

THE MERTHYR AND RHONDDA CYNON TAFF GROUNDWORK TRUST  
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2002

Registered Number 2087537  
Charity Registration Number 518677



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**COMPANY MEMBERS**

Merthyr Tydfil County Borough Council  
Rhondda Cynon Taff County Borough Council  
Groundwork UK  
Countryside Council for Wales

**PRESIDENT**

Sir Richard Lloyd Jones KCB

**CHAIRMAN**

Cllr P Saunders MBE

**EXECUTIVE DIRECTOR**

Margaret Hannigan Popp

**COMPANY SECRETARY**

Sandra Cathcart Greig

**REGISTERED OFFICE**

Fedw Hir  
Llwydcoed  
Aberdare  
CF44 0DX

**REGISTERED NUMBER**

2087537, Wales

**AUDITORS**

PricewaterhouseCoopers  
One Kingsway  
Cardiff  
CF10 3PW

**BANKERS**

National Westminster Bank Plc  
High Street  
Merthyr Tydfil  
CF47 8BN

## REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements for the year ended 31 March 2002. The directors who served during the year were:-

### DIRECTORS

Sir Richard Lloyd Jones	-	President
Cllr P Saunders (Chairman)	-	Merthyr Tydfil Borough Council
P Walters (Vice Chairman)	-	Graeme John & Partners
R Baldwin	-	Long Term Volunteer
B Evans	-	Consultant
Mr J Richards	-	Sekisui (UK) Ltd
Mr C Davies	-	Group 4 Securitas
Cllr Glenys Evans	-	Merthyr Tydfil County Borough Council
Cllr Lynda Williams	-	Merthyr Tydfil County Borough Council
Cllr John Daniel	-	Rhondda Cynon Taff County Borough Council
Cllr Vyvyan Williams	-	Rhondda Cynon Taff County Borough Council
Cllr Syd Morgan	-	Rhondda Cynon Taff County Borough Council
Ms Janet Scicluna	-	Venture Wales
Mr Mike Lewis	-	Save the Children, Wales (Resigned 22 August 2001)
Ms Wendy Marshall	-	Golley Slater
Ms Ruth Hopkins	-	Interlink (Appointed 22 January 2002)

## PRINCIPAL ACTIVITIES

The Trust is a Registered Charity and a Company Limited by Guarantee and is governed by its Memorandum and Articles of Association.

The Groundwork vision is for a society made up of sustainable communities which are vibrant, healthy and safe, which respect the local and global environment and where individuals and enterprise prosper. Groundwork adopts an holistic approach which embraces people, places and prosperity.

The Trust is part of a national federation of independent Trusts which has grown to over 40, co-ordinated by the Groundwork UK and the Trust continues to play a leading role in the expansion of Groundwork in Wales and the UK. For its part it is benefiting from being within what is now a national network (with overseas links) through the abilities to fundraise, to communicate the role of Groundwork, to train staff and to develop operational systems.

The Trust recognises its development into a successful partnership role in major Community Regeneration Strategies. This change is demonstrated through retitling the Community Involvement and Development Programme as Community Regeneration. This change process also embraces the refocus of Countryside and Access into a totally community led priority programme now titled Community Environments.

- |                                     |   |
|-------------------------------------|---|
| 1. Community Regeneration           | To work with and empower communities through effective partnerships, raising resources, prioritising local need to achieve a strategic approach to the achievement of agreed objectives for local regeneration. |
| 2. Community Environments           | To foster and develop proactive partnerships for conserving, protecting and improving the natural and built environment through sustainable community networks and local access projects for local people.      |
| 3. Strategic Landscape Improvements | Using the principles of Sustainable Development to provide a professional service for creating new landscapes through an ecologically informed approach.  |
| 4. Business Services (BUS)          | To enhance the efficiency and competitiveness of SME's through environmental improvements, advice and support and to engage them in wider regeneration strategies.  |

Directors' Report for the year ended 31st March 2002

with the support, resourcing and specialist skills from:-

- |  |  |
|--|--|
| 5a Central Support Services and        | To resource and overall manage the Trust as a sustainable and total quality organisation and to  |
| 5b Business Management and Development | provide support services across the Trust and to our strategic partners and to promote a culture of empowerment, team working and continuous development of all staff, for the furtherance of the Trust's aims and objectives. |

The Trust has full accreditation as an Investors in People organisation.

### **RESERVES POLICY**

The Trust's Policy on Reserves reflects the need for a prudent level of Working Capital appropriate to fund the budgeted Work Programmes and associated running costs until the agreed, measurable stages of work can be achieved and valued in compliance with grant conditions or contractual arrangements and subsequently invoiced and paid. The Trust seeks to maintain a level of reserves which amounts to approximately two years of management and administration costs.

All expenditure is deemed to go through restricted funds since each element is funded by a restricted use grant. Each element of income is similarly derived from restricted grant monies.

A Report on the required levels of Working Capital and Cashflow is set out in the Annual Business Plan including the management of any risk.

### **GOVERNANCE**

The Governance Planning process is set out in the Organisational Section of the Trust's 3 Year Business Plan which is approved by the Board.

The management and evaluation process is undertaken through the Board structure and Meetings Planning process which for 2002 – 2003 is as follows:-

Main Board - Focus Strategic Policy, Publicity, Direction

Main Board Meetings Planner:-

- |         |   |   |
|---------|---|---|
| January | - | Tuesday 22 January 2002<br>(Work Programme and Draft Business Plan)                         |
| March   | - | Tuesday 26 March 2002<br>(Business Plan Approval)   |
| July    | - | Tuesday 23 July 2002<br>(Federation Plan Consultation and Approval of End of Year Accounts) |

Directors' Report for the year ended 31st March 2002

- October - Tuesday 8 October 2002  
(Half Year Review and Trust Forward Strategy)
- November - Tuesday 19 November 2002  
(Pre Annual General Meeting Board Meeting)
- November - Tuesday 19 November 2002  
Annual General Meeting

Finance and Personnel Sub Committee includes Fedw Hir as a Building and the use of the Site – Details of Trust Policies, Human Resources and Management, Processes and Financial details. Meetings are as required.

