

Rhondda Cynon Taf County Borough Council
Statement of Accounts 2001/02

Contents	Page
Explanatory Foreword	2
Statement of Accounting Policies	11
Consolidated Revenue Account	17
Notes to the Consolidated Revenue Account	18
Consolidated Balance Sheet	30
Notes to the Consolidated Balance Sheet	31
Statement of Total Movements in Reserves	51
Cashflow Statement	54
Housing Revenue Account Summary	57
Summary Pension Fund Accounts	59
Statement of Responsibilities for the Statement of Accounts	75
Certificate of the Group Director - Corporate Services	75
Auditor's Report and Certificate	76
Glossary of Terms	78

Explanatory Foreword

1. Introduction

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

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

The Council covers an area of 42,000 hectares and provides services to a population of 239,800.

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

The accounts for 2001/02 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 1st April 2000 and has incorporated the principles of the Best Value Accounting Code of Practice.

The accounts set out on pages 11-74 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 Council has sought to adhere in full to the requirements of the Code.

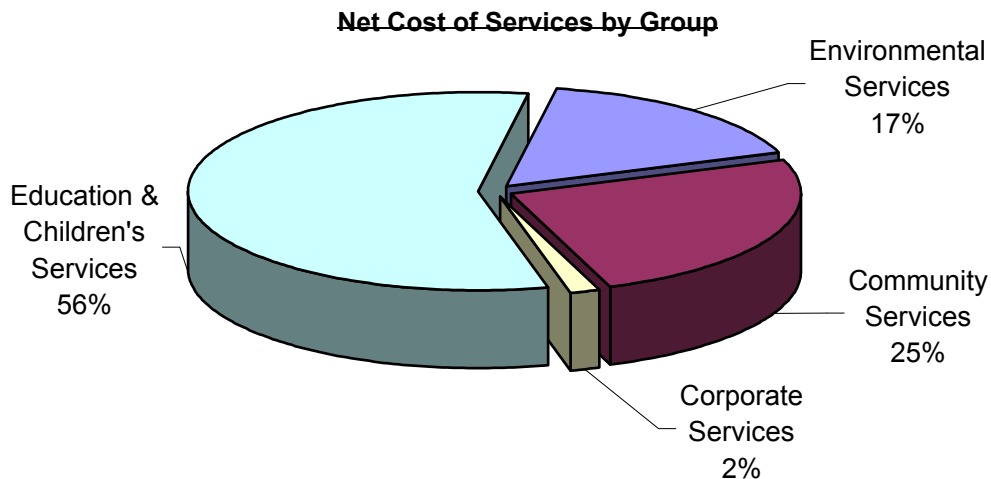
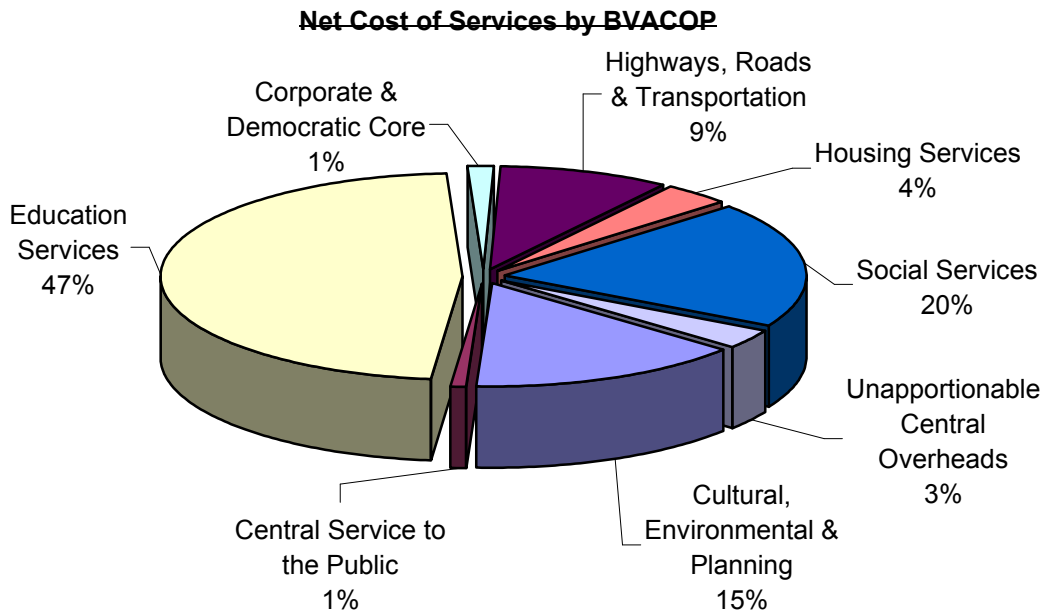
The Code of Practice modernises the system of local authority accounting and reporting to ensure that it meets the changed and changing needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community.

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.

Concept / Definition	Impact on Statement of Accounts
<p><u>Total Cost</u></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><u>Service Expenditure Analysis (SEA)</u></p> <p>A standard objective (cost centre based) categorisation at which total cost must be reported at Statement of Accounts level.</p>	<p>The Consolidated Revenue Account is prepared in the format prescribed by the Best Value Accounting Code of Practice 2001 rather than the Council's organisational structure.</p>
<p><u>Trading Activities</u></p> <p>Replaces previous Compulsory Competitive Tendering (CCT) legislation and introduces 6 types of trading activities :</p> <ol style="list-style-type: none"> 1. Trading Services or undertakings with the public or with other third parties; 2. External trading organisations which have won contracts from other public bodies; 3. Continuing CCT arrangements; 4. Internal trading organisations arising from Voluntary Competitive Tendering exercises; 5. Support services provided in a free internal market; 6. Support services provided in a limited internal market. <p>Significant surpluses or deficits on trading activities are to be reapportioned to client where reasonably practicable and material.</p>	<p>This requires the Council 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>

2. General Fund Revenue Account 2001/02

The Consolidated Revenue Account provides an analysis of the Council's gross revenue expenditure and income and shows how this has been funded. The chart below provides an analysis of the Net Cost of Services (£310.4m) 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 Council.



The following table details each of the four groups' actual performance and budget. The figures are based upon income and expenditure controllable by each Group. The table does not equal Net Cost of Services on the CRA for various reasons, the most significant being:

- Capital charges and central establishment charges are included in the Net Cost of Services as required by BVACOP but not included in the table below as they are not controllable by the Groups;
- Certain miscellaneous finance costs and other authority wide (non group specific costs) are excluded from the table;
- Surpluses and deficits of trading activities are included within the table but excluded from Net Cost of Services.

	Actual 2001/02 £'000	Budget 2001/02 £'000
Education & Children's Services	151,146	150,293
Corporate Services	12,878	14,354
Community Services	58,667	58,752
Environmental Services	27,695	27,103
Total	250,386	250,502

Gross Expenditure on Services amounted to £484.9m, this can be analysed over the following expenditure categories: -

Type of Expenditure	£'m	%
Employees	192	40
Premises Related	35	7
Transport Related	11	2
Supplies and Services	77	16
Payments to Third Parties	36	7
Transfer Payments	43	9
Capital Charges (e.g. interest)	66	14
Other Operating Costs	25	5
Total Gross Expenditure	485	100

Income during the year totalled £468m and came from the following sources:-

Income Analysis	£'m	%
<u>Direct Service Income General Fund</u>		
Specific Grants	61	13
Sales, Fees & Charges	27	6
HRA	45	10
Other Income	42	8
Sub-total Direct Service Income	175	37
<u>Other Income</u>		
Revenue Support Grant	186	40
National Non Domestic Rates	51	11
Council Tax	56	12
Total Income	468	100

3. Housing Revenue Account

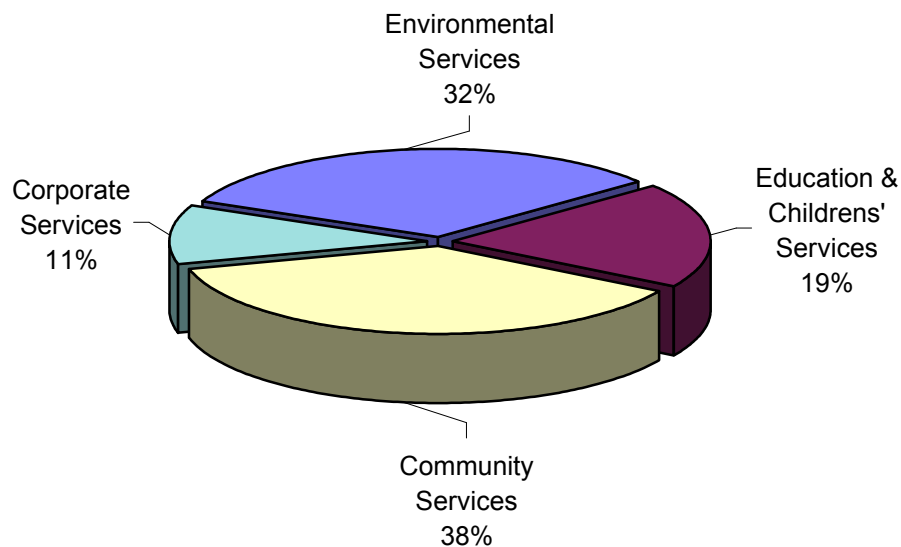
As can be seen from the Housing Revenue Account Summary (HRA), gross expenditure on council housing totalled £45.6m, of which £8.0m (17%) related to repairs and maintenance, £7.2m (16%) to supervision and management, £11.4m (25%) to capital financing, £18.3m (40%) to rent rebates and £0.7m (2%) on other expenditure.

Income totalled £45.8m and came from rents £26.0m (56%), housing subsidy £18.6m (40%) and other income £1.2m (4%).

This resulted in net expenditure of £0.2m changing HRA reserves from £1.7m at 1st April 2001 to £1.9m at 31st March 2002.

