

Rhondda Cynon Taff County Borough Council

Statement of Accounts 1998/99

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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 94% of the former Taff Ely Borough Council and 43% of the former Mid Glamorgan County Council.

The Council covers an area of 44,000 hectares and provides services to a population of 240,100.

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

The accounts for 1998/99 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 1998, and the Code of Practice on Local Authority Accounting in Great Britain 1998 prescribe the form and contents for accounts from 1st April 1996. The accounts set out on pages 8-59 comply with the Code other than where specific reference is made to the contrary.

2. General Fund Revenue Account 1998/99

As can be seen from the Consolidated Revenue Account on page 12, gross revenue expenditure on General Fund services was £362m, of which £145m was on Education (40%), £70m on Social Services (20%), £37m on Highways (10%) and £110m on other services (30%).

Income during the year totalled £340k and came from the following sources :-

Income Analysis	1997/98		1998/99	
	£m	%	£m	%
Direct service income	96	29	94	28
Revenue Support Grant	151	45	147	43
National Non Domestic Rates	42	13	44	13
Council tax	44	13	55	16
	333	100	340	100

Direct service income was in the form of specific grants of £55m (58%), sales, fees and charges of £27m (29%) and other income of £12m (13%).

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

	Budget £m	Outturn £m	Variance £m
Net Cost of Services	241.9	243.2	1.3
Prior Year Underspends	3.6	3.6	Nil
Deferred Charges (note2, pg23)	Nil	19.6	19.6
Precept	4.7	4.7	Nil
Income from Government Grant	(191.2)	(191.2)	Nil
Income from Council tax	(53.4)	(54.9)	(1.5)
Transfers to/from balances	(5.6)	(25)	(19.4)
(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 1998/99 are analysed below: -

	<u>£'000</u>
Economic Development	17
Education	(869)
Environmental	107
Finance & IT	214
Housing	82
Leisure & Tourism	304
Personnel	28
Planning	52
Policy	99
Property Services	(53)
Total Committee Under/(overspends) c/f	<u>(19)</u>

The net overspend of £19k is offset against earmarked reserves of underspends carried forward from previous years plus any other contributions to / from earmarked reserves.

The movements on this reserve are analysed on Consolidated Balance Sheet note 25 'Revenue Reserves'.

3. Housing Revenue Account

As can be seen from the Housing Revenue Account Summary on page 38, gross expenditure on council housing totalled £44.2m, of which £6.1m (14%) related to repairs & maintenance, £6.2m (14%) to supervision and management, £13.2m (30%) to capital financing and £18.7m (42%) to rent rebates.

Income totalled £46.1m and came from rents £26.1m (57%), housing subsidy £18.5m (40%) and other income £1.5m (3%).

This resulted in net income of £1.9m changing balances from (£73k) at 1st April 1998 to £1.8m at 31st March 1999.

4. Capital Expenditure and Income 1998/99.

During the year the Council spent £58.4m on capital expenditure, as summarised below:

	£m	%
Education	7.0	12
Housing	24.2	41
Highways T&E	18.0	31
Other	9.2	16
Total	58.4	100

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

	£m	%
Additions to Fixed Assets	17.2	30
Deferred Charges	23.6	40
Investment in Companies	0.5	1
Non Enhancing improvements to Fixed Assets	17.1	29
Total	58.4	100

This expenditure was financed as follows:-

	£m	%
Loans	27.6	47
Grants	20.9	36
Capital Receipts	2.0	3
Contributions	4.1	7
Reserves	3.8	7
Total	58.4	100

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

Cwmbach Primary
 Tonyrefail Sports Hall
 Perthcelyn Community School

Major commitments in respect of capital schemes at 31st March 1999 included the following schemes:-

Commitment Value	
£'000	
944	Llwynrwn (replacement) Primary School
198	Penpych Primary School (opened May 1999)

5. Reserves and Provisions

The Statement of Total Movements in Reserves on pages 33-34 analyses movements on all revenue and capital reserves. This shows that the following balances were held at 31st March 1999: -

Capital Reserves	£358.4m	(of which £2.875m can be used to support capital spending)
Revenue Reserves	£5.9m	(excluding Trust and Special Funds)

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:-

Overall borrowing limit for the year;
Short term borrowing limit for the year;
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	£310m
Short term borrowing limit	£30m
Limit on variable rate interest	£78m or 25 %

As can be seen from the Consolidated Balance Sheet on page 20, Long Term Borrowing totalled £274m at 31st March 1999 while Short Term Borrowing stood at £20m.

Note 10 to the Consolidated Balance Sheet (page 25) demonstrates that the majority of external borrowing was from the Public Works Loan Board (£288m) with the balance of (£6m) 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 28th January 1998 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 European Investment Bank. The delegated powers of the Director of Finance and IT allow him to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Finance Committee.

7. Introduction to Accounting Statements

Statement of Accounting Policies

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

Consolidated Revenue Account

This statement 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 "net operating expenditure", this gives the amount to be met from GOVERNMENT GRANTS AND LOCAL TAXATION.
- (IV) The fourth section shows the income received from Council Tax proceeds, NNDR and Revenue Support Grant.

Consolidated Balance Sheet

This statement assists in the understanding of the Council's financial position at 31st March 1999.

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 – repairs & maintenance, supervision & management, 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.

Summary Pension Fund Accounts

As the lead Authority responsible for the Rhondda Cynon Taff County Borough Council Pension Fund, the Authority has an obligation to include a summary of the Pension Fund Accounts within it's own Statement of Accounts.

The statement is prepared in accordance with the Statement of Recommended Practice No.1 (SORP1), Pension Scheme Accounts.

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.

Statement of Accounting Policies

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 1998, 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 Authority has complied with the code in all areas other than where specifically noted.

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.

Community assets are recorded at historic 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 1998/99, 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 off 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 was 50% for all other receipts but this was increased to 100% from September 1998.

The usable proportion is credited to the usable capital receipts 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 1998/99 were 6% for operational assets and 8.125% for infrastructure and community assets.
- b) Depreciation 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 a 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.

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 1998 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 1998/99 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 usage of individual buildings and the resultant many moves during 1998/99.

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 at 31st March 1998. 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 four years so that contributions have risen in 1998/99 and will further rise in 1999/00.

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 £12.6 million representing 275% of members contributions.

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.

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 26.

The Council also maintains reserves to meet general, rather than specific, future expenditure. These are disclosed within "Total Equity" in the Consolidated Balance Sheet (page 20), 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).

Consolidated Revenue Account for the year ended 31st March 1999

1997/98 Net Exp		1998/99		
		Gross Exp	Gross Income	Net Exp
£'000		£'000	£'000	£'000
	Continuing Operations			
970	Economic Development	913	135	778
115,976	Education	145,121	23,508	121,613
4,572	Environmental Services	5,999	1,237	4,762
1,765	Finance & I.T. - Departmental Admin	9,525	6,174	3,351
7,142	- Miscellaneous Services	8,622	761	7,861
2,668	- Corporate management	2,485		2,485
32,548	Highways, Transportation & Engineering	36,915	5,827	31,088
241	Housing - General	1,643	813	830
18,462	Housing - Other	30,829	19,779	11,050
14,258	Leisure and Tourism	23,020	8,734	14,286
131	Personnel Services	1,277	1,378	(101)
2,488	Planning	3,953	1,111	2,842
873	Policy - Departmental Admin	3,013	3,064	(51)
1,191	- Corporate Core	11,694	952	10,742
6,585	Property Services	7,767	3,563	4,204
50,072	Social Services	69,535	16,987	52,548
259,942	Net Cost of General Fund Services	362,311	94,023	268,288
2,020	Housing Revenue Account	44,209	46,126	(1,917)
261,962	Net Cost of Services	406,520	140,149	266,371
	Precepts :-			
3,324	South Wales Police Authority			3,832
904	Community Councils			899
8,657	Levies			9,135
(2,567)	Interest on Balances / Investments			(854)
515	DLO/DSO Net Deficit			5,077
Nil	Fleet Management Net Costs			39
(17,707)	Net Income Asset Management Revenue a/c			(16,511)
255,088	Net Operating Expenditure			267,988
(2,020)	Transfer of HRA Surplus to Reserves			1,917
(11,065)	Release of Capital Financing Reserve			(13,465)
8,728	Contributions to Capital Reserves - Capital Financing			Nil
(9,812)	Contributions to /(from) Reserves			(5,112)
(3,412)	Net Contributions to /(from) Earmarked Reserves			(5,142)
237,507	Amount to be met from Govt Grants / Local Taxpayers			246,186
(151,149)	Revenue Support Grant			(147,155)
(41,970)	NNDR Pool Contribution			(44,082)
(44,388)	Net Proceeds of Council tax			(54,949)
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 No.41 - The Local Authorities (Discretionary Expenditure Limits) Order 1993 - to an amount of £3.80 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 239,000) the limit is calculated as £908,200.