## **RISK MANAGEMENT**

A Risk Assessment and Management Plan is set out in the Appendices of the Trust's Board approved Business Plan covering any issues on:-

Board	Financial Matters
Trust Reputation	Insurances
Resources	Reserves
Project Work	

## **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the balance sheet date and the net incoming and outgoing resources of the company for the financial year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the company will continue on that basis.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2002. The Directors also confirm that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

## **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

### **Results for the year**

Incoming resources of £2,805,542 recognised for the 2001 - 2002 financial year was a decrease of 30% or £1,177,647 compared to the previous year. However, 2000 - 2001 included the bulk of the major contractual works on the Community Millennium Park Project at Taff Bargoed. The comparison of incoming resources achieved in 2001- 2002 to the budget for that year was in fact an increase of 5% or £137,792 mainly due to additional commissions undertaken in the latter part of the year.

The Trust continues its strategic role in working in partnership with the Local Authorities, Countryside Council for Wales, the Welsh Development Agency and other Public Agencies and the Communities of Merthyr and Rhondda Cynon Taff to bring about Community Revival Strategies, and the involvement of local business and to obtain the additionality from ERDF and the Millennium Commission. This partnership approach secured significant funds from the European Objective 2 Grants Programme and the required Match Funding for expenditure up to December 2001.

Prior year project performance is set out in Pages 8 - 11, the Review of business 2001 - 2002. An overview of the successful projects and development work in each programme is detailed.

Staffing costs were a £53,000 or 9% reduction on the budgeted levels due to delayed recruitment of new posts until funding approval is secured. Central running costs were a £8,850 or 4% increase over budgeted levels due to increased Liability Insurance cover, new Logos and professional and technical updates required which increased the subscriptions and publications costs.

Core funding from the National Assembly for Wales for 2001 - 2002 was £152,000 and formed 5% of the total income generating a leverage of 1:18.46.

The net incoming resources for the year amounted to £35,420 [2001: £31,782] and was a surplus on restricted funds which has been transferred to unrestricted funds as the restrictions of the funders had been met.

This was a £14,062 or 65% increase on the levels budgeted for 2001 - 2002. The increase was due to additional fee earning commissions undertaken by the Trust.

## **Review of business 2001/02**

2001 - 2002 has been an extremely successful year. Set objectives, both financial and physical have been achieved and the Trust has managed the extended and rescheduled major contractual work, commenced development work, trailing new initiatives and submitting bids for funding which have substantially secured our work programme for the new budget year 2002 – 2003. In particular the Trust, in partnership with the communities of Merthyr and Rhondda Cynon Taff, successfully finalised audited and certified 16 projects which were supported by Objective 2 European grant assistance and secured five applications for Objective 1 European grant assistance and the required match funding for new Phases of Strategies and new areas of work developed and started in the year. Conversely, the changing nature of the Trust work and the increasing complexities of managing and resourcing the work programme create uncertainties and stresses. The Trust is mindful of the need to adapt to and to anticipate change.

## **Overview of 2001/02**

The work programme for 2001 - 2002 was built on the key strategic areas of activity and given focus by the individual programme teams. These are:-

### **Community Regeneration Programme - Community Involvement**

The key feature of the Programme has been the successful completion and achievement of outcomes for the Objective 2 Funded Programmes and the continuity of these Programmes into Communities First and Objective 1 Programmes.

The Gurnos and Galon Uchaf Regeneration Strategy has now successfully evolved to become the 3G's Communities First Programme led by a Board with 8 Community Members and 3 Professional Agency Directors including Groundwork.

A successful Sports Lottery Application by the 3G's and Merthyr Tydfil County Borough Council was approved in principle. The Gurnos Town Centre and Community Environment and Facilities Programme is awaiting next stage approval from Local Regeneration Fund and Objective 1 funding. The Gellideg Foundation Group has been supported by the Trust to be awarded a new tranche of Objective 1 funding matching its Sports Lottery Grant for a Youth and Recreation Facilities and Community Services. Gellideg has recently been awarded New Opportunities Fund funding for a Healthy Living Centre Project on the Estate.

The Taff Bargoed Valley Wide Strategy Group has been established to take forward a Green Tourism Strategy for the Valley integrated with the Communities First Action Plans for Treharris, Trelewis and Bedlinog. A number of high profile Visitors have come to the Park over the year including the UK Commissioners for Sustainable Development. A Conference in September gave a platform to Community Members and Partners to present to invited Guests the process and progress of the Park in local regeneration. The Deputy Minister for the Environment responded to the Conference by announcing ministerial support for a Seminar to look at new approaches to land restoration as exemplified by the Taff Bargoed Park.

The Fernhill Community Strategy has been awarded a Communities First Programme hosted by Groundwork. In February a Team Building Event with 20 Participants from 7 Community and Partner Organisations spent a weekend in Clyne Farm building personal commitment and professional relationships.

Vision Statements formulated by the Group and an Agenda for change formulated by the Community Members will inform how the Communities First Strategy is taken forward.