4. Capital Expenditure and Income 2001/02

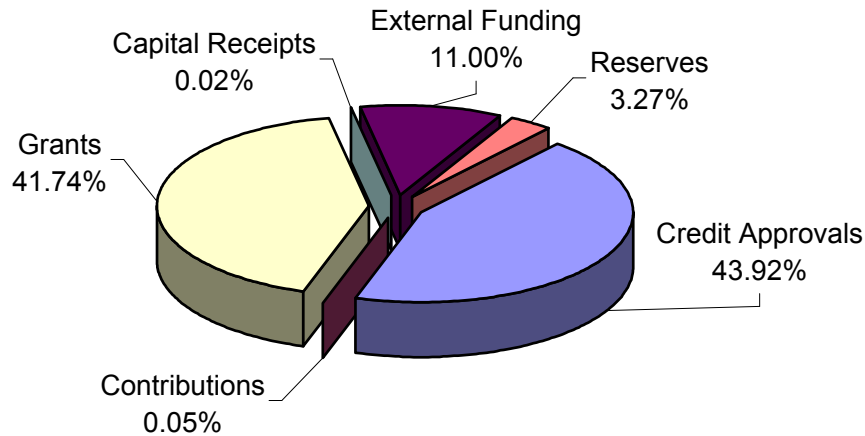
During the year the Council spent £42m on capital expenditure, as summarised below: -



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

Expenditure on Fixed Assets	£'m	%
Enhancing	18.7	45
Non Enhancing	12.3	29
Deferred Charges	11.0	26
Total	42.0	100

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 Gymraeg Rhydywaun
Tylorstown Primary
Ysgol Gynradd Gymraeg Aberdar

Major commitments in respect of capital schemes as at 31st March 2002 included the following: -

Scheme	£'000
Cefn Yr Hendy Site	1,100
Rhondda Special School	2,258
Penyrenghlyn Community School	1,364
Ysgol Gynradd Gymraeg Aberdar	1,471
SME Ymlaen	2,035
Land Reclamation	3,760

5. Reserves and Provisions

Balance sheet notes 26.0 and 27.0 relate to movement on Capital and Revenue Reserves. They show that the following balances were held at 31st March 2002: -

Capital Reserves £356.5m (of which £8.1m can be used to support capital spending).

Revenue Reserves £31.0m (including Trust Funds of £0.2m and Special Funds of £0.3m).

6. Borrowing Arrangements and Sources of Funds

Each year, in accordance with the Local Authorities (Capital Expenditure)

Regulations 1990, the Council has to set limits in relation to: -

- 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	£365m
Short term borrowing limit	£ 20m
Limit on variable rate interest	£ 44m or 12%

As can be seen from the Consolidated Balance Sheet, overall borrowing totalled £326.4m. Long Term Borrowing totalled £286.3m at 31st March 2002. Temporary loans within Short Term Borrowing limits were taken during the year, all of which have been repaid at the balance sheet date.

Note 10 to the Consolidated Balance Sheet demonstrates that the majority of external borrowing (£321m) was from the Public Works Loan Board (PWLB). The balance comprises £4m from market loans and individual lenders in the form of local bonds and £1m from other sources.

The Council is required under the Local Government and Housing Act, 1989 to prepare a Treasury Management Strategy for the forthcoming year. At the meeting of the Policy Committee held on 12th March 2001 Members approved that the raising of loans from the PWLB is the most advantageous for the Council at the present time. This does not preclude the raising of loans from other sources if this is more financially advantageous at that time. The Treasury Management Policy Document agreed by Members allows the Council 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 Policy 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 is prepared in the format prescribed by the Best Value Accounting Code of Practice and 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:

- The first section gives the cost of the services provided by the Council net of specific grants to give the NET COST OF SERVICES.
- The second section comprises items of income and expenditure relating to the Council as a whole. When added to section one, this gives the Council's NET OPERATING EXPENDITURE.
- The third section 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.
- 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 31st March 2002. 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 Taf County Borough Council Pension Fund, the Council has an obligation to include a summary of the Pension Fund Accounts within it's own Statement of Accounts.

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

Statement of Responsibilities - Statement of Accounts

This sets out the responsibilities of the Council and the 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 Council has complied with the code in all areas other than where specifically noted.

The Council has also implemented and complied with the Best Value Accounting Code of Practice (2001 edition). 2001/02 is the second 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 Council's revaluation exercise and has been valued on a depreciated replacement cost basis (DRC). The nursery section within the Park is valued at OMVEU.

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

The Council carried out impairment reviews of its assets during 2001/02. In 2001/02 the Council agreed a de-minimis policy, the value below which assets will not be recorded in the asset register. A de-minimis level has been set as follows:

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

As an exception to this policy, it has been decided to collectively value certain classes of assets (e.g. ICT equipment). If these assets had been subject to this policy the value of the Council's assets would have been greatly understated.

2. Deferred Charges

Deferred charges relate to capital expenditure that is not represented by a tangible fixed asset. If it has a value to the Council 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 Council has written off all deferred charges as they do not reflect continuing benefit which will accrue to the Council over an extended period.

An analysis of expenditure for the Council in respect of deferred charges made during 2001/02 identified that it would be prudent to amortise the expenditure in total within the financial year. This has been actioned during 2001/02 as follows:

	£'000
Central Services to the Public	2,706
Housing	8,019
Social Services	349
Highways, Roads & Transportation	10
General Fund Deferred Charges	11,084

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 is set at 25% in respect of council house sales and 100% for all other receipts.

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

4. Basis of Charges for Use of Fixed Assets

Users of fixed assets bear a capital charge based on the current value of the assets. The charge comprises two elements: -

- Notional interest, which is charged at a rate specified annually by the Government. The rates for 2001/02 were 6% for operational, non-operational assets, infrastructure and community assets.
- Depreciation is charged on a straight-line basis on all fixed assets with a finite useful life, excluding non-depreciable land.
- Council dwellings have an asset life of 50 years. Estate garages and shops have a 15 year and 30 year asset life respectively. All other assets' lives have been identified on an individual basis.

5. Minimum Revenue Provision

The Local Government and Housing Act 1989 requires each Local Authority to set aside a Minimum Revenue Provision (MRP) 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 General Fund.

6. Leases

Operating leases are charged to revenue in the year during which the costs are incurred.

Assets acquired under Finance Lease arrangements are capitalised together with a liability to pay future rentals and treated as a deferred liability in the Council's balance sheet. Interest costs are charged to the Asset Management Revenue Account (AMRA) and the amount of principal outstanding at the commencement of the lease will be treated as a fixed asset addition in the year the transaction occurred.

7. Long Term Contracts

The costs of long term contracts are charged to revenue in the year they are incurred. Please refer to the Long Term Contracts note for further details.

8. 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 that are charged at the date of meter reading rather than being apportioned between financial years. This policy is applied consistently each year and therefore does not have a material effect on the year's accounts.

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.

Where the claim has yet to be signed off by District Audit, debtors and creditors in relation to Government Grants (Benefits and Housing Subsidies) are included on an unaudited draft claim basis.

9. 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. There is no work in progress in the balance sheet.

10. 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 2001/02 has been based on information supplied by the Support Services Divisions.

11. Pensions

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

- Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency set contribution rates on the basis of a notional fund. Employees contribute at a rate of 6%.
- Other employees - Rhondda Cynon Taf 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 31st March 2001. Resulting changes in contribution rates have taken effect from 1st April 2002.

Up until the publication of FRS17 "Retirement Benefits", local authorities have not been required to follow UK Generally Accepted Accounting Practices (GAAP) in accounting for pensions costs. The complicated interaction of council tax and pension scheme legislation meant that SSAP24 "Accounting for Pensions Costs" was never fully incorporated into the SORP. The charges to revenue have been based on employer contributions payable in the year rather than benefit entitlements earned by employees. Therefore the charge to the revenue account is likely to be understated and there is no reflection of the liability in the balance sheet. The staggered adoption of FRS17 addresses this issue by requiring additional disclosure notes in 2001/02 and 2002/03 and requiring entries in the Consolidated Revenue Account and Balance Sheet in 2003/04 reflecting costs, assets and liabilities. Please refer to balance sheet note 29 for further details.

12. 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.

13. Investments

Investments are held in the balance sheet at cost. Short term investments consist largely of money market investments, all maturing within one year of the balance sheet date. Long term investments are held for greater than one year and consist of the Council's investments in various Special Funds and Trust Funds.

14. Value Added Tax

The Council is reimbursed Value Added Tax (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.

15. 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 that 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.

16. 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.

17. 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 31st March 2002

2000/01		2001/02		
Net Exp		Gross Exp	Gross Income	Net Exp
£'000		£'000	£'000	£'000
	Continuing Operations			
3,018	Central Services to the Public	16,070	(13,174)	2,896
38,581	Cultural, Environmental and Planning	63,977	(18,492)	45,485
132,792	Education Services	182,295	(35,304)	146,991
26,773	Highways, Roads and Transportation	35,393	(7,121)	28,272
11,676	Housing Services	83,268	(71,973)	11,295
58,457	Social Services	86,770	(25,344)	61,426
2,822	Corporate and Democratic Core	7,802	(2,958)	4,844
8,282	Unapportionable Central Overheads	9,357	(191)	9,166
282,401	Net Cost of Services	484,932	(174,557)	310,375
	Precepts: -			
5,455	South Wales Police Authority	5,798	0	5,798
966	Community Councils	1,022	0	1,022
9,963	Levies	9,938	0	9,938
(2,400)	Interest and Investment Income	0	(1,890)	(1,890)
228	(Surplus)/Deficits on Trading Activities	38,956	(40,346)	(1,390)
(17,144)	Net Income Asset Management Revenue a/c	0	(18,025)	(18,025)
279,469	Net Operating Expenditure	540,646	(234,818)	305,828
(697)	Transfer of HRA Surplus to Reserves			188
3,698	Transfer to Insurance Reserve			(13)
(19,185)	Release of Capital Financing Reserve			(19,586)
5,657	Net Contributions to/(from) Earmarked Reserves			4,301
268,942	Amount to be met from Govt Grants/ Local Taxpayers			290,718
(169,883)	Revenue Support Grant			(185,512)
(47,576)	NNDR Pool Contribution			(51,047)
(59,822)	Net Proceeds of Council Tax			(56,320)
(8,339)	Net General Fund (Surplus) / Deficit			(2,161)
1,177	Balance on General Fund Brought Forward			(7,162)
0	Movement Between Reserves			0
(7,162)	Balance on General Fund Carried Forward			(9,323)

Notes to the Consolidated Revenue Account

1.0 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 Council continues to operate these activities on a trading account basis and the respective performance of each is detailed below.

