

Rhondda Cynon Taff County Borough Council

Statement of Accounts 1997/98

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Explanatory Foreword

1. Introduction

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

The Council replaced the former Rhondda Borough Council and Cynon Valley Borough Council, together with some 94% of the former Taff Ely Borough Council and some 43% of the former Mid Glamorgan County Council.

The Council therefore covers an area of 44,000 hectares and provides services to a population of 241,313.

This Statement of Accounts reflects the second year of the County Borough Council.

The accounts for 1997/98 have been prepared in accordance with current legislation and recommended accounting practice. The form of accounts for all Local Authorities has been prescribed under the Accounts and Audit Regulations 1996. The Code of Practice on Local Authority Accounting in Great Britain 1996 prescribe the form and contents for accounts from 1st April 1996. The accounts set out on pages 8 - 41 comply substantially with the Code.

The statements included are as follows :-

Statement of Accounting Policies

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

Consolidated Revenue Account

This statement assists in an understanding of the council's activities as a whole.

The statement is prepared in four distinct sections each divided by a sub total:

- (I) The first section gives the cost of the services provided by the Council, net of specific grants - to give the NET COST OF SERVICES.
- (II) The second section comprises 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.
- (III) The third section comprises all amounts transferred to or from reserves. When added to the "total net expenditure", this gives the amount to be met from GOVERNMENT GRANTS AND LOCAL TAXATION.
- (IV) The fourth section shows the Council's main sources of financing, to give the Net surplus for the year, which is transferred into the general reserves.

Consolidated Balance Sheet

This statement assists in the understanding of the Council's financial position at 31st March 1998.

It includes all assets and liabilities of all activities of the Council, the balances and reserves at the Council's disposal, its long term indebtedness, and the fixed and net current assets employed in the Council's operations.

Statement of Total Movements in Reserves

This summarises the movements in both revenue and capital reserves, identifying all surpluses and deficits of the Council.

Cash Flow Statement

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

Housing Revenue Account Summary

This reflects a statutory obligation to account separately for the provision of council housing, as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs - and how these are met by rents, subsidy and other income.

Summary D.S.O. Revenue and Appropriation Account

This reflects a statutory obligation to account separately for direct service organisation operations, as they represent the most significant trading operation of the Council.

The statement is prepared in accordance with the Code of Practice for Compulsory Competition issued by CIPFA. It gives a summarised picture of the DSO activities, showing turnover, total expenditure and surplus/deficit of each DSO.

Statement of Responsibilities - Statement of Accounts

This sets out the responsibilities of the Council and the Director of Finance and I.T. for the preparation of the Statement of Accounts.

Certificate of the Director of Finance and I.T.

This is the certificate of the fair presentation of the accounts by the Director of Finance and I.T.

Auditor's Report and Certificate

This is the District Auditor's certification of the completion of the audit of the accounts and opinion on the Statement of Accounts as presented.

2. General Fund Revenue Account 1997/98

As can be seen from the Consolidated Revenue Account on page 12, gross revenue expenditure on General Fund services was £360m, of which £138m was on Education(38%), £66m on Social Services(18%), £40m on Highways (11%) and £117k on other services (33%).

Income during the year totalled £333m and came from the following sources :-

Income Analysis	£m	%
Direct service income	96	29
Revenue Support Grant	151	45
National Non Domestic Rates	42	13
Council tax	44	13
	333	

Direct service income was in the form of specific grants of £51m (53%), sales, fees and charges of £29m (30%) and other income of £16m (17%).

A comparison of actual expenditure and income with the budget for the year is given below :-

	Budget	Outturn	Variance
	£m	£m	£m
Net Cost of Services	228.9	238.6	9.7
Prior Year Underspends	6.4	6.4	NIL
Deferred Charges (note2, page22)	NIL	17.0	17.0
Precepts	4.2	4.2	NIL
Income from Government Grant	(190.0)	(193.1)	(3.1)
Income from Council tax	(43.1)	(44.4)	(1.3)
Transfers to/from balances	(6.4)	(28.7)	(22.3)
(Surplus)/Deficit	NIL	NIL	NIL

The authority has a policy permitting the carry forward of under and overspends against cash limited (controllable) budgets. General Fund carry forwards for 1997/98 are analysed below :-

	£'000
Economic Development	259
Education	(447)
Environmental	332
Finance & IT	746
Highways, T&E	1,002
Housing	(36)
Leisure & Tourism	920
Personnel	(71)
Planning	335
Policy	121
Property Services	236
Social Services	(332)
Total Committee Under/(overspends)c/f	<u>3,065</u>

The total net underspend of £3.065m is carried forward as an earmarked reserve, where it will be offset by the release of underspends carried forward from previous years plus any other contributions to / from earmarked reserves. The movements on this reserve are analysed further at note 25 to the consolidated Balance Sheet on page 32.

3. Housing Revenue Account

As can be seen from the Housing Revenue Account Summary on page 36, gross expenditure on council housing totalled £49.2m, of which £10.2m(21%) related to maintenance, £6.3m (13%) to administration, £13.3m (27%) to capital financing and £19.4m (39%) to rent rebates.

Income came from rents £26.1m (55.2%), housing subsidy £20.1m (42.5%) and other income £1m (2.3%).

This resulted in net expenditure of £2.019m changing balances from £1.94m at 1st April 1997 to £.72m deficit at 31st March 1998.

4. Capital Expenditure and Income 1997/98

During the year the Council spent £59m on capital expenditure, as summarised below:

	£m	%
Education	3.9	7
Housing	24.0	41
Highways T&E	17.9	30
Other	13.2	22
Total	59.0	100

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

	£m	%
Additions to Fixed Assets	23.6	40
Deferred Charges	21.2	36
Non enhancing improvements to Fixed Assets	14.2	24
	59.0	100

This expenditure was financed as follows:

	£m	%
Loans	23.3	39
Grants	19.5	33
Capital Receipts	3.3	6
Contributions	3.9	7
Reserves	9.0	15
Total	59.0	100

The main assets acquired & built during the year under the capital programme are detailed below: -

- Maerdy Crossing Industrial Access
- Coed Ely Land Reclamation Scheme
- PenPych Primary School
- Brynnau Primary Extension
- Gadlys Museum
- Tonypandy TC Improvements
- Sardis House

Major commitments in respect of capital schemes at 31st March 1998 included the following schemes

Contract Value	Scheme
£'000	
1,185	Cwmbach Primary
1,520	Perthcelyn Community Centre
1,995	Penpych Primary School
3,970	Glyntaff Estate
4,857	A4119 Talbot Green
5,192	Valleys Transport Initiative

5. Reserves and Provisions

-

The Statement of Total Movements in Reserves on pages 31 - 32 analyses movements on the main revenue and capital reserves. This shows that the following balances were held at 31st March 1998: -

Capital Reserves	£319.8m
Revenue Reserves	£14.3m

6. Borrowing Arrangements and Sources of Funds

Each year, in accordance with the Local Authorities (Capital Expenditure) Regulations 1990, the Council has to set limits in relation to:-

- (i) Overall borrowing limit for the year.
- (ii) Short term borrowing limit for the year.
- (iii) Proportion of total amount of interest payable, which is at variable interest rates.

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

Overall borrowing limit	£300m
Short term borrowing limit	£30m
Limit on variable rate interest	£75m (or 25%)

As can be seen from the Consolidated Balance Sheet on page 19, Long Term Borrowing totalled £230m at 31st March 1998 while Short Term Borrowing stood at £27m.

As can be seen from Note 10 to the Consolidated Balance Sheet (page 24) the majority of the External borrowing was from the Public Works Loan Board (£223m) with the balance of (£7) from Market loans and individual lenders in the form of local bonds.