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.

During 1998/99 the Authority incurred expenditure amounting to £184,906 under these powers, analysed as follows :-

Type of Expenditure	Amount
	£
Town Twinning	2,000
Holiday Projects (Grants)	55,900
Community Centres (Grants)	31,273
Miscellaneous Grants	35,733
Victim / Drug Support	60,000
Total	184,906

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 1998/99 the Council spent a total of £1,323k in respect of the following: -

	£'000
Recruitment advertising	709
Promotions	4
Statutory notices	109
General advertising	501
Total	1,323

3. Agency Arrangements

During 1997/98 the Council carried out works on behalf of Welsh Water in relation to sewer maintenance and maintenance of pumping stations (£395k). However, this contract was terminated in September 1997, as a result of which no agency works were undertaken during 1998/99.

Similarly, the Council undertakes work on an agency basis in respect of land reclamation on behalf of the Welsh Development Agency. Expenditure incurred in 1998/99 was £1,457k.

4. Recoupment

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

1997/98 Net		1998/99		
		Income	Expend.	Net
£'000		£'000	£'000	£'000
931	Education Recoupment	(216)	1,207	991
(918)	Social Services Recoupment: - Other Local Authorities	(1,586)	874	(712)
13		(1,802)	2,081	279

5. Local Authorities Goods and Services Act 1970

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

During 1998/99 financial year the Authority undertook a minimal amount of work under the provisions 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 1998/99 the Council employed an average of 14,500 staff, paying total salaries of £164m. 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	23
£50,000-£59,999	9
£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 1998/99 the Council paid a total of £556k 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 have been 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 Teachers' Pension Agency on the basis of a notional fund.

In 1998/99 the Council paid £4.02m 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 1998/99 these amounted to £0.71m.

- 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 1998/99 the Council paid an employer's contribution of £12.1m into the Pension Fund, representing 15.9% of pensionable pay.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being 31st March 1998.

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 four years so that contributions will rise over four 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 1998/99 these amounted to £0.67m.

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 £12.6m representing 275% of employees contributions.

Further information can be found in the Pension Fund's Annual Report commencing on page 42.

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: -

	1997/98	1998/99
	£'000	£'000
Fire	6,940	7,453
Probation	420	414
Magistrates' courts	325	322
Coroner	188	208
South Wales Sea Fisheries	50	55
Glamorgan Archives	137	148
Registrars	60	83
Residuary body	84	NIL
National Rivers Authority	453	452
	<u>8.657</u>	<u>9.135</u>

10. Operating Leases

The following table illustrates future obligations in respect of operating leases:-

	Paid 1998/99 £'000	1999/00 £'000	2000/01 £'000	2001/02 £'000	2002/03 £'000
Vehicles	461	357	228	0	0
Education Equipment	230	213	206	144	93
Total	691	570	434	144	93

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 with the exception of borrowing approvals granted for LGR purposes).

For 1998/99 these limits have been calculated as follows: -

	Credit Ceiling £'000	Minimum Revenue Provision £'000
Housing Revenue Account	130,946	2,619
General Fund	171,358	7,529
Less commutation		-3,640
		6,508

In addition, the council is allowed to deduct the commutation adjustment from these figures. This reflects an adjustment required to compensate Local Authorities for the timing effects of the premature repayment by the National Assembly for Wales of Housing Improvement Grants.

12. Asset Management Revenue Account

The Asset Management Account bears the depreciation charge and external financing costs and recharges users of assets including DSO stocks 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. These amounts are charged to the Services Revenue accounts and credited to the AMRA.

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 1998/99 are summarised below: -

Asset Management Account	
	£'000
Depreciation	373
External Interest	21,636
TOTAL DEBIT	22,009
HRA Item 8 Credits	12,991
Capital Charges	
Interest	25,156
Depreciation	373
TOTAL CREDIT	38,520
NET CREDIT	16,511

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

	£'000
Minimum Revenue Provision (Note 11, Page 16)	6,508
Less Depreciation Charges	(373)
Total Debit	6,135
Deferred Charge (Note 2, Page 23) (excl.HRA)	(19,600)
Total Contribution from Capital Financing	(13,465)

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 1998/99 was calculated to be £68,134.58 (compared with £67,528.79 in respect of 1997/98). 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	1997/98 £'000	1998/99 £'000
Council tax collected	38,877	42,732
Council tax reduction grant collected	5,511	12,217
	44,388	54,949
Less payable		
South Wales Police Authority	(3,324)	(3,832)
Community Councils	(904)	(899)
	40,160	50,218

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 1998/99 was 42.9p (41.4p in respect of 1997/98).

The total rateable value at the 31st March 1999 was £82,338,055 (£82,369,426 as at 31st March 1998).

The Council is responsible for collecting these business rates in its area, but pays the proceeds into the NNDR Pool administered by the National Assembly for Wales. The National Assembly for Wales 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 1998/99 amounted to £29.9 million and the contribution back to the Council from the Pool in the year amounted to £44.1m.

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 1998/99, arrears were reduced by cash received of £9k and write-offs against the provision for bad debts of £21k. Small adjustments in relation to community charge indebtedness amounting to £208 was charged to the Consolidated Revenue Account in 1998/99.

17. Related Party Transactions

In accordance with FRS 8, the Authority has a duty to disclose any material transactions with a 'related party'. This will ensure that financial statements contain disclosures necessary 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.

During the financial year ended 31 March 1999, the Authority did not enter into any transactions, which would require disclosure under the requirements of FRS 8.

Consolidated Balance Sheet as at 31st March 1999

31/03/98 £'000		£'000	31/03/99 £'000
	Fixed Assets		
	<u>Operational Assets</u>		
212,261	Council Dwellings	166,524	
187,177	Other Land & Buildings	267,994	
3,930	Vehicles, Plant & Equipment	4,414	
195,688	Infrastructure Assets	208,359	
1,802	Community Assets	2,113	
	<u>Non Operational Assets</u>		
713	Land Awaiting Development	713	
4,227	Miscellaneous Properties	4,227	
2,050	Surplus Assets	1,385	655,729
607,848			
3,963	Investment in Companies	4,463	
12,621	Long Term Debtors	11,022	15,485
624,432	TOTAL LONG TERM ASSETS		671,214
	<u>Current Assets</u>		
1,623	Stocks & Work in Progress	986	
33,494	Debtors	46,470	
28,253	Short Term Investments	28,843	76,299
687,802	TOTAL ASSETS		747,513
	<u>Current Liabilities</u>		
(27,494)	Short Term Borrowing	(19,689)	
(66,169)	Creditors	(68,502)	
(9,232)	Bank Overdraft	(3,648)	(91,839)
584,907	TOTAL ASSETS LESS CURRENT LIABILITIES		655,674
	<u>Long Term Liabilities</u>		
(230,512)	Long Term Borrowing	(274,358)	
(1,732)	Deferred Liabilities	(1,804)	
(13,830)	Provisions	(14,529)	(290,691)
338,833	TOTAL ASSETS LESS LIABILITIES		364,983
	<u>Represented by :-</u>		
	<u>Capital Reserves</u>		
(280,423)	Revaluation Reserve	(294,373)	
(39,015)	Capital Financing Reserve	(57,447)	
(4,167)	Deferred Capital Receipts Reserve	(3,731)	
(381)	Usable Capital Receipts Reserve	(2,875)	(358,426)
(323,986)			
	<u>Revenue Reserves</u>		
(1,724)	General Fund Balances	1,086	
73	Housing Revenue A/C	(1,843)	
(4,733)	Delegated Schools	(4,703)	
(7,870)	Earmarked Reserves	(455)	
(343)	Special Funds	(401)	
(250)	Trust Funds	(241)	(6,557)
(338,833)	TOTAL EQUITY		(364,983)