Former DLO Trading Activities	2000/01	2001/02		
	(Surplus) / Deficit	Expenditure	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	(346)	7,030	(7,504)	(474)
Refuse	339	4,080	(4,440)	(360)
Street Cleansing	(376)	2,347	(2,643)	(296)
Building Cleaning	(67)	1,324	(1,397)	(73)
Grounds Maintenance	(13)	3,850	(3,853)	(3)
Vehicle Maintenance	307	1,221	(1,096)	125
Housing Maintenance Unit	(150)	5,478	(5,612)	(134)
Education and Welfare Catering	185	8,178	(8,339)	(161)
Total	(121)	33,508	(34,884)	(1,376)

Other Trading Activities	2000/01	2001/02		
	(Surplus) / Deficit	Expenditure	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Property Consultancy	585	1,156	(1,221)	(65)
HT&E Design Consultancy	122	184	(133)	51
Building Maintenance	(360)	90	0	90
Other Catering	20	113	(87)	26
Creative Design and Print	(13)	1,089	(1,128)	(39)
Fleet Management	(5)	2,816	(2,893)	(77)
Total	349	5,448	(5,462)	(14)

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 Council's BVPP).

The surplus on the Housing Maintenance Unit has been transferred to the Housing Revenue Account reserve. The Welsh Assembly Government has approved this treatment. The credit balance of £134k relates to a reduction in employer superannuation costs that do not relate to the current year.

2.0 Section 137 Local Government Act 1972 (As amended by Section 33 Local Government and Housing Act 1989)

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

The amount is limited in accordance with The Local Authorities (Discretionary Expenditure Limits) Order 2000 - to an amount of £5 per head of population.

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

For Rhondda Cynon Taf CBC (with a population of 240,100) the limit is calculated as £1.2m.

During 2001/02 the Council incurred expenditure amounting to £750k under these powers, analysed as follows: -

Type of Expenditure	£'000
Holiday Projects (Grants)	48
Contributions to Voluntary Organisations	702
Total	750

3.0 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 2001/02 the Council spent a total of £1.2m in respect of the following:-

Category	2000/01 £'000	2001/02 £'000
Recruitment advertising	1,057	689
General advertising	94	236
Other publicity	89	262
Total	1,240	1,187

4.0 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 2001/02 was £5.2m.

5.0 Road User Charging

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

6.0 Local Authorities Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2001/02 financial year the Council undertook the following work under the provisions of this Act: -

Category of supply	Client	Amount
		£'000
Supply of Goods or Materials	Aberdare College	1
	Bridgend College	1
	Bridgend County Borough Council	5
	City & County of Cardiff	1
	North Glamorgan Health Trust	6
	Pontypridd & Rhondda NHS Trust	1
	Pontypridd College	104
	Powys County Borough Council	76
	South Wales Fire Service	27
	South Wales Police	2
	Staffordshire County Council	1
	University of Glamorgan	4
		229
Provision of Administrative, Professional or Technical Services	Aberdare College	146
	Bridgend County Borough Council	7
	Bristol City Council	16
	Bro Taf Health Authority	406
	Caerphilly County Borough Council	1
	City & County of Cardiff	8
	Merthyr Tydfil College	7
	Neath Port Talbot County Borough Council	3
	North Glamorgan Health Trust	7
	Pembrokeshire County Council	2
	Pencoed College	1
	Pontypridd & Rhondda NHS Trust	62
	Pontypridd College	542
	Powys County Council	6
	<i>Continued overleaf</i>	

	South Wales Fire Service	239
	South Wales Police Authority	185
	University of Glamorgan	14
	Wrexham County Borough Council	1
	Ystrad Mynach College	9
		1,662
Use of vehicles, plant or apparatus	Aberdare College	5
	Caerphilly County Borough Council	3
		8
	Total	1,899

7.0 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 2001/02 the Council paid an average of 13,020 staff, paying total salaries of £188.4m. Within this, the following salary payments were made within the categories specified: -

Remuneration Band	2000/01	2001/02		
	No. of employees	No. of employees		
	Total	At 31/03/02	Left in year	Total
£40,000-£49,999	35	61	5	66
£50,000-£59,999	18	21	0	21
£60,000-£69,999	2	3	1	4
£70,000-£79,999	0	0	0	0
£80,000-£89,999	1	1	0	1
Total	56	86	6	92

8.0 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 2001/02 the Council paid a total of £628k in respect of basic allowances and special responsibility allowances to 75 members (excluding travelling, subsistence, employers 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.

9.0 Pensions

The Council participates in two pension schemes: -

- Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency (TPA). The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund. In 2001/02 the Council paid £5.14m 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 2001/02 these amounted to £742k.
- Other employees - Subject to certain qualifying criteria, other employees contribute to the Local Government Pension Scheme (LGPS). The LGPS is a Defined Benefit scheme. The pension costs that are charged to the Council's accounts are equal to the contributions paid to the funded pension scheme.

In 2001/02 the Council paid an employer's contribution of £15.9m 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 31st March 1998. A valuation has taken place up to 31st March 2001 but changes to contributions don't take effect until 1st April 2002.

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 2001/02 these amounted to £880k.

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 £15.6m representing 300% of employees contributions. FRS17 "Retirement Benefits" supersedes SSAP24 and disclosures required by this new standard can be seen at balance sheet note 29.

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 59 to 74.

10.0 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: -

Organisation Name	2000/01 £'000	2001/02 £'000
South Wales Fire Service	8,026	8,347
Probation Service	474	0
Magistrates' Courts	355	474
Coroner	257	240
South Wales Sea Fisheries	43	50
Glamorgan Archives	148	148
Registrars	87	80
National Rivers Authority	508	564
Probation & Magistrates Courts (Capital Works)	34	0
Brecon Beacons National Park	31	35
Total	9,963	9,938

11.0 Leases**11.1 Operating Leases**

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

Details	Paid 2001/02 £'000	2002/03 £'000	2003/04 £'000	2004/05 £'000	2005– end of lease £'000
ICT Equipment	719	200	0	0	0
Print & Dispatch Unit	60	56	56	0	0
Creative Design & Print	18	17	0	0	0
Economic & Regeneration Unit	2	0	0	0	0
Valleys Innovation Centre	4	0	0	0	0
School Equipment	489	427	325	230	83
Education Equipment	10	10	10	8	9
Library Equipment	6	6	6	2	0
Refuse & Cleansing	370	373	373	273	0
Vehicles	182	35	35	35	27
Total	1,860	1,124	805	548	119

11.2 Finance Leases

During 2001/02 the sum of £58k was paid from Revenue in respect of Finance Leases. The gross amount of assets held under finance leases amounted to £389k. This amount has been written down over the asset life by £377k resulting in a revised net value of £12k.

12.0 Long Term Contracts

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

Details	2002/03 £'000	2003/04 £'000	2004/05 £'000	2005-End £'000
Heating Servicing & Maintenance	1,000	1,000	1,000	Ongoing
Stairlift Servicing & Maintenance	300	300	300	Ongoing
Security Screening	350	350	350	Ongoing
Residential Care	16,000	16,000	16,000	Ongoing
Learning Difficulties	4,700	4,700	4,700	Ongoing
Domiciliary Care	1,000	1,000	1,000	Ongoing
Grants to Voluntary Sector	1,600	1,600	1,600	Ongoing
Transport	1,000	1,000	1,000	Ongoing
Total	25,950	25,950	25,950	

13.0 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 Local Government Reorganisation (LGR) purposes).

For 2001/02 these limits have been calculated as follows: -

	Credit Ceiling £'000	M.R.P. £'000
Housing Revenue Account	133,540	2,671
General Fund	205,050	8,989
Less commutation adjustment		(5,530)
Total		6,130

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

14.0 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 2001/02 are summarised below: -

	£'000
Depreciation	15,723
External Interest	21,383
Total Debit	37,106
HRA Item 8 Credits	(11,280)
Capital Charges:	
Interest	(31,448)
Depreciation	(12,403)
Total Credit	(55,131)
Net Credit	(18,025)

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

	£'000	£'000
Minimum Revenue Provision (CRA Note 13)	6,130	
Less Depreciation Charges	(15,723)	(9,593)
Direct Revenue Financing		642
Contribution to Capital		450
Total Debit		(8,501)
Deferred Charge (CBS Note 2) (excl.HRA)		(11,084)
Net effect of credit cover for deferred credit		(1)
Total Contribution from Capital Reserves		(19,586)

15.0 Prior Year Adjustments / Exceptional and Extraordinary Items

The accounts include only costs properly chargeable to the year of account. There are no significant prior year adjustments, exceptional or extraordinary items.

16.0 Council Tax

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

The Council tax base for 2001/02 was calculated to be £67,753.85 (compared with £67,834.24 for 2000/01). 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
No of properties	47,252	25,491	12,558	7,824	5,745	2,024	784	60
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

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

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

Council Tax Analysis	2000/01 £'000	2001/02 £'000
Council tax billed	54,409	56,320
Council tax reduction grant received	5,413	0
Net proceeds from Council Tax	59,822	56,320
Less payable		
South Wales Police Authority	(5,455)	(5,798)
Community Councils	(966)	(1,022)
Total	53,401	49,500

17.0 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 2001/02 was 42.6p (41.2p for 2000/01).
The total rateable value at 31st March 2002 was £98.2m (£98.5m as at 31st March 2001).

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

Total NNDR collected on behalf of the pool in 2001/02 amounted to £36.1m and the contribution back to the Council from the pool in the year amounted to £51.0m.

18.0 Residual Community Charges

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

During 2001/02, cash received had a minimal effect on the outstanding arrears.

19.0 Related Party Transactions

In accordance with FRS8, the Council 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 is 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 Council 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 Council has had dealings.

Organisation	Nature of Payment / Receipt	Amount £'000
Town Revival Strategy	Grant Payments	70
Housing Associations	Sale of Goods	(77)
Health Trust	Payments for Services	78

Rhondda Cynon Taf Pension Fund

The Group Director - Corporate Services is also the Responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1m in respect of administration and support during financial year 2001/02. 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 Council'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 Taf CBC Councillors on the Joint Committee.