The Authority is required under the Local Government and Housing Act, 1989 to prepare a Treasury Management Strategy for the forthcoming year. Members approved at the meeting of the Finance Committee held on the 4th February 1997 that the raising of loans from the PWLB is the most advantageous for the Authority at the present time. This does not preclude the raising of loans from other sources if this is the most financially advantageous at that time. The Treasury Management Policy Document agreed by Members allows the Authority to raise funds from a variety of sources, including the money market and the EIB. The delegated powers of the Director of Finance and IT allow him to take the most appropriate form of borrowing from approved sources.

Statement of Accounting Policies

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 1996, issued by CIPFA, together with their guidance notes on the application of accounting standards. Under the Accounts and Audit Regulations 1996, these are now recognised by statute as representing proper accounting practices.

The main accounting principles adopted are outlined below.

1. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accrual basis in the accounts.

Fixed assets have been recorded in accordance with the Code of Practice on Accounting for Fixed Assets.

Operational assets are generally valued on the basis of current market value in existing use (OMVEU). Specialist items are valued on a depreciated replacement cost basis (DRC).

Non operational assets and investment properties are valued on the basis of open market valuation.

Infrastructure assets are included at historic cost outstanding, with new assets shown at acquisition cost.

Community assets are recorded at only a nominal value, with new assets shown at acquisition cost.

Assets are to be revalued every five years. Surpluses are credited to a Fixed Asset Revaluation Reserve.

The Council's policy is to carry out a maintenance programme so that, as far as possible, the useful life of its fixed assets remains unchanged. Therefore, in 1997/98, depreciation was deemed to be chargeable only on vehicles and plant.

2. Deferred Charges

Deferred charges relate to capital expenditure, which is not represented by a tangible fixed asset. If it has a value to the Authority of over one year it should be held in the balance sheet and written when capital grants are received and residual debt is discharged. In accordance with CIPFA's Capital Accounting Working Group Bulletin Number 3 the Authority wrote off all deferred charges that have been carried forward from previous authorities as it does not reflect continuing benefit which will accrue to the Authority over an extended period.

3. Capital Receipts

Capital receipts are derived from the sale of fixed assets. Part IV of the Local Government and Housing Act 1989 identifies a “usable” part, which can be used to finance further capital spend, and a “reserved” part to be set aside to repay existing debt.

At present the usable portion of receipts in respect of council house sales is set at 25 % and 50% for all other receipts.

The usable proportion is credited to the capital financing reserve until used to finance new capital expenditure.

4. 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 two elements: -

- a) Notional interest, which is charged at a rate, specified annually by the Government. The rates for 1997/98 were 6% for operational and non-operational assets and 8.125% for infrastructure and community assets.
- b) Depreciation which is charged, where appropriate, on a straight line basis.

5. Minimum Revenue Provision

The Local Government and Housing Act 1989 requires each Local Authority to set aside minimum revenue provision for debt redemption. This is 2% of the adjusted credit ceiling at the beginning of the year for the Housing Revenue Account and 4% for the Council Fund. Amounts over and above the amount of depreciation are transferred to the Capital Financing Reserve.

6. Debtors and Creditors

The revenue accounts of the Council have been prepared on an accrual basis in accordance with the Code of Accounting Practice and SSAP2. 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 which 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.

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

In accordance with the 1996 Code of Practice, income from capital grants has been treated on an accrual basis, and a debtor for this is reflected in the Balance Sheet.

Debtors and creditors in relation to Government Grants (Benefits and Housing Subsidies) are included on the basis of estimated grant due.

7. Stocks and Work in Progress

Stocks are valued at the last purchase price. This is a departure from the requirements of the Code and SSAP 9, which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is considered to be immaterial. Work in progress on uncompleted jobs is valued at cost including an allocation of overheads.

8. Cost of Support Services

All central support costs have been fully allocated to services apart from an amount chargeable to Corporate Democratic Core. The basis of the charges for 1997/98 has been based on information supplied by the Chief Officers of the Support Services Departments.

Computer recharges have been based on an estimate of actual use.

Administrative buildings, in general, have not been allocated to user departments, with the total cost being held in the Property Services Department. This approach was adopted because of the uncertainty on reorganisation as to departmental useage of individual buildings and the resultant many moves during 1997/98.

9. Pensions

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

- a) Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency set contribution rates on the basis of a notional fund. Employees contribute at a rate of 6%.
- b) Other employees - Rhondda Cynon Taff administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997, under which contribution rates are set by the fund's actuary, based on triennial actuarial valuations, the latest review being 31st March 1995. Under the regulations contribution rates were set to meet 100% of the overall liability of the Fund. However, the large increase in contributions needed compared to 1995/96 is being spread over six years so that contributions have risen in 1997/98 and will rise steadily over the next five years.

The Fund's Actuary has advised that the pension costs that would have been necessary to provide within the year, in accordance with SSAP24, "Accounting for Pension Costs" were £11.1 million representing 275% of pensionable pay.

10. Internal Interest

The Council invests temporary surpluses for short-term periods, which may range from overnight to 364 days. The interest is credited to the General Fund and the Housing Revenue Account on the basis of their fund balances. The amounts are calculated using 7-day Money Market rates.

11. Value Added Tax

The Council is reimbursed VAT incurred on expenditure and the revenue accounts have, therefore, been prepared exclusive of VAT. The only exception is VAT incurred in connection with the purchase of certain motor vehicles.

12. Reserves and Provisions

Reserves and provisions are regulated by the Local Government and Housing Act 1989. Provisions are set aside for specific future expenses, which are certain to be incurred, but the amount or timing of which cannot yet be determined accurately.

The Council makes provision for costs relating to insurance. These are fully explained in note 12.1 to the Consolidated Balance Sheet on page 25.

The Council also maintains reserves to meet general, rather than specific, future expenditure. These are disclosed as “Total Equity” in the Consolidated Balance Sheet (page 19), and their purposes are explained in the notes to the Consolidated Balance Sheet.

13. Government Grants

All revenue grants received are credited direct to the appropriate revenue account. Capital grants are received in respect of capital schemes and renovation grants. These are held on the Balance Sheet as “usable capital grants ” until the year end and then applied to finance capital expenditure, with the grants applied shown against the capital financing reserve.

14. Associated and Subsidiary Companies

Under accounting standards, the Council has to identify any such interest and determine whether this is of sufficient significance to be included in the Council’s Consolidated Balance Sheet. Details are given in note 22 to the Consolidated Balance Sheet (page 29).

RHONDDA CYNON TAFF C.B.C.