Blaenllechau Community Regeneration have now secured funding for the Environment Officer and the Ffaldau Farm Project from Enfys and Cydcoed which has brought the Partnership Programme to a successful conclusion. A proposal for a Pilot Land Regeneration Trust on the Maerdy Colliery Site was unsuccessful in securing EU Objective 1 funding and further development depends on the Communities First Strategy Group support. The Abercwmboi Community Group commissioned the Trust to provide the services of a Technical Officer to work with and support them in participating in the Ancit Site Development Group. In Treherbert, the Blaenrhondda Community Group have commissioned the Trust to identify Green Tourism opportunities and new uses for old buildings. Requests from Communities First Partnerships have led to development advice in Perthcelyn, Penrhiwceiber, Miskin, Cwmanan, Treherbert, Troedyrhiw, Treharris, Bedlinog and Trelewis.

### **Community Environments**

There are two aspects of this Programme – Environments and Access:-

#### **Community Environments – Empowering local Environmental Action**

The Programme has incorporated five key elements:-

- i. Greencare in the Rhondda and Taff Ely.
- ii. Community Projects in the Cynon Valley.
- iii. Greencare in Merthyr.
- iv. An Ynysowen Greencare Programme Team.
- v. Volunteering and use of Fedw Hir Grounds.

In Rhondda and Taff Ely the commitment to inclusivity has led to four Projects which worked with Special Needs and Socially Isolated Groups with DRIVE and Social Services. The Greenbanks Nursery Project in Llwynypia Day Centre has now led to Trainees undertaking NVQ's with Pencoed College.

In the Cynon Valley an environmental ICT Network Project for Sustainable Development and Community based Tourism has been developed for the Groundwork Wales Programme.

The focus for Greencare has been on the Fernhill Estate and Cefnpennar to support the Community Regeneration Partnership Initiatives.

In Merthyr Tydfil, the focus has been on Gurnos, Penydarren and Gellideg working alongside our Community Regeneration Partners to build the capacity of Community Groups and undertake Practical Projects. A highlight of the year has been the success of the Nature's Angels on the New Gurnos Estate working with 3G's and the Artist in Residence and being interviewed for the BBC Countryside Programme.

A new Greencare Programme was commissioned by the Ynysowen Partnership Board to ensure that the Communities First Partnership Board could link directly to Community Group activities and to undertake immediate Environmental Projects as tangible signs of change – so that improvements were happening alongside the demolition of properties in the Neighbourhood Renewal Strategy. A thematic of the whole Programme has been the Trust's Volunteering Programme and the use of Fedw Hir Grounds as a Resource Centre for Community Groups to use for Training, Networking, Outdoor Classroom Activity and Pilot Projects.

### **Countryside & Access - Conserving Natural Resources**

The key achievement of the year has been to move on from the linear Routeway focus of the Taff Trail and develop a Network Cross Valley proposals centred on settlements and opportunities for Green Tourism in the Upper Valley reaches which bring economic and social opportunities to Communities First priority areas.

A new Project with the Health Authority and its Partners has been the Walking for Health Initiative to bring the health benefits of walking to Communities prioritized for Healthy Living investment. A Biodiversity Programme to support the delivery of the Local Action Plan has led to a Wildlife Garden Campaign. The Countryside Council for Wales Programme has opened up a Network of PROW in Taff Ely and Initiatives with the Ramblers and Mid Week Groups. The Cydcoed Programme developed by Forest Enterprise has enabled a Woodland and Recreational Project in Ynysybwl be secured with future Projects for Pontyclun and Merthyr Vale.

### **The Environment and Business Services Programme – Incorporating Strategic Landscape Improvements and Business Environments Service**

The new Programme supported by Groundwork Wales has increased the resources available with Co-ordinator posts jointly shared with each of our two Local Authorities. Locally we have launched the Green Dragon Award Scheme and appointed the Graduate Placements for this new Programme.

The whole Programme has achieved a turnover of £436,443 against a budgeted turnover of £190,000. Significant additions to the Programme were Welsh Development Agency Contracts for Environments for Business such as the Merthyr Industrial Park, a new Programme of Design and Project Management of Community Sports facilities funded by the Sport Lottery in Penydarren and Gellideg and the Merthyr Tydfil Land Map Project with the Countryside Council for Wales. The Team is leading the Trust itself through the process of Green Dragon Accreditation in order that our own organization is an example to Businesses we work with.

This Programme supports businesses across the County Borough Council areas of Merthyr and Rhondda Cynon Taff.

**Business Management and Development and Central Services Support – Development, Researching and Implementation of Overall Programme**

The Executive Director Team have led the Strategic Development Work on major Regeneration Projects. The Taff Bargoed Community Park Project achieved substantial completion and notwithstanding the final Contract completion process it ensured an overall investment of £14 million into the Valley. The Project was acknowledged in Awards issued by the European Labour Party to RECHAR funded Projects which demonstrates investment in excellence, Social Economy Initiatives which the Team support have progressed. In Cefnpennar the Community Group received a Wales Tourist Board Award. Creative Vision were invited to enter the Welsh International Film Festival Competition.

The Area Young Enterprise School has reached the National Finals. Board Membership of the 3G's Trust has ensured success in the first stage of the Communities First Programme and a positive mutually supportive relationship has been established with the relevant Officers of the National Assembly for Wales. The first Land Regeneration Trust Conference was held in Galtee Hotel in Hirwaun and attended by the Minister for the Environment, Sue Essex.

The Central Services Team have ensured that effective Financial Systems are implemented and credit controlled to achieve a total turnover of £2,805,542, a 5% increase on budget. The Surplus achieved for the year of £35,420 was a 65% increase of £14,083 over the levels budgeted for the year partly due to an increase of £7,760 earned in Bank Interest through prudent management of Bank Accounts in Central Services, and savings in Computer Leases and maintenance costs in Fedw Hir.