During 2001/02, this Council 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 Taf elected members.

During 2001/02, this Council made net payments to the GEC amounting to £89k.

Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council. During 2001/02, the Council charged

Llwydcoed Crematorium £8k in respect of Central Establishment Charges.

20.0 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 1st April 1999.

The statement overleaf shows the total cost of operating the building control unit for 2001/02 divided between chargeable and non-chargeable activities.

Trading Account For Building Control						
	2000/01			2001/02		
	Charge-able (65%) £'000	Non- Charge-able (35%) £'000	Total Building Control £'000	Charge-able (63%) £'000	Non- Charge-able (37%) £'000	Total Building Control £'000
Employee Expenses	281	151	432	270	159	429
Premises	0	0	0	0	0	0
Transport	23	13	36	24	6	30
Supplies & Services	8	4	12	5	3	8
Cent & Sup Serv Charges	294	158	452	68	40	108
Total Expenditure	606	326	932	367	208	575
	Charge-able (100%) £'000	Non- Charge-able £'000	Total Building Control £'000	Charge-able (100%) £'000	Non- Charge-able £'000	Total Building Control £'000
Building Reg Charges	(318)	N/a	(318)	(318)	(0)	(318)
Misc Income	(1)	N/a	(1)	0	(2)	(2)
Total Income	(319)	N/a	(319)	(318)	(2)	(320)
(Surplus)/Deficit for Year	287	326	613	49	206	255

The Council has not met the criteria set down in the 1998 regulations for the period 1st April 1999 to 31st March 2002. The cumulative result for the three year period indicates a recovery of approximately 68% of total cost, a shortfall of some 22% of the suggested 90% target.

Following the restructuring of the Council in 2001/02 the service costs were streamlined and it is now expected to meet the 90% target in 2002/03.

Consolidated Balance Sheet as at 31st March 2002

31/03/01		31/03/02	
£'000		£'000	£'000
	Fixed Assets		
	<u>Operational Assets</u>		
155,194	Council Dwellings	145,394	
269,265	Other Land & Buildings	265,303	
3,882	Vehicles, Plant & Equipment	3,764	
228,585	Infrastructure Assets	234,695	
383	Community Assets	375	
	<u>Non Operational Assets</u>		
4,317	Miscellaneous Properties	3,816	
12,298	Investment Properties	16,339	
3,751	Surplus Assets	2,446	
0	Assets Under Construction	3,471	
677,675			675,603
65	Long Term Investments	63	
4,463	Investment in Companies	4,463	
8,460	Long Term Debtors	7,412	11,938
690,663	TOTAL LONG TERM ASSETS		687,541
	Current Assets		
811	Stocks & Work in Progress	846	
43,962	Debtors	44,101	
58,553	Short Term Investments	54,950	99,897
793,989	TOTAL ASSETS		787,438
	Current Liabilities		
(12,093)	Short Term Borrowing	(40,064)	
(67,560)	Creditors	(53,975)	
(2,834)	Bank Overdraft	(2,899)	(96,938)
711,502	TOTAL ASSETS LESS CURRENT LIABILITIES		690,500
	Long Term Liabilities		
(306,033)	Long Term Borrowing	(286,340)	
(1,628)	Deferred Liabilities	(1,523)	
(14,701)	Provisions	(15,158)	(303,021)
389,140	TOTAL ASSETS LESS LIABILITIES		387,479
	Represented by :-		
	<u>Capital Reserves</u>		
(277,236)	Revaluation Reserve	(260,045)	
(80,409)	Capital Financing Reserve	(85,764)	
(2,915)	Deferred Capital Receipts Reserve	(2,601)	
(4,141)	Usable Capital Receipts Reserve	(8,096)	(356,506)
(364,701)			
	<u>Revenue Reserves</u>		
(7,162)	General Fund Balances	(9,323)	
(3,698)	General Fund Insurance Balances	(3,685)	
(1,685)	Housing Revenue A/C	(1,872)	
(6,926)	Delegated Schools	(7,252)	
(4,330)	Earmarked Reserves	(8,305)	
(396)	Special Funds	(313)	
(242)	Trust Funds	(223)	(30,973)
(389,140)	TOTAL EQUITY		(387,479)

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 at 01/04/01 £'000	Expend in year 2001/02 £'000	Disposal 2001/02 £'000	Reval / Reclass 2001/02 £'000	Dep'n 2001/02 £'000	Balance at 31/3/02 £'000
Operational Assets						
Council Dwellings	155,194	0	(7,256)	696	(3,240)	145,394
Other Land & Buildings	269,265	3,058	(569)	(1,048)	(5,403)	265,303
Vehicles, Plant, Equip't	3,882	238	(165)	1,067	(1,258)	3,764
Infrastructure Assets	228,585	11,864	0	0	(5,754)	234,695
Community Assets	383	0	0	0	(8)	375
Non Operational Assets						
Land Awaiting Dev.	0	67	0	0	0	67
Misc. Properties	4,317	0	(501)	0	0	3,816
Surplus Assets	3,751	0	(1,288)	43	(60)	2,446
Investment Properties	12,298	0	0	3,974	0	16,272
Assets Under construction	0	3,471	0	0	0	3,471
Total	677,675	18,698	(9,779)	4,732	(15,723)	675,603

The Non Operational Miscellaneous Properties balance includes £2.9m in respect of the WJEC offices in Western Avenue, Cardiff. The Council retains ownership of the premises, as the lead Authority for the former Mid Glamorgan County Council which formerly held them on behalf of Welsh County Councils, now on behalf of all Welsh Unitary Authorities. The property was last valued in 2000/01

The Council's property assets are subject to a five yearly revaluation. The last exercise was completed on the 31st March 1999 by Cooke & Arkwright Chartered Surveyors. An additional category has been included this year to reflect assets currently under construction that have not yet been completed and occupied for the proposed service.

There are four Magistrates Courts within Rhondda Cynon Taf's boundaries, namely Llantrisant, Pontypridd, Rhondda and Mountain Ash. Although owned by the Council, they do not form part of the Council'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: -

Funding Source	£'000
Credit Approvals	7,266
Capital Receipts	0
Contributions	20
Grants	6,377
External Funding	4,457
Reserves	578
Total Funding	18,698

1.2 Major Items of Capital Expenditure 2001/02

As can be seen from note 1.1, additions to fixed assets during the year totalled £18.7m. In addition to the £11.9m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed below:

Scheme	£'000
Ysgol Gyfun Gymraeg Rhydywaun	1,401
Tylorstown Primary	1,419
Ysgol Gynradd Gymraeg Aberdar	853
Y Pant Comprehensive	725
Penyrenglyn Community School	381

1.3 Capital Commitments

Major commitments in respect of capital schemes as at 31st March 2002 included the following: -

Scheme	£'000
Cefn Yr Hendy Site	1,100
Rhondda Special School	2,258
Penyrenglyn Community School	1,364
Ysgol Gynradd Gymraeg Aberdar	1,471
SME Ymlaen	2,035
Land Reclamation	3,760

The Council had also issued approvals (specific and general capital funds) at 31st March 2002, in respect of Private Sector Renovation Grants for Housing. This amounted to £9m.

1.4 Analysis of Fixed Assets at 31st March 2002

The main types and numbers of Fixed Assets held at 31st March 2002 are summarised overleaf: -

Asset type	
Council Dwellings	11,623
Sheltered Housing	739
Caravans	4
Estate Shops	13
Municipal Offices Operational	62
Municipal Offices Non Operational	28
Adult Education Centres	10
Schools - Nursery	40
- Primary	89
- Primary Welsh	13
- Secondary	14
- Secondary Welsh	5
- Special	6
Education Youth Centres	16
Other Education Establishments	10
Libraries	29
Homes for the Elderly	13
Children's Homes	6
Day Centres	39
Physical Disability Establishments	4
Garden Centre	1
Special Sites	6
Leisure Centres	8
Other Leisure Facilities	42
Pools	7
Parks/Play Areas	237
Community Centres	32
Cemeteries	14
Industrial Estates	17
Depots/Stores	9
Tourism – Museum/Theatre	6
Dog Pound	1
Heritage	2
War Memorials	20
Car Parks	53
Allotments	5
Social Centres	6
Assets Under Construction	5
Infrastructure :-	
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 overleaf shows the type of asset held, the basis of valuation and the date of last valuation.

Asset Type	Date Of Last Valuation	Basis Of Valuation
Council Dwellings	31 st March 1999	OMVEU
Other Land & Buildings	31 st March 1999	OMVEU
Specialist Building	31 st March 1999	DRC
Vehicles, Plant, Equip.	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 Council carried out an impairment review of its assets during 2001/02. 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 2001/02 identified that it would be prudent to amortise this expenditure, in total, within the financial year. This has been actioned during 2001/02 as follows: -

Category	£'000
Central Services to the Public	2,706
Highways, Roads and Transportation	10
Housing	8,019
Social Services	349
Total Deferred Charges	11,084

3.0 Other Long Term Assets

3.1 Investments in Companies

This represents investments in associated or subsidiary companies of the Council. The following investments are held at 31st March 2002:

Company	£'000
Amgen Rhondda	1,657
Amgen Cymru	2,806
Total	4,463

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: -

31/03/01 £'000		31/03/02 £'000
1,617	Private mortgages	1,282
2,600	Council house mortgages	2,156
4,209	Other local authorities	3,954
34	Other advances	20
8,460	Total	7,412

4.0 Stocks and Work in Progress

Consumable stocks held at 31st March 2002 to be used in 2002/03 are as follows: -

31/03/01 £'000		31/03/02 £'000
811	Stocks	846
0	Work in progress	0
811	Total	846

There is no work in progress in the balance sheet.

5.0 Debtors

This represents amounts due to the Council at 31st March 2002, less a provision for potentially uncollectable debts, analysed as follows: -

31/03/01 £'000		31/03/02 £'000
17,571	Government departments	17,795
5,883	Ratepayers / chargepayers	5,358
1,947	Housing rents	2,268
24,983	Sundry debtors	26,873
180	Housing advances	162
50,564		52,456
(7,079)	Less provision for doubtful debt	(8,740)
43,485		43,716
477	Amounts due after one year:- Car loans to employees	385
43,962	Total	44,101

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 31st March 2002 was £54.9m.