Consolidated Revenue Account for the year ended 31st March 1998

1996/97 Net Expre		1997/98		
		Gross Expre	Gross Income	Net Expre
£'000		£'000	£'000	£'000
	<u>Continuing Operations</u>			
839	Economic Development	1,331	361	970
112,228	Education	138,045	22,069	115,976
4,100	Environmental Services	6,290	1,718	4,572
2,534	Finance & I.T.- Departmental Admin	9,566	7,801	1,765
5,418	- Miscellaneous Services	8,078	936	7,142
2,631	- Corporate management	2,668		2,668
30,316	Highways, Transportation & Engineering	39,982	7,434	32,548
2,239	Housing - Other	19,288	826	18,462
NIL	Housing - General	19,171	18,930	241
13,971	Leisure and tourism	22,544	8,286	14,258
4	Personnel services	1,529	1,398	131
2,310	Planning	4,084	1,596	2,488
19	Policy - Departmental Admin	5,027	4,154	873
1,428	- Corporate core	1,191	NIL	1,191
7,738	Property services	10,540	3,955	6,585
43,590	Social Services	66,444	16,372	50,072
229,365	Net Cost of General Fund services	355,778	95,836	259,942
(1,208)	Housing Revenue Account	49,293	47,273	2,020
228,157	Net Cost of services	405,071	143,109	261,962
	Precepts :-			
3,113	South Wales Police Authority			3,324
950	Community Councils			904
8,219	Levies			8,657
(1,761)	Interest on Balances / Investments			(2,567)
1,147	DLO/DSO Net deficit			515
64	Fleet Management Net Costs			NIL
(16,095)	Net Income Asset Management Revenue a/c			(17,707)
223,794	Net Operating Expenditure			255,088
1,208	Transfer of HRA surplus to reserves			(2,020)
5,354	Release of Capital Financing Reserve			(11,065)
3,016	Contributions to Capital Reserves- Capital Financing			8,728
(10,737)	Contributions to /(from) reserves			(9,812)
6,002	Net Contributions to / (from) Earmarked Reserves			(3,412)
228,637	Amount to be met from Govt Grants/ Local Taxpayers			237,507
(151,175)	Revenue Support Grant			(151,149)
(32,925)	NNDR Pool contribution			(41,970)
(44,537)	Net Proceeds of Council tax			(44,388)
NIL				NIL

Notes to the Consolidated Revenue Account

1. Section 137 Local Government Act 1972 (as amended by Section 33 Local Government and Housing Act 1989)

Under the above provisions, the Council is able to incur expenditure on activities and projects not specifically authorised by other powers, which, in the Council's opinion, is to the benefit of some or all of its inhabitants.

The amount is limited in accordance with Statutory Instrument 1993 No41 - The Local Authorities (Discretionary Expenditure Limits) Order 1993 - to an amount of £1.90 per head of population.

Under Statutory Instrument No.40 - The Local Authorities (Discretionary Expenditure) (Relevant Population) Regulations 1993 - the population is defined as "the resident population in the financial year beginning two years before the relevant year, as estimated by the Registrar General before the beginning of the relevant year.

For Rhondda Cynon Taff C.B.C. (with a population of 241,000) the limit is calculated as £457,900.

Each of the former authorities incurred expenditure under this Act, but by Districts mainly in relation to functions for which the legal authority was given to the County Council, and vice versa.

The Authority has been unable to comply with the Accounting Code of Practice in respect of Section 137 as it does not maintain records to disclose the amount of expenditure.

2. Publicity

Under Section 5 of the Local Government Act 1986, Local Authorities are required to keep a separate account of expenditure on advertising and promotion publicity.

During 1997/98 the Council spent a total of £902k in respect of the following: -

	£'000
Recruitment advertising	757
Promotions	3
Statutory notices	39
General advertising	103
	<u>902</u>

3. Agency Arrangements

The Council carries out works on behalf of Welsh Water in relation to sewer maintenance and maintenance of pump stations. Expenditure incurred in 1997/98 was £395k in relation to revenue works and £119k on capital projects.

In addition, the Council undertakes work on an agency basis in respect of highway maintenance on behalf of the Welsh Office. Expenditure incurred in 1997/98 was £2,786k.

Similarly, the Council undertakes work on an agency basis in respect of land reclamation on behalf of the Welsh Development Agency. Expenditure incurred in 1997/98 was £205k.

4. Recoupment

“Recoupment” charges relate to arrangements where pupils or clients attend schools or use facilities which are not within their own local authority area. The table below details income and expenditure in respect of recoupment included in the accounts.

1996/97 Net		1997/98	
		Income	Expenditure
£'000		£'000	£'000
929	Education Recoupment	432	1,363
1,021	Social Services Recoupment: - Other Local Authorities	2,150	1,232
1,950		2,582	2,595

5. Local Authorities Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies.

There was no work carried out during 1997/98 under the regulations of this Act.

6. Officers' Emoluments

Under the Accounts and Audit Regulations 1996, Local Authorities must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £10,000 commencing at £40,000 (excluding pension contributions).

During 1997/98 the Council employed an average of 14,500 staff, paying total salaries of £181m. Within this, the following salary payments were made within the categories specified: -

<u>Remuneration Band</u>	<u>No. of employees</u>
£40,000-£49,999	19
£50,000-£59,999	8
£60,000-£69,999	1

7. Members' Allowances

The Local Authorities (Members' Allowances)(Amendment) Regulations 1995 require authorities to make public schemes for members' allowances and to disclose annually amounts paid to each member under such schemes.

During 1997/98 the Council paid a total of £578k in respect of basic allowances, special responsibility allowances and attendance allowances to 75 members (excluding travelling, subsistence, national insurance and other associated costs).

Details of individual allowances were published in the local press. Copies may be obtained from Director of Finance & IT, Bronwydd House, Porth, Rhondda.

8. Pensions

The Council participates in two pension schemes: -

- a) Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency. The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund.

In 1997/98 the Council paid £3.93m to the Agency in respect of teachers' pension costs, which represents (7.2)% of pensionable pay. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 1997/98 these amounted to £1.327m.

- b) Other employees - Other employees, subject to certain qualifying criteria, contribute to the Local Government Pension Scheme. The pension costs that are charged to the Council's accounts are equal to the contributions paid to the funded pension scheme.

In 1997/98 the Council paid an employer's contribution of £9.4m into the Pension Fund, representing 13.8% of pensionable pay.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being 31st March 1995.

Under Pension Fund Regulations, contribution rates were set to meet 100% of the overall liabilities of the Fund. However, due to the large increase in contributions needed, this is being spread over six years so that contributions will rise over six years with effect from 1st April 1996. In addition, the Council is also responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 1997/98 these amounted to £755k.

The Fund's actuary has advised that the pension cost that it would have been necessary to provide for in the year in accordance with SSAP24 "Accounting for Pension Costs" were £11.1m representing 275% of employees contributions.

Further information can be found in the Pension Fund's Annual Report, which is available on request from Rhondda Cynon Taff C.B.C. Bronwydd, Porth.

9. Levies by Joint Committees and Other Bodies

Certain services are operated over areas greater than that of one Authority, either on a joint service basis (where one Authority is nominated as a "lead" Authority to administer the service with several Authorities contributing to the costs) or by external bodies who levy on the appropriate Authorities.

Contributions made under these arrangements are given below: -

Body / Authority	1996/97 £'000	1997/98 £'000
South Wales Fire Service	6,453	6,938
Probation	425	418
Magistrates' courts	341	324
Coroner	193	188
Wales Sea Fisheries	52	51
Glamorgan Archives	133	137
Registrars	81	61
Residuary body	93	84
National Rivers Authority	448	453

10. Operating Leases

The accounts have been prepared at 31.03.98 without specific details of leases held by the various departments of the Authority. Therefore the Authority does not comply with the Accounting Code of Practice in this respect.

11. Minimum Revenue Provision

The Local Government and Housing Act 1989 requires the Council to set aside a minimum revenue provision for debt redemption (2% of the opening debt outstanding in respect of housing and 4% for other services).

For 1997/98 these limits have been calculated as follows: -

	Credit Ceiling £'000	Provision £'000
Housing Revenue Account	127,614	2,552
General Fund	160,232	7,019
Less commutation adjustment		-3,086
		6,485

12. Asset Management Revenue Account

The Asset Management Account bears the Depreciation Charge and external financing costs and recharges users of assets on the basis of a capital charge consisting of an interest element and a depreciation charge.

Capital charges to services are statutory charges, internally calculated, and may not relate to actual external costs incurred. Therefore any balance on the Asset Management Account is brought into the Consolidated Revenue Account.

This will then ensure that the capital charges do not impact on the level of the Council Tax or housing rents.

