

**Rhondda Cynon Taff County Borough Council**  
**Statement of Accounts 2000/01**

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## **Explanatory Foreword**

### **1. Introduction**

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

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 42,000 hectares and provides services to a population of 240,500.

This Statement of Accounts has been compiled to reflect the fifth financial year of the County Borough Council.

The accounts for 2000/01 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. The Code of Practice on Local Authority Accounting in Great Britain 2000 prescribes the form and contents of accounts from 1<sup>st</sup> April 2000 and has incorporated the principles of the Best Value Accounting Code of Practice.

The accounts set out on pages 11-72 comply with the Code other than where specific reference is made to the contrary.

### **Best Value Accounting Code of Practice (BVACOP)**

In March 2000, the Chartered Institute of Public Finance and Accountancy (CIPFA) published the Best Value Accounting Code of Practice (BVACOP), 2000 edition, subsequently updated in March 2001 with the 2001 edition. This Authority has sought to adhere in full to the requirements of the Code.

The Code of Practice modernises the system of local authority accounting and reporting to ensure that it meets the changed and changing needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community.

The Code introduces a number of concepts which are detailed on the next page along with a brief description of the impact they have had on the accounting statements.

| <b>Concept / Definition</b>   | <b>Impact on Statement of Accounts</b>   |
|---|--|
| <p><b><u>Total Cost</u></b></p> <p>Represents the total cost of service provision, including apportionment of Central Support Charges, Departmental Admin Charges and Capital Charges.</p>  | <p>Complete reallocation of central / support charges results in the reporting at Consolidated Revenue Account of "front-line" service costs only.</p>   |
| <p><b><u>Service Expenditure Analysis (SEA)</u></b></p> <p>A standard objective (cost centre based) categorisation at which total cost must be reported at Statement of Accounts level.</p>   | <p>The introduction of this new format of presentation at the Consolidated Revenue Account makes prior year comparators not viable this year.</p>  |
| <p><b><u>Trading Activities</u></b></p> <p>Replaces previous CCT legislation and introduces 6 types of trading activities :</p> <ol style="list-style-type: none"> <li>1. Trading Services or undertakings with the public or with other third parties;</li> <li>2. External trading organisations which have won contracts from other public bodies;</li> <li>3. Continuing CCT arrangements;</li> <li>4. Internal trading organisations arising from Voluntary Competitive Tendering exercises;</li> <li>5. Support services provided in a free internal market;</li> <li>6. Support services provided in a limited internal market.</li> </ol> <p>Significant surpluses or deficits on trading activities are to be reapportioned to client where reasonably practicable and material.</p> | <p>This requires the Authority to review its Trading Activities in light of the new definitions and disclose as appropriate in the Best Value Performance Plan (BVPP) and the Statement of Accounts.</p> |

### **Organisational Restructure**

The Authority is currently in the process of implementing a wholesale organisational restructure. This has entailed the previous 13 functional departments being reorganised into 4 new service groups.

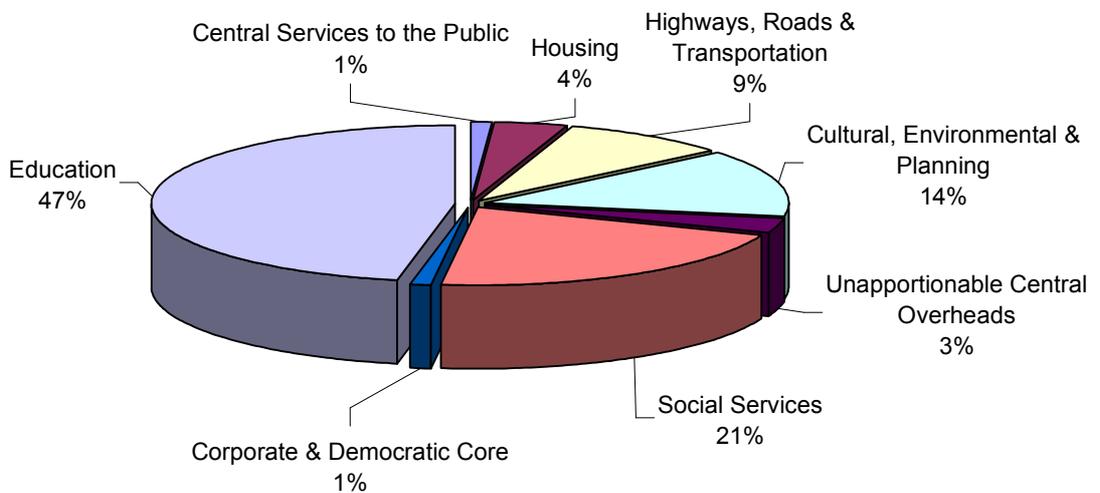
The Statement of Accounts has, in prior years, been presented in accordance with the "old" organisation structure (13 departments). This structure is now redundant. Consequently financial information is no longer maintained in this format. This, along with the requirements of the BVACOP (as detailed

above), has led to the Consolidated Revenue Account of the Authority having no prior year comparative information above Net Cost of Services level.

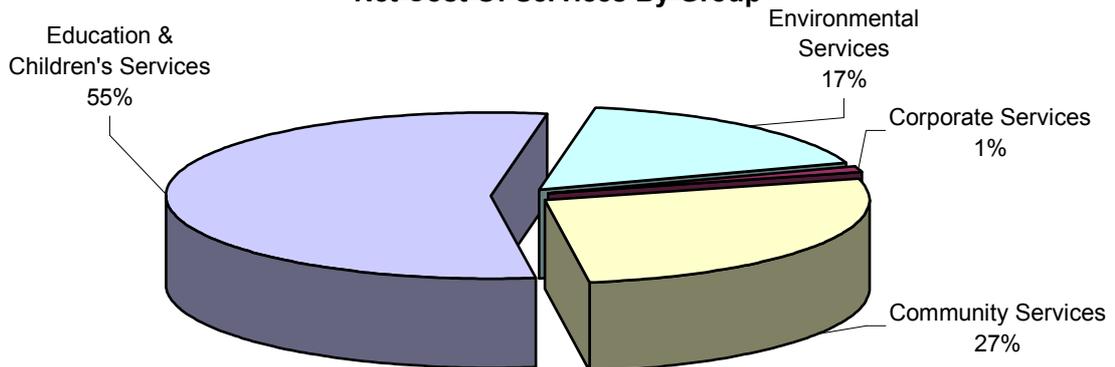
**2. General Fund Revenue Account 2000/01**

The Consolidated Revenue Account on page 16 provides an analysis of our gross revenue expenditure and income and shows how this has been funded. The chart below provides an analysis of the net cost of Services (£282.4m) by Best Value Accounting Code of Practice Service Expenditure Analysis Area. For information purposes, the net cost is also analysed by current service group operational within the Authority.

**Net Cost Of Services By BVACOP**



**Net Cost Of Services By Group**



Gross Expenditure on Services amounted to £451m, and this can be analysed over the following expenditure categories.

| Type of Expenditure            | £'m        | %          |
|--------------------------------|------------|------------|
| Employees                      | 174        | 39         |
| Premises Related               | 31         | 7          |
| Transport Related              | 10         | 2          |
| Supplies and Services          | 70         | 16         |
| Payments to Third Parties      | 32         | 7          |
| Transfer Payments              | 42         | 9          |
| Capital Charges (eg interest)  | 64         | 14         |
| Other Operating Costs          | 28         | 6          |
| <b>Total Gross Expenditure</b> | <b>451</b> | <b>100</b> |

Income during the year totalled £446m and came from the following sources:-

| Income Analysis                           | £'m        | %          |
|---|------------|------------|
| <u>Direct Service Income General Fund</u> |            |            |
| Specific Grants                           | 50         | 11         |
| Sales, Fees & Charges                     | 50         | 11         |
| HRA                                       | 48         | 11         |
| Other Income                              | 21         | 5          |
| <b>Sub-total Direct Service Income</b>    | <b>169</b> | <b>38</b>  |
| <u>Other Income</u>                       |            |            |
| Revenue Support Grant                     | 170        | 38         |
| National Non Domestic Rates               | 47         | 11         |
| Council Tax                               | 60         | 13         |
| <b>Total Income</b>                       | <b>446</b> | <b>100</b> |

### 3. Housing Revenue Account

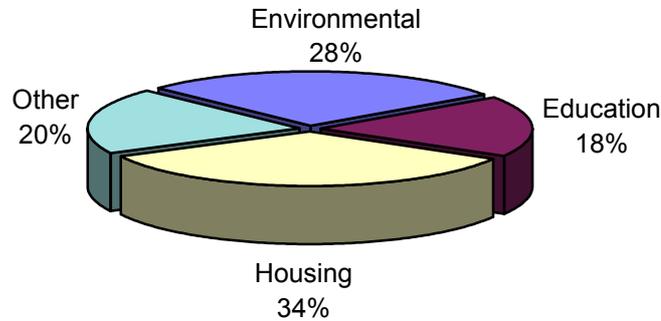
As can be seen from the Housing Revenue Account Summary on page 55, gross expenditure on council housing totalled £46.5m, of which £7.7m (17%) related to repairs and maintenance, £6.8m (15%) to supervision and management, £11.9m (26%) to capital financing and £18.3m (39%) to rent rebates.

Income totalled £45.8m and came from rents £25.5m (56%), housing subsidy £18.5m (40%) and other income £1.8m (4%).

This resulted in net expenditure of £0.7m changing HRA reserves from £2.4m at 1<sup>st</sup> April 2000 to £1.7m at 31<sup>st</sup> March 2001.

#### 4. Capital Expenditure and Income 2000/01

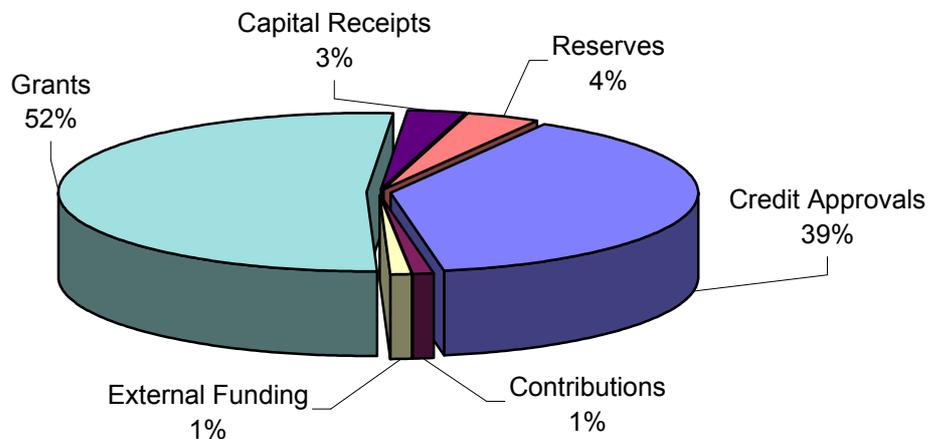
During the year the Council spent £40.6m on capital expenditure, as summarised below:



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

| Expenditure on Fixed Assets | £'m         | %          |
|-----------------------------|-------------|------------|
| Enhancing                   | 19.3        | 48         |
| Non Enhancing               | 10.2        | 25         |
| Deferred Charges            | 11.1        | 27         |
| <b>Total</b>                | <b>40.6</b> | <b>100</b> |

This expenditure was financed as follows:



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

Ysgol Gyfun Rhydywaun  
Hawthorn Primary School  
Glenboi Primary School

Major commitments in respect of capital schemes as at 31<sup>st</sup> March 2001 included the following:-

| <b>Scheme</b>                  | <b>£'000</b> |
|--------------------------------|--------------|
| Rhydywaun Phase 2              | 1,916        |
| Rhondda Special School         | 1,447        |
| Penyreglyn Community School    | 1,266        |
| Ysgol Gynradd Gymraeg Aberdare | 1,510        |
| SME Ymlaen                     | 2,625        |
| Land Reclamation               | 4,400        |

## **5. Reserves and Provisions**

Notes 26.0 and 27.0 relate to movement on Capital and Revenue Reserves. They show that the following balances were held at 31<sup>st</sup> March 2001: -

Capital Reserves £364.7m (of which £4.1m can be used to support capital spending)

Revenue Reserves £24.4m (including Trust Funds of £0.2m and Special Funds of £0.4m)

## **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         | £390m       |
| Short term borrowing limit      | £30m        |
| Limit on variable rate interest | £70m or 18% |

As can be seen from the Consolidated Balance Sheet on page 29, Long Term Borrowing totalled £306m at 31<sup>st</sup> March 2001 while Short Term Borrowing stood at £12m.

Note 10 to the Consolidated Balance Sheet demonstrates that the majority of external borrowing (£313m) was from the Public Works Loan Board. £4m was from market loans and individual lenders in the form of local bonds and the balance of £1m from other sources.

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 Policy Committee held on 27<sup>th</sup> March 2000 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 Group Director - Corporate Services 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 shows the Council's financial position as at 31<sup>st</sup> March 2001. It includes the assets and liabilities of all activities of the Council, the balances and reserves at the Council's disposal, its long term indebtedness, and the fixed and net current assets employed in the Council's operations.

### **Statement of Total Movements in Reserves**

This summarises the movements in both revenue and capital reserves (distributable and non-distributable), identifying all surpluses and deficits of the Council.

### **Cashflow Statement**

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

### **Housing Revenue Account 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 and maintenance, supervision and management, rent rebates and capital financing costs) and how these are met by rents, subsidy and other income.

### **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 its 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 Group Director - Corporate Services for the preparation of the Statement of Accounts.

### **Certificate of the Group Director - Corporate Services**

This is the certificate of the fair presentation of the accounts by the Group Director - Corporate Services.

### **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 2000, 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 Authority has also implemented and complied with the Best Value Accounting Code of Practice (2001 edition). 2000/01 is the first financial year in which the requirements of this code are to be applied.

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, with exception to Aberdare Park, are recorded at historic cost. Aberdare Park was revalued in 1999 as part of the Authority's revaluation exercise. Aberdare Park has been valued on a depreciated replacement cost basis (DRC). The nursery section within the Park, being valued at OMVEU.

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

The Authority carried out impairment reviews of its assets during 2000/01.

### 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 as they do not reflect continuing benefit which will accrue to the Authority over an extended period.