7.0 Short Term Borrowing

This represents monies to be borrowed on a temporary basis to cover expenditure pending the receipt of income. As can be seen from the balance sheet the short term borrowing balance as at 31st March 2002 was £40.1m. This comprises PWLB loans with maturity of less than one year and temporary loans.

8.0 Creditors

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

31/03/01 £'000		31/03/02 £'000
3,375	Government departments	4,441
995	Ratepayers / chargepayers	822
309	Housing rents	295
147	Housing advances	167
49,492	Sundry creditors	47,856
13,242	MGCC Realisation a/c	394
67,560	Total	53,975

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 27.0 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 £2.9m 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 £326m, of which £286m is long term. This represents borrowing to finance capital expenditure. Generally borrowing is from the Public Works Loan Board (£321m), market loans (£4m), and other borrowing (£1m).

PWLB balances at 31st March 2002 may be analysed as follows: -

Maturity	31/03/01 £'000	31/03/02 £'000
Within one year	11,415	39,074
One to two years	14,992	17,154
Two to five years	44,631	31,648
Five to ten years	45,289	43,667
More than ten years	196,486	189,407
Total	312,813	320,950

PWLB amounts due within one year (£39m) are classed within Short Term Borrowing on the Balance Sheet.

11.0 Deferred Liabilities

This relates mainly to the Council'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 Reorganisation on 1st April 1974.

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

Liability	31/03/01 £'000	31/03/02 £'000
Vale of Glamorgan CBC	1,032	987
Caerphilly CBC	535	524
Finance Leases	61	12
Total	1,628	1,523

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

Asset Details	31/03/01 £'000	31/03/02 £'000
Llwyncastan Offices (property lease)	49	12
Ysgol Gyfun Cymmer (equipment lease)	12	0
Total	61	12

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: -

Provisions	31/03/01 £'000	31/03/02 £'000
Insurance	10,267	10,825
ERDF Claims	2,539	2,708
WDA Land Rec	856	856
Works in Default	171	115
Private Street Works	262	0
MGCC Mileage Claims	250	179
Home Care	190	70
Welsh Church Act Fund	0	242
Welsh Water	132	132
Environment & Highways	20	25
Contractors Deposits	14	0
Utility Services	0	6
Total	14,701	15,158

12.1 Insurance

Rhondda Cynon Taf operates an insurance provision within the General Fund of the Council 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.

Fund	Provision for Outstanding Claims £'000	Insurance Reserve £'000	Total £'000
Mid Glamorgan	737	2,088	2,825
Taff Ely	9	328	337
Rhondda Cynon Taf	10,079	1,269	11,348
Total	10,825	3,685	14,510

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

Fund	Rhondda Cynon Taf £'000	Other Authorities £'000	Total £'000
Mid Glamorgan	1,240	1,585	2,825
Taff Ely	315	22	337
Rhondda Cynon Taf	11,348	0	11,348
Total	12,903	1,607	14,510

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 £115k 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

There is no longer a provision for Private Street Works. Outstanding liabilities are held in creditors.

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 to provide for Home Care charging income that, for various reasons, could not be collected from clients of the service.

12.7 Welsh Water

The provision has been set up to provide for failure to recover debts (held in debtors in the balance sheet) 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 2002/03 on works completed in 2001/02.

12.9 Contractors' Deposits

There is no longer a provision for Contractors' Deposits. Outstanding liabilities are held in creditors.

12.10 Utility Services

A provision of £6k has been created to cover the cost of prior year unpaid utility services. The likelihood of receiving these bills is unknown but it was thought prudent to establish a provision.

12.11 Welsh Church Act Fund Reimbursement

A provision has been established for the reimbursement of costs of a collapsed property. Please refer to note 25 Post Balance Sheet Events for further details.

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 £85.8m is represented by an amount of £42.1m, which is the reserved proportion of capital receipts, and £43.7m relating to capital financing transactions.

15.0 Movements in the Provision for Credit Liabilities

	£'000
Balance at 01/04/01	Nil
Receipts set aside	(2,674)
Capital Grants from European Union Institutions	0
Minimum Revenue Provision	(6,130)
Less Repayment of Deferred Credit Arrangements	50
Less Repayment of External Debt	8,754
Balance at 31/03/02	Nil

The Provision for Credit Liabilities (PCL) is a memorandum account and

must be reproduced within this Statement in order to comply with the requirements of the Local Government and Housing Act 1989. The PCL should detail the movements in liabilities of the Council. 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: -

	01/04/01 £'000	Movements £'000	31/03/02 £'000
Deferred Receipts	2,600	(444)	2,156
Debt Rescheduling	315	130	445
Total	2,915	(314)	2,601

Deferred Receipts represent the deferred sale proceeds of council houses sold to tenants and financed by the granting of mortgages. It is balanced by a similar amount in long term debtors, being the mortgages outstanding. The balance at 1st April 2001 of £2.6m was reduced by repayments of £444k, leaving a balance at 31st March 2002 of £2.2m. 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 £445k is to be used to equalise interest payments in future years.

17.0 Usable Capital Receipts Reserve / Reserved Receipt Element Of 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: -

	Usable £'000	Reserved £'000	Total £'000
Balance 01/04/01	4,141	39,431	43,572
In year receipts	4,168	2,674	6,842
Capital financing 2001/02	(213)	0	(213)
Balance 31/03/02	8,096	42,105	50,201

18.0 Earmarked Reserves / Delegated Schools Reserves

Earmarked reserves are amounts set aside from revenue reserves in 2001/02 to meet commitments that will be incurred after 31st March 2002.

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

Balances are as follows: -

	31/03/01 £'000	31/03/02 £'000
Earmarked balances	4,330	8,305
Delegated school balances	6,926	7,252
Total	11,256	15,557

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:-

	Gen Fund £'000	HRA £'000	Total £'000
Balances 01/04/01	7,162	1,685	8,847
Increase in reserve	2,161	187	2,348
Balances 31/03/02	9,323	1,872	11,195

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:

	31/03/01 £'000	31/03/02 £'000
Special Funds		
Home Finders scheme	171	171
Others	225	142
Total	396	313
Trust Funds		
Ynysangharad Park	86	86
Hirwaun Common Enclosure	120	125
Rhondda Heritage Park	24	0
Others	12	12
Total	242	223

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 31st March 2002 are shown below and are not included in the Council's Consolidated Balance Sheet.

Nature of Fund	31/03/01 £'000	31/03/02 £'000
Education Trust Fund	263	258
Welsh Church Act	7,555	5,810

The Welsh Church Act Fund balance is subject to amendment upon completion of the final agreement of the disaggregation position with the 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 31st March 2002 is £387.5m.

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

	31/03/01 £m	31/03/02 £m
General Fund	387.4	385.6
Housing Revenue Account	1.7	1.9
Total	389.1	387.5

22.0 Associated and Subsidiary Companies

The Council 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 overleaf:

	Amgen Cymru		Amgen Rhondda		Model House	
	2000/01 £'000	2001/02 £'000	2000/01 £'000	2001/02 £'000	2000/01 £'000	2001/02 £'000
Shareholding	2,806	2,806	1,657	1,657	0	0
Net Current Assets	717	1,040	(162)	196	91	80
Total Assets less Curr Liab's	4,391	4,209	338	196	138	119
Net Assets	3,626	3,342	331	196	138	119
(Loss)/Profit Before Tax	(60)	(284)	(578)	(133)	10	(18)
(Loss)/Profit After Tax	(27)	(284)	(578)	(133)	10	(18)
Registration No.	2660628		3687641		2208104	
Registered Office / Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare RCT CF44 0BX		Bryn Pica Landfill Site Llwydcoed Aberdare RCT CF44 0BX		Municipal Offices Llewellyn Street Pentre RCT CF41 7XW	
Auditors	KTS		KTS		Dennis, Freedman, Clayton & Co.	
Audit Opinion	True and fair view		Unable to form an opinion		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 Council has a 100% interest in the company of £2.8m.

Royalties of £163k were billed by the Council to Amgen Cymru. None of this has yet been paid. At 31st March 2002 the Council owed Amgen Cymru £71k.

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 31st March 1999. The administrators have written to the Council proposing a final settlement to cover the net amount owed by the company to the Council.

During 2001/02 the Nantygwyddon Landfill Site was closed for the disposal of all refuse. Amgen Rhondda is now responsible for the appropriate remedial works to bring the site to a satisfactory termination.

During 2001/02, the Council billed Amgen Rhondda £161k in respect of royalties. The full amount is outstanding as at 31st March 2002. At 31st March 2002, the Council owed Amgen Rhondda £15k.

Model House Llantrisant Ltd

This company was registered as limited by guarantee. On 15th January 1991 it became a registered charity (No: 1001533). The Council has an "influence" over the company, as 3 out of the 9 Directors are Councillors of Rhondda Cynon Taf 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.

The accounts for Model House Llantrisant have been prepared for the year ended 31st March 2002.

23.0 Contingent Gain

The Council is currently in the process of attempting to recover the legal costs which it incurred with regard to a successful litigation case. Costs have been agreed at £750k plus interest. To date £191k of the £750k has been received. There remains significant uncertainty as to our ability to fully recover the costs and, accordingly, these have not been included within the accounts.

24.0 Contingent Liabilities

24.1 ERDF Claims

Rhondda Cynon Taf 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. The Welsh European Funding Office (WEFO) administers these grants.

At the time of Local Government Reorganisation approximately 85 schemes had been approved, with a total grant element of approximately £25.7m. These ERDF schemes have now completed the audit process and in some cases the Council has been unable to provide prime documentation to the District Auditor for items of eligible spend. This is mainly due to the difficulties experienced by the Council 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 2000/01 accounts included a Bad Debt Provision increase of £2.1m for all “old” schemes. Further investigations, resulting from the ongoing audit process, have indicated the need to increase this provision. It is estimated that £1.1m provision is required for the “older” schemes but there is also the need to provide for the 1997/99 ERDF programme (£1.6m) which ended at 31st December 2001, the total provision being £2.7m.