Movements on the account for 1997/98 are summarised below: -

	£'000
<u>Asset Management Account</u>	
Depreciation	585
External Interest	20,877
TOTAL DEBIT	21,462
HRA Item 8 Credits	13,090
Capital Charges	
Interest	25,494
Depreciation	585
TOTAL CREDIT	39,169
NET CREDIT	17,707

The following table summarises the movements relating to the Release of the Capital Financing Reserve:

	£'000
Minimum Revenue Provision (Note 5, Page 9)	6,485
Less Depreciation Charges	(585)
Total Debit	5,900
Deferred Charge (Note 2, Page 22) (excl.HRA)	(16,965)
Total Contribution from Capital Financing Reserve	(11,065)

13. Prior Year Adjustments / Exceptional and Extraordinary Items

The accounts include only costs properly chargeable to the year of account. There are no prior year adjustments.

14. 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 Taff 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 1997/98 was calculated to be £67,528.79 (compared with £67,154.28 in respect of 96/7). This represents the anticipated yield for every £1 of Council tax levied.

The base is calculated by placing properties in eight bands (A-H). 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	B	C	D	E	F	G	H
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The resultant number of band D properties was finally reduced by a percentage to reflect anticipated losses on collection.

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

Council Tax Analysis	1996/97	1997/98
	£'000	£'000
Council tax collected	34,186	38,877
Council tax reduction grant collected	10,351	5,511
	44,537	44,388
less payable		
South Wales Police Authority	(3,113)	(3,324)
Community Councils	(950)	(904)
	40,474	40,160

15. National Non-Domestic Rates

Indebtedness for non domestic rates is based on a “multiplier” set nationally by the government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year.

The multiplier for 1997/98 was 41.4p (40.5p in respect of 96/7).

The total rateable value at the 31st March 1998 was £82,369,426 (£81,829,205 as at 31st March 1997).

The Council is responsible for collecting these business rates in its area, but pays the proceeds into the NNDR Pool administered by the Welsh Office. The Welsh Office redistributes total collections back to the local authorities on the basis of a fixed amount per head of population.

Total NNDR collected on behalf of the Pool in 1997/98 amounted to £26.9 million and the contribution back to the Council from the Pool in the year amounted to £41.9m.

16. Residual Community Charges

Although the Community Charge was replaced by the Council Tax from 1st April 1993, residual adjustments relating to previously uncollected charges still impact on the accounts of the Council.

During 1997/98, arrears were reduced by cash received of £65k and write-offs against the provision for bad debts of £75k. Small adjustments in relation to community charge indebtedness amounting to £721 were charged to the Consolidated Revenue Account in 1997/98.

Rhondda Cynon Taff County Borough Council
Consolidated Balance Sheet as at 31st March 1998

31.03.97		31.03.98	
£		£	£
	Fixed Assets		
	<u>Operational Assets</u>		
214,125,175	Council dwellings	212,261,139	
182,661,025	Other land & buildings	187,176,824	
4,154,650	Vehicles, Plant & Equipment	3,930,347	
179,317,419	Infrastructure assets	195,688,114	
1,679,048	Community assets	1,802,279	
	<u>Non Operational Assets</u>		
712,800	Land awaiting Development	712,800	
4,226,536	Miscellaneous Properties	4,226,536	
2,049,515	Surplus Assets	2,049,515	
588,926,168			607,847,554
2,500,000	Long term investments	0	
3,963,000	Investment in Companies	3,963,000	
14,401,450	Long term debtors	12,621,551	16,584,551
609,790,618	TOTAL LONG TERM ASSETS		624,432,105
	Current assets		
1,258,815	Stocks & Work in Progress	1,623,252	
39,990,690	Debtors	33,493,692	
31,740,201	Short Term Investments	28,252,811	63,369,755
682,780,324	TOTAL ASSETS		687,801,860
	Current Liabilities		
NIL	Short term borrowing	(27,493,824)	
(67,530,251)	Creditors	(66,168,224)	
(7,920,171)	Bank overdraft	(9,232,415)	(102,894,463)
607,329,902	TOTAL ASSETS LESS CURRENT LIABILITIES		584,907,397
	Long term Liabilities		
(242,236,192)	Long term borrowing	(230,511,452)	
(1,784,196)	Deferred liabilities	(1,732,328)	
(9,934,100)	Provisions	(13,830,379)	(246,074,159)
353,375,414	TOTAL ASSETS LESS LIABILITIES		338,833,238
	Represented by :-		
	Capital reserves		
(299,149,385)	Revaluation reserve	(280,422,974)	
(16,400,875)	Capital financing reserve	(39,014,909)	
(4,959,303)	Deferred capital receipts reserve	(4,166,900)	
(920,842)	Usable capital receipts reserve	(381,461)	
(321,430,405)			(323,986,244)
	Revenue reserves		
(15,833,597)	General Fund Balances	(1,724,118)	
(1,947,306)	Housing revenue A/C	72,572	
(5,172,521)	Delegated schools	(4,733,196)	
(6,543,975)	Earmarked Reserves	(7,869,532)	
(1,960,244)	Insurance Reserve	0	
(330,729)	Special funds	(342,526)	
(156,637)	Trust funds	(250,194)	(14,846,994)
(353,375,414)	TOTAL EQUITY		(338,833,238)

Notes to Consolidated Balance Sheet

1.0 Fixed Assets

1.1 Movements in Fixed Assets

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

	<u>Balance</u> <u>1.04.97</u>	<u>Addition</u> <u>1997/98</u>	<u>Disposals</u> <u>1997/98</u>	<u>Revaluation</u> <u>Reclassification</u> <u>1997/98</u>	<u>Depreciation</u>	<u>Balance</u> <u>31.3.98</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Assets						
Council dwellings	214,125	-	(1,864)		-	212,261
Other land & bldgs	182,661	6,756	(2,489)	249	-	187,177
Vehicles, plant, equip't	4,155	360			(585)	3,930
Infrastructure	179,317	16,371			-	195,688
Community assets	1,679	123			-	1,802
Non Operational Assets						
Land awaiting development	713					713
Miscellaneous properties	4,227					4,227
Surplus Assets	2,049					2,049
Total	588,926	23,610	(4,353)	249	(585)	607,847

The additions to the Council's Fixed Assets were funded from the following sources:-

<u>Funding Source</u>	<u>£'000</u>
Borrowing Approvals	16,150
Capital Grants	6,088
Council Funds	73
Other Contributions	1,299
Total Funding	23,610

1.2 Major Items of Capital Expenditure 1997/98

As can be seen from note 1, additions to fixed assets during the year totalled £23.6m.

The major items included in this total are listed below: -

Maerdy Crossing Industrial Access
Coed Ely Land Reclamation Scheme
Pen Pych Primary School
Brynna Primary Extension
Gadlys Museum
Tonypandy TC Improvements
Sardis House

1.3 Capital Commitments

As at 31 March 1998, the Council was committed to capital works under contract to the value of £27m.