An analysis of expenditure for the council in respect of deferred charges made during 2000/01 identified that it would be prudent to amortise the expenditure in total within the financial year. This has been actioned during 2000/01 as follows:

|                                      | <b>£'000</b>  |
|--------------------------------------|---------------|
| Improvement Grants                   | 8,247         |
| <u>Other:</u>                        |               |
| Community Care                       | 331           |
| Economic Development                 | 1,868         |
| Finance                              | 558           |
| Corporate Estates                    | 121           |
| <b>General Fund Deferred Charges</b> | <b>11,125</b> |

### **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.

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 utilised 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 2000/01 were 6% for operational, non-operational assets, 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 of 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 an actual basis.

**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 2000/01 has been based on information supplied by the Support Services Departments.

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**9. Pensions**

The Council participates in two separate pension schemes that 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. Under the Regulations, contribution rates were set to meet 100% of the overall liability of the Fund. The latest valuation was at 31<sup>st</sup> March 2001, any change in contribution rates as a result of this valuation will take effect from 1<sup>st</sup> April 2002.

The regulations covering the Local Government Pension Scheme inhibit local authorities from fully complying with SSAP24. The revenue account does not include the proper charge for pensions as defined by SSAP24. However, 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 £14.6m representing 305% 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. Therefore the revenue account has 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, in accordance with FRS12 and the Local Authority Accounting Code of Practice. 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.

The Council also maintains reserves to meet general, rather than specific, future expenditure. These are disclosed within "Total Equity" in the Consolidated Balance Sheet, 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. They are then applied to finance capital expenditure, with the grants shown against the capital financing reserve.

### **14. Associated and Subsidiary Companies**

Under accounting standards, the Council has to identify any interests in the above 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.

## Consolidated Revenue Account for the year ended 31<sup>st</sup> March 2001

| 1999/00        |   | 2000/01        |                  |                |
|----------------|---|----------------|------------------|----------------|
| Net Exp        |   | Gross<br>Exp   | Gross<br>Income  | Net Exp        |
| £'000          |   | £'000          | £'000            | £'000          |
|                | <b>Continuing Operations</b>                              |                |                  |                |
|                | Central Services to the Public                            | 16,529         | (13,511)         | 3,018          |
|                | Cultural, Environmental and Planning                      | 60,019         | (21,438)         | 38,581         |
|                | Education Services  | 163,512        | (30,720)         | 132,792        |
|                | Highways, Roads and Transportation                        | 35,254         | (8,481)          | 26,773         |
|                | Housing Services  | 82,657         | (70,981)         | 11,676         |
|                | Social Services   | 80,013         | (21,556)         | 58,457         |
|                | Corporate and Democratic Core                             | 5,053          | (2,231)          | 2,822          |
|                | Unapportionable Central Overheads                         | 8,453          | (171)            | 8,282          |
| <b>272,691</b> | <b>Net Cost of Services</b>                               | <b>451,490</b> | <b>(169,089)</b> | <b>282,401</b> |
|                | Precepts: -   |                |                  |                |
| 4,455          | South Wales Police Authority                              |                |                  | 5,455          |
| 936            | Community Councils  |                |                  | 966            |
| 9,622          | Levies  |                |                  | 9,963          |
| (331)          | Interest and Investment Income                            |                |                  | (2,400)        |
| 2,162          | DLO/DSO Net Deficit and Fleet Management                  |                |                  |                |
|                | (Surplus)/Deficits on Trading Activities                  |                |                  | 228            |
| (20,531)       | Net Income Asset Management Revenue a/c                   |                |                  | (17,144)       |
| <b>269,004</b> | <b>Net Operating Expenditure</b>                          |                |                  | <b>279,469</b> |
| 538            | Transfer of HRA Surplus to Reserves                       |                |                  | (697)          |
| 0              | Transfer to Insurance Reserve                             |                |                  | 3,698          |
| (9,494)        | Release of Capital Financing Reserve                      |                |                  | (19,185)       |
| 595            | Net Contributions to/(from) Earmarked Reserves            |                |                  | 5,657          |
| <b>260,643</b> | <b>Amount to be met from Govt Grants/ Local Taxpayers</b> |                |                  | <b>268,942</b> |
| (156,158)      | Revenue Support Grant                                     |                |                  | (169,883)      |
| (47,580)       | NNDR Pool Contribution                                    |                |                  | (47,576)       |
| (56,659)       | Net Proceeds of Council Tax                               |                |                  | (59,822)       |
| <b>246</b>     | <b>Net General Fund (Surplus) / Deficit</b>               |                |                  | <b>(8,339)</b> |
| 1,086          | Balance on General Fund Brought Forward                   |                |                  | 1,177          |
| (155)          | Movement Between Reserves                                 |                |                  |                |
| <b>1,177</b>   | <b>Balance on General Fund Carried Forward</b>            |                |                  | <b>(7,162)</b> |

**Note** For prior year analysis of Net Cost of Services, refer to Note 1 of the Consolidated Revenue Account.

## Notes to the Consolidated Revenue Account

### 1. Prior Year Comparators

The introduction of the new reporting requirements of the Best Value Accounting Code of Practice (BVACOP) have made the disclosure of meaningful and comparable prior year figures not possible. The BVACOP prescribes the detailed format of the 2000/01 Consolidated Revenue Account. It is clear that this does not enable any meaningful comparison to prior year expenditure as previously presented in the format of the "old" departmental structure.

For comparative purposes, the following table provides an analysis of Net Expenditure to Net Cost of Services level for 1999/00 ("old" organisation structure format) and 2000/01 (BVACOP).

| 1999/00<br>£'000 | Continuing Operations                      | 2000/01<br>£'000 |
|------------------|--|------------------|
|                  | <b><u>"Old" Organisation Structure</u></b> |                  |
| 564              | Economic Development                       |                  |
| 132,544          | Education                                  |                  |
| 4,719            | Environmental Services                     |                  |
| 11,761           | Finance & IT                               |                  |
| 29,682           | Highways, Transportation & Engineering     |                  |
| 15,781           | Housing                                    |                  |
| (538)            | Housing Revenue Account                    |                  |
| 14,413           | Leisure & Tourism                          |                  |
| Nil              | Personnel Services                         |                  |
| 2,700            | Planning                                   |                  |
| 2,673            | Policy                                     |                  |
| 1,327            | Property Services                          |                  |
| 57,065           | Social Services                            |                  |
|                  | <b><u>BVACOP</u></b>                       |                  |
|                  | Central Services to the Public             | 3,018            |
|                  | Cultural, Environmental & Planning         | 38,581           |
|                  | Education Services                         | 132,792          |
|                  | Highways, Roads & Transportation           | 26,773           |
|                  | Housing Services                           | 11,676           |
|                  | Social Services                            | 58,457           |
|                  | Corporate & Democratic Core                | 2,822            |
|                  | Unapportionable Central Overheads          | 8,282            |
| <b>272,691</b>   | <b>Net Cost of Services</b>                | <b>282,401</b>   |

## 2. Trading Activities

The Council has previously established a number of Trading Units (DLO's) in response to the requirements of Compulsory Competitive Tendering legislation. Although the legislation is now repealed, the Authority continues to operate these activities on a trading account basis and the respective performance of each is detailed below.

| Former DLO Trading Activities  | Expenditure   | Income          | (Surplus) /<br>Deficit |
|--------------------------------|---------------|-----------------|------------------------|
|                                | £'000         | £'000           | £'000                  |
| Highways Maintenance           | 6,470         | (6,816)         | (346)                  |
| Refuse                         | 3,932         | (3,593)         | 339                    |
| Street Cleansing               | 2,043         | (2,419)         | (376)                  |
| Building Cleaning              | 1,246         | (1,313)         | (67)                   |
| Grounds Maintenance            | 3,951         | (3,964)         | (13)                   |
| Vehicle Maintenance            | 1,385         | (1,078)         | 307                    |
| Housing Maintenance Unit       | 4,555         | (4,705)         | (150)                  |
| Education and Welfare Catering | 7,746         | (7,561)         | 185                    |
| <b>Total</b>                   | <b>31,328</b> | <b>(31,449)</b> | <b>(121)</b>           |

| Other Trading Activities  | Expenditure  | Income         | (Surplus) /<br>Deficit |
|---------------------------|--------------|----------------|------------------------|
|                           | £'000        | £'000          | £'000                  |
| Property Consultancy      | 1,495        | (910)          | 585                    |
| HTE Design Consultancy    | 327          | (205)          | 122                    |
| Building Maintenance      | 0            | (360)          | (360)                  |
| Catering (other)          | 98           | (78)           | 20                     |
| Creative Design and Print | 843          | (856)          | (13)                   |
| Fleet Management          | 2,805        | (2,810)        | (5)                    |
| <b>Total</b>              | <b>5,568</b> | <b>(5,219)</b> | <b>349</b>             |

The above results of trading activities include the effect of a reduction in employer superannuation costs. This adjustment was built into the original contract conditions for these services when originally negotiated in accordance with Compulsory Competitive Tendering legislation.

A restructuring of the Authority's Leisure Services function occurred in 2000/01, resulting in the merger of client and contractor functions for this contract area. As a result, trading accounts have not been operated during the year and all Leisure Management activities are reported in the "Cultural, Environmental and Planning" Service Expenditure Analysis.

A Best Value Service Review was undertaken in respect of the Property Consultancy Unit during the year. This resulted in proposals being made to restructure the service and improve its' trading position (as disclosed in the BVPP).

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

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

The surplus on the Housing Maintenance Unit has been transferred to the Housing Revenue Account reserve. This treatment has been approved by the National Assembly for Wales. The balance of £150k relates to a reduction in employer superannuation costs that do not relate to the current year.

### 3. **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 2000/01 the Council spent a total of £1.2m in respect of the following:-

| <b>Category</b>         | <b>1999/00<br/>£'000</b> | <b>2000/01<br/>£'000</b> |
|-------------------------|--------------------------|--------------------------|
| Recruitment advertising | 770                      | 1,057                    |
| Promotions              | 8                        | 47                       |
| Statutory notices       | 36                       | 42                       |
| General advertising     | 72                       | 94                       |
| <b>Total</b>            | <b>886</b>               | <b>1,240</b>             |

### 4. **Agency Arrangements**

The Council undertakes work on an agency basis in respect of land reclamation on behalf of the Welsh Development Agency. Expenditure incurred in 2000/01 was £2,501k.

### 5. **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.

| 1999/00<br>Net<br>£'000 | Division           | 2000/01          |                 |              |
|-------------------------|--------------------|------------------|-----------------|--------------|
|                         |                    | Expend.<br>£'000 | Income<br>£'000 | Net<br>£'000 |
| 1,029                   | Education Services | 1,052            | (176)           | 876          |
| (592)                   | Social Services    | 1,172            | (1,501)         | (329)        |
| <b>437</b>              | <b>Total</b>       | <b>2,224</b>     | <b>(1,677)</b>  | <b>547</b>   |

## 6. Local Authorities Goods and Services Act 1970

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

During 2000/01 financial year the Authority undertook the following work under the provisions of this Act:-

| Category of supply  | Client                                | Amount<br>£'000 |
|---|---------------------------------------|-----------------|
| Supply of Goods or Materials                                    | South Wales Police                    | 8               |
|   | South Wales Fire Service              | 24              |
|   | Bridgend College                      | 3               |
|   | Aberdare College                      | 7               |
|   | Pontypridd College                    | 49              |
|   | Pontypridd & Rhondda NHS Trust        | 2               |
|   | Bro Taf Health Authority              | 4               |
|   | Bridgend County Borough Council       | 10              |
|   | Caerphilly County Borough Council     | 137             |
|   | Merthyr Tydfil County Borough Council | 82              |
|   | Powys County Borough Council          | 9               |
|   | Vale of Glamorgan C.B.C.              | 44              |
|   |                                       | <b>379</b>      |
| Provision of Administrative, Professional or Technical Services | South Wales Police Authority          | 244             |
|   | South Wales Fire Service              | 197             |
|   | Pontypridd College                    | 42              |
|   | Pontypridd & Rhondda College          | 6               |
|   | University Of Glamorgan               | 2               |
|   | Pontypridd & Rhondda NHS Trust        | 62              |
|   | North Glamorgan NHS Trust             | 6               |
|   | Bro Taf Health Authority              | 1               |
|   | Bridgend County Borough Council       | 15              |
|   | Pembrokeshire County Council          | 3               |
|   | Powys County Borough Council          | 2               |
|   | <b>580</b>                            |                 |
| Use of vehicles, plant or apparatus                             | Aberdare College                      | 2               |
|   |                                       | 2               |
| Maintenance of land or buildings                                | Pontypridd College                    | 1               |
|   |                                       | 1               |
|   | <b>Total</b>                          | <b>962</b>      |

## 7. 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 2000/01 the Council paid an average of 12,760 staff, paying total salaries of £171m. Within this, the following salary payments were made within the categories specified: -

| Remuneration Band | 1999/00          | 2000/01          |              |           |
|-------------------|------------------|------------------|--------------|-----------|
|                   | No. of employees | No. of employees |              |           |
|                   | Total            | At 31/03/01      | Left in year | Total     |
| £40,000-£49,999   | 30               | 32               | 3            | 35        |
| £50,000-£59,999   | 11               | 13               | 5            | 18        |
| £60,000-£69,999   | 0                | 2                | 0            | 2         |
| £70,000-£79,999   | 0                | 0                | 0            | 0         |
| £80,000-£89,999   | 1                | 1                | 0            | 1         |
| <b>Total</b>      | <b>42</b>        | <b>48</b>        | <b>8</b>     | <b>56</b> |

## 8. 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 2000/01 the Council paid a total of £625k 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 Group Director - Corporate Services, Bronwydd House, Porth, Rhondda.

## 9. Pensions

The Council participates in two pension schemes: -

- a) Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency. The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund. In 2000/01 the Council paid £4.62m to the Agency in respect of teachers' pension costs, which represents 7.4% 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 2000/01 these amounted to £0.73m.

- b) Other employees - Subject to certain qualifying criteria, other employees 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 2000/01 the Council paid an employer's contribution of £14.8m into the Pension Fund, representing 18.3% of pensionable pay.

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

Under Pension Fund Regulations, contribution rates were set to meet 100% of the overall liabilities of the Fund. 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 2000/01 these amounted to £0.83m.