**Employee Involvement**

The Trust registered as an Investors in People Organisation in 1994/95 and continues to work on the ongoing process of review and improvement to the practical process and changes of working practices on a staff led and fully participative basis. The objectives are to address issues raised in each year, by the staff through the appraisal process, by the Board, through the annual review process, and to meet the needs of the Trust as a developing and effective organisation fulfilling the objectives and aims of the business plan.

The Investors in People process involves the full commitment of all staff, the Board and those involved with the Trust's work to work through, achieve consensus and effect the key structural and management culture changes. All staff are aware that this is an ongoing commitment to change to ensure that the efforts translate into cost effective, quality and sustainable outputs, which benefit the local communities we serve and to achieve the goals and targets of our business plan. The Trust achieved full IIP accreditation in Spring 1997 and successfully completed the 3 year review by the IIP Evaluator in the year 2000/01.

The Trust has in place a number of detailed, Board approved policies in relation to specific areas of personnel matters, including:-

- Human resources management
- Equal opportunity
- Volunteers
- Health and safety
- COSHH
- Environment

A Personnel Pack incorporating the practical processes of recruitment, appointment, induction, training and support management is in operation.

### **Volunteer Involvement**

The Trust works with a wide range of Volunteers and Community Groups in the Merthyr Tydfil and the Rhondda Cynon Taff County Borough Council areas and values their contribution and commitment through the framework of the Board approved Volunteer Policy. The Trust's Volunteer Strategy and Active Citizenship Programme is set out in the Operations Plan, Section 4 of the Business Plan.

### **Budget 2002/03**

The budget for 2002 - 2003 has been approved by the Board as a part of the rolling three year Business Plan and includes a target of £2,044,000 for incoming resources for 2002 - 2003. This is a decrease of 27% over the achievement of the previous year mainly reflecting the completion of phased major Strategies funded by the Millennium Commission and EU Objective 2. The budget for 2002 - 2003 also addresses the resourcing strategy of delivering the work programme through a mix of the Trust's own staff, bought in specialists, other partner organisations including Groundwork Wales and a commitment to use local companies and resources wherever possible. Staff costs of £705,000 were approved for the budget year and the 30% increase on the previous year reflects the planned recruitment of additional posts to resource new development on the work programme budgeted for the year. Office running costs of £210,000 were approved for the budget year as a 3.4% increase on the previous year due to inflation.

The new incoming resources surplus budgeted for 2002 – 2003 of £11,000 is a decrease of 69% on the levels of the previous year. This reflects the inclusion of increased development work planned in the budget year for new Strategies and areas of work.

The National Assembly for Wales core funding contribution will be £156,000 for the budget year 2002 – 2003 and will form 7% of the total income generating a leverage of 1:13.10.

The Trust has developed a 5 year strategic focus and this is summarised as follows:-

- Offering a service for project development, ecologically informed landscape design, community lead and involvement projects to all sectors in the Merthyr and Rhondda Cynon Taff areas which is noted for quality, innovation, commitment and community values in regeneration partnerships.
- A partnership development role to promote and represent Voluntary Sector interests in the Objective 1 Strategy for Merthyr and Rhondda Cynon Taff Local and Regional Plans through the Executive Director.
- An Eco Tourism park in the Taff Bargoed Valley as an asset for the Taff Bargoed Development Trust, a key Green Tourism attraction and a demonstration of the Greening the Valleys principles.
- A Healthy Living and Enterprise Centre on the Gurnos as an asset for the 3G's Development Trust in Merthyr and a key social economy objective for the Communities First Programme of the National Assembly for Wales.
- Development of a Community Recreational and Green Economy Strategic Project as a Pilot Land Regeneration Trust Project determined by a Community lead approach in a Partnership with Rhondda Cynon Taff County Borough Council, the Welsh Development Agency and Forest Enterprise with potential Sites identified in Maerdy, Treherbert and Merthyr Vale.
- A community owned Youth and Family Social Enterprise complex on the Fernhill Estate as an asset for the Fernhill Community Partnership in the Cynon Valley and a partnership initiative with the Save the Children Fund supported by the National Assembly for Wales and Objective 1.
- Development of Fedw Hir as a Centre for social, entrepreneurial, innovation and environmental initiative which can generate new local employment and income to the Trust. The Creative Vision Media Community Enterprise is now established in the Old House and other initiatives are being developed/supported.
- An integrated Community Routeway and Cycle Network in Merthyr and Rhondda Cynon Taff linked to neighbouring areas through the Taff Trail, Cynon Trail, Celtic Trail, Taff Bargoed Trail, Rhondda Fach River Route and a Taff Ely Network which creates Green Tourism and Social Enterprise for local Communities operated by local Voluntary Organisations and Private Sector.

- A Greencare Network for sustainable Community Environmental Projects, Local Tourism, local accessibility and available by every community in Merthyr and Rhondda Cynon Taff for local capacity building and local ownership.
- A Smart Business Park Programme which focuses an Integrated Programme of Environmental Business Services, Brightsite and Grants to Businesses to create flagships of Economic Renewal for the new Valleys.
- A commitment to Groundwork themes on Education for schools and Lifelong Learning, Environmental Business Services for SME's, Sustainable Communities, Arts and the Environment and Evaluation of Groundwork practice backed up by financial and support resources secured by Groundwork UK.

### Partners

The Trust's major partners in the year were the National Assembly for Wales, the County Borough Councils of Merthyr Tydfil and Rhondda Cynon Taff, the Welsh Development Agency, Henry Smith Charities, NatWest charitable group, the Countryside Council for Wales, Environment Wales, the BBC, Mid Glamorgan TEC, Sustrans, the Millennium Commission, the Groundwork National Office and the funds and efforts of the local groups, volunteers and communities of Merthyr and Rhondda Cynon Taff.