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, the 1994/96 ERDF programme, total grant element of approximately £9.8m and the 1997/99 ERDF Programme, total grant element of approximately £13.9m.

To the best of the Council’s knowledge, and taking into account the information currently available, the provision of £2.7m will be sufficient. However, until responses are 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 Council 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 £53.5m. 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.

The majority of these have been passed to the District Auditor for review and work is currently being undertaken by the Council, the Welsh Development Agency and the District Auditor to complete the process.

The Council has commenced the process of reviewing its debtor balances. The judgement of the Council 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 Council is liaising closely with the District Auditor and the Welsh Development Agency to bring this matter to a close as soon as possible.

24.3 Community Services

Prior to 1999, this Council charged clients under S117 of the Mental Health Act 1983. A recent court case involving another local authority, ruled in favour of the claimant who was claiming reimbursement of such charges. As a result of this ruling, Community Services has assessed the position and concluded that if the Council had to reimburse its clients, the cost would be approximately £200k. However for various reasons it is unlikely that the Council will have to pay out this amount. No amounts will be paid out without a court ruling. As the probability of making any payments is low, it is considered that a contingent liability disclosure is more appropriate than establishing a provision.

25.0 Post Balance Sheet Events

25.1 Welsh Church Act Fund

The Council has received a response from the Charities Commission regarding the collapse of a property in January 1999. The initial response of the Commission is that the Council should reimburse the Fund for the costs of the collapse on the grounds that it was negligent in its trustee role. The current estimated liability is £242k and a provision has been set up accordingly. This issue is likely to be concluded within twelve months.

25.2 Rhondda Waste Disposal in Administration

The administrators have written to the Council proposing a final settlement in connection with the above issues. The settlement will cover the net amount owed by the company to the Council.

25.3 Debts written off after 31st March 2002

The Council's new Financial Procedure Rules require Cabinet to approve any write off of debt greater than £2k. On 29th July 2002, Cabinet approved write offs outstanding as at 31st March 2002 totalling £2.1m. This debt was written off against previously established provisions. Further detail is given in the following table:

Type of debt	£'000
Council Tax	5
Business Rates	479
Sundry Debts	494
Rechargeable Works	574
Mortgages & Seed Loans	61
Housing Rent & Housing Benefit	337
Welsh Water Agency	132
Total	2,082

Amounts under £2k can be authorised by the Group Director – Corporate Services. These write offs are actioned throughout the financial year as part of a continuous programme of review.

26.0 Capital Reserves

	Fixed Asset Revaluation Reserve	Capital Financing Reserve	Deferred Cap Rec Reserve	Usable Capital Receipts	Total
	£'000	£'000	£'000	£'000	£'000
Balance 01/04/01	(277,236)	(80,409)	(2,915)	(4,141)	(364,701)
Disposals in year	9,779	0	0	0	9,779
Received in year	0	0	0	(4,168)	(4,168)
Capital Expenditure on Non Enhancing Assets	12,145	0	0	0	12,145
Revaluation	(4,733)	0	0	0	(4,733)
Movements in year	0	(5,355)	314	0	(5,041)
Capital financing	0	0	0	213	213
Balance 31/03/02	(260,045)	(85,764)	(2,601)	(8,096)	(356,506)

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

	General Fund £'000	Insurance Reserve £'000	Housing Revenue £'000	Deleg'd Schools £'000	Earmk'd Reserves £'000	Total £'000
Balance 01/04/01	(7,162)	(3,698)	(1,685)	(6,926)	(4,330)	(23,801)
Contributions to Rev.		13				13
Contributions from Rev.	(2,161)		(187)	(326)	(3,975)	(6,649)
Balance 31/03/02	(9,323)	(3,685)	(1,872)	(7,252)	(8,305)	(30,437)

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

The earmarked reserve total of £8.3m includes £993k to provide for the potential financial implications of Local Government Reorganisation. The Local Government Reorganisation of 1st April 1996 resulted in the debts and liabilities of the former Mid Glamorgan County Council passing to the successor new unitary authorities. Since this date a number of possible Post Balance Sheet Events relating to Mid Glamorgan County Council have been identified. The Section 56 agreement between unitary authorities includes a mechanism for dealing with Post Balance Sheet Events.

28.0 Euro Costs

The Council has set up a group to discuss the progress and future action required pending the introduction of the Euro single currency. To date there has been no expenditure incurred or committed.

29.0 Retirement Benefits

The financial year 2001/02 is the first year in which FRS17 Retirement Benefit disclosures have to be made in the Statement of Accounts. The purpose of this note is to provide information on future benefits payable in the year the Council is committed to providing them.

The Rhondda Cynon Taf Pension Fund is a Local Government Pension Scheme, which is a multi employer defined benefit scheme. The most recent full actuarial valuation was at 31st March 2001.

The projected unit actuarial method was used. Under this method the current service cost will increase as the members of the fund approach retirement.

The assumptions used by the actuary are:

	Start of Valuation Period %	Balance Sheet Date %
Inflation	1.70	2.50
Rate of increase in salaries	3.50	4.30
Rate of increase pensions	1.70	2.50
Rate used to discount liabilities	5.25	6.10

The fair value of attributable assets held by the scheme and the expected rate of return are as follows:

	Fair Value £'m	Proportion %	Rate of Return %
Equities	651.7	77.10	7.50
Bonds	53.5	6.30	5.20
Gilts	83.1	9.80	6.00
Other	57.6	6.80	4.50
Total	845.9	100.00	7.00

The fair value of attributable scheme assets is £369.1m and the present value of the scheme liabilities based on actuarial assumptions is £556.2m. This results in a deficit of £187.1m.

This note is concerned only with the Rhondda Cynon Taf County Borough Council element of the fund. Please refer to the Summary Pension Fund Accounts within this document for further details on the fund as a whole.

Statement of Total Movements on Reserves 2001/02

2000/01		2001/02	
£'000		£'000	£'000
8,339	Surplus / (deficit) for the year		
(695)	- General Fund	2,161	
9,352	- Housing Revenue Account	188	
	Add back movements on specific revenue reserves	4,288	
16,996	Total increase / (decrease) in revenue reserves		6,637
2,883	Increase / (decrease) in usable capital receipts	3,955	
0	Increase / (decrease) in unapplied capital grants and contributions	0	
2,883	Total increase / (decrease) in realised capital resources (Note 1.0)		3,955
(2,985)	Gains / (losses) on revaluation of fixed assets	(7,412)	
0	Impairment losses on fixed assets due to general changes in prices	0	
(2,985)	Total increase / (decrease) in unrealised value of fixed assets (Note 2.0)		(7,412)
(3,828)	Value of assets sold, disposed of or decommissioned (Note 3.0)		(9,779)
3,109	Capital receipts set aside	2,887	
(6,395)	Revenue resources set aside	(7,246)	
11,802	Movements on grants	9,714	
(291)	Movement on Deferred Capital Receipts	(314)	
8,225	Total increase / (decrease) in amounts set aside to finance capital investment (Note 4.0)		5,041
21,291	Total recognised gains / (losses)		(1,558)

Notes to the Statement of Total Movements on Reserves

1.0 Movements in Realised Capital Resources

2000/01 £'000 Usable Capital Receipts		2001/02 £'000 Usable Capital Receipts
3,306	Amounts receivable	4,168
(423)	Amounts applied to finance new capital investment	(213)
2,883	Total increase / (decrease) in realised capital resources	3,955
1,258	Balance brought forward	4,141
4,141	Balance carried forward	8,096

2.0 Movements in Unrealised Value of Fixed Assets

2000/01 £'000 Fixed Asset Restatement Reserve		2001/02 £'000 Fixed Asset Restatement Reserve
(2,985)	Gains / (losses) on revaluation of fixed assets	(7,412)
0	Impairment losses on fixed assets due to general price changes	0
(2,985)	Balance carried forward	(7,412)

3.0 Value of Assets Sold, Disposed of or Decommissioned

2000/01 £'000 Fixed Asset Restatement Reserve		2001/02 £'000 Fixed Asset Restatement Reserve
(2,985)	From Note 2	(7,412)
(3,828)	Amounts written off fixed asset balances for disposals	(9,779)
(6,813)	Total movement on reserve	(17,191)
284,049	Balances brought forward	277,236
277,236	Balances carried forward	260,045

4.0 Movements in Amounts Set Aside to Finance Capital Investment

2000/01			2001/02	
£'000	£'000		£'000	£'000
Capital Financing Reserve	Deferred Capital Receipts		Capital Financing Reserve	Deferred Capital Receipts
2,686	(291)	Capital receipts set aside	2,674	(314)
423		- reserved receipts	213	
		- usable receipts applied		
		- deferred capital receipts		
3,109		Total capital receipts set aside	2,887	
		Revenue resources set aside		
5,148		- capital exp. financed from revenue	2,580	
(9,132)		- loans redeemed	(9,826)	
(2,411)		- capital advances redeemed	0	
(6,395)		Total revenue resources set aside	(7,246)	
(9,051)		Deferred sale proceeds on council houses	20,756	
31,940		Grants applied to capital investment	0	
(11,087)		Amounts credited to AMRA	(11,042)	
11,802			9,714	
8,516	(291)	Movement on reserves	5,355	(314)
71,893	3,206	Balance brought forward	80,409	2,915
80,409	2,915	Balance carried forward	85,764	2,601