The major commitments included in this are listed below :-

	<u>£'000</u>
Cwmbach Primary School	1,185
PenPych Primary School	1,520
Maerdy Industrial Estate Access	1,995
Glyntaff Estate	3,970
A4119 Talbot Green	4,857
Valleys Transport Initiative	5,192

1.4 Analysis of Fixed Assets at 31 March 1998

The main types and numbers held are summarised below: -

	<u>31.03.98</u>
<u>Asset type</u>	
Council dwellings	14,163
Municipal offices	42
Schools - Nursery	8
- Primary	139
- Secondary	19
- Special	4
Libraries	32
Homes for the elderly	13
Children's homes	4
Day centres	39
Depots and stores	8
Leisure centres/pools	13
Parks/play areas	345
Community centres	43
Cemeteries/crematoria	10
Factory units	233
Large vehicles	29
Medium/small vehicles	329
Infrastructure :-	
Principal roads (km)	166.4km
Other roads (km)	1,026.8km
Trunk roads	33.1km

1.5 Valuation of Fixed Assets

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

	<u>Date of last valuation</u>	<u>Basis of valuation</u>
Council dwellings	1994/95	OMVEU
Other land & buildings	1994/95	OMVEU
Specialist Building	1994/95	DRC
Vehicles, plant etc.	1997/98	DRC
Infrastructure	N/A	Historic Cost
Community assets	N/A	Historic Cost

2.0 Deferred Charges

An analysis of expenditure for the council in respect of deferred charges during 1997/98 identifies that it would be prudent to amortise this expenditure in total in year one - after they have been charged to the relevant service account:

Economic Development	£160,695
Finance	£218,832
Housing (General Fund)	£15,923,046
Housing (HRA)	£4,262,327
Policy	£662,000
Total Deferred Charges Released from the Capital Financing Reserve	£21,226,900

3.0 Other Long Term Assets

3.1 Long Term Investments

This represents investments made by the authority for periods in excess of one year. There are no Long Term Investments at 31st March 1998.

3.2 Investments in Companies

This represents investments in associated or subsidiary companies of the authority. The following investments are held at 31.03.98

Rhondda Waste Disposal	£1,157,000
Cynon Valley Waste Disposal	<u>£2,806,000</u>
Total	<u>£3,963,000</u>

Details of the activities of these companies can be seen in note 22 to the Balance Sheet.

3.3 Long Term Debtors

These are generally in relation to mortgages and items due from other local authorities from previous local government reorganisations. These are analysed below: -

Balance 31.03.97		Balance 31.03.98
£'000		£'000
3,306	Private mortgages	2,945
4,671	Council house mortgages	4,001
6,149	Other local authorities	5,492
275	Other advances	183
14,401	TOTAL	12,621

4.0 Stocks and Work in Progress

These are consumable stocks held at 31 March 1998 to be used in 1998/99.

Balance 31.03.97		Balance 31.03.98
£'000		£'000
1,218	Stocks	1,234
41	Work in progress	389
1,259	Total	1,623

5.0 Debtors

This represents amounts due to the Council at 31 March 1998, less a provision for potentially uncollectable debts, analysed as follows: -

Balance 31.03 97		Balance 31.03 98
£'000		£'000
8,360	Government departments	8,660
4,790	Ratepayers/ chargepayers	6,867
1,572	Housing rents	1,291
27,596	Sundry debtors	19,885
369	Housing advances	341
42,687		37,044
(4,109)	Less provision for doubtful debt	(4,432)
38,578		32,612
1,413	Amounts due after one year:- Car loans to employees	882
39,991	TOTAL DEBTORS	33,494

6.0 Short Term Investments

This represents monies received in advance of expenditure requirements. Such sums are invested on a temporary basis until required.

The value of such investments at 31.03.98 was £28,253k compared with £31,740k at 31.03.97.

7.0 Short Term Borrowing

This represents monies required to be borrowed on a temporary basis to cover expenditure pending the receipt of income. As can be seen from the balance sheet, the temporary borrowing balance at 31.03.98 is £27.5m.

8.0 Creditors

This represents amounts owed by the Council to third parties, and may be analysed as follows: -

Balance 31.3.98		Balance 31.3.98
£'000		£'000
4,405	Government departments	3,121
1,059	Ratepayers / chargepayers	1,022
194	Housing rents	220
219	Housing advances	179
47,293	Sundry creditors	48,020
14,360	MGCC Realisation a/c	13,606
67,530	TOTAL CREDITORS	66,168

9.0 Bank Overdraft

This represents monies required to be borrowed on a temporary basis by overdraft to cover expenditure pending the receipt of income. The balance of £9,232k shown in the balance sheet represents actual bank balances less unpresented cheques etc.

10.0 Long Term Borrowing

This represents borrowing to finance capital expenditure. Generally borrowing is from the Public Works Loan Board (£249.9m) and market loans (£7.0m).

PWLB Balances at 31.03.98 may be analysed as follows :-

Source	Balance 31.03.97 £'000	Balance 31.03.98 £'000
PWLB	227,742	249,881
<u>Analysis by maturity date</u>		
Within one year	32,116	26,438
One to two years	26,476	19,689
Two to five years	58,500	53,003
Five to ten years	47,387	63,714
More than ten years	63,263	87,037
	227,742	249,881

Amounts due for repayment within one year (£26.4m) are classified within Short-term borrowing within the Consolidated Balance Sheet.

11.0 Deferred Liabilities

These are debts taken over from former councils on local government reorganisation, where loan management rests with another council.

This may be analysed as follows: -

Local Authority	Amount outstanding 31.03.97	Amount outstanding 31.03.98
Vale of Glamorgan Caerphilly	£'000	£'000
	1,205	1,164
	579	568
	1,784	1,732

12.0 Provisions

Provisions are amounts set-aside for specific future expenses, which are certain to be incurred, but the amount or timing of which cannot be determined accurately.

Provision is made in respect of the following: -

12.1 Insurance

Rhondda Cynon Taff operates an insurance reserve within the General Fund of the Authority in order to provide for expected losses or negligent acts. The insurance reserve is credited with premium payments charged to service committees, and debited with the costs of meeting claims. It either insures with outside companies or covers the risk.

Rhondda Cynon Taff is also responsible for the run-off of claims from the insurance provision of the former Mid Glamorgan County Council, as well as those from the former Cynon Valley, Rhondda and Taff Ely Borough Councils. As Rhondda Cynon Taff is wholly responsible for the former borough councils, the provisions shown above take account of potential liabilities arising from these councils. In the case of Mid Glamorgan, however, any deficit which arises on the provision is to be shared between the six successor authorities.

At the end of March, 1998, the Mid Glamorgan provision had a provision for claims outstanding of £7.59m. After accounting for this, there is a deficit of £1.71m on the provision, which is to be recovered from the successor authorities. The share to be borne by Rhondda Cynon Taff is £749,620.

12.2 Doubtful Debts

Provision is also made for doubtful debt. This is shown as a deduction from debtors (see note 5).

13.0 Fixed Asset Restatement Reserve

This represents the balance of the surpluses or deficits arising from the periodical revaluation of fixed assets.

14.0 Capital Financing Reserve

This balance of £39.0m is represented by an amount of £32.5m, which is the reserved proportion of capital receipts, and £6.5m relating to capital financing transactions.

15.0 Movements in the Provision for Credit Liabilities

	£'000
Balance at 1st April 1997	(22,596)
Receipts set aside 1997/98	(2,437)
Capital Grants from European Union Institutions	(2,850)
Minimum revenue provision	(6,485)
Less Repayment of External Debt	34,368
Balance at 31st March 1998	Nil

The Provision for Credit Liabilities (PCL) is a memorandum account and must be reproduced within this Statement in order to comply with the requirements of the Local Government and Housing Act 1989. The PCL should detail the movements in liabilities of the Council and to this end there is a requirement to credit this account with the reserved elements of the capital receipts in the year, the minimum revenue provision and the European Grants received.

16.0 Deferred Capital Receipts Reserve

This consists of two separate elements: -

The first represents the deferred sale proceeds of council houses sold on mortgage, and is balanced by a similar amount in long term debtors, being the mortgages outstanding. The balance at 1st April 1997 of £4.67m was reduced by adjustments in relation to 1996/97 of £150k new advances of £9k in the year and reduced by repayments of £529k, leaving a balance at 31st March 1998 of £4.003m. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available.