### Directors and members

The members and Directors are as set out on Pages 3 and 4.

### Auditors

A resolution to reappoint PricewaterhouseCoopers as Auditors will be proposed at the Annual General Meeting.

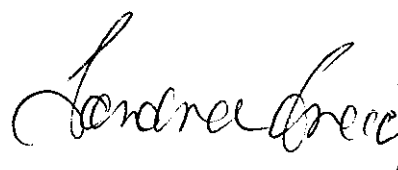


Peter Saunders MBE

BY ORDER OF THE BOARD

Fedw Hir  
Llwydcoed  
Aberdare

SANDRA GREIG  
COMPANY SECRETARY

  
19/16/2002

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MERTHYR AND RHONDDA CYNON TAFF GROUNDWORK TRUST**

We have audited the financial statements which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

The Trustees are also Directors of the Trust for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company'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 financial statements are 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 information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs at 31st March 2002 and of its incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Cardiff

19 November 2002

## Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31st March 2002

	Notes	Unrestricted Funds £	Restricted Funds £	Totals 2002 £	Totals 2001 £
<b>INCOMING RESOURCES</b>					
Activities to further the charity's objectives:					
Core funding		0	204,000	204,000	167,000
Project funding		0	2,358,348	2,358,348	3,773,900
Movement in deferred income		0	223,684	223,684	287
Interest received		0	17,760	17,760	40,252
Other income		0	1,750	1,750	1,750
<b>Total income</b>	<b>2</b>	<b>0</b>	<b>2,805,542</b>	<b>2,805,542</b>	<b>3,983,189</b>
<b>RESOURCES EXPENDED</b>					
<b>Charitable expenditure:-</b>					
Cost of activities in furtherance of the charity's objectives:					
Community Regeneration		0	1,563,893	1,563,893	2,880,212
Community Environments		0	471,767	471,767	459,169
Strategic Landscape and Physical Improvements		0	294,403	294,403	122,710
Business Support Services		0	140,380	140,380	248,499
Management and administration of the charity		0	299,679	299,679	240,817
<b>Total resources expended</b>	<b>4</b>	<b>0</b>	<b>2,770,122</b>	<b>2,770,122</b>	<b>3,951,407</b>
<b>Net incoming resources before transfers</b>		<b>0</b>	<b>35,420</b>	<b>35,420</b>	<b>31,782</b>
Transfers between funds		35,420	(35,420)	0	0
Net incoming resources for the year		35,420	0	35,420	31,782
Fund balances brought forward at 1 April 2001		495,842	0	495,842	464,060
<b>Fund balances carried forward at 31 March 2002</b>		<b>531,262</b>	<b>0</b>	<b>531,262</b>	<b>495,842</b>
<b>REPRESENTED by:</b>					
Fixed assets		315,747	0	315,747	332,004
Cash		386,619	117,766	504,385	446,883
Debtors		9,667	741,850	751,517	1,190,788
Creditors		(180,771)	(859,616)	(1,040,387)	(1,473,833)
		<b>531,262</b>	<b>0</b>	<b>531,262</b>	<b>495,842</b>

All of the above results are derived from continuing activities. The surplus for the year for Companies Act purposes comprises the net incoming resources for the year.

Note of Historical Cost Surpluses and Deficits for the year ended 31st March 2002

**Note of historical cost surpluses and deficits**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Reported net retained incoming resources	35,420	31,782
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	2,343	2,343
Historical cost net incoming resources	37,763	34,125

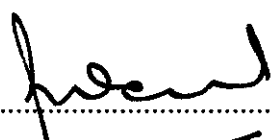
The Company has no recognised gains and losses other than the surplus above and, therefore, no separate statement of total recognised gains and losses has been presented.

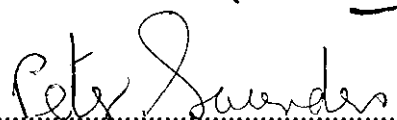
## Groundwork Merthyr &amp; Rhondda Cynon Taff

## Balance Sheet as at 31st March 2002

	Notes	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	5	315,747	332,004
<b>CURRENT ASSETS</b>			
Debtors	6	751,517	1,190,788
Cash at bank and in hand		504,385	446,883
		1,255,902	1,637,671
<b>CREDITORS: amounts falling due within one year</b>	7	877,414	1,297,050
<b>Net current assets</b>		378,488	340,621
Total assets less current liabilities		694,235	672,625
<b>CREDITORS: amounts falling due after more than one year</b>	8	162,973	176,783
<b>Net assets</b>		531,262	495,842
<b>FUNDS</b>			
Unrestricted funds:			
General funds	10	424,117	383,827
Funds arising from Revaluation	10	107,145	112,015
Restricted funds	10	0	0
<b>Total funds</b>		531,262	495,842

The financial statements on pages 16 to 29 were approved by the directors on 19 November 2002 and signed on their behalf by:

.....  ..... Director

.....  ..... Director

The notes on pages 16 to 29 form part of these financial statements.