The regulations covering the Local Government Pension Scheme inhibit local authorities from fully complying with SSAP24. The revenue account does not include the proper charge for pensions as defined by SSAP24. However, the Fund's actuary has advised that the pension costs that it would have been necessary to provide for in the year in accordance with SSAP24 "Accounting for Pension Costs" were £14.6m representing 305% of employees contributions.

Further information can be found in the Pension Fund Annual Report which is available on request from The Group Director - Corporate Services, Bronwydd House, Porth, Rhondda. A summary of this report can be found on pages 57 to 71.

## **10. 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: -

| <b>Organisation Name</b>                       | <b>1999/00<br/>£'000</b> | <b>2000/01<br/>£'000</b> |
|--|--------------------------|--------------------------|
| South Wales Fire Service                       | 7,830                    | 8,026                    |
| Probation Service                              | 447                      | 474                      |
| Magistrates' Courts                            | 332                      | 355                      |
| Coroner  | 251                      | 257                      |
| South Wales Sea Fisheries                      | 37                       | 43                       |
| Glamorgan Archives                             | 147                      | 148                      |
| Registrars                                     | 91                       | 87                       |
| National Rivers Authority                      | 487                      | 508                      |
| Probation & Magistrates Courts (Capital Works) | 0                        | 34                       |
| Brecon Beacons National Park                   | 0                        | 31                       |
| <b>Total</b>                                   | <b>9,622</b>             | <b>9,963</b>             |

## 11. Operating Leases

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

|                     | <b>Paid<br/>2000/01<br/>£'000</b> | <b>2001/02<br/>£'000</b> | <b>2002/03<br/>£'000</b> | <b>2003/04<br/>£'000</b> | <b>2004-end<br/>of lease<br/>£'000</b> |
|---------------------|-----------------------------------|--------------------------|--------------------------|--------------------------|--|
| ICL Lease           | 736                               | 393                      | 0                        | 0                        | 0                                      |
| Education Equipment | 513                               | 448                      | 387                      | 286                      | 255                                    |
| Refuse & Cleansing  | 395                               | 404                      | 414                      | 424                      | 424                                    |
| Vehicles            | 184                               | 40                       | 40                       | 40                       | 40                                     |
| Human Resources     | 2                                 | 2                        | 0                        | 0                        | 0                                      |
| Chief Exec. Leases  | 1                                 | 1                        | 1                        | 0                        | 0                                      |
| <b>Total</b>        | <b>1,831</b>                      | <b>1,288</b>             | <b>842</b>               | <b>750</b>               | <b>719</b>                             |

## 12. Minimum Revenue Provision

The Local Government and Housing Act 1989 requires the Council to set aside a minimum revenue provision (MRP) 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 2000/01 these limits have been calculated as follows: -

|                             | <b>Credit Ceiling<br/>£'000</b> | <b>M.R.P.<br/>£'000</b> |
|-----------------------------|---------------------------------|-------------------------|
| Housing Revenue Account     | 134,385                         | 2,688                   |
| General Fund                | 197,236                         | 8,640                   |
| Less commutation adjustment |                                 | (4,973)                 |
| <b>Total</b>                |                                 | <b>6,355</b>            |

The adjustment for commutation compensates Local Authorities for the timing effects of the premature repayment by the National Assembly for Wales of Housing Improvement Grants.

### 13. Asset Management Revenue Account

The Asset Management Revenue Account (AMRA) bears the depreciation charge and external financing costs and recharges users of assets on the basis of a capital charge consisting of interest and depreciation.

Capital charges to services are statutory charges, internally calculated, and may not relate to actual external costs incurred. These amounts are charged to service accounts and credited to AMRA. This will ensure that the capital charges do not impact on the level of the Council Tax or housing rents.

Movements on the account for 2000/01 are summarised below: -

|                     | <b>£'000</b>    |
|---------------------|-----------------|
| Depreciation        | 14,871          |
| External Interest   | 21,352          |
| <b>Total Debit</b>  | <b>36,223</b>   |
| HRA Item 8 Credits  | (11,713)        |
| Capital Charges:    |                 |
| Interest            | (30,121)        |
| Depreciation        | (11,533)        |
| <b>Total Credit</b> | <b>(53,367)</b> |
| <b>Net Credit</b>   | <b>(17,144)</b> |

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

|   | <b>£'000</b> | <b>£'000</b>    |
|---|--------------|-----------------|
| Minimum Revenue Provision (CRA Note 12)         | 6,355        |                 |
| Less Depreciation Charges                       | (14,871)     | (8,516)         |
| Direct Revenue Financing                        |              | 271             |
| Contribution to Capital                         |              | 198             |
| <b>Total Debit</b>                              |              | <b>(8,047)</b>  |
| Deferred Charge (CBS Note 2) (excl.HRA)         |              | (11,125)        |
| Net effect of credit cover for deferred credit  |              | (13)            |
| <b>Total Contribution from Capital Reserves</b> |              | <b>(19,185)</b> |

**14. 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, exceptional or extraordinary items.

**15. 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 2000/01 was calculated to be £67,834.24 (compared with £68,166.02 in respect of 1999/00). 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: -

| <b>Council Tax Analysis</b>          | <b>1999/00<br/>£'000</b> | <b>2000/01<br/>£'000</b> |
|--------------------------------------|--------------------------|--------------------------|
| Council tax billed                   | 47,590                   | 54,409                   |
| Council tax reduction grant received | 9,069                    | 5,413                    |
| <b>Net proceeds from Council Tax</b> | <b>56,659</b>            | <b>59,822</b>            |
| Less payable                         |                          |                          |
| South Wales Police Authority         | (4,455)                  | (5,455)                  |
| Community Councils                   | (936)                    | (966)                    |
| <b>Total</b>                         | <b>51,268</b>            | <b>53,401</b>            |

**16. National Non-Domestic Rates**

Indebtedness for National Non-Domestic Rates (NNDR) is based on a "multiplier" set nationally by the government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year.

The multiplier for 2000/01 was 41.2p (44.3p in respect of 1999/00).

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The total rateable value at 31<sup>st</sup> March 2001 was £98.5m (£85.4m as at 31<sup>st</sup> March 2000).

The Council is responsible for collecting these business rates in its area and pays the proceeds into the NNDR pool administered by the National Assembly for Wales. The National Assembly for Wales redistributes total collections back to local authorities on the basis of a fixed amount per head of population.

Total NNDR collected on behalf of the pool in 2000/01 amounted to £33.7m and the contribution back to the Council from the pool in the year amounted to £47.6m.

#### **17. Residual Community Charges**

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

During 2000/01, cash received had a minimal affect on the outstanding arrears.

#### **18. Related Party Transactions**

In accordance with FRS 8, the Authority has a duty to disclose any material transactions with a 'related party'. This is to 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.

##### **Central Government**

Revenue Grants, Capital Grants, Revenue Support Grant and NNDR pool transactions arose during the year. Detailed information on these transactions are disclosed elsewhere in the statement.

##### **Precepts and Levies**

Details of precepts collected on behalf of other organisations are provided in the Consolidated Revenue Account. An analysis of amounts levied on this Authority by other bodies can be found at note 10 to the Consolidated Revenue Account.

## Chief Officers and Members

Details of Officers' emoluments and Members allowances are provided in Consolidated Revenue Account notes 7 and 8 respectively. Interests of Members are maintained in the Register of Members Interests.

The following organisations are related parties (by virtue of Member interest in them) with whom the Authority has had dealings.

| Organisation          | Nature of Payment     | Amount<br>£'000 |
|-----------------------|-----------------------|-----------------|
| Housing Associations  | Sale of Goods         | (128)           |
| Health Trust          | Payments for Services | 83              |
| Town Revival Strategy | Grant Payments        | 57              |

## Rhondda Cynon Taff Pension Fund

The Group Director - Corporate Services is also the Responsible Finance Officer to the Rhondda Cynon Taff Pension Fund. The Authority charged the Pension Fund an amount of £952k in respect of administration and support during financial year 2000/01. Specific details relating to contributions to the Pension Fund can be found in note 9 to the Consolidated Revenue Account.

## Amgen Cymru, Amgen Rhondda and The Model House

The nature of the Authority's relationship with these Associated Companies is disclosed in note 22 to the Consolidated Balance Sheet.

## Glamorgan Archives Joint Committee

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee has 22 members in total, of which 16 are elected members, with voting rights. There are 4 Rhondda Cynon Taff CBC Councillors on the Joint Committee.

During 2000/01, this Authority contributed to the Joint Committee an amount of £148k. This was calculated proportionately based upon population.

## Glamorgan Engineering Consultancy

The Glamorgan Engineering Consultancy is subject to the control of a Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of 15 members, 6 of which are Rhondda Cynon Taff elected Members.

During 2000/01, this Authority made net payments to the GEC amounting to £352k.

## Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taff County Borough Council and Merthyr Tydfil County Borough Council. During 2000/01, the Authority charged Llwydcoed Crematorium £9k in respect of Central Establishment Charges.

### 19. Building Control

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

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

The first three year period began 1<sup>st</sup> April 1999.

The statement below shows the total cost of operating the building control unit for 2000/01 divided between chargeable and non-chargeable activities.

| <b>Trading Account For Building Control</b> |  |  |   |   |
|---|--|--|---|---|
|   | <b>2000/01</b>                         |  |   | <b>1999/00</b>                                  |
|   | <b>Chargeable<br/>(65%)<br/>£'000</b>  | <b>Non-<br/>Chargeable<br/>(35%)<br/>£'000</b> | <b>Total<br/>Building<br/>Control<br/>£'000</b> | <b>Total<br/>Building<br/>Control<br/>£'000</b> |
| Employee Expenses                           | 281                                    | 151  | 432   |   |
| Premises                                    | 0                                      | 0  | 0   |   |
| Transport                                   | 23                                     | 13   | 36  |   |
| Supplies & Services                         | 8                                      | 4  | 12  |   |
| Cent & Sup Serv Charges                     | 294                                    | 158  | 452   |   |
| <b>Total Expenditure</b>                    | <b>606</b>                             | <b>326</b>                                     | <b>932</b>                                      | <b>558</b>                                      |
|   | <b>Chargeable<br/>(100%)<br/>£'000</b> | <b>Non-<br/>Chargeable<br/>£'000</b>           | <b>Total<br/>Building<br/>Control<br/>£'000</b> | <b>Total<br/>Building<br/>Control<br/>£'000</b> |
| Building Reg Charges                        | (318)                                  | N/A  | (318)   | (405)   |
| Misc Income                                 | (1)                                    | N/A  | (1)   |   |
| <b>Total Income</b>                         | <b>(319)</b>                           | <b>N/A</b>                                     | <b>(319)</b>                                    | <b>(405)</b>                                    |
|   |  |  |   |   |
| <b>(Surplus)/Deficit for Year</b>           | <b>287</b>                             | <b>326</b>                                     | <b>613</b>                                      | <b>153</b>                                      |

The Authority has not met the criteria set down in the 1998 regulations for the period 1<sup>st</sup> April 1999 to 31<sup>st</sup> March 2001. The cumulative result for the first two years indicate a recovery of approximately 62% of total cost, a shortfall of some 28% of the suggested 90% target.

### Consolidated Balance Sheet as at 31<sup>st</sup> March 2001

| 31/03/00         |  | 31/03/01  |                  |
|------------------|--|-----------|------------------|
| £'000            |  | £'000     | £'000            |
|                  | <b><u>Fixed Assets</u></b>                   |           |                  |
|                  | <u>Operational Assets</u>                    |           |                  |
| 163,961          | Council Dwellings                            | 155,194   |                  |
| 275,725          | Other Land & Buildings                       | 269,265   |                  |
| 3,609            | Vehicles, Plant & Equipment                  | 3,882     |                  |
| 219,491          | Infrastructure Assets                        | 228,585   |                  |
| 1,597            | Community Assets                             | 383       |                  |
|                  | <u>Non Operational Assets</u>                |           |                  |
| 1,509            | Miscellaneous Properties                     | 4,317     |                  |
| 0                | Investment Properties                        | 12,298    |                  |
| 3,944            | Surplus Assets                               | 3,751     |                  |
| <b>669,836</b>   |  |           | <b>677,675</b>   |
| 0                | Long Term Investments                        | 65        |                  |
| 4,463            | Investment in Companies                      | 4,463     |                  |
| 9,679            | Long Term Debtors                            | 8,460     | 12,988           |
| <b>683,978</b>   | <b>TOTAL LONG TERM ASSETS</b>                |           | <b>690,663</b>   |
|                  | <b><u>Current Assets</u></b>                 |           |                  |
| 855              | Stocks & Work in Progress                    | 811       |                  |
| 37,744           | Debtors                                      | 43,962    |                  |
| 37,395           | Short Term Investments                       | 58,553    | 103,326          |
| <b>759,972</b>   | <b>TOTAL ASSETS</b>                          |           | <b>793,989</b>   |
|                  | <b><u>Current Liabilities</u></b>            |           |                  |
| (24,303)         | Short Term Borrowing                         | (12,093)  |                  |
| (61,590)         | Creditors                                    | (67,560)  |                  |
| (3,280)          | Bank Overdraft                               | (2,834)   | (82,487)         |
| <b>670,799</b>   | <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |           | <b>711,502</b>   |
|                  | <b><u>Long Term Liabilities</u></b>          |           |                  |
| (285,260)        | Long Term Borrowing                          | (306,033) |                  |
| (1,735)          | Deferred Liabilities                         | (1,628)   |                  |
| (15,859)         | Provisions                                   | (14,701)  | (322,362)        |
| <b>367,945</b>   | <b>TOTAL ASSETS LESS LIABILITIES</b>         |           | <b>389,140</b>   |
|                  | <b><u>Represented by :-</u></b>              |           |                  |
|                  | <b><u>Capital Reserves</u></b>               |           |                  |
| (284,049)        | Revaluation Reserve                          | (277,236) |                  |
| (71,893)         | Capital Financing Reserve                    | (80,409)  |                  |
| (3,206)          | Deferred Capital Receipts Reserve            | (2,915)   |                  |
| (1,258)          | Usable Capital Receipts Reserve              | (4,141)   | (364,701)        |
| <b>(360,406)</b> |  |           |                  |
|                  | <b><u>Revenue Reserves</u></b>               |           |                  |
| 1,177            | General Fund Balances                        | (7,162)   |                  |
| 0                | General Fund Insurance Balances              | (3,698)   |                  |
| (2,381)          | Housing Revenue A/C                          | (1,685)   |                  |
| (4,364)          | Delegated Schools                            | (6,926)   |                  |
| (1,237)          | Earmarked Reserves                           | (4,330)   |                  |
| (495)            | Special Funds                                | (396)     |                  |
| (239)            | Trust Funds                                  | (242)     | (24,439)         |
| <b>(367,945)</b> | <b>TOTAL EQUITY</b>                          |           | <b>(389,140)</b> |