The second element is in relation to discount received or penalties incurred on prematurely repaid loans from the Public Works Loan Board as a result of rescheduling debt. The amount of £163k is to be used to equalise interest payments in future years.

17.0 Usable Capital Receipts Reserve / Capital Financing 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.

	Total	Usable	Reserved
	£'000	£'000	£'000
Balance B/F 1.4.97	30,944	920	30,024
In year receipts	5,208	2,771	2,437
Capital financing 97/8	(3,310)	(3,310)	NIL
Balance C/F 31.3.98	32,842	381	32,461

18.0 Earmarked Reserves/ Committee Balances

Earmarked reserves are amounts set aside from revenue in previous years to meet commitments which will be incurred in 1998/9 or beyond.

Committee earmarked balances are in-year underspend amounts approved by members to be carried forward into 1998/9 as part of agreed budget management arrangements under the Council's standing orders.

Delegated school budgets refer to balances held by schools under delegated schemes. Such balances are committed to be spent on delegated services and are not available to the Council for general use.

Balances are as follows: -

	31.03.97	31.03.98
	£'000	£'000
Committee earmarked balances	6,544	7,870
Delegated school budgets	5,173	4,733
Total	11,717	12,603

See note 25 for further details.

19.0 Revenue Balances

Revenue balances are accumulated working balances held as general reserves.

General county balances relate to general fund services, whilst housing revenue account balances relate to the "ring fenced" council housing accounts.

Movements in revenue balances during the year are summarised below: -

	Gen Fund	HRA	Total
	£'000	£'000	£'000
Balances 01.04.97	15,834	1,947	17,781
Use of balances	(9,812)	(2,020)	(11,832)
Transfer between reserves	(4,298)		(4,298)
Balances 31.03.98	1,724	(73)	1,651

See note 25 for further details.

20.0 Trust Funds and Special Funds

Included in the Balance Sheet are Trust Funds and Special Funds. These are summarised as follows:

	31.3.97 £'000	31.3.98 £'000
<u>Special Funds</u>		
Home Finders scheme	171	171
Seed fund recycle payments	118	118
others	42	53
	331	342
<u>Trust Funds</u>		
Ynysyngharad Park	56	58
Hirwaun Common Enclosure	89	89
Rhondda Heritage Park	nil	93
others	12	10
	157	250

The Council acts as trustees for various Education Trust Funds plus the Welsh Church Acts Fund. Separate accounts are maintained for these and balances held at 31 March 1998 are not included in the Council's Consolidated Balance Sheet. Individual trust funds administered by the Council, but accounted for separately are summarised below:-

Nature of Fund	Balance 31.3.97 £'000	Balance 31.3.98 £'000
Education Trust Fund	1,012	242
Welsh Church Act	7,161	8,066

The Welsh Church Act fund balances will change following agreement of the disaggregation position with Monmouth Unitary Authority and are subject to audit.

21.0 Analysis of Net Assets Employed

As can be seen from the Consolidated Balance Sheet, the "total equity", or net assets held by the Council at 31.03.98 is £338.9m.

These may be analysed between general fund and housing revenue account as follows:-

	31.03.97 £m	31.03.98 £m
General Fund	351.4	338.9
Housing Revenue Account	2.0	(0.1)

22.0 Associated and Subsidiary Companies

The Council has a material interest in 3 companies, details of which are given below :-

Rhondda Waste Disposal Company Ltd.

Company Registration Number: 2630483

This company was set up by the former Rhondda Borough Council under the 1990 Environment Act as an “arms length” company. The council has a 100% interest in the company of £1,157,000. Accounts are prepared for the year ending 31st March 1998. Rhondda Waste Disposal went into liquidation during the year ending 31st March 1999. The final accounts are being prepared by the administrators and following this, it may be necessary to write down the value of the investment.

Nature of business : The principal activity is the disposal of waste.

Shareholding: £1,157,000

Net Current Assets £505,000

Total Assets less Current Liabilities £2,925,000

NET ASSETS £513,000

Results of Operations Retained loss for the financial year transferred from reserves
£578,000

Location of accounts Registered Office
Nantygwyddon Landfill Site Offices,
Nantygwyddon Road
Gelli
Rhondda Cynon Taff

Audit Opinion True & Fair (Deloitte & Touche)

Cynon Valley Waste Disposal Company Ltd.

Company Registration Number: 2660628

This company was set up by the former Cynon Valley Borough Council under the 1990 Environment Act as an “arms length” company. The council has a 100% interest in the company of £2,806,000. Accounts are prepared for the year ending 31st May 1998.

Nature of business : The principal activity of the company is providing facilities for tipping of waste.

Shareholding: £2,806,000

Net Current Assets	£972,325
Total Assets less Current Liabilities	£4,312,627
<u>NET ASSETS</u>	£3,620,603
<u>Results of Operations</u> retained for the year	Profit on ordinary activities after taxation and dividends £427,808.

Location of accounts

Registered Office
Bryn Pica Landfill Site
Llwydcoed
Aberdare
Mid Glamorgan
CF44 OBX

Audit Opinion True & Fair (Khan Thomas & Shankland)

Model House Llantrisant Ltd.

Company Registration Number: 2208104

This company was registered as limited by guarantee. On the 15th January 1991 it became a registered charity (No:1001533).

The Council has an “influence” over the company as 5 out of 13 of the Directors who are also members of the company are elected as councillors of Rhondda Cynon Taff County Borough Council.
Accounts are prepared for the year ending 31st March 1998.

Nature of business : The principal activity of the company is to operate a regional centre of excellence in the field of contemporary craft and design.

Shareholding : Nil (No directors hold any shares as the company is limited by guarantee)

Net Current Assets	£138,201
--------------------	----------

NET ASSETS	£140,264
-------------------	-----------------

Results of operations Retained profit transferred to reserves (£25,570).

Location of accounts

Registered Office
Municipal Offices
Llewellyn Street
Pentre
Mid Glamorgan.

Audit Opinion True & Fair View (Mace & Partners).

23.0 Contingent Liabilities

There were no contingent liabilities at 31st March 1998.

24.0 Post Balance Sheet Events

During 1998/99 the Council was made aware that one of its Local Authority Controlled Companies, Rhondda Waste Disposal Limited was facing financial difficulties, due to disruption at the site and requirements by the Environment Agency to carry out capital works at the Nantygwyddon Tip. The Authority subsequently decided that the way forward was to issue share capital to the company in tranches, totalling £1.1m. The Authority released £500k of this share capital prior to the company going into liquidation.

Amgen Rhondda Ltd has subsequently been formed with an undertaking from the Authority to provide £0.9m in share capital. To date (April 2000) £82k of this share capital has been released.

There were no other post balance sheet events at 31st March 1998.

25.0 Statement of Total Movements in Reserves

Capital Reserves				
	Fixed Asset	Capital	Usable	Total
	£'000	£'000	£'000	£'000
Balance as at 1st April 1997	299,149	16,401	920	316,470
Disposals in year	(3,970)			(3,970)
Received in year			2,771	2,771
Capital Expenditure on Non Enhancing Assets	(14,756)			(14,756)
Movements in Year		22,614		22,614
Capital financing			(3,310)	(3,310)
Balance as at 31st March	280,423	39,015	381	319,819

Notes to Capital Reserve Statement

- Fixed Asset Restatement Reserve

The purpose of this reserve is to account for differences between the value of fixed assets at original cost (the basis of accounting for fixed assets previously) and their revaluation at market value in accordance with current capital accounting regulations.

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

- **Capital Financing Reserve**

This account brings together all capital financing transactions. It includes amounts set aside from the revenue account for repayment of external borrowing, expenditure on fixed assets financed from revenue, the reserved part of capital receipts, applied capital receipts and adjustments on the minimum revenue provision.