## Groundwork Merthyr &amp; Rhondda Cynon Taff

## Cash Flow Statement as at 31 March 2002

	Notes	2002 £	2001 £
<b>Net cash inflow/(outflow) from operating activities</b>	9	66,375	(700,644)
Returns on investment and the servicing of finance			
Interest paid		(11,719)	(14,625)
Interest received		17,760	40,252
<b>Capital Expenditure</b>		(2,860)	(12,279)
<b>Net cash inflow/(outflow) before management of liquid resources</b>		69,556	(687,296)
<b>Management of liquid resources</b>			
Cash (placed on)/received from short term deposit		(100,000)	550,000
<b>(Decrease) in cash in the year</b>	9	(30,444)	(137,296)

**1. PRINCIPAL ACCOUNTING POLICIES**

The Financial Statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and, except for the format of the Statement of Financial Activities and Balance Sheet, in accordance with the Companies Act 1985. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Company status**

Groundwork Merthyr & Rhondda Cynon Taff is incorporated as Merthyr and Rhondda Cynon Taff Groundwork Trust and is a Company Limited by Guarantee. The guarantors are the Groundwork federation and the County Borough Councils of Merthyr Tydfil and Rhondda Cynon Taff. The liability in respect of the guarantee, as set out in the memorandum, is limited to £1 per member of the Company. The Trust has availed itself of Paragraph 3 (3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the Company's activities.

**Basis of accounting**

The Financial Statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets. The recommendations of the 2000 SORP "Accounting and Reporting by Charities" have been followed in the preparation of these Financial Statements. The Company is a Registered Charity and so achievements cannot be measured by normal commercial criteria. Accordingly, the directors consider that it would be inappropriate to present the Financial Statements in either of the formats set out by the Companies Act 1985. Therefore, as permitted by the Companies Act, in order to reflect the special nature of the Company's activities, the directors are of the opinion that it would be more appropriate to present a Statement of Financial Activities (rather than a Profit and Loss Account and a Statement of Recognised Gains and Losses) and a modified Balance Sheet.

**Fund accounting**

General funds are available for use at the discretion of the Directors in furtherance of the general objectives of the Trust.

Restricted funds are funds subject to specific restrictive conditions imposed by funders or by the purpose of the grant. The purpose and use of the restricted funds is set out in note 10 to the Financial Statements.

Transfers between funds are made in accordance with these specific restrictive conditions. Transfers in respect of depreciation are made in accordance with generally applied accounting policies.

All income and expenditure is shown in the Statement of Financial Activities.

**Resources arising**

**Income**

Income or grants received in advance are held in deferred income, as part of restricted funds, and carried forward to future accounting periods to be released when the measurable stages of work have been completed, approved or certified and all the conditions have been met. Any grants restricted to future accounting periods are deferred and recognised in those accounting periods.

Income is stated gross of any related expenses.

**Gifts in Kind**

Gifts in kind are not valued in the accounts.

**Resources expended**

The cost headings comprise expenditure, including staff costs, directly attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with use of the resources.

Support costs comprise all services supplied centrally identifiable as wholly or mainly in support of charitable expenditure and include an appropriate proportion of general overheads.

Central overheads are allocated on the basis of their use with the aim of ensuring that those costs remaining within the administration relate to the management of the Trust's assets, organisational administration and compliance with constitutional and statutory requirements.

**Tangible fixed assets and depreciation**

Tangible fixed assets are capitalised and included at cost together with any incidental costs of acquisition.

Freehold land and buildings were revalued at 31 March 1999 on an existing use basis by professionally qualified valuers. The Trust does not consider there has been any significant change in the value of Fedw Hir. Other tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation.

An impairment review of fixed assets is carried out by the Directors whenever changes of circumstances indicate that the carrying amount of the fixed assets may not be recoverable. If the asset has suffered a permanent diminution in value, it will be written down to its estimated recoverable amount, which is the higher of the net realisable value and the value in use.

**Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight line basis over their expected economic lives as follows:

Freehold land	-	nil
Freehold buildings	-	over 25 years
Motor vehicles	-	over 4 years
Office equipment	-	over 5 years
Computer equipment	-	over 3 years

### **Capital Grants**

Grants that relate to specific capital expenditure are treated as deferred income which is released to the credit of the income and expenditure account over the related asset's useful life.

### **Recognition of Liabilities**

A liability is recognised when an obligation arises to transfer economic benefits. Where a liability arises of uncertain timing or amount a provision is recognised. Where there is uncertainty as to the existence of the liability or the liability is dependant upon the outcome of future uncertain events, then no provision is recognised but a contingent liability will be disclosed in a note to the accounts.

### **Pension Costs**

The Trust contributes to employees' own personal pension schemes. This pension cost charge represents contributions payable by the Trust to the individual schemes.

### **Irrecoverable VAT**

Where the Trust suffers irrecoverable VAT in relation to a Trust project it is included within the costs of that project. Where the Trust suffers irrecoverable VAT in respect of other costs this is included within the management and administration costs of the charity.

**Finance and Operating Leases**

Assets purchased under finance lease are capitalised as fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation under the lease represents the finance charges.

Finance charges are written off to the income and expenditure account over the period of the lease so as to produce a constant periodic rate of charge on fixed interest contracts.