Cashflow Statement 2001/02

2000/01		2001/02	
£'m		£'m	£'m
	<u>Revenue activities</u>		
	<u>Cash Outflows</u>		
200.1	Cash paid to and on behalf of employees	219.9	
128.1	Other operating cash payments	151.6	
40.5	Housing benefit paid out	41.8	
33.7	National non-domestic rate payments to national pool	36.1	
6.4	Precepts paid	6.8	456.2
	<u>Cash Inflows</u>		
(12.5)	Rents (after rebates)	(10.9)	
(59.8)	Council tax	(56.3)	
(47.5)	National non-domestic rate receipts from national pool	(46.7)	
(33.7)	Non-domestic rate receipts	(36.1)	
(169.9)	Revenue support grant	(185.5)	
(31.2)	DSS grants for benefits	(32.4)	
(37.3)	Other government grants	(46.7)	
(39.4)	Cash received for goods and services	(47.0)	
(20.0)	Other operating cash receipts	(20.0)	(481.6)
(42.5)	Net Cash Inflow from Revenue Activities		(25.4)
	<u>Returns on Investments and Servicing of Finance</u>		
21.4	Interest paid	21.1	
(2.2)	Interest received	(1.8)	19.3
	<u>Capital activities</u>		
	<u>Cash Outflows</u>		
37.7	Purchase of fixed assets	39.6	39.6
	<u>Cash Inflows</u>		
(6.0)	Sale of fixed assets	(6.8)	
(21.1)	Capital grants received	(10.1)	
(0.4)	Other capital cash receipts	(4.6)	(21.5)
(13.1)	Net cash outflow before financing		12.0
	<u>Financing</u>		
	<u>Cash Outflows</u>		
23.9	Repayments of amounts borrowed	41.9	
	<u>Cash Inflows</u>		
(32.5)	New loans raised	(50.2)	(8.3)
(21.7)	(Increase)/decrease in cash & equivalents		3.7

Notes to the Cashflow Statement

1.0 Reconciliation of Consolidated Revenue Account to Cash flow

2000/01 £'m		2001/02 £'m
(8.3)	Consolidated revenue A/C (surplus) / deficit	(2.2)
(0.2)	Depreciation/MRP adjustment	9.6
(13.5)	Net transfers from reserves	(20.7)
(4.7)	(Increase)/Decrease in creditors	13.7
4.1	Increase/(Decrease) in debtors	(6.5)
(0.0)	Increase/(Decrease) in stocks	0.0
(19.9)	Financing items	(19.3)
(42.5)	Cash inflow from revenue items	(25.4)

2.0 Movements in Cash and Cash Equivalents

This can be derived from the consolidated balance sheet as follows: -

	31/03/01 £'m	31/03/02 £'m	Movement £'m
Bank balance (o/d)	(2.8)	(2.9)	(0.1)
S/term investments	58.6	55.0	(3.6)
Total	55.8	52.1	(3.7)

3.0 Net Financing 2001/02

The net increase in financing of £8.3m shown in the statement is derived from the movements in both short and long term borrowing as reflected in the consolidated balance sheet: -

	31/03/01 £'m	31/03/02 £'m	Movement £'m
Long term borrowing	306.0	286.3	(19.7)
Short term borrowing	12.1	40.1	28.0
Total	318.1	326.4	8.3

4.0 Government Grants

Government grants shown in the statement are analysed below: -

2000/01 £'m		2001/02 £'m
	Revenue	
18.4	Housing Subsidy	18.8
1.3	Mandatory Awards	0.5
2.0	GEST	2.7
15.6	Other	24.7
37.3	Total	46.7
	Capital	
5.3	Improvement Grants	0.3
3.9	Transport Grant	1.3
8.5	WDA (Land Reclamation) and other grants	5.7
3.4	ERDF	2.8
21.1	Total	10.1

5.0 Reconciliation of Net Cashflow to Movement in Net Debt

	£'m
(Decrease) / increase in cash	(3.7)
Cash to reduce net debt	3.8
Cash to (increase) net debt	(12.1)
Non cash movement	
Change in net debt	(12.0)
Net Debt 01/04/01	(262.3)
Net Debt 31/03/02	(274.3)

6.0 Analysis of Changes in Net Debt

	01/04/01 £'m	Cashflows £'m	Other £'m	31/03/02 £'m
Short term investments	58.6	(3.6)	0.0	55.0
Short term borrowing	(12.1)	(12.1)	(15.9)	(40.1)
Bank overdraft	(2.8)	(0.1)	0.0	(2.9)
Long term borrowing	(306.0)	3.8	15.9	(286.3)
Total	(262.3)	(12.0)	0.0	(274.3)

Housing Revenue Account

	2000/01 £'000	2001/02 £'000
INCOME		
Dwelling Rents (gross)	25,533	25,657
Non Dwelling Rents (gross)	360	362
Charges for Services and Facilities	825	430
Housing Revenue Account Subsidy Receivable	18,507	18,610
Credit from Housing Maintenance Unit	309	480
<u>Interest Receivable:</u>		
- Mortgage Interest	209	163
- Interest on Cash Balances	104	85
Salary Recharges	0	0
Total Income	45,847	45,787
EXPENDITURE		
Repairs and Maintenance	7,696	7,951
Supervision and Management	6,795	7,190
Rents, Rates, Taxes and Other Charges	348	240
Rent Rebates	18,338	18,278
Bad or Doubtful Debts	501	508
Capital Financing Costs	11,869	11,432
Capital Expenditure Charge to Revenue	997	0
Total Expenditure	46,544	45,599
Change in Reserve Balance for the Year	(697)	188
Balance on Reserves B/Fwd	2,381	1,684
Surplus/(Deficit) on HRA Reserves C/Fwd	1,684	1,872

Notes to the Housing Revenue Account

1. Rental Income

This represents the total rental income figure due for the year after allowance has been made for void property.

2. Dwelling Rents

This represents rent income due from tenants. The average rent per week as at 31st March 2002 was £40.74 (less voids) compared with £40.38 per week as at 31st March 2001. The Welsh Assembly Government sets the maximum level of rent increase for each authority. The guideline rent increase for the Council was £1.51 in 2001/02.

3. Rent Arrears

Rent arrears as at 31st March 2002 amount to some £2m (£1.9m as at 31st March 2001). The provision for bad debts in respect of these rent arrears is £1.8m (£1.4m as at 31st March 2001).

4. Rent Rebates (Housing Benefits)

Assistance with rent is available under the Housing Benefits scheme for those on low income. As at 31st March 2002 some 73% of the Council's tenants were receiving help with the cost of rent.

5. Reimbursement of Housing Benefits

The Council administers housing benefit. The cost of providing benefit during 2001/02 was £18.3m (also £18.3m during 2000/01). The government, through housing subsidy, substantially reimburses this.

6. Housing Stock

The Council was responsible for managing, on average, some 12,715 dwellings during 2001/02 (13,173 during 2000/01).

The total number of dwellings held at 31st March 2002 was 12,366, made up as follows:

Type	1 Bed room	2 Bed room	3 Bed room	4 Bed room	6 Bed room	Total
Bungalow	157	102	12	0	0	271
Bedsit	225	0	0	0	0	225
Caravan	4	0	0	0	0	4
Flat	2,016	1,896	197	0	0	4,109
House	36	1,654	5,937	128	2	7,757
Total	2,438	3,652	6,146	128	2	12,366

As at the 31st March 2002 94% of properties were available for letting compared with 91% as at 31st March 2001.

7. Housing Maintenance Unit

Material balances of HRA-related trading operations should be repatriated to or from the HRA in line with the general principles of the Best Value Accounting Code of Practice. The Housing Maintenance Unit produced a profit of £480k during 2001/02 (£309k during 2000/01).

Summary Pension Fund Accounts

The Fund

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

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 Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Unitary Authorities, along with employees of 39 public service bodies, several of whom have made admission agreements with the Fund.

Administration

The Rhondda Cynon Taf 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

2000/01 £'000		2001/02		
		£'000	£'000	£'000
	<u>Contributions & Benefits</u>			
	Contributions Receivable			
(34,927)	From Employers	(35,829)		
(12,688)	From Employees	(13,404)		
			(49,233)	
(7,759)	Transfers In		(3,757)	
	Other Income			
(645)	Reimbursements Re Former Glam CC	(570)		
(1,386)	Other Reimbursements	(2,200)		
(5)	Other Income	(232)	(3,002)	
				(55,992)
	Benefits Payable			
47,025	Pensions	48,383		
5,721	Lump Sums	5,299		
			53,682	
	Payments To Leavers			
262	Refunds	203		
4,369	Transfers Out	4,500		
			4,703	
	Admin. Expenses			
1,935	Investment	3,467		
964	Administration	1,047		
88	Other	119	4,633	63,018
2,954	Net Withdrawal From Fund			7,026
	<u>Returns On Investments</u>			
22,738	Investment Income: Fixed Interest & Equities	23,001		
3,331	Investment Income: Cash	2,901	25,902	
82,485	Realisation Of Investments		(35,748)	
(198,012)	Change In Market Value Of Investments		(4,176)	
(1,231)	Investment Management Expenses		(1,187)	
(90,689)	Net Returns On Investments			(15,209)
(93,643)	Net Increase / (Decrease) In Fund In Year			(22,235)
959,856	Opening Net Assets			866,213
866,213	Closing Net Assets			843,978

Net Assets Statement

31/03/01 £'000		31/03/02	
		£'000	£'000
	<u>Investment Assets</u>		
	Fixed Interest Securities		
21,592	UK – Public Sector	21,067	
3,790	UK – Index Linked Securities	32,386	
19,383	Foreign	0	53,453
	Equities		
461,176	UK	441,001	
202,807	Foreign	210,682	651,683
	Unit Trusts		
50,135	UK Bonds	34,795	
433	Investment Trusts	214	35,009
9,156	Property Unit Trusts		6,105
	Other Investments		
0	UK Bonds	0	
29,312	International Bonds	42,006	42,006
797,784	Total Investment Assets		788,256
	<u>Net Current Assets & Liabilities</u>		
	Current Assets		
65,140	Short Term Investments	54,934	
11,995	Debtors	8,166	
8,461	Cash In Hand	4,401	67,501
	Current Liabilities		
(10,818)	Creditors	(4,108)	
(6,349)	Amounts Due (To) / From RCT	(7,671)	(11,779)
	Long Term Liabilities		
0	Creditors		0
866,213	Total Assets		843,978

The market value of long term investments quoted is at 31st 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 31st March and the transfer has not been paid or received.

2. Actuarial Position

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

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

Rate of return on investments	7 ½% per annum
Rate of general pay increases	5 ¼% per annum
Rate of increases to pensions in payment (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 1st April 1999 was 300% of members' contributions. The required level of contributions found to be payable by the participating Unitary Authorities with effect from the same date are set out below:

Authority	31/03/00 %
Bridgend County Borough Council	295
Rhondda Cynon Taf County Borough Council	305
Merthyr County Borough Council	335

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

- 100% of the liabilities arising in respect of service after the valuation date;

- 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 2000/01 and 2001/02 were: -

Authority	31/03/01 %	31/03/02 %
Bridgend County Borough Council	298	298
Rhondda Cynon Taf 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 occurred at 31st March 2001 and any changes in contribution rates as a result of that valuation will take effect from 1st April 2002.