## Notes to Consolidated Balance Sheet

### 1.0 Fixed Assets

#### 1.1 Movements in Fixed Assets

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

|                                   | Balance<br>at<br>01/04/00<br>£'000 | Expend<br>in year<br>2000/01<br>£'000 | Disposal<br>2000/01<br>£'000 | Reval /<br>Reclass<br>2000/01<br>£'000 | Dep'n<br>2000/01<br>£'000 | Balance<br>at<br>31/3/01<br>£'000 |
|-----------------------------------|------------------------------------|---------------------------------------|------------------------------|--|---------------------------|-----------------------------------|
| <b>Operational Assets</b>         |                                    |                                       |                              |  |                           |                                   |
| Council Dwellings                 | 163,961                            | 0                                     | (2,916)                      | (2,513)                                | (3,338)                   | 155,194                           |
| Other Land & Buildings            | 275,725                            | 4,567                                 | 0                            | (5,769)                                | (5,258)                   | 269,265                           |
| Vehicles, Plant, Equip't          | 3,609                              | 191                                   | (293)                        | 1,138                                  | (763)                     | 3,882                             |
| Infrastructure Assets             | 219,491                            | 14,522                                | 0                            | 0                                      | (5,428)                   | 228,585                           |
| Community Assets                  | 1,597                              | 0                                     | 0                            | (1,206)                                | (8)                       | 383                               |
| <b>Non Operational<br/>Assets</b> |                                    |                                       |                              |  |                           |                                   |
| Land awaiting dev                 | 0                                  | 0                                     | 0                            | 0                                      | 0                         | 0                                 |
| Misc. Properties                  | 1,509                              | 0                                     | (142)                        | 2,950                                  | 0                         | 4,317                             |
| Surplus Assets                    | 3,944                              | 0                                     | (155)                        | 40                                     | (78)                      | 3,751                             |
| Investment Properties             | 0                                  | 0                                     | (322)                        | 12,618                                 | 2                         | 12,298                            |
| <b>Total</b>                      | <b>669,836</b>                     | <b>19,280</b>                         | <b>(3,828)</b>               | <b>7,258</b>                           | <b>(14,871)</b>           | <b>677,675</b>                    |

The Council's property assets are subject to a five yearly revaluation. The last exercise was completed on the 31<sup>st</sup> March 1999 by Cooke & Arkwright Chartered Surveyors.

During 2000/01 the WJEC offices in Western Avenue, Cardiff were revalued at £2.9m under the miscellaneous properties classification. Rhondda Cynon Taff retains ownership of the premises, as the lead authority for the former Mid Glamorgan County Council which formally held them on behalf of the Welsh County Councils, now on behalf of all the Welsh Unitary Authorities.

There are also four Magistrates Courts within Rhondda Cynon Taff's boundaries, namely Llantrisant, Pontypridd, Rhondda and Mountain Ash. Although owned by the Authority, they do not form part of the Authority's fixed asset portfolio as they are controlled by the Magistrate Court Committee.

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

| <b>Funding Source</b> | <b>£'000</b>  |
|-----------------------|---------------|
| Credit Approvals      | 7,750         |
| Capital Receipts      | 201           |
| Contributions         | 155           |
| Grants                | 10,244        |
| External Funding      | 768           |
| Reserves              | 162           |
| <b>Total Funding</b>  | <b>19,280</b> |

## **1.2 Major Items of Capital Expenditure 2000/01**

As can be seen from note 1.1, additions to fixed assets during the year totalled £19.3m. In addition to the £14.5m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed below:

| <b>Scheme</b>              | <b>£'000</b> |
|----------------------------|--------------|
| Capel Farm Resource Centre | 326          |
| Tylorstown Primary         | 461          |
| Ysgol Gyfun Rhydywaun      | 1,424        |
| Glenboi Primary School     | 548          |
| Talbot Green Bus Station   | 337          |
| Hawthorn Primary           | 990          |

## **1.3 Capital Commitments**

Major commitments in respect of capital schemes as at 31<sup>st</sup> March 2001 included the following: -

| <b>Scheme</b>                 | <b>£'000</b> |
|-------------------------------|--------------|
| Rhydywaun Phase 2             | 1,916        |
| Rhondda Special School        | 1,447        |
| Penyrenghlyn Community School | 1,266        |
| Ysgol Gynradd Gymraeg Aberdar | 1,510        |
| SME Ymlaen                    | 2,625        |
| Land Reclamation              | 4,400        |

The Council had also issued approvals (specific and general capital funds) at 31<sup>st</sup> March 2001, in respect of Private Sector Renovation Grants for Housing. This amounted to £8.2m.

#### 1.4 Analysis of Fixed Assets at 31<sup>st</sup> March 2001

The main types and numbers of Fixed Assets held at 31<sup>st</sup> March 2001 are summarised below: -

| <b>Asset type</b>                  |          |
|------------------------------------|----------|
| Council Dwellings                  | 12,296   |
| Sheltered Housing                  | 739      |
| Caravans                           | 4        |
| Estate Shops                       | 13       |
| Municipal Offices Operational      | 62       |
| Municipal Offices Non Operational  | 63       |
| Adult Education Centres            | 10       |
| Schools - Nursery                  | 40       |
| - Primary                          | 86       |
| - Primary Welsh                    | 13       |
| - Secondary                        | 14       |
| - Secondary Welsh                  | 5        |
| - Special                          | 7        |
| Education Youth Centres            | 18       |
| Other Education Establishments     | 8        |
| Libraries                          | 30       |
| Homes for the Elderly              | 13       |
| Children's Homes                   | 4        |
| Day Centres                        | 39       |
| Physical Disability Establishments | 3        |
| Garden Centre                      | 1        |
| Special Sites                      | 6        |
| Leisure Centres                    | 8        |
| Other Leisure Facilities           | 38       |
| Pools                              | 7        |
| Parks/Play Areas                   | 237      |
| Community Centres                  | 32       |
| Cemeteries                         | 14       |
| Industrial Estates                 | 18       |
| Depots/Stores                      | 12       |
| Tourism – Museum/Theatre           | 6        |
| Dog Pound                          | 1        |
| Heritage                           | 2        |
| War Memorials                      | 20       |
| Car Parks                          | 52       |
| Allotments                         | 4        |
| Social Centres                     | 6        |
| <u>Infrastructure :-</u>           |          |
| Principal Roads                    | 166.7km  |
| Other Roads                        | 1045.5km |
| Trunk Roads                        | 29.0km   |

## 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.

|                        | <b>Date of last valuation</b> | <b>Basis of valuation</b> |
|------------------------|-------------------------------|---------------------------|
| Council dwellings      | 31 <sup>st</sup> March 1999   | OMVEU                     |
| Other land & buildings | 31 <sup>st</sup> March 1999   | OMVEU                     |
| Specialist building    | 31 <sup>st</sup> March 1999   | DRC                       |
| Vehicles, plant etc.   | 1999/00                       | DRC                       |
| Infrastructure         | N/A                           | Historic Cost             |
| Community assets       | N/A                           | Historic Cost             |

OMVEU - Open Market Value In Existing Use

DRC - Depreciated Replacement Cost

The Authority carried out an impairment review of its assets during 2000/01. Community assets were valued on a historic cost basis with exception to Aberdare Park, which was valued on a DRC basis.

## 2.0 Deferred Charges

An analysis of expenditure for the council in respect of deferred charges during 2000/01 identified that it would be prudent to amortise this expenditure, in total, within the financial year. This has been actioned during 2000/01 as follows :-

|                               | <b>£'000</b>  |
|-------------------------------|---------------|
| Improvement Grants            | 8,247         |
| Other:                        |               |
| Community Care                | 331           |
| Economic Development          | 1,868         |
| Finance                       | 558           |
| Corporate Estates             | 121           |
| <b>Total Deferred Charges</b> | <b>11,125</b> |

## 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 31<sup>st</sup> March 2001:

| <b>Company</b>                                       | <b>£'000</b> |
|--|--------------|
| Rhondda Waste Disposal                               | 1,657        |
| Cynon Valley Waste Disposal (trading as Amgen Cymru) | 2,806        |
| <b>Total</b>   | <b>4,463</b> |

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 as follows: -

| 31/03/00<br>£'000 |                         | 31/03/01<br>£'000 |
|-------------------|-------------------------|-------------------|
| 2,061             | Private mortgages       | 1,617             |
| 3,032             | Council house mortgages | 2,600             |
| 4,515             | Other local authorities | 4,209             |
| 71                | Other advances          | 34                |
| <b>9,679</b>      | <b>Total</b>            | <b>8,460</b>      |

### 4.0 Stocks and Work in Progress

These are consumable stocks held at 31<sup>st</sup> March 2001 to be used in 2001/02.

| 31/03/00<br>£'000 |                  | 31/03/01<br>£'000 |
|-------------------|------------------|-------------------|
| 855               | Stocks           | 811               |
| 0                 | Work in progress | 0                 |
| <b>855</b>        | <b>Total</b>     | <b>811</b>        |

### 5.0 Debtors

This represents amounts due to the Council at 31<sup>st</sup> March 2001, less a provision for potentially uncollectable debts, analysed as follows: -

| 31/03/00<br>£'000 |  | 31/03/01<br>£'000 |
|-------------------|--|-------------------|
| 13,923            | Government departments                                 | 17,571            |
| 6,082             | Ratepayers / chargepayers                              | 5,883             |
| 1,698             | Housing rents  | 1,947             |
| 22,264            | Sundry debtors   | 24,983            |
| 197               | Housing advances                                       | 180               |
| <b>44,164</b>     |  | <b>50,564</b>     |
| (7,007)           | Less provision for doubtful debt                       | (7,079)           |
| <b>37,157</b>     |  | <b>43,485</b>     |
| 587               | Amounts due after one year:-<br>Car loans to employees | 477               |
| <b>37,744</b>     | <b>Total</b>   | <b>43,962</b>     |

**6.0 Short Term Investments**

This represents monies received in advance of expenditure requirements. Such sums are invested on a temporary basis until required. As can be seen from the balance sheet the value of Short Term Investments as at 31<sup>st</sup> March 2001 was £58.6m.

**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 as at 31<sup>st</sup> March 2001 was £12.1m.

**8.0 Creditors**

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

| <b>31/03/00</b><br><b>£'000</b> |                           | <b>31/03/01</b><br><b>£'000</b> |
|---------------------------------|---------------------------|---------------------------------|
| 2,971                           | Government departments    | 3,375                           |
| 691                             | Ratepayers / chargepayers | 995                             |
| 273                             | Housing rents             | 309                             |
| 157                             | Housing advances          | 147                             |
| 44,256                          | Sundry creditors          | 49,492                          |
| 13,242                          | MGCC Realisation a/c      | 13,242                          |
| <b>61,590</b>                   | <b>Total</b>              | <b>67,560</b>                   |

The MGCC Realisation account relates to balances due to other authorities from the disaggregation of affairs of the former Mid Glamorgan County Council. During April 2001, approximately 90% of this balance was paid to other authorities. See balance sheet note 25.0 for further details.

**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 £2.8m shown in the balance sheet represents actual bank balances less unrepresented cheques etc.

**10.0 Long Term Borrowing**

Borrowing is classified as long term if it matures one year after the balance sheet date. Total borrowing is £318m, of which £306m is long term. This represents borrowing to finance capital expenditure. Generally borrowing is

from the Public Works Loan Board (£313m), market loans (£4m), and other borrowing (£1m).

PWLB balances at 31/03/01 may be analysed as follows: -

| <b>Maturity</b>     | <b>31/03/00<br/>£'000</b> | <b>31/03/01<br/>£'000</b> |
|---------------------|---------------------------|---------------------------|
| Within one year     | 23,895                    | 11,415                    |
| One to two years    | 11,415                    | 14,992                    |
| Two to five years   | 48,201                    | 44,631                    |
| Five to ten years   | 51,674                    | 45,289                    |
| More than ten years | 169,023                   | 196,486                   |
| <b>Total</b>        | <b>304,208</b>            | <b>312,813</b>            |

PWLB amounts due within one year (£11.4m) are classed within Short Term Borrowing on the Balance Sheet.

## 11.0 Deferred Liabilities

This relates mainly to the Authority's debt in respect of the former Taff Ely Borough Council's housing stock. This debt is owed to Caerphilly and The Vale of Glamorgan County Borough Councils. The loan management rests with these authorities as a consequence of the Local Government Re-organisation on 1<sup>st</sup> April 1974.