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

Revenue Reserves					
Movement	Council Fund	Delegated Schools	Housing Revenue	Specific Reserves	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1st April 1997	15,834	5,173	1,947	6,544	29,498
Contributions to Revenue	(16,100)	(440)	(2,020)	(6,631)	(25,191)
Contributions from Revenue	6,288			3,659	9,947
Movements between reserves	(4,298)			4,298	-
Balance as at 31st March 1998	1,724	4,733	(73)	7,870	14,254

RHONDDA CYNON TAFF C.B.C. - CASH FLOW STATEMENT 1997/98

1996-97 £m		1997-98	
		£m	£m
	<u>Revenue activities</u>		
	<u>Cash Outflows</u>		
173.7	Cash paid to and on behalf of employees	181.2	
135.4	Other operating cash payments	122.6	
18.1	Housing benefit paid out	38.4	
26.8	National non-domestic rate payments to national pool	26.9	
4.1	Precepts paid	4.2	373.3
	<u>Cash Inflows</u>		
(7.1)	Rents (after rebates)	(9.5)	
(44.5)	Council tax	(38.9)	
(26.8)	National non-domestic rate receipts to national pool	(42.0)	
(32.9)	Non-domestic rate receipts	(26.9)	
(151.2)	Revenue support grant	(151.1)	
(17.7)	DSS grants for benefits	(18.0)	
(42.2)	Other government grants	(33.5)	
(13.2)	Cash received for goods and services	(57.0)	
(71.4)	Other operating cash receipts	(21.0)	(397.9)
(48.9)			(24.6)
	<u>Servicing of finance</u>		
	<u>Cash Outflows</u>		
19.9	Interest paid	20.9	
	<u>Cash Inflows</u>		
(1.7)	Interest received	(2.6)	18.3
	<u>Capital activities</u>		
	<u>Cash Outflows</u>		
63.4	Purchase of fixed assets	59.0	
nil	Purchase of long term investments	nil	59.0
	<u>Cash Inflows</u>		
(2.7)	Sale of fixed assets	(5.2)	
	Repayments of investments	(3.5)	
(22.9)	Capital grants received	(19.5)	
(2.0)	Other capital cash receipts	(3.9)	(32.1)
	Net cash outflow before financing		20.6
	<u>Financing</u>		
	<u>Cash Outflows</u>		
15.5	Repayments of amounts borrowed	42.5	
	<u>Cash Inflows</u>		
(46.0)	New loans raised	(58.3)	(15.8)
(25.4)	(Increase) / Decrease in cash and cash equivalents		4.8

NOTES TO THE CASH FLOW STATEMENT

1.0 Reconciliation of Consolidated Rev A/C to Cash flow

1996-97 £m		1997-98 £m
NIL	Consolidated revenue A/C surplus	NIL
(5.9)	ADD depreciation/MRP adjustment	(6.2)
0.5	Less net transfers from reserves	4.6
(38.6)	Plus increase in creditors	1.5
13.0	Less increase/(decrease) in debtors	(6.5)
0.3	Less increase in stocks	0.3
(18.2)	Plus financing items	(18.3)
(48.9)	Cash inflow from revenue items	(24.6)

2.0 Movements in Cash and Cash Equivalents

This can be derived from the consolidated balance sheet (page 19) as follows :-

	Balances		Movement in year £m
	1.4.97 £m	31.3.98 £m	
Bank balance	(7.9)	(9.2)	(1.3)
S/term investments	31.7	28.2	(3.5)
Movement	23.8	19.0	(4.8)

3.0 Net Financing 1997/98

The net increase in financing of £15.85m shown in the statement is derived from the movements in both short and long term borrowing as reflected in the consolidated balance sheet on page 19:-

	1.4.97	31.3.98	Movement
	£m	£m	£m
Long term borrowing	242.2	230.5	(11.7)
Short term borrowing		27.5	27.5
	242.2	258.0	15.8

4.0 Government Grants

Government grants shown in the statement are analysed below:-

1996-97 £m		1997-98 £m
	<u>Revenue</u>	
20.1	Housing Subsidy	20.0
12.3	Mandatory Awards	5.2
5.2	Community Support	
1.1	GEST	1.3
3.5	Other	7.0
42.2		33.5
	<u>Capital</u>	
3.1	WDA Land Reclamation	0.8
1.8	ERDF	1.5
4.1	SDS	2.8
	Transport Grant	2.1
13.9	Improvement Grants	12.3
22.9		19.5

RHONDDA CYNON TAFF

HOUSING REVENUE ACCOUNT

	<u>96/7</u> £	<u>97/8</u> £
<u>INCOME</u>		
Dwelling rents (gross)	26,501,580	25,735,210
Non Dwelling rents (gross)	349,010	329,860
Charges for services and facilities	393,160	357,720
Contribution towards expenditure	11,480	
Housing Revenue Account subsidy receivable	20,090,780	20,099,990
Mortgage interest	414,910	406,340
Transfer from General Fund	263,300	344,860
	48,024,220	47,273,980
<u>EXPENDITURE</u>		
Repairs and Maintenance	8,718,740	10,261,110
Supervision and Management	5,802,010	6,330,110
Rents,rates,taxes and other charges	89,060	45,548
Rent Rebates	19,341,564	19,356,850
Capital financing costs	12,865,450	13,300,240
	46,816,824	49,293,858
Change in reserve balance	1,207,396	(2,019,878)
Transfer from Reserves	739,910	1,947,306
Deficit on HRA	1,947,306	(72,572)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids, write-offs etc. During the year 95.88% of properties were available for letting. Average rents during the year were £36.95 in 1997/8, an increase of £0.67 or 1.85% over the previous year's net rent of £36.28.

2. Housing Benefits

Assistance with rent is available under the housing benefits scheme for those on low income. Over 77.3% of the Council's tenants receive some help with the cost of rent.

3. Reimbursement of Housing Benefits

Housing benefit is administered by the Council. The cost of providing benefit is £19.35m (£19.34m in 1996/7). This is substantially reimbursed by the government through housing Subsidy of £19.365m (£19.457m in 1996/7).

4. Housing Stock

The average number of dwellings in Council House stock during 1997/98 was 14,014.
The total number of properties held as at 31 March 1998 was 13,872.

Type	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	Flats	Total
Bungalow	151	106	14	0	0	271
Bedsit	206	0	0			206
Caravan	7	0	0			7
Flat	2,204	2,005	200		1	4,410
House	100	1,927	6,803	148	0	8,978
Total	2,668	4,038	7,017	148	1	13,872

5. Rent Arrears

The amount of rent arrears for 1997/98 was £1.263m (£1.572m in 1996/97) and the aggregate provision for bad debts was £303k (£303k in 1996/97)

RHONDDA CYNON TAFF COUNTY BOROUGH COUNCIL

DLO Summary Accounts 1997/98

1. During 1997/98, Rhondda Cynon Taff County Borough Council operated a Competition Services Department consisting of 5 Business Units to meet and respond to the legal requirements of the Local Government Planning and Land Act 1980 and the Local Government Act 1988, which require Local Authorities to expose a number of their activities to Compulsory Competitive Tendering.
2. The reporting requirement for 1997/98 is for those blue collar activities only, which are under the management of the Direct Labour Organisation Business Unit.
3. The work performed by the Business Unit during the financial year 1997/98, which were subject to the reporting requirements of the Local Government Planning and Land Act 1980 and Local Government Act 1988, were as follows :-

Building Maintenance,
Highways,
Refuse Collection,
Street Cleansing,
Catering,
Ground Maintenance,
Building Cleaning,
Vehicle Maintenance.