Notes to the Consolidated Balance Sheet

1.0 Fixed Assets

1.1 Movements in Fixed Assets

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

	Balance 01/04/98	Additions 1998/99	Disposals 1998/99	Revaluation Reclassification 1998/99	Deprec'n 1998/99	Balance 31/03/99
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Assets						
Council dwellings	212,261		(2,086)	(43,651)		166,524
Other land & bldgs	187,177	4,385	(3,680)	80,112		267,994
Vehicles, plant, equip't	3,930	857			(373)	4,414
Infrastructure	195,688	11,983		688		208,359
Community assets	1,802			311		2,113
Non Operational Assets						
Land awaiting development	713					713
Miscellaneous properties	4,227					4,227
Surplus assets	2,050			(665)		1,385
Total	607,848	17,225	(5,766)	36,795	(373)	655,729

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

Funding Source	£'000
Borrowing Approvals	6,573
Capital Grants	6,295
Council Funds	3,787
Other Contributions	570
Total Funding	17,225

1.2 Major Items of Capital Expenditure 1998/99

As can be seen from note 1.1, additions to fixed assets during the year totalled £17.2m. In addition to the £12m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed below: -

Tonyrefail Sports Hall	£1,080k
Cwmbach Junior School	£1,089k
Penpych Primary	£1,695k

1.3 Capital Commitments

As at 31st March 1999, the Council was committed to capital works under contract to the value of £1.4m.

The major commitments included in this are listed below :-

	£'000
Penpych Primary School	498
Llwyncrwn (Replacement) Primary	944

1.4 **Analysis of Fixed Assets at 31st March 1999**

The main types and numbers of Fixed Assets held are summarised below: -

Asset type	31/03/99
Council dwellings	13,677
Municipal offices	100
Schools - Nursery	8
- Primary	136
- Secondary	19
- Special	4
Libraries	30
Mobile Library	5
Homes for the elderly	13
Children's homes	3
Day centres	37
Garden Centre	1
Depots and stores	15
Leisure centres/pools	13
Parks/play areas	345
Community centres	44
Cemeteries/crematoria	15
Factory units	170
Large vehicles	93
Medium/small vehicles	318
Infrastructure:-	
Principal roads	161.6 km
Other roads	2,234.4 km
Trunk roads	29.00 km

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.

	Date of last valuation	Basis of valuation
Council dwellings	1998/99	OMVEU
Other land & buildings	1998/99	OMVEU
Specialist Building	1998/99	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 1998/99 identified that it would be prudent to amortise this expenditure in total within the financial year. This has been actioned during 1998/99 as follows:-

	£'000
Planning	204
Economic Development	24
Finance	135
Housing (General Fund)	9,794
Environmental Services	20
Policy	9,423
Deferred Charges released from Capital Financing Reserve	19,600
Housing (HRA)	4,012
Total Deferred Charges	23,612

3.0 Other Long Term Assets

3.1 Investments in Companies

This represents investments in associated or subsidiary companies of the Authority. The following investments are held at 31st March 1999:-

	£'000
Rhondda Waste Disposal	1,657
Cynon Valley Waste Disposal	<u>2,806</u>
Total	<u>4,463</u>

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

3.2 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 31/03/98		Balance 31/03/99
£'000		£'000
2,945	Private mortgages	2,465
4,001	Council house mortgages	3,536
5,492	Other local authorities	4,897
183	Other advances	124
12,621	TOTAL	11,022

4.0 Stocks and Work in Progress

These are consumable stocks held at 31st March 1999 to be used in 1998/99.

Balance 31/03/98		Balance 31/03/99
£'000		£'000
1,234	Stocks	1,004
389	Work in progress	(18)
1,623	Total	986

5.0 Debtors

This represents amounts due to the Council at 31st March 1999, less a provision for potentially uncollectable debts, analysed as follows: -

Balance 31/03/98		Balance 31/03/99
£'000		£'000
8,660	Government departments	11,364
6,867	Ratepayers/ chargepayers	6,667
1,291	Housing rents	1,621
19,885	Sundry debtors	30,089
341	Housing advances	236
37,044		49,977
(4,432)	Less provision for doubtful debt	(4,233)
32,612		45,744
882	Amounts due after one year:- Car loans to employees	726
33,494	TOTAL DEBTORS	46,470

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 31/03/99 was £28.8m compared with £28.3m at 31/03/98.

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 31/03/99 is £19.7m.

8.0 Creditors

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

Balance 31/03/98		Balance 31/03/99
£'000		£'000
3,121	Government departments	5,009
1,022	Ratepayers / chargepayers	1,149
220	Housing rents	209
179	Housing advances	176
48,020	Sundry creditors	48,607
13,606	MGCC Realisation a/c	13,352
66,168	TOTAL CREDITORS	68,502

The MGCC Realisation account relates to balances due to other authorities from the winding up of the affairs of the former Mid Glamorgan County Council.

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 £3.6m 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 (£294m). Generally borrowing is from the Public Works Loan Board (£288m) and market loans (£6m).

PWLB Balances at 31/03/99 may be analysed as follows :-

Source	Balance 31/03/98	Balance 31/03/99
	£'000	£'000
PWLB	249,881	288,145
<u>Analysis by maturity date</u>		
Within one year	26,438	19,689
One to two years	19,689	23,237
Two to five years	53,003	45,175
Five to ten years	63,714	58,746
More than ten years	87,037	141,298
	249,881	288,145

Amounts due within one year (£19.7m) are classified as Short Term Borrowing within the 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 together with any outstanding obligations of finance lease arrangements.

This may be analysed as follows: -

Liability	Amount outstanding 31/03/98	Amount outstanding 31/03/99
	£'000	£'000
Vale of Glamorgan	1,164	1,122
Caerphilly	568	557
Finance Leases	0	125
Total	1,732	1,804

12.0 Provisions

Provisions are amounts set-aside for specific future liabilities, 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: -

Provision	Amount
	£'000
ERDF Claims	752
Works in Default	582
Private Street Works	200
Welsh Water	147
Insurance	12,848
Total	14,529

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 itself.

The insurance provision provides for outstanding claims amounting to £12.9m as at 31/03/99.

	RCT element	Other authorities	Total
MGCC o/s claims	£2.2m	£3.7m	£5.9m
RCT o/s claims	£7.0m		£7.0m
	£9.2m	£3.7m	£12.9m

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

14.0 Capital Financing Reserve

This balance of £57.4m is represented by an amount of £34.6m, which is the reserved proportion of capital receipts, and £22.8m relating to capital financing transactions.

15.0 Movements in the Provision for Credit Liabilities

	£'000
Balance at 1 st April 1998	Nil
Receipts set aside 1998/99	(2,162)
Capital Grants from European Union Institutions	(1,631)
Minimum Revenue Provision	(6,508)
Less Repayment of External Debt	10,301
Balance at 31 st March 1999	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: -

	Balance 01/04/98	Movements 1998/99	Balance 31/03/99
	£'000	£'000	£'000
Deferred Receipts	4,003	(465)	3,538
Debt Rescheduling	164	29	193
Total	4,167	(436)	3,731

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 1998 of £4.003m was reduced by repayments of £465k, leaving a balance at 31st March 1999 of £3.538m. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available.

The second element, debt rescheduling, relates 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 £193k 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 £'000	Usable £'000	Reserved £'000
Balance b/f 01/04/98	32,842	381	32,461
In year receipts	6,660	4,498	2,162
Capital financing 1998/99	(2,004)	(2,004)	
Balance c/f 31/03/99	37,498	2,875	34,623

18.0 Earmarked Reserves / Committee Balances

Earmarked reserves are amounts set aside from revenue reserves in 1998/99 to meet commitments which will be incurred in 1999/00. Committee earmarked balances are in-year underspend amounts approved by members to be carried forward into 1999/00. It was agreed by the Council's Finance Committee on 30th September 1998 that up to a maximum of 2.5% of a committee's controllable budget may be carried forward into 1999/00.