2.	<b>TOTAL INCOMING RESOURCES</b>	<b>2002</b> £	2001 £
	Central government	189,500	115,000
	Public agencies	243,564	94,262
	Local government	430,068	366,191
	European Union	1,226,913	1,397,377
	Private Sector	697,737	1,970,103
		2,787,782	3,942,937
	Interest Received	17,760	40,262
		2,805,542	3,983,189
3.	<b>NET INCOMING RESOURCES BEFORE TRANSFERS</b> <b>is stated after charging:</b>	<b>2002</b> £	2001 £
	Staff costs (see Note 4)	542,934	480,699
	Depreciation on tangible owned fixed assets	19,117	17,141
	Depreciation on tangible fixed assets held under hire purchase	0	4,988
	Bank interest payable	13,417	16,326
	Operating lease rentals on hire of plant and machinery	17,977	13,399
	Auditors' remuneration:		
	- Audit fee	9,000	9,000
	- Accountancy, taxation and other services	3,500	3,500
	<b>And after crediting:</b>		
	- Amortisation of Deferred Capital Grant	1,750	1,750

## Notes to the Financial Statements for the year ended 31st March 2002

4. TOTAL RESOURCES EXPENDED	Staff costs £	Other direct costs £	Other allocated costs £	Total 2002 £	Total 2001 £
Community Regeneration	57,413	1,441,712	64,768	1,563,893	2,880,212
Community Environments	129,177	297,755	44,835	471,767	459,169
Strategic Landscape and Physical Improvements	87,891	169,994	36,518	294,403	122,710
Business Support Services	29,243	99,514	11,623	140,380	248,499
Management and Administration	239,210	218,213	(157,744)	299,679	240,817
	542,934	2,227,188	0	2,770,122	3,951,407

Staff costs:	2002 £	2001 £
Wages and salaries	479,435	429,064
Social security costs	42,666	36,674
Pension costs	20,833	14,961
	542,934	480,699

No employee earned more than £50,000

The directors neither received nor waived any emoluments and were not reimbursed for any of their expenses during the year (2001: £ Nil)

During the year the Trust incurred £1,208 (2001: £ 1,050) in respect of trustee liability insurance.

The average number of employees, analysed by function was:-	2002	2001
Direct charitable expenditure	21	21
Management and administration of the charity	4	4

Other allocated costs are analysed as follows:-	2002 £	2001 £
Premises	18,668	24,063
Centralised Services	86,201	111,678
Travel	4,854	4,946
Other operating costs	48,021	50,679
	157,744	191,366

Management and administration costs are analysed as follows:-	2002 £	2001 £
Premises	35,223	30,268
Central Services	162,693	140,581
Travel	9,158	6,221
Other Costs	90,605	63,747
	299,679	240,817

## Notes to the Financial Statements for the year ended 31st March 2002

5. TANGIBLE FIXED ASSETS	Freehold land and buildings £	Project equipment £	Motor vehicles £	Office and computer equipment £	Total £
<b>Cost or valuation</b>					
1 April 2001	350,000	1,544	19,830	37,345	408,719
Additions	0	0	0	2,860	2,860
Disposal	0	0	(10,000)	0	(10,000)
31 March 2002	350,000	1,544	9,830	40,205	401,579
<b>Depreciation</b>					
1 April 2001	28,000	1,544	19,830	27,341	76,715
Charge for year	14,000	0	0	5,117	19,117
Disposals	0	0	(10,000)	0	(10,000)
31 March 2002	42,000	1,544	9,830	32,458	85,832
<b>Net book value</b>					
31 March 2002	308,000	0	0	7,747	315,747
31 March 2001	322,000	0	0	10,004	332,004

Cost or valuation at 31 March 2002 is represented by

Valuation in 1999	350,000	0	0	0	350,000
Cost	0	1,544	9,830	40,205	51,579
	350,000	1,544	9,830	40,205	401,579

The freehold land and buildings were valued at 31st March 1999 on an existing use basis by Cooke and Arkwright, a firm of independent chartered surveyors. The Directors consider that the 1999 valuation is still appropriate at the Balance Sheet date.

If freehold land and buildings had not been revalued they would have been included at the following amounts:-

	2002 £	2001 £
Cost	291,413	291,413
Aggregate depreciation based on cost	(103,462)	(91,805)
Net book value based on cost	187,951	199,608

The net book value at 31 March 2002 of freehold land and buildings represents fixed assets which are held as unrestricted for the furtherance of the Trust's general charitable objectives and costed to project activity through depreciation charges.

## Notes to the Financial Statements for the year ended 31st March 2002

	2002 £	2001 £
6. <b>DEBTORS:- amounts falling due within one year</b>		
Trade debtors	680,055	922,399
Prepayments	34,200	6,086
Accrued income	37,262	262,303
	<u>751,517</u>	<u>1,190,788</u>

	2002 £	2001 £
7. <b>CREDITORS:- amounts falling due within one year</b>		
Bank mortgage loan	12,067	12,061
Trade creditors	95,581	276,852
Other creditors	5,730	20,414
Accruals and Deferred income	762,286	985,970
Deferred capital grant	1,750	1,750
	<u>877,414</u>	<u>1,297,050</u>

Included in deferred income is an amount of approximately £204,000 for contract and other maintenance work in respect of the ten year Taff Trail maintenance and Merthyr Tydfil Joint Venture projects which are funded by ERDF funds and will be incurred from 2002/03 onwards. The Trust is performing a co-ordinating role on behalf of various statutory authorities in respect of these ERDF funds which are repayable upon demand if certain conditions are not met.

	2002 £	2001 £
8. <b>CREDITORS: amounts falling due after more than one year.</b>		
Bank mortgage loan	141,783	153,843
Deferred capital grant	21,190	22,940
	<u>162,973</u>	<u>176,783</u>

	2002 £	2001 £
An analysis of the loans by due date of repayment is set out below:		
Bank mortgage loan		
Repayable between two and five years	48,266	48,267
Repayable after five years by instalments	93,517	105,577
	<u>141,783</u>	<u>153,843</u>

The total value of loans repayable by instalments, any part of which falls due after more than five years.	153,850	165,907
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The bank mortgage loan amounting to £153,850 (2001: £165,907) is secured by a first legal charge on the company's freehold buildings. The loan is repayable over 15 years. Repayments total £12,064 per annum. Interest is charged at 6.5%

	2002 £	2001 £
9. <b>MOVEMENTS IN DEFERRED INCOME:</b>		
Deferred income at 1 April 2001	985,970	984,507
Amounts released from previous year	(594,808)	(664,173)
Incoming resources deferred in the year	371,124	665,636
Deferred income at 31 March 2002	<u>762,286</u>	<u>985,970</u>

On 12 September 2002 a company involved in work at the Taff Bargoed Millennium Park appointed a Liquidator. The Trust is seeking additional income to offset the net unfounded cost of the work of approximately £135,000 as part of its ongoing activities.