The other element relates to the outstanding capital value of the Authority's assets financed by lease, calculated to comply with part IV of the 1989 Local Government and Housing Act.

| <b>Liability</b>  | <b>31/03/00<br/>£'000</b> | <b>31/03/01<br/>£'000</b> |
|-------------------|---------------------------|---------------------------|
| Vale of Glamorgan | 1,077                     | 1,032                     |
| Caerphilly        | 546                       | 535                       |
| Finance Leases    | 112                       | 61                        |
| <b>Total</b>      | <b>1,735</b>              | <b>1,628</b>              |

The following table discloses the net amount of finance leases included in the balance sheet: -

| <b>Asset Details</b>                 | <b>31/03/01<br/>£'000</b> |
|--------------------------------------|---------------------------|
| Llwyncastan Offices (property lease) | 49                        |
| Ysgol Gyfun Cymmer (equipment lease) | 12                        |
| <b>Total</b>                         | <b>61</b>                 |

## 12.0 Provisions

Provisions are amounts set-aside for specific future expenses, which are certain to be incurred, but the amount or timing of which cannot be determined accurately. Provisions for bad debts are shown as a deduction from debtors. Provision is made in respect of the following: -

| <b>Provisions</b>    | <b>31/03/00<br/>£'000</b> | <b>31/03/01<br/>£'000</b> |
|----------------------|---------------------------|---------------------------|
| Insurance            | 13,993                    | 10,267                    |
| ERDF Claims          | 1,102                     | 2,539                     |
| WDA Land Rec         | 0                         | 856                       |
| Works in Default     | 120                       | 171                       |
| Private Street Works | 262                       | 262                       |
| MGCC mileage claims  | 250                       | 250                       |
| Home Care            | 0                         | 190                       |
| Welsh Water          | 132                       | 132                       |
| Highways             | 0                         | 20                        |
| Contractors Deposits | 0                         | 14                        |
| <b>Total</b>         | <b>15,859</b>             | <b>14,701</b>             |

## 12.1 Insurance

Rhondda Cynon Taff operates an insurance provision within the General Fund of the Authority in order to provide for expected losses or negligent acts. The insurance provision 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.

| <b>Fund</b>        | <b>Provision for<br/>Outstanding<br/>Claims<br/>£'000</b> | <b>Insurance<br/>Reserve<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------|---|--|------------------------|
| Mid Glamorgan      | 1,368   | 1,588                                  | 2,956                  |
| Taff Ely           | 9   | 318                                    | 327                    |
| Rhondda Cynon Taff | 8,890   | 1,792                                  | 10,682                 |
| <b>Total</b>       | <b>10,267</b>   | <b>3,698</b>                           | <b>13,965</b>          |

Each of the funds above can be split into the Rhondda Cynon Taff share and the elements that relate to other authorities as follows:-

| <b>Fund</b>        | <b>Rhondda<br/>Cynon Taff<br/>£'000</b> | <b>Other<br/>Authorities<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------|---|--|------------------------|
| Mid Glamorgan      | 1,298                                   | 1,658                                  | 2,956                  |
| Taff Ely           | 306                                     | 20                                     | 327                    |
| Rhondda Cynon Taff | 10,682                                  | 0                                      | 10,682                 |
| <b>Total</b>       | <b>12,286</b>                           | <b>1,679</b>                           | <b>13,965</b>          |

Please note that the insurance reserve falls within revenue reserves in the balance sheet.

**12.2 ERDF/WDA Claims**

For further details of provision, please refer to the Consolidated Balance Sheet Note 24 regarding Contingent Liabilities.

**12.3 Works in Default**

A provision of £171k has been created to provide for future costs in respect of maintenance of retaining walls in the vicinity of the highway. The timing of payments is uncertain due to ongoing legal proceedings.

**12.4 Private Street Works**

This provision is for interest which the Authority is liable to pay back to third parties. The Authority is currently in receipt of the principal element to which this interest provision relates.

**12.5 MGCC Mileage Claims**

The provision relates to payments of arrears of mileage expenses to former employees of Mid Glamorgan County Council. The payments are to be made during 2002/03. The amount of total payment is uncertain, as it is dependent upon the number of claims received.

**12.6 Home Care**

This provision was set up in relation to the non-recovery of Home Care charging income. Charges were implemented in March 2000 and during the first year of operation, the level of potential debt and client account adjustments were not reviewed. This was mainly caused by system development and debtors system interface difficulties. Work is on going during 2001/02, incorporating the development of a suitable bad debt recovery policy and full identification of prior year account adjustments.

**12.7 Welsh Water**

The provision has been set up to provide for failure to recover debts of the former district councils in relation to their agency works for Welsh Water. To date, recovery of this debt has proved unsuccessful.

**12.8 Highways**

This is a provision for remedial action to be carried out in 2001/02 on works completed in 2000/01.

**12.9 Contractors' Deposits**

This is a provision for interest payable on contractors deposits/bonds. These are contractors' monies held by the Authority until works have been carried out satisfactorily.

**13.0 Fixed Asset Revaluation 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 £80.4m is represented by an amount of £39.4m, which is the reserved proportion of capital receipts, and £41m relating to capital financing transactions.

**15.0 Movements in the Provision for Credit Liabilities**

|   | <b>£'000</b> |
|---|--------------|
| Balance at 01/04/00                             | Nil          |
| Receipts set aside                              | (2,686)      |
| Capital Grants from European Union Institutions | (847)        |
| Minimum Revenue Provision                       | (6,355)      |
| Less Repayment of Deferred Credit Arrangements  | 52           |
| Less Repayment of External Debt                 | 9,836        |
| <b>Balance at 31/03/01</b>                      | <b>Nil</b>   |

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. 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: -

|                   | <b>01/04/00<br/>£'000</b> | <b>Movements<br/>£'000</b> | <b>31/03/01<br/>£'000</b> |
|-------------------|---------------------------|----------------------------|---------------------------|
| Deferred Receipts | 3,033                     | (433)                      | 2,600                     |
| Debt Rescheduling | 173                       | 142                        | 315                       |
| <b>Total</b>      | <b>3,206</b>              | <b>(291)</b>               | <b>2,915</b>              |

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 1<sup>st</sup> April 2000 of £3.0m was reduced by repayments of £433k, leaving a balance at 31<sup>st</sup> March 2001 of £2.6m. 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 £315k 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:-

|                           | <b>Usable<br/>£'000</b> | <b>Reserved<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------|-------------------------|---------------------------|------------------------|
| Balance 01/04/00          | 1,258                   | 36,745                    | 38,003                 |
| In year receipts          | 3,306                   | 2,686                     | 5,992                  |
| Capital financing 2000/01 | (423)                   | -                         | (423)                  |
| <b>Balance 31/03/01</b>   | <b>4,141</b>            | <b>39,431</b>             | <b>43,572</b>          |

### **18.0 Earmarked Reserves / Delegated Schools Reserves**

Earmarked reserves are amounts set aside from revenue reserves in 2000/01 to meet commitments which will be incurred in 2001/02.

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:-

|                           | <b>31/03/00<br/>£'000</b> | <b>31/03/01<br/>£'000</b> |
|---------------------------|---------------------------|---------------------------|
| Earmarked balances        | 1,237                     | 4,330                     |
| Delegated school balances | 4,364                     | 6,926                     |
| <b>Total</b>              | <b>5,601</b>              | <b>11,256</b>             |

### **19.0 Revenue Balances**

Revenue balances are accumulated working balances held as general reserves. General fund balances relate to general county services, whilst housing revenue account balances relate to the "ring fenced" council

housing accounts.

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

|                          | <b>Gen Fund<br/>£'000</b> | <b>HRA<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------|---------------------------|----------------------|------------------------|
| Balances 01/04/00        | (1,177)                   | 2,381                | 1,204                  |
| Use of balances          | 8,339                     | (696)                | 7,643                  |
| <b>Balances 31/03/01</b> | <b>7,162</b>              | <b>1,685</b>         | <b>8,847</b>           |

## 20.0 Trust Funds and Special Funds

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

|                            | <b>31/03/00<br/>£'000</b> | <b>31/03/01<br/>£'000</b> |
|----------------------------|---------------------------|---------------------------|
| <b>Special Funds</b>       |                           |                           |
| Home Finders scheme        | 171                       | 171                       |
| Seed Fund recycle payments | 80                        | 0                         |
| Others                     | 244                       | 225                       |
| <b>Total</b>               | <b>495</b>                | <b>396</b>                |
| <b>Trust Funds</b>         |                           |                           |
| Ynysangharad Park          | 86                        | 86                        |
| Hirwaun Common Enclosure   | 89                        | 120                       |
| Rhondda Heritage Park      | 54                        | 24                        |
| Others                     | 10                        | 12                        |
| <b>Total</b>               | <b>239</b>                | <b>242</b>                |

The seed loans fund has been moved to debtors as a provision for bad debts.

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. Net assets as at 31<sup>st</sup> March 2001 are shown below and are not included in the Council's Consolidated Balance Sheet.

| <b>Nature of Fund</b> | <b>31/03/00<br/>£'000</b> | <b>31/03/01<br/>£'000</b> |
|-----------------------|---------------------------|---------------------------|
| Education Trust Fund  | 261                       | 263                       |
| Welsh Church Act      | 7,887                     | 7,555                     |

The Welsh Church Act Fund balance is subject to amendment upon completion of the final agreement of the disaggregation position with Monmouthshire County Council and Vale of Glamorgan Council.

**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<sup>st</sup> March 2001 is £389.1m. These may be analysed between general fund and housing revenue account as follows:-

|                         | 31/03/00<br>£m | 31/03/01<br>£m |
|-------------------------|----------------|----------------|
| General Fund            | 365.5          | 387.4          |
| Housing Revenue Account | 2.4            | 1.7            |
| <b>Total</b>            | <b>367.9</b>   | <b>389.1</b>   |

**22.0 Associated and Subsidiary Companies**

The Authority is required to disclose interests in its associated and subsidiary companies within the Statement of Accounts. The Companies Act defines a parent/subsidiary relationship as being where an organisation owns, directly or indirectly a majority of the shares (51-100%) or where the organisation effectively controls the company (or has a dominant influence) through some other means. The criteria for an associated company is that of significant influence, which is generally taken as ownership of between 20-50% of the shares of the company.

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

|  | Amgen Cymru   |                  | Amgen Rhondda   |                  | Model House  |                  |
|--|---|------------------|---|------------------|--|------------------|
|  | 1999/00<br>£'000  | 2000/01<br>£'000 | 1999/00<br>£'000  | 2000/01<br>£'000 | 1999/00<br>£'000                                       | 2000/01<br>£'000 |
| Shareholding                             | 2,806   | 2,806            | 1,657   | 1,657            | 0  | 0                |
| Net Current Assets                       | 741   | 717              | (138)   | (162)            | 90   | 91               |
| Total Assets less Curr Liab's            | 4,529   | 4,391            | 137   | 338              | 128  | 138              |
| Net Assets                               | 3,653   | 3,626            | 137   | 331              | 128  | 138              |
| (Loss)/Profit Before Tax                 | 100   | (60)             | 0   | (578)            | 0  | 0                |
| (Loss)/Profit After Tax                  | 37  | (27)             | (1)   | (578)            | (26)   | 10               |
| Registration No.                         | 2660628   |                  | 3687641   |                  | 2208104  |                  |
| Registered Office / Location of Accounts | Bryn Pica Landfill Site<br>Llwydcoed<br>Aberdare<br>RCT<br>CF44 0BX |                  | Bryn Pica Landfill Site<br>Llwydcoed<br>Aberdare<br>RCT<br>CF44 0BX |                  | Municipal Offices<br>Llewellyn Street<br>Pentre<br>RCT |                  |
| Auditors                                 | KTS   |                  | KTS   |                  | Dennis, Freedman,<br>Clayton & Co.                     |                  |
| Audit Opinion                            | True and fair view  |                  | True and fair view  |                  | True and fair view                                     |                  |

### **Amgen Cymru**

This company was set up by the former Cynon Valley Borough Council under the 1990 Environment Act as an “arms length” company. It is registered as “Cynon Valley Waste Disposal” but trades as “Amgen Cymru”. The principal activity of the company is providing facilities for the tipping of waste. The Authority has a 100% interest in the company of £2.8m. Accounts have been prepared for the year ended 31<sup>st</sup> May 2001.

Royalties of £150k were billed by the Authority to Amgen Cymru. £56k of this has been paid. At 31<sup>st</sup> March 2001 the Authority owed Amgen Cymru £70k.

### **Amgen Rhondda**

Amgen Rhondda was set up during September 1999 as a wholly owned subsidiary of Amgen Cymru. The principal activity of the company is the disposal of waste. The company has taken over the running of Nantygwyddon Landfill Site from Rhondda Waste Disposal Limited, which went into liquidation during the year ending 31<sup>st</sup> March 1999. The final accounts are in the process of being prepared by the administrators.

Accounts for Amgen Rhondda have been prepared for the year end 31<sup>st</sup> May 2001.

During 2000/01, the Authority billed Amgen Rhondda £218k in respect of royalties. The full amount is outstanding as at 31<sup>st</sup> March 2001. At 31<sup>st</sup> March 2001, the Authority owed Amgen Rhondda £224k.

### **Model House Llantrisant Ltd**

This company was registered as limited by guarantee. On 15<sup>th</sup> January 1991 it became a registered charity (No: 1001533). The Council has an “influence” over the company as 3 out of the 11 Directors are 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.

## **23.0 Contingent Gain**

The Authority is currently in the process of attempting to recover the legal costs which it incurred with regard to a successful litigation case. There remains significant uncertainty as to our ability to fully recover the costs and, accordingly, these have not been included within the accounts.

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## **24.0 Contingent Liabilities**

### **24.1 ERDF Claims**

Rhondda Cynon Taff CBC 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 (WEFO).

At the time of Local Government Reorganisation approximately 85 schemes had been approved, with a total grant element of approximately £25.7m. 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 possibility of recoupment of these ERDF grants by WEFO, officers are actively reviewing the level of the Bad Debt Provision for ERDF grants. The 1999/00 accounts included a Bad Debt Provision of £1.1m for all "old" schemes. Further investigations, resulting from the ongoing audit process, have indicated the need to increase this provision to £2.1m for "old" schemes but also the need to provide for the current programme (£400k), the total provision being £2.5m.

At present, outstanding issues can be analysed as those relating to the 1992/93 ERDF programme, with a total grant element of approximately £10.5m, and the 1994/96 programme with a total grant element of approximately £9.8m. The 1989/91 ERDF programme has been cleared with no repayment of grant required and the audit process is well underway on the 1992/93 and 1994/96 programmes.

To the best of the Authority's knowledge, and taking into account the information currently available, the provision of £2.5m will be sufficient. However, until further work has been completed by the Authority and responses received from WEFO as to how they plan to treat qualified claims, the full scale of the likely provision required for repayment of grant is not known.

Until the exercise is complete, and further indications are received from WEFO, there is a degree of risk around these claims. There remains a potential requirement for the repayment of an as yet, unquantifiable amount of grant.

The Authority is liaising closely with the District Auditor and the Welsh European Funding Office to bring this matter to a speedy conclusion.

## **24.2 Land Reclamation**

Land Reclamation grants are payable at a grant rate of 100% on eligible expenditure on schemes approved by the Welsh Development Agency (WDA). At the time of Local Government Reorganisation approximately 72 schemes had been approved, with a total grant element of approximately £53.3m. In addition a number of Town Improvement claims, which are also administered by the WDA were approved at this date.