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: -

	31/03/98 £'000	31/03/99 £'000
Committee earmarked balances	7,870	455
Delegated school budgets	4,733	4,703
Total	12,603	5,158

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 £'000	HRA £'000	Total £'000
Balances 01/04/98	1,724	(73)	1,651
Use of balances	(5,112)	1,916	(3,196)
Transfers between Reserves	2,302		2,302
Balances 31/03/99	(1,086)	1,843	757

20.0 Trust Funds and Special Funds

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

	31/03/98 £'000	31/03/99 £'000
<u>Special Funds</u>		
Home Finders Scheme	172	171
Seed Fund Recycle Payments	118	118
Others	53	112
	343	401
<u>Trust Funds</u>		
Ynysyngharad Park	58	68
Hirwaun Common Enclosure	89	89
Rhondda Heritage Park	93	73
Others	10	11
	250	241

The Council also acts as trustees for various Education and Social Services Trust Funds plus the Welsh Church Act Fund. Separate accounts are maintained for these and balances held at 31st March 1999 are not included in the Council's Consolidated Balance Sheet.

Nature of Fund	Balance 31/03/98 £'000	Balance 31/03/99 £'000
Education Trust Fund	242	251
Welsh Church Act	8,066	7,810

The Welsh Church Act Fund balance will change following agreement of the disaggregation position with Monmouth Unitary Authority.

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 31/03/99 is £365m.

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

	31/03/98 £m	31/03/99 £m
General Fund	338.9	363.2
Housing Revenue Account	(0.1)	1.8
Total	338.8	365

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 principal activity is the disposal of waste. The council has a 100% interest in the company of £1,657k. Rhondda Waste Disposal went into liquidation during the year ending 31st March 1999, the final accounts for which are in the process of being prepared by the administrators. The accounts are not yet available and it may be necessary to subsequently write down the value of the investment held.

Shareholding:	N/A
Net Current Assets	N/A
Total Assets less Current Liabilities	N/A
NET ASSETS	N/A
Results of Operations	Retained loss for the financial year transferred from reserves

Location of accounts N/A

Audit Opinion N/A

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 principal activity of the company is providing facilities for tipping of waste. The council has a 100% interest in the company of £2,806,000. Accounts are prepared for the year ending 31st May 1999.

Shareholding:	£2,806,000
Net Current Assets	£888,963
Total Assets less Current Liabilities	£4,376,537
NET ASSETS	£3,615,614
Results of Operations	Loss on ordinary activities after taxation and dividends retained for the year £4,989

Location of accounts Registered Office
Bryn Pica Landfill Site
Llwydcoed
Aberdare
CF44 OBX

Audit Opinion True and fair view (Khan Thomas & Shankland)

During the financial year, the Authority has recognised income of £146k

relating to royalties paid by Cynon Valley Waste Disposal.

On 23rd September 1999, the landfill site known as Nant-y-Gwyddon was acquired from the receiver for £50,000. The Authority has agreed to help finance the remedial work needed with a ring fenced grant of £910k.

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. The principal activity of the company is to operate a regional centre of excellence in the field of contemporary craft and design. Accounts are prepared for the year ending 31st March 1999.

Shareholding:	Nil (No directors hold any shares as the company is limited by guarantee)
Net Current Assets	£149,072
NET ASSETS	£154,484
Results of operations	Retained profit transferred to reserves (£14,220).
Location of accounts	Registered Office Municipal Offices Llewellyn Street Pentre Mid Glamorgan.
Audit Opinion	True & Fair View (Mace & Partners).

23.0 Contingent Liabilities

23.1 ERDF Claims

Rhondda Cynon Taff C.B.C. and its predecessor Authorities were successful in securing European Regional Development Funding (ERDF). This funding resulted in the payment of grants up to a maximum of 50% for project costs covering industrial and community development as well as industrial and land regeneration. These grants are administered by the Welsh European Funding Office.

At the time of Local Government Reorganisation approximately 60 schemes had been approved, with a total grant element of approximately £20.67million. A material number of these ERDF schemes are now in the process of being audited. In some cases the Authority has been unable to provide prime documentation to the District Auditor for items of eligible spend, mainly due to the difficulties experienced by the Authority during Local Government Reorganisation, consequently a number of the claims have been qualified by the auditor.

Due to the possible recoupment by the Welsh European Funding Office of an element of these ERDF grants, a provision of £752k has been set up in the 1998/99 accounts. This is based on an assessment by officers, of the claims outstanding and the significance of the issues connected with them on a claim by claim basis. To the best of the Authority's knowledge and taking into account the information currently available, the provision of £752k will be sufficient. However, until initial indications have been received from the Welsh European Funding Office as to how they plan to treat these qualified claims, the full scale of the likely provision required for repayment of grant is not known.

Therefore until the exercise is completed and further indications are received, there is still a degree of risk around these claims and the potential for the repayment of an as yet unquantifiable amount of ERDF grant, which could be lower or higher than the £752k provided in this Statement of Accounts.

The Authority is liaising closely with the District Auditor and the Welsh European Funding Office to bring this matter to a close as soon as possible.

23.2 Land Reclamation

Land Reclamation grants are payable at a grant rate of 100% on eligible expenditure on schemes approved by the Welsh Development Agency. At the time of Local Government Reorganisation approximately 57 schemes had been approved, with a total grant element of approximately £53.28 million.

A material number of these Land Reclamation Schemes now require auditing, although the number of claims to be audited has yet to be agreed with the Welsh Development Agency. A provision of £856k has been set up in connection with Land Reclamation Grants in the 1998/99 accounts to cover the possible recoupment of an element of these grants, based on an assessment of risk associated with each claim.

A significant amount of work is required to get these Land Reclamation Schemes into a position where they can be audited and then to investigate any issues the audit process identifies. Whilst Rhondda Cynon Taff C.B.C. has commenced the process of reviewing its balances and the judgement of the Authority based on initial indications and the best information currently available, is that the provision set aside is more than sufficient, there still remains a degree of uncertainty around these balances.

The Authority is liaising closely with the District Auditor and the Welsh Development Agency to bring this matter to a close as soon as possible.

24.0 Post Balance Sheet Events

One of the Council's Local Authority Controlled Companies, Rhondda Waste Disposal Limited went into administration on the 21st January 1999. As a result of this, at the financial year end the company was being administered by Clark and Lowman. The accounts for 1998/99 together with any financial effect of these events on the Authority have yet to be finalised.

Amgen Rhondda Ltd has subsequently been formed with an undertaking from the Authority to provide up to £0.9m towards works costs. To date (Jan 2001), £0.8m of this share capital has been released.

Local Government Reorganisation on the 1st April 1996 resulted in the debts and liabilities of the former Mid Glamorgan County Council passing to the successor new unitary authorities. Since this date a number of possible Post

Balance Sheet Events relating to Mid Glamorgan County Council have been identified. The Section 56 agreement between unitary Authorities has yet to be signed, however this will include a mechanism for dealing with Post Balance Sheet Events.

A claim has been lodged by a number of Trade Unions in respect of reduced mileage rates imposed for a period of time under the former Mid Glamorgan County Council. As such a potential liability exists, however the financial outcome of this is not yet known.

Litigation in defence of claims brought by Landare Investments Ltd may result in a financial liability to meet potential legal costs and any damages awarded by the court. However the likely outcome of this case is not yet known.

25.0 Statement of Total Movements in Reserves

Capital Reserves					
	Fixed Asset Restatement Reserve £'000	Capital Financing Reserve £'000	Deferred Cap Rec Reserve £'000	Usable Capital Receipts £'000	Total £'000
Balance as at 1 st April 1998	(280,423)	(39,015)	(4,167)	(381)	(323,986)
Disposals in year	5,767				5,767
Received in year				(4,498)	(4,498)
Capital Expenditure on Non Enhancing Assets	17,082				17,082
Movements in year	(36,799)		436		(36,363)
Capital financing		(18,432)		2,004	(16,428)
Balance as at 31st March 1999	(294,373)	(57,447)	(3,731)	(2,875)	(358,426)

Notes to Capital Reserves 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 the current capital accounting regime.