4. There are also requirements under the Local Government Act 1988 to subject Leisure Management to Compulsory Competitive Tendering, and this is managed separately within the Leisure Services Directorate.
5. During 1997/98, the CCT process was completed fully, and the table below indicates the contract award dates for each of the services :-

Service	Contract Start date
Building cleaning	01.10.97
Building maintenance	12.05.97
Education and welfare catering	01.09.97
Grounds maintenance	03.11.97
Highways maintenance	15.06.97
Refuse collection	01.01.98
Street cleansing	01.01.98
Vehicle maintenance	01.10.98
Leisure management	01.10.98

6. The revenue accounts for each of the above defined activities are required to break even in each financial year after meeting the following charges :-

- A Capital Financing Charge of 6% on the value of fixed assets used by the DSO, including all assets acquired under financing leases.
- Depreciation charges based on the current value of all such assets which are liable to depreciation.
- A Financing charge of 6% on stock balances.

7. A summary of the performance of each of the DSO's is given below :-

COMPETITION SERVICES DIRECT SERVICE ORGANISATIONS

REVENUE ACCOUNTS SUMMARY

ACTIVITY	EXPENDITURE £	INCOME £	PROFIT (LOSS) £
Building Maintenance	13,462,637	12,966,282	(496,355)
Highways	6,287,829	6,239,015	(48,814)
Refuse Collection	3,641,542	3,657,915	16,373
Street Cleansing	2,119,274	2,228,575	109,301
Catering	6,921,239	6,944,341	23,102
Grounds Maintenance	4,567,038	4,502,684	(64,354)
Building Cleaning	1,308,297	1,267,097	(41,200)
Vehicle Maintenance	1,931,895	1,919,110	(12,785)
Sub total	40,239,751	39,725,019	(514,732)
Leisure DSO	6,178,430	6,218,539	40,109
Total	46,418,181	45,943,558	(474,623)

8. All DSO's must break even. In the event of this not happening the Council may be asked to provide the Secretary of State with an explanation of the failure. The Secretary of State is empowered to close down an activity when he believes that there is little prospect of that activity returning to profitability.
9. In the financial year 1997/98 Building Maintenance, Building Cleaning, Grounds Maintenance, Highways, and Vehicle Maintenance failed to meet their targets whilst

Catering, Street Cleansing, Refuse Collection and Leisure Management achieved theirs by earning a profit.

10. Past profits earned by the blue collar DLO's were brought into the Council's general reserves on 1.4.96, in accordance with Council policy. The net loss of £514,732 has, therefore, been written off against the Council's general reserves in 1997/98.
11. Surpluses on the Leisure Services DSO have been credited to earmarked reserves in accordance with Council policy.
12. During the course of 1997/98, it was necessary to make a number of operatives redundant in the DSO's and the cost of this is shown below. These costs were charged to the DSO Revenue Accounts and the expenditure shown in the revenue accounts includes these costs.

SUMMARY OF REDUNDANCY COSTS 1997/98

Service	Redundancy £
Building Maintenance	10,536
Highways	52,164
Grounds Maintenance	11,967
TOTAL	74,667

- It should be noted that the redundancy costs in respect of Highways Direct were incurred as a direct result of the termination of the Authority's contract with Dwr Cymru (Welsh Water).
13. All DLO defined activities were put out to competitive tender during 1997/98. The in-house DLO was successful in winning all of those tenders at various dates during the financial year. Whilst it is difficult to calculate the tangible cost of tender preparation, a significant cost was incurred by way of outside consultancy expertise, management time allocation and miscellaneous costs, such as printing.

Statement Of Responsibilities For Preparation Of The Statement Of Accounts

The Authority's Responsibilities

The Authority is required :-

- 1) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & IT.
- 2) To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

The Director of Finance and I.T.'s Responsibilities

The director is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 1998.

In preparing this statement of accounts, the Director has:-

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

The Director has also throughout the financial year:

- 1) Kept proper accounting records which were kept up to date.
- 2) Made judgements and estimates that were reasonable and prudent.:
- 3) Complied with the code.

Certificate Of The Director Of Finance and I.T. Rhondda Cynon Taff C.B.C.

On The Accounts Of Rhondda Cynon Taff C.B.C For 1997/98

I Certify that the accounts set out on the pages 8 to 40 present fairly the financial position of Rhondda Cynon Taff C.B.C. at 31st March 1998 and its income and expenditure for the year then ended.

Signature: _____ **Date:** _____

**S Perry CPFA
Director of Finance & I.T.**

**Auditor's Report on The Accounts Of Rhondda Cynon Taff County Borough
Council for 1997/98**

We certify that we have completed the audit of the statement of accounts on pages 12 to 41 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 11.

Respective responsibilities of D.O.F.I.T. and Auditors

As described on page 41 the Director of Finance & I.T. is responsible for the preparation of the statement of accounts. It is our responsibility to form an independent opinion, based on our audit, on the statement and to report our opinion thereon.

Basis of opinion

We carried out our audit in accordance with Part III of the Local Government Finance Act 1982 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards.

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the statement of accounts presents fairly the financial position of Rhondda Cynon Taff C.B.C. at 31st March 1998 and its income and expenditure for the year then ended.

SIGNED: _____ **DATE:** _____

John Herniman

DISTRICT AUDIT
2-4 Park Grove
Cardiff
CF1 3PA

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

GLOSSARY OF TERMS

Accrual

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

Actuary

An actuary is an organisation which calculates insurance and pension premiums, taking into account factors such as life expectancy.

Agency Services

Agency services are services provided by an outside organisation.

Audit

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

Balance Sheet

This is a statement of assets, liabilities and other balances at the date of the balance sheet.

Budget

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

Cap

A cap is the limit on spending, set by central government.

Capital Expenditure

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

Capital Financing Reserve (CFR)

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

Capital Receipt

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

Cashflow Statement

This statement summarises the movements in cash during the year.

Consolidated Balance Sheet (CBS)

This balance sheet combines the assets, liabilities and other balances of all the Council's departments, at the end of the financial year, 31st March.

Consolidated Revenue Account (CRA)

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

Creditor

A creditor is someone owed money to at the end of the financial year for goods / services received during the financial year.

Current Assets

These are short-term assets which are available for use in the following accounting year.

Current Liabilities

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

Debtor

A debtor is someone who owed the Authority money at the end of the financial year.

Depreciation

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

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

This is the Authority's own organisation. It consists of workers directly employed by the Council (including supervisory staff), accommodation, equipment etc used to carry out specified tasks for the Authority.

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.

Finance Leases

When finance leases are used to finance purchases, the Authority takes on most of the risks associated with owning the asset.

Fixed Asset

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

Fixed Asset Restatement Reserve (FARR)

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

Housing Revenue Account (HRA)

This account contains income and expenditure incurred in connection with the provision of housing accommodation.

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 amount payable at some time in the future.

Minimum Revenue Provision (MRP)

This is the amount which has been set aside to repay loans.

National Non-Domestic Rates (NNDR)

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

Net Realisable Value

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

Operating Assets

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

Operating Leases

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

Precepts

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

Provision for Credit Liabilities (PCL)

This is money set aside to repay debt; it forms part of the capital financing reserve (CFR).

Provision

A provision is an amount set aside in the accounts for expected liabilities which cannot be accurately measured at the end of the financial year.

Public Works Loan Board (PWLB)

This is a Government agency which provides longer term loans to local authorities. It charges interest rates only slightly higher than those at which the Government can borrow itself.

Related Party Transactions

These are the transfer of assets or liabilities or the performance of services by, to or for a related party.

Stocks

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

Temporary Borrowing or Investment

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

Trust Fund

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

Voids

Voids are empty properties.

Work in Progress (WIP)

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