A material number of these Land Reclamation Schemes now require auditing. Discussions with the WDA and District Audit have taken place to drive this process forward. A provision of £856k is maintained in the accounts in connection with Land Reclamation Grants to cover the possible recoupment of an element of the grants, based on an assessment of risk associated with each claim.

Work has commenced on progressing these schemes to a position where they can be audited and a number have already been passed to the District Auditor for initial review.

The Authority has commenced the process of reviewing its debtor balances. The judgement of the Authority based on information currently available is that the provision set aside is more than sufficient. However, 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.

## **25.0 Post Balance Sheet Events**

- One of the Council's Local Authority Controlled Companies, Rhondda Waste Disposal Limited went into administration on 21<sup>st</sup> 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 £0.9m in share capital. To date (February 2002), £0.8m of this share capital has been released.
- Local Government Reorganisation on 1<sup>st</sup> April 1996 resulted in the debts and liabilities of the former Mid Glamorgan County Council passing to the successor new unitary authorities. Since this date a number of possible Post Balance Sheet Events relating to Mid Glamorgan County Council have been identified. The Section 56 agreement between unitary authorities has now been signed by all parties with the exception of the County Council of the City and County of Cardiff. It is hoped that this will be resolved in the near future. The agreement includes a mechanism for dealing with Post Balance Sheet Events and this Authority has established an earmarked reserve of £993k to provide for the potential financial implications of these.

**26.0 Capital Reserves**

|  | <b>Fixed Asset<br/>Revaluation<br/>Reserve</b> | <b>Capital<br/>Financing<br/>Reserve</b> | <b>Deferred<br/>Cap Rec<br/>Reserve</b> | <b>Usable<br/>Capital<br/>Receipts</b> | <b>Total</b>     |
|--|--|--|---|--|------------------|
|  | <b>£'000</b>                                   | <b>£'000</b>                             | <b>£'000</b>                            | <b>£'000</b>                           | <b>£'000</b>     |
| Balance 01/04/00                               | (284,049)                                      | (71,893)                                 | (3,206)                                 | (1,258)                                | (360,406)        |
| Disposals in year                              | 3,828  |  |   |  | 3,828            |
| Received in year                               |  |  |   | (3,306)                                | (3,306)          |
| Capital Expenditure on Non<br>Enhancing Assets | 10,244   |  |   |  | 10,244           |
| Revaluation                                    | (7,259)  |  |   |  | (7,259)          |
| Movements in year                              |  | (8,516)                                  | 291                                     |  | (8,225)          |
| Capital financing                              |  |  |   | 423                                    | 423              |
| <b>Balance 31/03/01</b>                        | <b>(277,236)</b>                               | <b>(80,409)</b>                          | <b>(2,915)</b>                          | <b>(4,141)</b>                         | <b>(364,701)</b> |

**Notes to Capital Reserves****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 requirements.

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.

**27.0 Revenue Reserves**

|                         | <b>General<br/>Fund<br/>£'000</b> | <b>Insurance<br/>Reserve<br/>£'000</b> | <b>Housing<br/>Revenue<br/>£'000</b> | <b>Deleg'd<br/>Schools<br/>£'000</b> | <b>Earmk'd<br/>Reserves<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-------------------------|-----------------------------------|--|--------------------------------------|--------------------------------------|---------------------------------------|------------------------|
| Balance 01/04/00        | 1,177                             | 0                                      | (2,381)                              | (4,364)                              | (1,237)                               | (6,805)                |
| Contributions to Rev.   | 0                                 | 0                                      | 696                                  | 0                                    | 0                                     | 696                    |
| Contributions from Rev. | (8,339)                           | (3,698)                                | 0                                    | (2,562)                              | (3,093)                               | (17,692)               |
| <b>Balance 31/03/01</b> | <b>(7,162)</b>                    | <b>(3,698)</b>                         | <b>(1,685)</b>                       | <b>(6,926)</b>                       | <b>(4,330)</b>                        | <b>(23,801)</b>        |

\*The above table does not include reserves in respect of trust funds and special funds.

**28.0 Year 2000 Issues**

Prior to the year 2000, investigations into the possibility of loss or failure took place. Any necessary corrective action was undertaken to ensure problems would not arise. As a result there was no adverse affect upon the Authority's operations.

## Statement of Total Movements on Reserves 2000/01

| 1999/00        |  | 2000/01 |                |
|----------------|--|---------|----------------|
| £'000          |  | £'000   | £'000          |
| (246)          | Surplus / (deficit) for the year   |         |                |
| 538            | - General Fund   | 8,339   |                |
| 595            | - Housing Revenue Account  | (695)   |                |
|                | Add back movements on specific revenue reserves  | 9,352   |                |
| <b>887</b>     | <b>Total increase / (decrease) in revenue reserves</b>   |         | <b>16,996</b>  |
| (1,617)        | Increase / (decrease) in usable capital receipts   | 2,883   |                |
| 0              | Increase / (decrease) in unapplied capital grants and contributions                              | 0       |                |
| <b>(1,617)</b> | <b>Total increase / (decrease) in realised capital resources (Note 1.0)</b>                      |         | <b>2,883</b>   |
| (7,291)        | Gains / (losses) on revaluation of fixed assets  | (2,985) |                |
| 0              | Impairment losses on fixed assets due to general changes in prices                               | 0       |                |
| <b>(7,291)</b> | <b>Total increase / (decrease) in unrealised value of fixed assets (Note 2.0)</b>                |         | <b>(2,985)</b> |
| <b>(3,033)</b> | <b>Value of assets sold, disposed of or decommissioned (Note 3.0)</b>                            |         | <b>(3,828)</b> |
| 5,410          | Capital receipts set aside   | 3,109   |                |
| 8,697          | Revenue resources set aside  | (6,395) |                |
| 339            | Movements on grants  | 11,802  |                |
| (525)          | Movement on Deferred Capital Receipts  | (291)   |                |
| <b>13,921</b>  | <b>Total increase / (decrease) in amounts set aside to finance capital investment (Note 4.0)</b> |         | <b>8,225</b>   |
| <b>2,867</b>   | <b>Total recognised gains / (losses)</b>   |         | <b>21,291</b>  |

## Notes to the Statement of Total Movements on Reserves

### 1.0 Movements in Realised Capital Resources

| 1999/00<br>£'000<br>Usable Capital<br>Receipts |  | 2000/01<br>£'000<br>Usable Capital<br>Receipts |
|--|--|--|
| 1,671  | Amounts receivable   | 3,306  |
| (3,288)  | Amounts applied to finance new capital investment                | (423)  |
| <b>(1,617)</b>                                 | <b>Total increase / (decrease) in realised capital resources</b> | <b>2,883</b>                                   |
| 2,875  | Balance brought forward  | 1,258  |
| <b>1,258</b>                                   | <b>Balance carried forward</b>                                   | <b>4,141</b>                                   |

### 2.0 Movements in Unrealised Value of Fixed Assets

| 1999/00<br>£'000<br>Fixed Asset<br>Restatement<br>Reserve |  | 2000/01<br>£'000<br>Fixed Asset<br>Restatement<br>Reserve |
|---|--|---|
| (7,291)   | Gains / (losses) on revaluation of fixed assets                | (2,985)   |
| 0   | Impairment losses on fixed assets due to general price changes | 0   |
| <b>(7,291)</b>  |  | <b>(2,985)</b>  |

### 3.0 Value of Assets Sold, Disposed of or Decommissioned

| 1999/00<br>£'000<br>Fixed Asset<br>Restatement<br>Reserve |   | 2000/01<br>£'000<br>Fixed Asset<br>Restatement<br>Reserve |
|---|---|---|
| (7,291)   | From Note 2   | (2,985)   |
| <b>(3,033)</b>  | <b>Amounts written off fixed asset balances for disposals</b> | <b>(3,828)</b>  |
| (10,324)  | Total movement on reserve                                     | (6,813)   |
| 294,373   | Balances brought forward                                      | 284,049   |
| <b>284,049</b>  | <b>Balances carried forward</b>                               | <b>277,236</b>  |

**4.0 Movements in Amounts Set Aside to Finance Capital Investment**

| 1999/00                   |                           |  | 2000/01                   |                           |
|---------------------------|---------------------------|--|---------------------------|---------------------------|
| £'000                     | £'000                     |  | £'000                     | £'000                     |
| Capital Financing Reserve | Deferred Capital Receipts |  | Capital Financing Reserve | Deferred Capital Receipts |
| 2,122                     | (525)                     | Capital receipts set aside               |                           |                           |
| 3,288                     |                           | - reserved receipts                      | 2,686                     |                           |
|                           |                           | - usable receipts applied                | 423                       |                           |
|                           |                           | - deferred capital receipts              |                           | (291)                     |
| <b>5,410</b>              |                           | <b>Total capital receipts set aside</b>  | <b>3,109</b>              |                           |
|                           |                           | Revenue resources set aside              |                           |                           |
| 2,654                     |                           | - capital exp. financed from revenue     | 5,148                     |                           |
| 6,043                     |                           | - loans redeemed                         | (9,132)                   |                           |
|                           |                           | - capital advances redeemed              | (2,411)                   |                           |
| <b>8,697</b>              |                           | <b>Total revenue resources set aside</b> | <b>(6,395)</b>            |                           |
| 16,308                    |                           | Deferred sale proceeds on council houses | (9,051)                   |                           |
| 0                         |                           | Grants applied to capital investment     | 31,940                    |                           |
| (15,969)                  |                           | Amounts credited to AMRA                 | (11,087)                  |                           |
| <b>339</b>                |                           |  | <b>11,802</b>             |                           |
| <b>14,446</b>             | <b>(525)</b>              | <b>Movement on reserves</b>              | <b>8,516</b>              | <b>(291)</b>              |
| 57,447                    | 3,731                     | Balance brought forward                  | 71,893                    | 3,206                     |
| 71,893                    | 3,206                     | Balance carried forward                  | 80,409                    | 2,915                     |

## Cashflow Statement 2000/01

| 1999/00       |  | 2000/01 |               |
|---------------|--|---------|---------------|
| £'m           |  | £'m     | £'m           |
|               | <b><u>Revenue activities</u></b>                       |         |               |
|               | <b><u>Cash Outflows</u></b>                            |         |               |
| 193.7         | Cash paid to and on behalf of employees                | 200.1   |               |
| 116.4         | Other operating cash payments                          | 128.1   |               |
| 40.4          | Housing benefit paid out                               | 40.5    |               |
| 31.1          | National non-domestic rate payments to national pool   | 33.7    |               |
| 5.4           | Precepts paid  | 6.4     | 408.8         |
|               | <b><u>Cash Inflows</u></b>                             |         |               |
| (11.0)        | Rents (after rebates)                                  | (12.5)  |               |
| (47.6)        | Council tax  | (59.8)  |               |
| (47.6)        | National non-domestic rate receipts from national pool | (47.5)  |               |
| (31.1)        | Non-domestic rate receipts                             | (33.7)  |               |
| (156.2)       | Revenue support grant                                  | (169.9) |               |
| (29.2)        | DSS grants for benefits                                | (31.2)  |               |
| (33.3)        | Other government grants                                | (37.3)  |               |
| (53.3)        | Cash received for goods and services                   | (39.4)  |               |
| (18.8)        | Other operating cash receipts                          | (20.0)  | (451.3)       |
| <b>(41.1)</b> | <b>Net Cash Inflow from Revenue Activities</b>         |         | <b>(42.5)</b> |
|               | <b><u>Servicing of finance</u></b>                     |         |               |
| 21.0          | Interest paid  | 21.4    |               |
| (1.0)         | Interest received                                      | (2.2)   | 19.2          |
|               | <b><u>Capital activities</u></b>                       |         |               |
|               | <b><u>Cash Outflows</u></b>                            |         |               |
| 40.5          | Purchase of fixed assets                               | 37.7    | 37.7          |
|               | <b><u>Cash Inflows</u></b>                             |         |               |
| (3.8)         | Sale of fixed assets                                   | (6.0)   |               |
| 8.5           | Repayments of investments                              |         |               |
| (17.2)        | Capital grants received                                | (21.1)  |               |
| (0.2)         | Other capital cash receipts                            | (0.4)   | (27.5)        |
| <b>6.7</b>    | <b>Net cash outflow before financing</b>               |         | <b>(13.1)</b> |
|               | <b><u>Financing</u></b>                                |         |               |
|               | <b><u>Cash Outflows</u></b>                            |         |               |
| 50.2          | Repayments of amounts borrowed                         | 23.9    |               |
|               | <b><u>Cash Inflows</u></b>                             |         |               |
| (65.8)        | New loans raised                                       | (32.5)  | (8.6)         |
| <b>(8.9)</b>  | <b>(Increase)/decrease in cash &amp; equivalents</b>   |         | <b>(21.7)</b> |

## Notes to the Cashflow Statement

### 1.0 Reconciliation of Consolidated Revenue Account to Cash flow

| 1999/00<br>£'m |  | 2000/01<br>£'m |
|----------------|--|----------------|
| Nil            | Consolidated revenue A/C (surplus) / deficit | (8.3)          |
| (6.4)          | Depreciation/MRP adjustment                  | (0.2)          |
| (12.8)         | Net transfers from reserves                  | (13.5)         |
| 6.9            | (Increase)/Decrease in creditors             | (4.7)          |
| (8.8)          | Increase/(Decrease) in debtors               | 4.1            |
| (0.1)          | Increase/(Decrease) in stocks                | (0.0)          |
| (19.9)         | Financing items                              | (19.9)         |
| <b>(41.1)</b>  | <b>Cash inflow from revenue items</b>        | <b>(42.5)</b>  |

### 2.0 Movements in Cash and Cash Equivalents

This can be derived from the consolidated balance sheet (page 29) as follows: -

|                    | Balances    |             | Movement<br>in year |
|--------------------|-------------|-------------|---------------------|
|                    | 01/04/00    | 31/03/01    |                     |
|                    | £'m         | £'m         | £'m                 |
| Bank balance (o/d) | (3.3)       | (2.8)       | 0.5                 |
| S/term investments | 37.4        | 58.6        | 21.2                |
| <b>Total</b>       | <b>34.1</b> | <b>55.8</b> | <b>21.7</b>         |