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 £'000	Delegated Schools £'000	Housing Revenue £'000	Specific Reserves £'000	Total £'000
Balance as at 1st April 1998	1,724	4,733	(73)	7,870	14,254
Contributions to Revenue	(5,112)	(30)		(5,113)	(10,255)
Contributions from Revenue			1,916		1,916
Movements between reserves	2,302			(2,302)	0
Balance as at 31st March 1999	(1,086)	4,703	1,843	455	5,915

Cashflow Statement 1998/99

1997/98 £m		1998/99	
		£m	£m
	<u>Revenue activities</u>		
	<u>Cash Outflows</u>		
181.2	Cash paid to and on behalf of employees	188.2	
122.6	Other operating cash payments	134.4	
38.4	Housing benefit paid out	37.4	
26.9	National Non-Domestic Rate payments to national pool	29.9	
4.2	Precepts paid	4.7	394.6
	<u>Cash Inflows</u>		
(9.5)	Rents (after rebates)	(12.8)	
(38.9)	Council tax	(42.7)	
(42.0)	National Non-Domestic Rate receipts to national pool	(44.1)	
(26.9)	Non-domestic rate receipts	(29.9)	
(151.1)	Revenue support grant	(147.2)	
(18.0)	DSS grants for benefits	(18.6)	
(33.5)	Other government grants	(34.6)	
(57.0)	Cash received for goods and services	(53.4)	
(21.0)	Other operating cash receipts	(26.6)	(409.9)
(24.6)	Net Cash Inflow from Revenue Activities		(15.3)
	<u>Servicing of finance</u>		
20.9	Interest paid	20.8	
(2.6)	Interest received	(1.3)	19.5
	<u>Capital activities</u>		
	<u>Cash Outflows</u>		
59.0	Purchase of fixed assets	58.3	
nil	Purchase of long term investments	0.6	58.9
	<u>Cash Inflows</u>		
(5.2)	Sale of fixed assets	(8.3)	
(3.5)	Repayments of investments	nil	
(19.5)	Capital grants received	(20.9)	
(3.9)	Other capital cash receipts	(4.1)	(33.3)
20.6	Net cash outflow before financing		29.8
	<u>Financing</u>		
	<u>Cash Outflows</u>		
42.5	Repayments of amounts borrowed	41.1	
	<u>Cash Inflows</u>		
(58.3)	New loans raised	(77.1)	(36.0)
4.8	(Increase)/decrease in cash & equivalents		(6.2)

Notes to the Cash Flow Statement

1.0 Reconciliation of Consolidated Revenue Account to Cash flow

1997/98 £m		1998/99 £m
Nil	Consolidated revenue A/C (surplus) / deficit	Nil
(6.2)	Depreciation/MRP adjustment	(6.2)
4.6	Net transfers from reserves	3.4
1.5	(Increase)/Decrease in creditors	(2.0)
(6.5)	Increase/(Decrease) in debtors	9.6
0.3	Increase/(Decrease) in stocks	(0.6)
(18.3)	Financing items	(19.5)
(24.6)	Cash inflow from revenue items	(15.3)

2.0 Movements in Cash and Cash Equivalents

This can be derived from the consolidated balance sheet (page 20) as follows:-

	Balances		Movement in year
	01/04/98	31/03/99	
	£m	£m	£m
Bank balance (o/d)	(9.2)	(3.6)	5.6
S/term investments	28.2	28.8	0.6
Movement	19.0	25.2	6.2

3.0 Net Financing 1998/99

The net increase in financing of £36.0m 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 20:-

	31/03/98 £m	31/03/99 £m	Movement £m
Long term borrowing	230.5	274.4	(43.9)
Short term borrowing	27.5	19.6	7.9
	258.0	294.0	36.0

4.0 **Government Grants**

Government grants shown in the statement are analysed below:-

1997/98 £m		1998/99 £m
	<u>Revenue</u>	
20.0	Housing Subsidy	18.4
5.2	Mandatory Awards	7.2
1.3	GEST	2.1
7.0	Other	6.9
33.5		34.6
	<u>Capital</u>	
12.3	Improvement Grants	11.3
2.8	SDS	3.6
2.1	Transport Grant	2.6
0.8	WDA (Land Reclamation) and other grants	3.4
1.5	ERDF	n/a
19.5		20.9

Housing Revenue Account

	1997/98 £'000	1998/99 £'000
INCOME		
Dwelling rents (gross)	25,735	25,741
Non Dwelling rents (gross)	330	335
Charges for services and facilities	358	499
Contribution towards expenditure		
Housing Revenue Account subsidy receivable	20,100	18,546
Mortgage interest	406	731
Transfer from General Fund	345	273
Total Income	47,274	46,125
EXPENDITURE		
Repairs and Maintenance	10,261	6,088
Supervision and Management	6,330	6,178
Rents, rates, taxes and other charges	46	69
Rent Rebates	19,357	18,703
Capital financing costs	13,300	13,171
Total Expenditure	49,294	44,209
Change in reserve balance for the year	(2,020)	1,916
Balance on Reserve B/Fwd	1,947	(73)
Surplus/(Deficit) on HRA Reserves C/Fwd	(73)	1,843

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 93.58% of properties were available for letting. Average rents during the year were £38.17 in 1998/99, an increase of £1.22 or 3.3% over the previous year's net rent of £36.95.

2. Housing Benefits

Assistance with rent is available under the housing benefits scheme for those on low income. Over 67.6% 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 £18.7m (£19.3m in 1997/98). This is substantially reimbursed by the government through housing subsidy of £18.5m (£20.1m in 1997/98).

4. Housing Stock

The average number of dwellings in Council House stock during 1998/99 was 13,677.

Type	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	Flats	Total
Bungalow	151	106	14	0	0	271
Bedsit	206	0	0	0	0	206
Caravan	7	0	0	0	0	7
Flat	2173	1989	200	0	1	4363
House	99	1882	6699	150	0	8830
Total	2636	3977	6913	150	1	13,677

5. Rent Arrears

The amount of rent arrears for 1998/99 was £1.631m (£1.263m in 1997/98) and the aggregate provision for bad debts was £403k (£303k in 1997/98)

DSO Summary Accounts 1998/99

1. During 1998/99, 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 1998/99 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 1998/99, 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. 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.

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

Competition Services Direct Service Organisations Revenue Accounts Summary

Activity	Expenditure £'000	Income £'000	Profit (Loss) £'000
Building Maintenance	13,749	10,561	(3,188)
Highways	6,410	6,111	(299)
Refuse Collection	3,363	2,630	(733)
Street Cleansing	2,136	2,236	100
Catering	7,003	6,755	(248)
Grounds Maintenance	4,699	4,322	(377)
Building Cleaning	1,301	1,170	(131)
Vehicle Maintenance	1,679	1,477	(202)
Sub Total	40,340	35,262	(5,078)
Leisure DSO	6,319	6,354	35
Total	46,659	41,616	(5,043)

Note: Leisure Management Figures stated pre profit share

7. 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.
8. In the financial year 1998/99 Building Maintenance, Building Cleaning, Grounds Maintenance, Highways, Refuse Collection, Catering and Vehicle Maintenance failed to meet their targets whilst Street Cleansing and Leisure Management achieved theirs by earning a profit.
9. Past profits earned by the blue collar DLO's were brought into the Council's general reserves on 01/04/96, in accordance with Council policy. The net loss of £5,077,307 has, therefore, been written off against the Council's general reserves in 1998/99.
10. Surpluses on the Leisure Services DSO have been credited to earmarked reserves in accordance with Council policy.
11. During the course of 1998/99, 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.