As with the previous valuation, the contribution rates have been calculated using the projected unit actuarial method. The main actuarial assumptions were as follows: -

Rate of price inflation	2 ½% per annum
Rate of general pay increases	4 ¼% per annum
Rate of increases to pensions in payment	2 ½% per annum

The overall effect of the valuation is that the employer contributions to the fund needed to rise, on average, by some 40% of employee contributions with effect from 1st April 2002. The overall funding level has deteriorated a little since 1998 from 79% to 76%. This is mainly due to poor investment performance relative to the 1998 valuation assumptions. Another reason for the funding level deterioration is that the mortality assumption assumes increased longevity.

Participating employers are: -

Administering Body:	Rhondda Cynon Taf County Borough Council
Scheduled Bodies:	Bridgend County Borough Council Merthyr Tydfil County Borough Council Llantwit Fardre Community Council Llantrisant Community Council Tonyrefail Community Council Pontyclun Community Council Gelligaer Community Council Llanharry Community Council Llanbradach Community Council Pontypridd College Ystrad Mynach College Bridgend College Merthyr College Aberdare College University of Glamorgan Pontypridd Town Council Bridgend Town Council Maesteg Town Council South Wales Police Authority South Wales Fire 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 Amgen Cymru Amgen Rhondda ESIS
Admitted Bodies:	WJEC Council of Museums Syniad Welsh Development Agency Mid Glamorgan Careers Ltd SEWOCN Academi Penywaun Enterprise Scheme WJEC/CBAC Services Care Council for Wales Maesteg Town Hall Valley Arts Marketing

3. **Investment Strategy**

Investment strategy is considered and agreed by a panel consisting of the Group Director – Corporate Services, the Divisional Director of Resources, Planning and Performance Management, the Head of Accountancy 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. Two balanced Fund Managers carry out the actual day-to-day investment management of the Fund:

Deutsche Investment Management
F & C Management Ltd.

4. Capital Commitments

At 31st March 2002, the Fund has commitments on part paid venture fund investments of £49k.

5. Investments at Market Value

Share values are based on mid market prices at 31st March 2002, 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. Fund Manager/Advisor Fees (Investment Management Expenses)

Fund Managers' fees are charged on a reducing scale based upon the market value of the fund. Advisors' fees are fixed and paid quarterly.

7. Costs of Acquiring Investments

Acquisition costs are included within original book value. However, at the end of the year, the investments on the balance sheet are valued at market value. The difference is recorded on the Fund Accounts as "Change in Market Value of Investments".

8. Analysis of Investments

	2000/01		2001/02	
	£'000	£'000	£'000	£'000
Fixed Interest				
UK	25,382		53,453	
Foreign	19,383		0	
		44,765		53,453
UK Equities & Convertibles				
Quoted	461,176		441,001	
Unquoted	0		0	
		461,176		441,001
UK Property Unit Trusts				
UK Investment Trusts	433		214	
UK Investment/Unit Trusts	9,156		6,105	
		9,589		6,319
Foreign Equities				
Quoted	202,807		210,682	
Unit Trusts	0		0	
		202,807		210,682
Bonds				
UK	50,135		34,795	
Foreign	29,312		42,006	
		79,447		76,801
Total Long term Investments		797,784		788,256
Cash/Short term Investments		73,601		59,335
Market Value of Investments		871,385		847,591

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

9. Details of Fund Managers

Two balanced Fund Managers - Deutsche Investment Management and Foreign and Colonial Management Ltd, manage the Fund. These companies are UK registered.

Details of the Fund Managers and the market value of investments held by them are detailed in the table below: -

Fund Manager	Market Value At 31/03/02 £'000	Proportion Of Fund %
Deutsche Asset Management	569,716	67.22
F&C Management	259,728	30.64
Internally managed	18,147	2.14
Total	847,591	100.00

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

The book value of investments at 31st March 2002 was £732.9m (including short-term loans) with a market value of £55.35m above costs.

10. **Contingencies**

There is a contingent liability of £293k (£266k in 2000/01) in respect of potentially refundable contributions for leavers in the past 5 years who have not yet claimed refunds.

11. **Membership of The Fund**

Fund membership at 31st March is as follows: -

	2000/01	2001/02
Employing Bodies	40	42
Contributors	16,207	17,949
Pensioners	11,898	11,944
Dependants	2,365	2,344
Deferred Beneficiaries	4,879	5,287

12. **Purchases and Sales**

Rhondda Cynon Taf 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: -

Quarter	Purchases £'000	Sales £'000
June 2001	34,115	34,625
September 2001	39,727	32,279
December 2001	101,618	92,123
March 2002	81,168	65,937
Total	256,628	224,964

The figures in the table above are shown at their historic value throughout the year (that is, when the purchases and sales are made), whereas the Statement of Accounts shows investments at their market value at 31st March 2002 (using valuation methods detailed in Note 5).

13. **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) attached 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.

14. 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 2001/02 are shown in the table below:

Type of Body	Contributions Made By Employers £'000	Pensions, Lump Sums And Death Benefits £'000
Administering	15,902	4,040
Admitted	3,256	2,676
Scheduled	16,671	46,965
Total	35,829	53,681

15. 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 that existed on reorganisation have had to be transferred to Torfaen County Borough Council.

This has necessitated a number of complex calculations and resulted in an amount of £14m being paid to Torfaen in 1999/00 and £12m being paid over on 18th April 2001.

16. Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.0m (£1.0m in 2000/01). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

17. Stock Lending

There have been no stock lending arrangements during the period.

18. Post Balance Sheet Event

Since 31st March 2002 the value of the investment portfolio has fallen from £845.8 million to £741.8 million as at 16th August 2002. This fall is a result of the underlying market conditions rather than particular issues with companies we have invested in and it is anticipated that in the long term the fund will continue to grow.

Rhondda Cynon Taf County Borough Council Pension Fund

Statement of Investment Principles

1. Overall Responsibility

Rhondda Cynon Taf County Borough Council is the designated statutory body responsible for administering the Rhondda Cynon Taf 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 the policy and carry out regular reviews and monitoring of investments.

The Council has appointed the Group Director - Corporate Services with Section 151 responsibilities to act as advisor 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 Group Director – Corporate Services
- The Divisional Director of Resources, Planning & Performance Management
- The Head of Accountancy Services
- The Investment Manager of Rhondda Cynon Taf County Borough Council
- Three “City” Investment Managers

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 Taf 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 Council 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. The agreement 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:

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

The Investment Advisory Panel has agreed a benchmark that 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.

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 (a benchmarking organisation).

8. Realisation Of Investments

Fund Managers are required to hold only assets that are readily realisable. Any investment within a pooled fund that 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 Taf 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 Taf 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 benefit payments.

Actuaries' Report

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

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

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

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

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

Watson Wyatt Partners Actuaries and Consultants

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

Statement of Responsibilities for preparation of Statement of Accounts

The Council's Responsibilities

The Council 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 Council, 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.
- 3) Approve the Statement of Accounts.

The Group Director - Corporate Services' Responsibilities

The Group Director is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2002.

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 that were kept up to date.
- 2) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Group Director - Corporate Services Rhondda Cynon Taf C.B.C. on the accounts of Rhondda Cynon Taf C.B.C for 2001/02

I certify that the accounts set out on the pages 2 to 75 present fairly the financial position of Rhondda Cynon Taf C.B.C. at 31st March 2002 and its income and expenditure for the year then ended.

Signature: _____ Date: _____

KEITH GRIFFITHS

Group Director - Corporate Services
Bronwydd House
Porth
CF39 9DL

Auditor's Report on the Accounts of Rhondda Cynon Taf C.B.C. for 2001/02

We have audited the statement of accounts on pages 11 to 75 that has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Council's accounts, on pages 17 to 58, which have been prepared in accordance with the accounting policies set out on pages 11 to 16 and the Pension Fund accounts, on pages 59 to 74 which have been prepared in accordance with the accounting policies set out on pages 62 to 65.

Respective responsibilities of Chief Finance Officer and Auditors

As described on page 75 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 Council in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Council'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 Council'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 Council 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 Council's accounts

In our opinion the statement of accounts presents fairly the financial position of Rhondda Cynon Taf County Borough Council at 31st March 2002 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 Taf County Borough Council Pension Fund during the year ended 31st March 2002, 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.

Signature: _____ **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 that 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 Council'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 Council has a statutory obligation to publish a Best Value Performance Plan. It provides information on the Council'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.

Capital Expenditure

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

Capital Financing Reserve (CFR)

This is money set aside in the Council'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 3rd January 2000, the statutory requirements requiring Local Authorities to provide defined activities in accordance with CCT legislation no longer apply. CCT was a system that 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 divisions, at the end of the financial year, 31st March.

Consolidated Revenue Account (CRA)

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

Contingent Liabilities

Contingent liabilities exist where it is probable that a future event will result in a material cost to the Council 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 (Democratic Representation and Management) and costs that provide the infrastructure to ensure that services can be provided (Corporate Management).

Corporate Management (CM)

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

Creditor

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

Current Assets

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

Current Liabilities

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

Debtor

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

Defined Benefit

A defined benefit pension scheme is one that bases retirement benefits upon final salary.

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 that are presented in the Balance Sheet.

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

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

Earmarked Reserves

These are reserves set aside for a specific purpose.

Financial Year

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March of the following year.

Finance Leases

Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

Fixed Asset

These are long-term assets that 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.

Financial Reporting Standard (FRS)

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

Housing Revenue Account (HRA)

This account contains all council housing income and spending.

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 that has been set aside to repay loans.

National Non-Domestic Rates (NNDR)

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

Net Realisable Value

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

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

Precepts

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

Provision

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

Provision for Credit Liabilities (PCL)

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

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. A related party exists where there is control or influence over, or by the Council.

Statement of Standard Accounting Practice (SSAP)

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

Stocks

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

Temporary Borrowing or Investment

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

Trust Fund

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