### 3.0 Net Financing 2000/01

The net increase in financing of £8.6m 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 29:-

|                      | 31/03/00<br>£'m | 31/03/01<br>£'m | Movement<br>£'m |
|----------------------|-----------------|-----------------|-----------------|
| Long term borrowing  | 285.2           | 306.0           | 20.8            |
| Short term borrowing | 24.3            | 12.1            | (12.2)          |
| <b>Total</b>         | <b>309.5</b>    | <b>318.1</b>    | <b>8.6</b>      |

#### 4.0 Government Grants

Government grants shown in the statement are analysed below:-

| 1999/00<br>£'m |   | 2000/01<br>£'m |
|----------------|---|----------------|
|                | <b>Revenue</b>                          |                |
| 18.8           | Housing Subsidy                         | 18.4           |
| 3.4            | Mandatory Awards                        | 1.3            |
| 1.8            | GEST                                    | 2.0            |
| 9.3            | Other                                   | 15.6           |
| <b>33.3</b>    |   | <b>37.3</b>    |
|                | <b>Capital</b>                          |                |
| 10.3           | Improvement Grants                      | 5.3            |
| 0.4            | SDS                                     | 0.0            |
| 1.4            | Transport Grant                         | 3.9            |
| 3.8            | WDA (Land Reclamation) and other grants | 8.5            |
| 1.3            | ERDF                                    | 3.4            |
| <b>17.2</b>    |   | <b>21.1</b>    |

#### 5.0 Reconciliation of Net Cashflow to Movement in Net Debt

|                               | 2000/01<br>£'m |
|-------------------------------|----------------|
| (Decrease) / increase in cash | 21.7           |
| Cash to reduce net debt       | 23.6           |
| Cash to (increase) net debt   | (32.2)         |
| Non cash movement             |                |
| Change in net debt            | 13.1           |
| Net Debt 01/04/00             | (275.4)        |
| <b>Net Debt 31/03/01</b>      | <b>(262.3)</b> |

#### 6.0 Analysis of Changes in Net Debt

|                        | 01/04/00<br>£'m | Cashflows<br>£'m | Other<br>£'m | 31/03/01<br>£'m |
|------------------------|-----------------|------------------|--------------|-----------------|
| Short term investments | 37.4            | 21.2             |              | 58.6            |
| Short term borrowing   | (24.3)          | 23.6             | (11.4)       | (12.1)          |
| Bank overdraft         | (3.3)           | 0.5              |              | (2.8)           |
| Long term borrowing    | (285.2)         | (32.2)           | 11.4         | (306.0)         |
| <b>Total</b>           | <b>(275.4)</b>  | <b>13.1</b>      | <b>0.0</b>   | <b>(262.3)</b>  |

## Housing Revenue Account

|  | <b>1999/00</b><br><b>£'000</b> | <b>2000/01</b><br><b>£'000</b> |
|--|--------------------------------|--------------------------------|
| <b>INCOME</b>                                  |                                |                                |
| Dwelling Rents (gross)                         | 24,656                         | 25,533                         |
| Non Dwelling Rents (gross)                     | 332                            | 360                            |
| Charges for Services and Facilities            | 671                            | 825                            |
| Housing Revenue Account Subsidy Receivable     | 18,421                         | 18,507                         |
| Credit from Housing Maintenance Unit           | 0                              | 309                            |
| Interest Receivable                            | 377                            | 0                              |
| - Mortgage Interest                            | 0                              | 209                            |
| - Interest on Cash Balances                    | 0                              | 104                            |
| Salary Recharges                               | 409                            | 0                              |
| <b>Total Income</b>                            | <b>44,866</b>                  | <b>45,847</b>                  |
| <b>EXPENDITURE</b>                             |                                |                                |
| Repairs and Maintenance                        | 6,767                          | 7,696                          |
| Supervision and Management                     | 6,260                          | 6,795                          |
| Rents, Rates, Taxes and Other Charges          | 250                            | 348                            |
| Rent Rebates                                   | 18,559                         | 18,338                         |
| Bad or Doubtful Debts                          | 0                              | 501                            |
| Capital Financing Costs                        | 12,492                         | 11,869                         |
| Capital Expenditure Charge to Revenue          | 0                              | 997                            |
| <b>Total Expenditure</b>                       | <b>44,328</b>                  | <b>46,544</b>                  |
| Change in Reserve Balance for the Year         | 538                            | (697)                          |
| Balance on Reserves B/Fwd                      | 1,843                          | 2,381                          |
| <b>Surplus/(Deficit) on HRA Reserves C/Fwd</b> | <b>2,381</b>                   | <b>1,684</b>                   |

\*The format of the above table has been amended to include additional information in 2000/01.

## 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 91% of properties were available for letting. The actual average weekly rent (less voids) during the year was £40.38 (£38.79 in 1999/00). The National Assembly for Wales sets the maximum level of rent increase for each authority. The Guideline Rent Increase was £1.44m in 2000/01.

## 2. Housing Benefits

Assistance with rent is available under the housing benefits scheme for those on low income. Almost 72% 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 £18.6m (£18.6m in 1999/00). This is substantially reimbursed by the government through housing subsidy.

## 4. Housing Stock

The average number of dwellings in Council House stock during 2000/01 was 13,173.

The total number of properties held at 31<sup>st</sup> March 2001 was 13,039.

| Type         | 1 Bed room   | 2 Bed room   | 3 Bed room   | 4 Bed room | 6 Bed room | Total         |
|--------------|--------------|--------------|--------------|------------|------------|---------------|
| Bungalow     | 158          | 103          | 13           | 0          | 0          | 274           |
| Bedsit       | 225          | 0            | 0            | 0          | 0          | 225           |
| Caravan      | 4            | 0            | 0            | 0          | 0          | 4             |
| Flat         | 2,085        | 2,043        | 200          | 0          | 0          | 4,328         |
| House        | 39           | 1,735        | 6,299        | 134        | 1          | 8,208         |
| <b>Total</b> | <b>2,511</b> | <b>3,881</b> | <b>6,512</b> | <b>134</b> | <b>1</b>   | <b>13,039</b> |

## 5. Rent Arrears

The amount of rent arrears for 2000/01 was £1.9m (£1.7m in 1999/00) and the aggregate provision for bad debts was £1.4m (£1.2m in 1999/00)

## 6. Housing Maintenance Unit

The National Assembly for Wales has reviewed the position of balances on HRA-related trading accounts, following receipt of legal and other advice. The Assembly now considers that material balances of HRA-related trading operations should be repatriated to or from the HRA in line with the general requirements of the BVACOP.

## 7. HRA Subsidy

The actual HRA Subsidy entitlement for the year was £18,516k. However, following the audit of the 1998/99 HRA claim, an adjustment of £9k was needed to the accounts. This prior year adjustment reduced the Subsidy receivable in the year to £18,507k.

## Summary Pension Fund Accounts

### **The Fund**

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

With the exception of teachers, police and fire-fighters who have their own schemes, the Local Government Pension Scheme applies to all other employees of local authorities and to employers of certain other bodies providing public services.

The Rhondda Cynon Taff Pension Fund provides pension benefits for employees of Rhondda Cynon Taff, Bridgend and Merthyr Unitary Authorities, along with employees of 38 public service bodies, several of whom have made admission agreements with the Fund.

### **Administration**

The Rhondda Cynon Taff Pension Section holds the responsibility for the interpretation of all pensions legislation, the creation and maintenance of records, the calculation and payment of benefits and the provision of information to employees, employers and other relevant bodies.

**Fund Account**

| 1999/00<br>£'000 | <b>Contributions &amp; Benefits</b>              | 2000/01  |           |                 |
|------------------|--|----------|-----------|-----------------|
|                  |  | £'000    | £'000     | £'000           |
|                  | <b>Contributions Receivable</b>                  |          |           |                 |
| (32,769)         | From Employers                                   | (34,927) |           |                 |
| (11,999)         | From Employees                                   | (12,688) | (47,615)  |                 |
| (6,227)          | <b>Transfers In</b>                              |          | (7,759)   |                 |
|                  | <b>Other Income</b>                              |          |           |                 |
| (784)            | Reimbursements Re Former Glam CC                 | (645)    |           |                 |
| (828)            | Other Reimbursements                             | (1,386)  |           |                 |
| (1)              | Other Income                                     | (5)      | (2,036)   | <b>(57,410)</b> |
|                  | <b>Benefits Payable</b>                          |          |           |                 |
| 45,987           | Pensions   | 47,025   |           |                 |
| 6,012            | Lump Sums  | 5,721    | 52,746    |                 |
|                  | <b>Payments To Leavers</b>                       |          |           |                 |
| 233              | Refunds  | 262      |           |                 |
| 2,072            | Transfers Out                                    | 4,369    | 4,631     |                 |
|                  | <b>Admin. Expenses</b>                           |          |           |                 |
| 2,540            | Investment                                       | 1,935    |           |                 |
| 857              | Administration                                   | 964      |           |                 |
| 149              | Other  | 88       | 2,987     | <b>60,364</b>   |
| <b>5,242</b>     | <b>Net Withdrawal From Fund</b>                  |          |           | <b>2,954</b>    |
|                  | <b>Returns On Investments</b>                    |          |           |                 |
| 21,904           | Investment Income: Fixed Interest & Equities     | 22,738   |           |                 |
| 2,593            | Investment Income: Cash                          | 3,331    | 26,069    |                 |
| 72,100           | Realisation Of Investments                       |          | 82,485    |                 |
| 39,107           | Change In Market Value Of Investments            |          | (198,012) |                 |
| (1,342)          | Investment Management Expenses                   |          | (1,231)   |                 |
| 134,362          | <b>Net Returns On Investments</b>                |          |           | (90,689)        |
| <b>129,120</b>   | <b>Net Increase / (Decrease) In Fund In Year</b> |          |           | <b>(93,643)</b> |
| <b>830,736</b>   | <b>Opening Net Assets</b>                        |          |           | <b>959,856</b>  |
| <b>959,856</b>   | <b>Closing Net Assets</b>                        |          |           | <b>866,213</b>  |

**Net Assets Statement**

| 31/03/00<br>£'000 |  | 31/03/01 |                |
|-------------------|--|----------|----------------|
|                   |  | £'000    | £'000          |
|                   | <b><u>Investment Assets</u></b>                  |          |                |
|                   | <b>Fixed Interest Securities</b>                 |          |                |
| 90,502            | UK   | 25,382   |                |
| 60,029            | Foreign  | 19,383   | 44,765         |
|                   | <b>Equities</b>                                  |          |                |
| 472,131           | UK   | 461,176  |                |
| 219,915           | Foreign  | 202,807  | 663,983        |
|                   | <b>Unit Trusts</b>                               |          |                |
| 46,970            | Unit Trusts                                      | 50,135   |                |
| 677               | Investment Trusts                                | 433      | 50,568         |
| 16,556            | <b>Property Unit Trusts</b>                      |          | 9,156          |
|                   | <b>Other Investments</b>                         |          |                |
| -                 | UK Bonds   | -        |                |
| -                 | International Bonds                              | 29,312   | 29,312         |
| 906,780           |  |          | 797,784        |
|                   | <b>Net Current Assets &amp; Liabilities</b>      |          |                |
| 51,637            | Current Assets: Short Term Investments           | 65,140   |                |
| 14,670            | Current Assets: Debtors                          | 11,995   |                |
| 4,547             | Current Assets: Cash In Hand                     | 8,461    | 85,596         |
| (8,000)           | Current Liabilities: Creditors                   | (10,818) |                |
| 1,222             | Current Liabilities: Amounts Due (To) / From RCT | (6,349)  | (17,167)       |
| (11,000)          | Long-term Liabilities: Creditors                 |          | -              |
| <b>959,856</b>    | <b>Total Assets</b>                              |          | <b>866,213</b> |

The market value of long term investments quoted is at 31<sup>st</sup> March of the appropriate year.

## 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 31<sup>st</sup> March and the transfer has not been paid or received.

## 2. Actuarial Position

An actuarial valuation of the Fund was carried out as at 31<sup>st</sup> 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                                    | 7 ½% per annum |
| Rate of general pay increases                                    | 5 ¼% per annum |
| Rate of increases to pensions in payment<br>(In excess of GMP's) | 3 ½% 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 1<sup>st</sup> 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:

| <b>Authority</b>                          | <b>31/03/00<br/>%</b> |
|---|-----------------------|
| Bridgend County Borough Council           | 295                   |
| Rhondda Cynon Taff County Borough Council | 305                   |
| Merthyr County Borough Council            | 335                   |

**N.B.** Other bodies comprise:

Llantrisant Community Council, Llanharry Community Council, Llantwit Fadre Community Council, Pontypridd Town Council, South Wales Police Authority, Llwydcoed Crematorium Joint Committee, Mid Glamorgan Crematorium Joint Committee, Local Valuation Panel, South Wales Sea Fisheries, Probation Service, Merthyr Tydfil Institute for the Blind, Tonyrefail Community Council, Llanbradach Community Council, Pontyclun Community Council, Gelligaer Community Council, University of Glamorgan, Pontypridd College, Ystrad Mynach College, Bridgend College, Merthyr College, Aberdare College, Amgen Cymru, Amgen Rhondda, Bridgend Town Council, South Wales Fire Service (civilians only), ESIS, Maesteg Town Council, Maesteg Town Hall, WJEC, WJEC/CBAC Services, Council of Museums, Syniad, WDA, Mid Glamorgan Careers Ltd., SEWOCN, Academi and Penywaun Enterprise Scheme.

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) 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 1999/00 and 2000/01 were:

| <b>Authority</b>                          | <b>31/03/00<br/>%</b> | <b>31/03/01<br/>%</b> |
|---|-----------------------|-----------------------|
| Bridgend County Borough Council           | 272                   | 298                   |
| Rhondda Cynon Taff County Borough Council | 305                   | 305                   |
| Merthyr County Borough Council            | 335                   | 335                   |

For Bridgend County Borough Council, the required increase in contribution rate for 1999/00 compared to those in payment over 1998/99 is being phased-in over the next two years.

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

**3. Investment Strategy**

Investment strategy is considered and agreed by a panel consisting of the Group Director - Corporate Services, the Investment Manager 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 is carried out by two balanced Fund Managers:

Deutsche Investment Management  
F&C Management Ltd.

**4. Capital Commitments**

At 31<sup>st</sup> March 2001, the Fund has commitments on part paid venture fund investments of £55,000.