Summary Of Redundancy Costs 1998/9

Service	Redundancy £
Building Maintenance	198,891
Highways	7,126
Building Cleaning	29,153
TOTAL	235,170

Pension Fund Accounts

Report of the Trustees

1.0 The Fund

The Rhondda Cynon Taff County Borough Council Pension Fund was established under the Local Government Pension Scheme (Local Government Reorganisation in Wales) Regulations, 1995 to provide pension benefits for employees of Rhondda Cynon Taff, Bridgend and Merthyr unitary authorities, along with employees of over 35 smaller bodies participating in the Fund.

2.0 Investment Strategy

Investment strategy is considered and agreed by a panel consisting of the Chairman and Vice-Chairman of the County Borough Council's Finance Committee, the Director of Finance and IT and three "City" investment managers. The Panel meets quarterly to determine policy in the light of market movements and economic indicators. The actual day-to-day investment management of the Fund (excluding the Far East portfolio) is carried out by three balanced Fund Managers :

- Morgan Grenfell Investment Management
- M & G
- Foreign and Colonial Management Ltd.

3.0 Administration of the Fund

The Rhondda Cynon Taff Pensions section holds responsibility for the interpretation of all 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.

The following noteworthy amendments have been made since last year :

- the 1999 Miscellaneous Provisions Regulations introduced three amendments to the provision of ill-health retirement benefits :
 - the criteria for entitlement to ill-health retirement are amended and the concept of "comparable employment" is introduced
 - the permanency test is clarified as applying up to age 65
 - the Regulations define the qualifications required of an independent medical practitioner for the purpose of ill-health retirement decisions
- the Discretionary Payments Regulations 1999 introduced the requirement for an employing authority to formulate and publish a policy statement on how it intends to exercise its discretionary powers to pay compensation for early retirements under Parts II, III and IV of the 1996 Regulations.

The Pension Section continues to make advances in the area of computer technology, upgrading the "CLASS CPX" computerised administration system to include a 'Document Image Processing System' (DIP) which allows for the storage and access of some 50,000 files via the computer. In addition, a 'Task Management System' has been installed, providing the ability to monitor workflow more closely. Overall, the level of efficiency is improved by increased automation and a reduction in the dependence on paper files.

Pension Fund

Fund Account

1997/98		1998/99		
£'000	<u>CONTRIBUTIONS & BENEFITS</u>	£'000	£'000	£'000
	CONTRIBUTIONS RECEIVABLE			
(26,237)	From employers	(27,771)		
(12,113)	From employees	(11,347)		
(3,649)	TRANSFERS IN		(39,118)	
	OTHER INCOME		(7,163)	
(870)	Reimbursements re former GCC	(843)		
(780)	Other reimbursements	(746)		
9	Other income	3		
			(1,586)	
	BENEFITS PAYABLE			(47,867)
41,739	Pensions	43,797		
5,381	Lump sums	6,509		
			50,306	
	PAYMENTS TO LEAVERS			
267	Refunds	244		
4,209	Transfers out	29,981		
			30,225	
	ADMIN EXPENSES			
2,410	Investment	2,438		
857	Administration	677		
3	Other	61		
			3,176	
11,226	NET WITHDRAWAL FROM FUND			83,707
				35,840
	RETURNS ON INVESTMENTS			
26,531	Investment income		24,962	
22,178	Realisation of investments		51,536	
102,533	Change in mkt value of investments		(14,129)	
(1,419)	Investment management expenses		(1,094)	
149,823				61,275
138,597	NET INCREASE IN FUND IN YEAR			25,435
666,704	OPENING NET ASSETS			805,301
805,301	CLOSING NET ASSETS, 1998/99			830,736

Pension Fund

Net Assets Statement

31/03/98		31/03/99	
£'000		£'000	£'000
	INVESTMENT ASSETS		
	FIXED INTEREST SECURITIES		
51,071	UK	70,082	
10,995	Foreign	17,388	
			87,470
	EQUITIES		
438,089	UK	442,185	
148,120	Foreign	145,510	
			587,695
	UNIT TRUSTS		
28,675	Unit Trusts	27,790	
1,889	Investment Trusts	885	
			28,675
22,323	PROPERTY UNIT TRUSTS		19,931
	OTHER INVESTMENTS		
24,630	UK Bonds	40,206	
26,216	International Bonds	32,323	
			72,529
752,008			796,300
	NET CURRENT ASSETS & LIABILITIES		
74,080	Current Assets : short term investments	55,704	
19,187	Current Assets : debtors	14,146	
8,689	Current Assets : cash in hand	714	
			70,564
(50,308)	Current Liabilities : creditors	(18,302)	
1,645	Current Liabilities : amounts due to RCT	(6,826)	
			(25,128)
	Long-term Liabilities : creditors		(11,000)
805,301	TOTAL ASSETS		830,736
The market value of long term investments quoted is at 31 st March of the appropriate year.			

Note : Due to the revised accounting requirements set out in the "Code of Practice on Local Authority Accounting in Great Britain 1998 : A Statement of Recommended Practice", the information contained in the Net Assets Statement has been set out in more detail than was required in previous years.

Notes to Pension Fund Accounts

1. Introduction

The Accounts summarise the transactions and net assets of the Pension Fund, and comply in all material respects with Statement of Recommended Practice No. 1 (SORP1), Pension Scheme Accounts. They do not take account of liabilities to pay pensions and other benefits in future. The actuarial position, which does take account of such liabilities, is set out in Note 2 below, and these accounts should be read in conjunction with it.

The Accounts have been prepared on an accruals basis except for income from venture funds and overseas investments. Transfer values are only accrued where agreed with the fund concerned by 31st March and the transfer has not been paid or received.

2. Actuarial Position

An actuarial valuation of the Fund was carried out as at 31st March 1998. The market value of the Fund's assets at the valuation date was £795.4 million, representing 79% of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows :

Rate of return on investments	7½ % per annum
Rate of general pay increases	5¼ % per annum
Rate of increases to pensions in payment (in excess of GMP's)	3½ % per annum

Valuation of assets : discounted value of future income assuming that the part of the assets notionally reinvested in FTA All-share Index will achieve 4½ % per annum dividend growth.

This valuation showed that the required level of contributions for the Fund as a whole with effect from 1st April, 1999 was 300% of members' contributions. The required level of contributions found to be payable by the participating Unitary Authorities with effect from the same date are set out below :

	Year Ended 31/03/00
	%
Bridgend County Borough Council	295
Rhondda Cynon Taff County Borough Council	305
Merthyr County Borough Council	335

N.B. Other bodies comprise Welsh Joint Education Committee, Llantrisant Community Council, Llantwit Fardre Community Council, Pontypridd Town Council, Tonyrefail Community Council, Llanbradach Community Council, Pontyclun Community Council, Gelligaer Community Council,

Bridgend Town Council, Llanharry Community Council, Probation, Local Government Management Board (Welsh Region), South Wales Sea Fisheries Committee, Llwydcoed Crematorium Joint Committee, Mid Glamorgan Crematorium Joint Committee, Merthyr Tydfil Institute for the Blind, Council of Museums in Wales, Mid and South Glamorgan Joint Valuation and Community Charge Tribunal, South East Wales Arts' Association, Arts Council for Wales, South Wales Police Authority, South Wales Fire Authority (civilians only), Welsh Development Agency, Cynon Valley LAWDC, Rhondda Waste Disposal Ltd, Mid Glamorgan Careers Ltd, University of Glamorgan and the Colleges of Further Education, ESIS and ACADEMI.

These rates of contribution are rates which, in addition to the contributions paid by the members, are sufficient to meet :

- (a) 100% of the liabilities arising in respect of service after the valuation date;
- (b) plus an adjustment over a period equal to the average future working life of the employed members to reflect the shortfall of the value of each participating employers' notional share of the fund's assets over 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.

The rates of contribution paid by the Unitary Authorities over the years 1997/98 and 1998/99 were :

	Year Ended 31/03/98	Year Ended 31/03/99
	%	%
Bridgend County Borough Council	213	246
Rhondda Cynon Taff County Borough Council	230	265
Merthyr County Borough Council	243	276

For Bridgend County Borough Council, the required increase in contribution rate for 1999/2000 compared to those in payment over 1998/99 is being phased-in over the next two years.

