amount of AVC contributions paid during the year amounted to £939k (£725k in 2008/09) and the market value of separately invested AVCs at the Balance Sheet date was £4,718k (£3,908k in 2008/09).

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. Transaction costs incurred during 2009/10 amounted to £0.9m (£2.2m in 2008/09).

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

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

The result of the 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 1st 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 any employers closed to new entrants the Attained Age Method was used.

Any extra liabilities falling on the Fund in respect of additional benefits granted, such as early retirement, are financed by additional employer contributions as advised by the actuary.

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

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
<u>Equities</u>				
UK	251,144		355,478	
Overseas	393,892		583,737	
		645,036		939,215
<u>Fixed Interest</u>				
UK	259,021		320,022	
Overseas	19,158		21,735	
		278,179		341,757
<u>Index Linked</u>				
UK	10,817		6,244	
Overseas	0		14,979	
		10,817		21,223
<u>Pooled Investments</u>				
UK – Property	5,957		60,207	
Overseas – Property	40,891		27,766	
UK – Forward Forex Contracts	40,414		0	
UK - Other	3,103		6,489	
Overseas – Other	30,425		54,957	
		120,790		149,419
Total Long-Term Investments		1,054,822		1,451,614

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 Fund Manager Asset Allocation

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

Fund Manager	Market Value		Proportion of Fund	
	31/03/09 £'000	31/03/10 £'000	31/03/09 %	31/03/10 %
Baillie Gifford (Equities)	187,792	292,971	17.1	19.6
Baillie Gifford (High Alpha Equities)	170,151	266,219	15.5	17.8
Newton (High Alpha Equities)	177,599	240,434	16.1	16.0
F&C (UK Equities)	160,697	217,309	14.6	14.5
F&C (Bonds)	292,171	361,635	26.5	24.1
ING (Property)	49,912	94,298	4.5	6.3
Record (Currency)	40,414	0	3.7	0.0
Internally Managed (Cash)	21,893	25,940	2.0	1.7
Total	1,100,629	1,498,806	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 £353k (£375k in 2008/09) 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:

	2009	2010
Active Employers	45	44
Contributors	23,390	23,923
Pensioners	12,778	13,050
Dependants	2,423	2,479
Deferred Beneficiaries	11,042	12,951
Frozen Refunds	2,348	2,312

8.0 Purchases and Sales

The value of purchases and sales during 2009/10 analysed by fund manager are shown in the table below.

Fund Manager	Purchases £'000	Sales £'000
Baillie Gifford (Equities)	41,162	35,603
Baillie Gifford (High Alpha Equities)	42,084	43,409
Newton (High Alpha Equities)	124,858	111,784
F&C (UK Equities)	41,085	70,910
F&C (Bonds)	1,232,882	1,175,554
ING (Property)	92,669	7,964
Total	1,574,740	1,445,224

9.0 Statement of Investment Principles

As the local authority responsible for the administration of the Rhondda Cynon Taf Pension Fund, the Council prepares, maintains and publishes a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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 six revised "Myners Principles" contained in the CIPFA document "Investment Decision

Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles” published in December 2009.

The full SIP is published in the Pension Fund Annual Report.

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	
	2008/09 £'000	2009/10 £'000	2008/09 £'000	2009/10 £'000	2008/09 £'000	2009/10 £'000
Administering	8,357	8,514	27,112	27,475	14,449	15,044
Admitted	3,575	3,152	9,680	9,714	5,987	6,630
Scheduled	13,269	13,717	39,757	40,259	59,493	62,201
Total	25,201	25,383	76,549	77,448	79,929	83,875

Included in employer contributions are £199k of augmented contributions (£442k in 2008/09).

Employers' contributions include deficit funding contributions, values for which cannot be readily separately identified, but the breakdown for the whole fund (as a percentage of pensionable pay) is available. Total employer contributions include normal contributions for current service benefit accruals (14.7%), plus deficit funding contributions for past service benefit accruals (7.1%), less an amount for assumed additional short-term investment returns (-1.7%).

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 2008/09). 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 £5.5m (£5.3m in 2008/09), of which £4.0m related to employer contributions and £1.5m to employee contributions.

12.0 Other Income

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

	2008/09 £'000	2009/10 £'000
Capital Charge for Early Access to Retirement Benefits	3,199	3,200
Reimbursements re Former Glamorgan CC	268	246
Other	4	288
Total Other Income	3,471	3,734

The other figure includes £277k for closing value deficit payments.

13.0 Investment Income

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

	2008/09 £'000	2009/10 £'000
Interest from Fixed Interest Securities	9,687	14,203
Dividends from Equities	26,995	24,238
Income from Pooled Investment Vehicles	1,135	947
Income from Index-linked Securities	0	379
Interest on Cash Deposits	1,583	91
Total Investment Income	39,400	39,858

14.0 Group Transfers

There was a group transfer out of the fund for £6,024k for the former WDA. There were also two group transfers into the fund, being £3,474k in respect of the Land Authority for Wales, and £6,248k in respect of the Cardiff Probation Service.

15.0 Other Payments

In the Fund Account "Other Payments" comprises of the following:

	2008/09 £'000	2009/10 £'000
Refunds of Contributions	18	24
State Scheme Premiums	(1)	(6)
Total Other Payments	17	18

Statement on Internal Control 2009/10

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 2009/10 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 are set out in its Community Strategy. Its short-term aims and performance assessment is set out in the annual Improvement Plan. Within the current Improvement Plan, the Council sets out 11 Service Priorities for Improvement agreed by Cabinet in September 2009. These priorities were identified as a result of a rigorous WPI Risk Assessment, undertaken jointly by the Council and the Wales Audit Office in April 2009.