**5. Investments at Market Value**

Share values are based on mid market prices at 31<sup>st</sup> March 2001, 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.

**6. Change of Accounting Policy**

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

**7. Analysis of Investments**

|                                       | 1999/00 |                | 2000/01 |                |
|---------------------------------------|---------|----------------|---------|----------------|
|                                       | £'000   | £'000          | £'000   | £'000          |
| <b>Fixed Interest</b>                 |         |                |         |                |
| UK                                    | 90,502  |                | 25,382  |                |
| Foreign                               | 60,029  |                | 19,383  |                |
|                                       |         | 150,531        |         | 44,765         |
| <b>UK Equities &amp; Convertibles</b> |         |                |         |                |
| Quoted                                | 472,131 |                | 461,176 |                |
| Unquoted                              | -       |                | -       |                |
|                                       |         | 472,131        |         | 461,176        |
| <b>UK Property Unit Trusts</b>        |         |                |         |                |
| UK Investment Trusts                  | 677     |                | 433     |                |
| UK Investment/Unit Trusts             | 16,556  |                | 9,156   |                |
|                                       |         | 17,233         |         | 9,589          |
| <b>Foreign Equities</b>               |         |                |         |                |
| Quoted                                | 219,915 |                | 202,807 |                |
| Unit Trusts                           | -       |                | -       |                |
|                                       |         | 219,915        |         | 202,807        |
| <b>Bonds</b>                          |         |                |         |                |
| UK                                    | 46,970  |                | 50,135  |                |
| Foreign                               | -       |                | 29,312  |                |
|                                       |         | 46,970         |         | 79,447         |
| <b>Total Long term Investments</b>    |         | <b>906,780</b> |         | <b>797,784</b> |
| Cash/Short term Investments           |         | 56,184         |         | 73,601         |
| <b>Market Value of Investments</b>    |         | <b>962,964</b> |         | <b>871,385</b> |

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

**8. Details of Fund Managers**

During April 2000, M & G's institutional segregated equity and balanced business was sold by Prudential to Deutsche Asset Management. The Investment Advisory Panel decided to apportion M & G's portfolio equally between the two remaining managers. The transfer of stocks took place on 2<sup>nd</sup> June 2000. The Fund is now managed by two balanced Fund Managers - Deutsche Investment Management and F&C 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 overleaf:

| <b>Fund Manager</b>       | <b>Market Value At<br/>31/03/01<br/>£'000</b> | <b>Proportion Of<br/>Fund<br/>%</b> |
|---------------------------|---|-------------------------------------|
| Deutsche Asset Management | 584,079                                       | 66.94                               |
| F&C Management            | 263,228                                       | 30.16                               |
| Internally managed        | 24,078  | 2.90                                |
| <b>Total</b>              | <b>871,385</b>                                | <b>100.00</b>                       |

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

The book value of investments at 31<sup>st</sup> March 2001 was £738.26m (including short-term loans) with a market value of £797.78m above costs.

## **9. Contingencies**

There is a contingent liability of £265,875 in respect of potentially refundable contributions for leavers in the past 5 years who have not yet claimed refunds.

## **10. Membership of The Fund**

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

|                        | <b>1999/00</b> | <b>2000/01</b> |
|------------------------|----------------|----------------|
| Employing Bodies       | 39             | 40             |
| Contributors           | 15,705         | 16,208         |
| Pensioners             | 14,207         | 13,386         |
| Deferred Beneficiaries | 4,297          | 2,365          |

## **11. 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:

| <b>Quarter</b> | <b>Purchases<br/>£'000</b> | <b>Sales<br/>£'000</b> |
|----------------|----------------------------|------------------------|
| June 2000      | 554,551                    | 562,919                |
| September 2000 | 115,252                    | 96,233                 |
| December 2000  | 91,568                     | 81,478                 |
| March 2001     | 93,540                     | 73,301                 |
| <b>Total</b>   | <b>854,911</b>             | <b>813,931</b>         |

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 31<sup>st</sup> March 2001 (using valuation methods detailed in Note 5 above).

## 12. Statement of Investment Principles

The Local Government Pension Scheme (Management & Investment of Funds)(Amendment) Regulations 1999 require administering authorities, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a "written statement of investment principles governing their decisions about investments".

The Statement must cover the policy on -

- (a) The types of investments to be held,
- (b) The balance between different types of investments,
- (c) Risk,
- (d) The expected return on investments,
- (e) The realisation of investments,
- (f) The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments, and
- (g) The exercise of the rights (including voting rights) attaching to investments, if they have any such policy.

The statement has been prepared in consultation with the Pension Fund Investment Advisory Panel. It will be reviewed annually.

## 13. 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 2000/01 are shown in the table below:

|               | <b>Contributions Made By<br/>Employers<br/>£'000</b> | <b>Pensions, Lump Sums<br/>And Death Benefits<br/>£'000</b> |
|---------------|--|---|
| Administering | 14,501   | 3,443   |
| Admitted      | 2,666  | 2,451   |
| Scheduled     | 17,760   | 46,852  |
| <b>Total</b>  | <b>34,927</b>  | <b>52,746</b>   |

**14. 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 approximately £25m. An amount of £14m was paid to Torfaen in 1999/00, and the balance was paid over on 18<sup>th</sup> April 2001.

**15. Transactions with Related Parties**

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taff CBC provided services to the Fund for which it charged £952,424 (£825,445 in 1999/00). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

**16. Stock Lending**

There have been no stock lending arrangements during the period.

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# Rhondda Cynon Taff County Borough Council Pension Fund

## Statement of Investment Principles

### 1. Overall Responsibility

Rhondda Cynon Taff County Borough Council is the designated statutory body responsible for administering the Rhondda Cynon Taff County Borough Council Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The Council has appointed the Group Director - Corporate Services with Section 151 responsibilities to act as adviser to the Council in respect of its Pension Fund responsibilities. An Investment Advisory Panel has been formed to advise him in this capacity. This is made up of

The Divisional Director - Accountancy  
Three independent advisors  
The Investment Officer of Rhondda Cynon Taff County Borough Council

The Panel meets quarterly. The Council is not strictly a trustee (technically, this is the Department of the Environment, Transport and the Regions) but acts in a quasi - trustee role.

### 2. Primary Objective

The Fund's objective is to provide for members' pension and lump sum benefits on their retirement or for the dependants' benefits on death before or after retirement, on a defined basis.

### 3. Funding Objectives

Rhondda Cynon Taff should manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contribution is agreed by the Authority to meet the cost of future benefits arising.

The assumptions used for this test correspond with the assumptions used in the latest Actuarial Valuation. This position will be reviewed at least at each triennial Actuarial Valuation. The Investment Advisory Panel will be advised of any material changes to the Fund during the inter-valuation period.

#### **4. Investment Objectives**

The Fund's objective is to achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives on an ongoing basis.

The Investment Advisory Panel will ensure that one or more investment managers are appointed who are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 to manage the assets of the Fund.

The Investment Advisory Panel may give specific directions as to the strategic asset allocations and will ensure the suitability of assets in relation to the needs of the Fund. The investment managers (each of which will have a benchmark and target to reflect their mandate) will be given full discretion over the choice of individual stocks and are expected to maintain a diversified portfolio.

#### **5. Types Of Investments To Be Held**

A management agreement is in place for each investment manager which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions as determined by the Investment Advisory Panel.

Distribution of assets must be maintained within the following ranges:

| <b>Asset Class</b>    | <b>Range<br/>(Percentage of Portfolio)</b> |
|-----------------------|--|
| UK Equities           | 50 - 60%                                   |
| Overseas Equities     | 15 - 30%                                   |
| Global Fixed Interest | 5 - 25%                                    |
| Cash                  | 0 - 10%                                    |

The Investment Advisory Panel have agreed a benchmark which provides an efficient balance between risk and return.

#### **6. Policy On Risk**

The adoption of an asset allocation benchmark and the monitoring of performance relative to a performance target constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage the Fund in such a way to enhance returns.

The appointment of more than one investment manager introduces a meaningful level of diversification of manager risk.

Each manager is expected to maintain a diversified portfolio of investments and adhere to restrictions imposed within their agreement.

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**7. Expected Return On Investments**

The overall investment objective is to maximise investment returns and to minimise employer contributions over the long term within agreed risk tolerances.

The statutory requirement is to move towards 100% funding over a period of time. This is agreed with the Actuary as the average expected future working lifetime of the scheme membership. The funding level is computed triennially, following an actuarial review.

The Fund's assets are managed on an active basis and are expected to outperform their benchmarks over the long term. In this way the investment performance achieved by the Fund is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.

Review of the investment managers is ongoing based on the quarterly and annual performance data supplied to the Panel by the WM Company.

**8. Realisation Of Investments**

Fund Managers are required to hold only assets that are readily realisable. Any investment within a pooled fund which is not readily tradable requires specific approval. Property Unit Trusts, which are relatively illiquid, currently make up a small proportion of the Fund's assets.

**9. Socially Responsible Investments**

The Investment Advisory Panel has discussed Socially Responsible Investment in the context of the investment strategy. It has been decided that the overriding principle of the Fund's investment policy is to obtain the best possible return using the full range of investments authorised under the Local Government Pension Scheme regulations.

**10. Exercise Of Voting Rights**

The Investment Advisory Panel has decided that Fund Managers should abstain from voting unless it is a sensitive issue.

**11. Custody**

Rhondda Cynon Taff has appointed global custodians. All the investments are held by the custodians to the account of the Pension Fund. The Council holds a modest working cash balance.

**12. Administration**

On behalf of Rhondda Cynon Taff County Borough Council, the Group Director - Corporate Services exercises continual monitoring of the managers' investment related actions and administration. This includes:

- maintaining the investment ledger and suitable accounting procedures for the Fund's assets;
- preparing a quarterly report to the Investment Advisory Panel;
- preparing an audited annual report and accounts;
- maintaining an up to date record of in-house managed cash balances to ensure surplus cash is invested promptly or that resources are available to cover benefits payments.

### **Actuaries' Report**

We have undertaken a valuation of the Fund as at 31<sup>st</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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**

*A full version of the Rhondda Cynon Taff County Borough Council Pension Fund accounts is available from the Group Director Corporate Services, Finance Division, Bronwydd House, Porth, Rhondda CF39 9DL.*

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## Statement of Responsibilities for preparation of 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 Group Director - Corporate Services.
- 2) To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

### The Group Director - Corporate Services' Responsibilities

The Group 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 31<sup>st</sup> March 2001.

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

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

### The Group Director has also throughout the financial year:

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

### Certificate of the Group Director - Corporate Services Rhondda Cynon Taff C.B.C. on the accounts of Rhondda Cynon Taff C.B.C for 2000/01

I Certify that the accounts set out on the pages 2 to 71 presents fairly the financial position of Rhondda Cynon Taff C.B.C. at 31<sup>st</sup> March 2001 and its income and expenditure for the year then ended.

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

**K GRIFFITHS**  
Group Director - Corporate Services

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## **Auditor's Report on the Accounts Of Rhondda Cynon Taff C.B.C. for 2000/01**

We have audited the statement of accounts on pages 9 to 72 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 16 to 56, which have been prepared in accordance with the accounting policies set out on pages 11 to 15 and the Pension Fund accounts, on pages 57 to 71 which have been prepared in accordance with the accounting policies set out on pages 60 to 62.

### **Respective responsibilities of Chief Finance Officer and Auditors**

As described on page 72 the Group Director - Corporate Services 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 WDA grant funding previously received by the Authority having to be repaid. Details of the circumstances relating to this fundamental uncertainty are described in note 24 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 31<sup>st</sup> March 2001 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 31<sup>st</sup> March 2001, 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**

We certify that 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 Group Director - Corporate Services; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

## **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.

### **Best Value Accounting Code of Practice (BVACOP)**

The Best Value Accounting Code of Practice modernises the system of Local Authority accounting and reporting to ensure it meets the changed and changing needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community.

### **Best Value Performance Plan (BVPP)**

Under the Local Government Act 1999, the Authority has a statutory obligation to publish a Best Value Performance Plan. It provides information on the Authority's performance and planned improvements.

### **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.

**Chartered Institute of Public Finance Accountants (CIPFA)**

CIPFA is responsible for issuing financial guidance to public bodies.

**Compulsory Competitive Tendering (CCT)**

From 3<sup>rd</sup> January 2000, the statutory requirements requiring Local Authorities to provide defined activities in accordance with CCT legislation no longer apply. CCT was a system which required Local Authorities to tender many of its front line and support services.

**Consolidated Balance Sheet (CBS)**

The balance sheet combines the assets, liabilities and other balances of all our departments, at the end of the financial year, 31<sup>st</sup> 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.

**Contingent Liabilities**

Contingent liabilities exist where it is probable that a future event will result in a material cost to the Authority and can be estimated with reasonable accuracy.

**Corporate and Democratic Core (CDC)**

CDC is a service defined by the Best Value Accounting Code of Practice representing costs relating to Member activity (DRM) and costs which provide the infrastructure to ensure that services can be provided (Corporate Management).

**Corporate Management (CM)**

CM is a division of service within Corporate and Democratic Core. It represents costs that provide the infrastructure to ensure that services can be provided. Specifically it contains costs of Chief Executive, maintaining statutory registers, provision of public information, treasury and bank charges and completing, publishing and auditing statutory returns.

**Creditor**

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

**Current Assets**

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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.

**Democratic Representation and Management (DRM)**

DRM is a division of service within Corporate and Democratic Core. It represents all costs relating to Member activity (eg allowances, officer support time).

**Depreciated Replacement Cost (DRC)**

DRC is a basis of valuation of fixed assets

**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 1<sup>st</sup> April and finishes on 31<sup>st</sup> 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.

**Open Market Value in Existing Use (OMVEU)**

OMVEU is a basis for valuation of fixed assets

**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.

**Post Balance Sheet Events**

Post Balance Sheet items are those which arise after the Balance Sheet date. These are items which did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the fair presentation of the accounts.

**Precepts**

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

**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.

**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.

**Unapportionable Central Overheads (UCO)**

UCO is a category of costs defined by the Best Value Accounting Code of Practice. It represents:-

- costs of unused I.T. facilities,
- costs of long term unused, unrealisable assets,
- certain pension fund costs

**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, which has not yet been charged to the revenue account.