The next actuarial valuation is due at 31st March 2001 and any change in contribution rates as a result of that valuation will take effect from 1st April 2002.

3. Employer's Contributions

Employers' contribution rates are determined by the Fund's actuaries so as to maintain the fund in a state of solvency, having regard to existing and prospective liabilities. Valuations of the Fund's assets and liabilities for this purpose are currently carried out every three years, the last was at 31st March 1998.

Employers' contribution rates have been revised with effect from 1st April 1999, to reflect the revaluation of the Fund as at 31st March 1998 and all the future liabilities.

4. Employees' Contributions

Employee contribution rates are 5% for manual workers and 6% for other staff up to 31st March, 1998. Thereafter, a 6% contribution rate is required for all new starters.

5. Taxation**(a) UK Income and Capital Gains Taxes**

From 1st July 1997, the Fund has been liable to income tax on interest and dividends. Investment income is therefore shown net. No Capital Gains Tax is chargeable.

There is a liability to income tax on compounded pensions (these are small pensions converted into lump sums). The rate is 20%, and the liability minimal.

(b) Value Added Tax

Since the County Borough Council is the administering authority, VAT is recoverable on all Fund activities. The accounts are shown exclusive of VAT.

(c) Overseas Withholding Tax

The Fund is exempt from tax on US investment income. Most other overseas investment income suffers withholding tax in the country of origin. Irrecoverable tax is netted off against income.

6. Realised Profits/Losses on sale of investments

A net profit of £51.5 million accrued to the Fund on the sale of investments in 1998/99 :

1997/98		1998/99	
£'000 Profit	£'000 Loss	£'000 Profit	£'000 Loss
59,395	37,217	71,683	20,147

(Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used).

Investment is related to the long-term stability of the Fund. For the year ending 31st March, 1999, the Fund obtained a return of 7.6% against a WM Local Authority Average of 8.0%. The Fund ranked in 57th place of all Funds measured.

7. Capital Commitments

At 31st March 1999, the Fund has commitments on part paid venture fund investments of £71,000.

8. Titles of Ownership

Certificates covering registered UK holdings are held by the Pension Fund's UK Custodian, Lloyds Bank Securities Services. Overseas holdings are held by overseas custodial agents of Lloyds Bank Securities Services and the Royal Bank of Scotland.

9. Investment at Market Value

Share values are based on mid market prices at 31st March 1999, supplied by EXTEL Financial and obtained by them from recognised Stock Exchanges. Unit Trust values, including Property Unit Trusts, are based on prices obtained from the Unit Trust Management Companies. Sterling values of overseas securities are based on closing exchange rates supplied by EXTEL Financial.

10. Change of Accounting Policy

The sale proceeds from investments have previously referred to the gross prior to related expenses, which have been reported separately.

11. Analysis of Investments

	1997/98		1998/99	
	£'000	£'000	£'000	£'000
Fixed Interest				
UK	51,071		70,082	
Foreign	10,995		17,389	
		62,066		87,471
UK Equities & Convertibles				
Quoted	468,653		470,859	
Unquoted	-		-	
		468,653		470,859
UK Property Unit Trusts				
UK Investment/Unit Trusts	22,323		19,931	
		22,323		19,931
Foreign Equities				
Quoted	148,120		145,510	
Unit Trusts	-		-	
		148,120		145,510
Bonds				
UK	24,630		40,206	
Foreign	26,216		32,323	
		50,846		72,529
Total Long-Term Investments		752,008		796,300
Cash/short term investments		82,769		56,418
Market Value of Investments		834,777		852,718

NB : "Bonds" includes overseas and UK fixed interest investments (in groups of companies). "Fixed interest" relates solely to investments in individual fixed interest stocks.

12. Details of Fund Managers

The Fund is managed by three balanced Fund Managers - M&G Investment Management, Morgan Grenfell Investment Management and Foreign and Colonial Management Ltd. These companies are UK registered. Details of the Fund Managers and the market value of investments held by them are detailed in the table below :

Fund Manager	Market Value at 31/03/99 £'000	Proportion of Fund %
M & G	356,753	44.80
Morgan Grenfell	359,429	45.14
Foreign and Colonial	59,464	7.47
Internally managed	20,654	2.59
	796,300	100.00

No single investment accounted for more than 10% of the Fund's assets.

The book value of investments at 31st March 1999 was £577.87 million (including short-term loans) with a market value of £218.43 million above costs.

13. Geographical Spread of the Fund

The Fund Managers invest in shares in a number of countries. The table below shows the value of shares held by the Fund Managers as at 31st March, 1999 :

	£'000	%
UK equities	470,859	55.22
Europe	77,980	9.15
North America	15,418	1.80
Far East	29,502	3.46
International Unit Trust	22,611	2.65
UK fixed interest	87,470	10.26
Bonds	72,529	8.51
Property Unit Trusts	19,931	2.33
	796,300	93.38
Cash	56,418	6.62
	852,718	100.00

14. Largest Share Holdings

The Fund Managers deal in vast quantities of shares during the year. The ten largest holdings for each Fund Manager as at 31st March, 1999 are :

	<u>Morgan Grenfell</u> £'000	<u>M & G</u> £'000	<u>Foreign & Colonial</u> £'000
Glaxo Wellcome	14,989	16,543	2,201
Shell Transport & Trading		9,592	971
Lloyds / TSB Group	8,058	8,665	693
Vodafone Group	7,629		
British Telecom	11,856	14,892	1,881
BP Amoco	12,566	11,787	1,806
Barclays	6,109		
Diageo			661
HSBC Holdings	6,883	7,672	947
Astra Zeneca	6,524		
BG		5,451	819
National Westminster		5,414	928
Inv Fd UK Small Cos Fund	10,074		
Smaller Coms Pooled Fund		15,565	
Unit Man UK Smaller			1,879
SmithKline Beecham	9,033	5,593	
	93,721	101,174	12,786

15. Contingencies

There is a contingent liability of £270k potentially refundable contributions for leavers in the past 5 years who have not yet claimed refunds.

16. Membership of the Fund

Fund membership at 31st March is as follows :

	1998	1999
Employing Bodies	37	38
Contributors	15,766	15,542
Pensioners	13,856	14,063
Deferred Beneficiaries	3,658	4,085

(a) Teachers

The sum of £1.528 million was paid out in pension payments relating to added years to teachers, together with the related increases. This sum is made up of the added years and related increases paid on behalf of the former Mid Glamorgan County Council, the colleges in the former Mid Glamorgan area and the unitary authorities of Rhondda Cynon Taff, Bridgend and Merthyr Tydfil. Employees contribute at a rate of 6%.

(b) Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Council's account in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The sum of £1.633 million was paid out in pensions payments relating to added years benefits awarded, together with the related increases. This sum is made up of payments made on behalf of all Fund members, including the former Mid Glamorgan County Council, former district councils in the Mid Glamorgan area, the Colleges of Further Education and the unitary authorities.

17. Purchases and Sales

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

<u>Quarter</u>	<u>Purchases</u> £'000	<u>Sales</u> £'000
June 1998	56,055	60,936
September 1998	93,786	97,238
December 1998	44,516	35,724
March 1999	76,899	64,819
	271,256	258,717

The figures in the table above are shown at their historic value throughout the year (that is, when the purchases and sales are made), whereas the Statement of Accounts shows investments at their market value at 31st March, 1999 (using valuation methods detailed in Note 9 above).

18. Statement on socially responsible investment

The Local Government Pension Scheme (Management and Investment of Funds)(Amendment) Regulations 1999 require administering authorities to include a statement on environmental and ethical investments from July 2000. For 1998/99, the Fund is not required to have such a policy.

At the present time, the Fund Managers agreements contain an instruction that the Managers should abstain from voting, but have a responsive policy on sensitive issues.