In order to effectively deliver its priorities, the components summarised overleaf 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

4.1 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 e.g. 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.

4.2 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 2009, undertaken jointly with the Wales Audit Office, the Council identified the following priorities:

Education	Better Customer Contact
Street Care Services & the Natural Environment	Enforcement and Regulation
Children and Family Centred Services	Maximising Partnership Opportunities
Maintaining People's Independence	Communication
Regeneration of our Communities	Managing our Assets
Medium Term Financial Planning	

Monitoring reports are provided to Cabinet on a quarterly basis and are also subjected to the scrutiny process.

From April 2010, the Wales Programme for Improvement is being replaced by the Local Government (Wales) Measure.

4.3 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.

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.

4.4 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. 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, where necessary, divert resources to meet identified service needs. The Director of Financial Services coordinates monthly Section 151 meetings across the Service Groups to identify budget pressures. An annual review of budget holder performance was also introduced from 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 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 2009/10 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 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.

4.5 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 and the Church Village By-Pass.

4.6 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).

4.7 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.

4.8 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.

4.9 Internal Audit

Internal Audit's Operational Work Plan for 2009/10 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 is 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.

4.10 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 of Internal Control, as summarised above, operated effectively throughout 2009/10 and continues to operate effectively at the current time. All services are subjected to annual assessment, robust performance and financial monitoring are 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 2009/10, 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 and Internal Audit will undertake follow up reviews in 2010/11.

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 2010 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 is in place. 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 regularly reviewed.

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 eight years. An audit report is circulated as part of the statutory accounts that 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. During the year (2009/10) the Council passed a resolution to remove the “arms length status” of the Companies.

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 County Borough Council

I have audited the accounting statements and related notes of:

- Rhondda Cynon Taf County Borough Council;
- Rhondda Cynon Taf County Borough Council Group; and
- Rhondda Cynon Taf Pension Fund

for the year ended 31 March 2010 under the Public Audit (Wales) Act 2004. Rhondda Cynon Taf County Borough Council's 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 Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. Rhondda Cynon Taf County Borough Council's Group accounting statements comprise Group Income and Expenditure Account, Reconciliation of the Single Entity Income and Expenditure Account Surplus or Deficit to the Group Income and Expenditure Account Surplus or Deficit, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Group Cash Flow Statement. Rhondda Cynon Taf Pension Fund accounting statements comprise the Fund Account and the Net Assets Statement. The accounting statements have been prepared under the accounting policies set out in the Statements of Accounting Policies.

This report is made solely to Rhondda Cynon Taf County Borough Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the Statement of Responsibilities prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts, including the group and 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 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements and related notes present a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009:

- the financial position of the local government body and its income and expenditure for the year;
- the financial position of the local government body's group 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.

I 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. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit 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 and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's, group's and pension fund's circumstances, consistently applied and adequately disclosed.

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

Opinion on the accounting statements of Rhondda Cynon Taf County Borough Council

In my opinion the accounting statements and related notes present a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of Rhondda Cynon Taf County Borough Council as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the accounting statements of Rhondda Cynon Taf County Borough Council Group

In my opinion the accounting statements and related notes present a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of Rhondda Cynon Taf County Borough Council Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the accounting statements of Rhondda Cynon Taf Pension Fund

In my opinion the pension fund accounts and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of Rhondda Cynon Taf Pension Fund during the year ended 31 March 2010 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.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

My conclusion on Rhondda Cynon Taf County Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010 will be reported separately in the published Annual Audit Letter.

Certificate of Completion

I have carried out the audit of accounting statements in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. However, I cannot formally conclude the audit and issue the certificate until consideration of a matter regarding expenditure by a school relating to a legal case, arising from correspondence with an elector, has been formally completed. I am satisfied that the amount which is the subject of the correspondence will not have a material effect on the accounting statements.

Signature: _____ **Date:** _____

Anthony Barrett

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the Rhondda Cynon Taf County Borough Council web site is the responsibility of the local government body; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.

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 external organisation, or services that the Council provides for an external organisation.

Amortisation

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

Attained Age Method

An actuarial method of calculating the liabilities of a pension scheme that is closed to new entrants.

Audit

An audit is an independent examination of activities.

Best Value Accounting Code of Practice (BVACOP)

The Best Value Accounting Code of Practice ensures the system of Local Authority accounting and reporting:

- represents best practice
- facilitates accurate comparisons between services and authorities
- strengthens recharging of support services.

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.

Cohort

A generational demographic group.

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/individual owed money by the Council at the end of the financial year for goods/services received.

Current Assets

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

Current Liabilities

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

DWP

Department for Work and Pensions.

Debtor

A debtor is an organisation/individual 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.

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.

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.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

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.

Medium Cohort Improvements

A future average mortality scenario which assumes current faster rates of improvements to life expectancy will continue until 2020.

Minimum Revenue Provision (MRP)

MRP is a charge against revenue resources representing a repayment of debt.

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-Distributed 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 understanding of the accounts.

Precepts

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

Prior Year Adjustment

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

Projected Unit Method

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service.

Provision

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

Public Works Loan Board (PWLB)

This is a Government agency that provides loans to local authorities for periods between 1 and 50 years. 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.

Trust Fund

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

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.