19. Contributions receivable and benefits payable

The Pension Fund is made up of a number of bodies, as identified in Note 2 to these accounts. These bodies can be divided into three categories - administering authority, admitted bodies and scheduled bodies. The contributions received and benefits paid, analysed between each category in 1998/99 is shown in the table below :

	Contributions made by employers	Pensions, lump sums and death benefits
	£	£
Administering	12,138,063	1,768,473
Admitted		2,433,807
Scheduled	15,632,577	46,104,026
	27,770,640	50,306,306

20. Administration Costs

The administration costs borne by the Pension Fund in 1998/99 are set out below :

	£
Investment Management	1,094,342
Investment	2,438,960
Administration	676,709
Other	60,787
	4,270,798

This represents 0.50% of the value of the Pension Fund as at 31st March, 1999.

21. Transfer of staff to Pension Fund administered by Torfaen County Borough Council

Upon Local Government Reorganisation in April 1996, the employees of the former Mid Glamorgan County Council who transferred to Caerphilly County Borough Council also transferred their pension rights to Torfaen County Borough Council (as the new administering authority for the Pension Fund for the new Caerphilly County Borough Council). This has also meant that the pension rights which existed on reorganisation have had to be transferred to Torfaen County Borough Council.

This has necessitated a number of complex calculations, and it is estimated that the monies to be transferred to Torfaen will be in the region of £25m. Although this sum has not been paid over in 1998/99, the Fund Account (page 44) reflects the full value of the transfer to Torfaen; an amount of £25m has been included under the heading "Payments to leavers - transfers out". This has been done to comply with accounting principles and in accordance with best practice.

It is envisaged that over half of the money due to Torfaen will be paid over during 1999/2000, with the balance in 2000/01.

Schedule of Investments at 31 March 1999

PENSION FUND			
Details of Investment	Market Value	Details of Investment	Market Value
	£		£
Fixed Interest		Utilities	
UK	70,081,881	Electricity	5,041,388
Foreign	17,388,507	Gas Distribution	15,247,893
	87,470,388	Water	8,599,876
UK Equities		Information Technology	
Mineral Extraction		IT hardware	911,400
Extractive Industries	1,753,380	Software & services	2,565,293
Oil, Integrated	42,711,417		
Oil, Exploration	887,450	Financial	
General Manufacturing		Banks	77,844,831
Aerospace & defence	3,821,818	Insurance	16,500,744
Building Construction	200,995	Life Assurance	15,268,171
Building Materials & Merchants	3,352,385	Other financial	3,311,947
Chemicals	3,343,165	Property	9,212,974
Diversified Industrials	-	UK Bonds	40,206,262
Electronic & Electrical Equipment	11,714,936	Investment Trusts	884,961
Engineering/Engineering Vehicles	7,175,095	Unit Trusts	
Printing, Paper & Packaging	1,004,855	UK	27,790,449
Textiles and Apparel	-	Foreign	-
Consumer Goods		Property Unit Trusts	19,931,464
Alcoholic Beverages	8,974,734		530,996,957
Household goods & textiles	70,840	Overseas Equities	
General retailers	3,280,171	US	15,417,783
Food Manufacturers	8,216,369	Europe	77,979,972
Pharmaceuticals/Healthcare	63,261,457	Japan/Far East	29,501,611
Tobacco	436,020	International	22,610,804
Services			145,510,170
Distributors	126,380	International Bonds	32,322,245
Leisure & Hotels	7,475,314	Total Long-Term Investments	796,299,760
Media	11,947,959	Cash/Short-term	56,418,000
Retailers, Food	10,602,216	Market Value of Inv'mts	852,717,760
Retailers, General	10,186,835		
Transport	19,800,106		
Telecommunication	53,536,106		
Breweries, pubs, restaurants	6,725,967		
Support Services	7,073,334		

1997/98	Pension Fund Statistics	1998/99
	Membership	
18,123	At 1 April 1998	15,766
1,355	Starters	1,769
19,478		17,535
	Leavers :	
551	New Retirement Pensions	485
13	Deaths in Service	15
2,441	Transfer to other Funds	61
	Refunds	538
	Preserved Benefits	411
707	Other Reasons	483
3,712		1,993
15,766	At 31 March 1999	15,542
	Contributing Members	
10,202	Contributing Females	10,091
5,564	Contributing Males	5,451
15,766	At 31 March 1999	15,542
3,658	Deferred Beneficiaries	4,085
13,856	Pensions in Payment	14,063
	Pensioners Age Profile	
2,356	Under 55	2,301
3,741	55-64	3,751
6,235	65-80	6,386
1,524	Over 80	1,625
13,856		14,063

22. Actuaries' report

We have undertaken a valuation of the Fund as at 31st March 1998, in compliance with Regulation 77. The valuation shows assets held at the valuation were sufficient to cover 79% of the accrued liabilities assessed on an on-going basis, an increase of 3% compared to the level found in 1995.

The revised contribution arrangements which are effective from 1st April, 1999 are set out in the Rates and Adjustments Certificate required by Regulation 77 which is appended to the full Report as Appendix G. This is available from the Pension Section.

It should be noted that contribution rates are subject to review under Regulation 78(3)b if the need arises and, in any case, rates for years from 2002/03 onwards will be reviewed at the next valuation.

In the normal course of events, it would be expected that the funding level would increase by the time of the next valuation at 31st March, 2001, largely because the rates of contribution to be paid contain an element to liquidate the deficiency found at this valuation. The residual effect would then be represented at the next valuation. Amortising early retirement costs as they arise means that future redundancies should have no effect on the position of the Fund. However, this is dependant on the assumptions being borne out in practice, the main areas where variations might be expected being increases in pay and investment returns.

Since the valuation date, yields on gilts (particularly index-linked gilts) have reduced and the outlook for equity investment is uncertain. It is quite possible that the real return gained on investment in the period to 31st March, 2001 will be lower than the long-term average of 4% assumed in this valuation, so acting to reduce the funding level.

Watson Wyatt Partners
Actuaries and Consultants

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 and 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 1999.

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

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

The Director has also throughout the financial year:

- 1) Maintained 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 IT Rhondda Cynon Taff C.B.C. On The Accounts Of Rhondda Cynon Taff C.B.C For 1998/99

I Certify that the accounts set out on the pages 6 to 56 presents fairly the financial position of Rhondda Cynon Taff C.B.C. at 31st March 1999 and its income and expenditure for the year then ended.

Signature: _____ **Date:** _____

K GRIFFITHS
Acting County Borough Finance Officer *

** The official title of the Responsible Finance Officer during the course of 1998/99 was Director of Finance and Information Technology. Further to an internal restructuring, the Responsible Finance Officer is now the County Borough Finance Officer.*

Auditor's Report on The Accounts Of Rhondda Cynon Taff C.B.C. For 1998/99

We have audited the statement of accounts on pages 6 to 57 which has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Authority's accounts, on pages 12 to 41, which have been prepared in accordance with the accounting policies set out on pages 8 to 11 and the Pension Fund accounts, on pages 42 to 56 which have been prepared in accordance with the accounting policies set out on pages 46 to 49.

Respective responsibilities of Chief Finance Officer and Auditors

As described on page 57 the Director of Finance and I.T. is responsible for the preparation of the statement of accounts. Our responsibilities as independent officers are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

Basis of opinion

We carried out our audit in accordance with the Audit Commission Act 1998 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.

Fundamental Uncertainty in relation to the Authority's accounts

In forming our opinion we have considered the adequacy of disclosures made in the statement of accounts concerning the fundamental uncertainty surrounding the possibility of European Union and Land Reclamation grant funding previously received by the Authority having to be repaid. Details of the circumstances relating to this fundamental uncertainty are described in note 23 to the Balance Sheet. Our opinion is not qualified in this respect.

Opinion on the Authority's accounts

In our opinion the statement of accounts presents fairly the financial position of Rhondda Cynon Taff County Borough Council at 31st March 1999 and its income and expenditure for the year then ended.

Opinion on the Pension Fund accounts

In our opinion the statement of accounts presents fairly the financial transactions of Rhondda Cynon Taff County Borough Council Pension Fund during the year ended 31st March 1999, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

I/we certify that I/we have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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 County Borough Finance Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

GLOSSARY OF TERMS

Accrual

An accrual is a sum (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 our 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 our 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 we directly employ (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 all housing income and spending.

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 a community council).

Provision for Credit Liabilities (PCL)

This is money set aside to repay debt. This 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.