## Notes to the Financial Statements for the year ended 31st March 2002

10.

CASH FLOW INFORMATION		2002 £	2001 £	
a.	<b>Reconciliation of net incoming resources before transfers to net cash inflow from operating activities</b>			
	Net incoming resources before transfers	35,420	31,782	
	Depreciation charges	19,117	22,129	
	Interest payable	13,417	16,326	
	Interest receivable	(17,760)	(40,252)	
	Decrease/(increase) in trade debtors	242,344	(489,529)	
	(Increase)/decrease in prepayments	(29,814)	2	
	Decrease/(increase) in accrued income	225,041	(262,303)	
	(Decrease)/increase in trade creditors	(181,271)	5,703	
	(Decrease)/increase in other creditors	(14,685)	19,424	
	(Decrease)/increase in obligations under finance leases	0	(3,637)	
	Increase/(decrease) in deferred income	(223,684)	1,461	
	(Decrease) in deferred capital grant	(1,750)	(1,750)	
	<b>Net cash inflow from operating activities (Page 19)</b>	<b>66,375</b>	<b>(700,644)</b>	
b.	<b>Reconciliation of net cash flow to movement in net cash resources</b>	<b>2002 £</b>	<b>2001 £</b>	
	(Decrease) in cash in the year	(30,444)	(137,296)	
	<b>Management of liquid resources</b>	<b>100,000</b>	<b>(550,000)</b>	
	Movement in deposits			
		<b>69,556</b>	<b>(687,296)</b>	
	Net cash resources at 1 April 2001	280,979	968,275	
	Net cash resources at 31 March 2002	350,535	280,979	
c.	<b>Analysis of movements in cash resources</b>			
		At 1 April 2001 £	Cash Flows £	At 31 March 2002 £
	Cash at bank and in hand:			
	Cash in hand and deposits repayable on demand	74,187	(42,498)	31,689
	Cash held on deposit	372,696	100,000	472,696
		446,883	57,502	504,385
	Bank loans due within one year	(12,061)	(6)	(12,067)
	Bank loans due after one year	(153,843)	12,060	(141,783)
		280,979	69,556	350,535
	Analysed in the balance sheet:			£
	Cash at bank and in hand			504,385
	Bank loans due within one year			(12,067)
	Bank loans due after one year			(141,783)
				350,535

## Notes to the Financial Statements for the year ended 31st March 2002

## 11. FUNDS

	Balance at 31 March 2001 £	Movement in year £	Transfer re depreciation £	Balance at 31 March 2002 £
Unrestricted funds:				
General funds	383,827	35,420	4,870	424,117
Funds arising from revaluation	112,015	0	(4,870)	107,145
Restricted funds	0	0	0	0
	495,842	35,420	0	531,262

All funds are raised and given for specific purposes and projects and are output related. These outputs incorporate both internal and external fees, consultancies, project spend and implementation work. The conditions governing the income or grants restrict these funds and when these conditions have been met the earned income becomes unrestricted and used as a contribution to the Trust's unrestricted funds. The Trust's unrestricted funds are used to provide the necessary cash flow for projects funded on a retrospective basis and to cover running costs until earned income is certified from measurable stages of work and can be used, with the approval of the Trust's Board, to fund any expenditure relating to projects or general running costs which fall within the Trust's general aims and objectives.

## 12. PENSION COSTS

The Trust contributes to employees' own personal pension schemes. The pension cost charge represents contributions paid by the Trust to the individual schemes and amounted to £20,833 (2001 £14,961).

## 13. CONNECTED PERSONS

During the year the Trust paid £8,213 (2001:£2,040) to Fiona Cloke Associates Limited, a company connected through the spouse of an officer of the company in respect of architects' fees. At the year end £nil (2001:£700) was accrued for in respect of this Company.

## Notes to the Financial Statements for the year ended 31st March 2002

**14. FINANCIAL COMMITMENTS**

The Trust has entered into non-cancellable operating leases in respect of plant and machinery. The total amount payable under these leases in the next year is as follows:-

<b>OFFICE EQUIPMENT</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Expiring within 2 – 5 years inclusive	7,500	6,117

**15. GRANT INCOME**

The following have provided grant income for support costs and direct charitable expenditure in excess of £2,000 to the Trust which has been recognised in the year 2001/02.

<b>Name of Funder</b>	<b>Amount awarded £</b>	<b>Purpose of grant</b>
The National Assembly for Wales	152,000	Sponsorship
Merthyr Tydfil County Borough Council	22,000	Sponsorship
Rhondda Cynon Taff County Borough Council	35,000	Sponsorship
The National Assembly for Wales	37,500	Direct Project Expenditure
Merthyr Tydfil County Borough Council	200,656	Direct Project Expenditure
Rhondda Cynon Taff County Borough Council	172,411	Direct Project Expenditure
ERDF	1,226,913	Direct Project Expenditure
Millennium Commission	300,359	Direct Project Expenditure
Countryside Council for Wales	78,242	Direct Project Expenditure
Henry Smith Charitable Foundation	15,331	
Biffa Award Landfill Tax	14,041	
Hanson Landfill Tax	10,000	
Pioneer Landfill	15,819	
Treharris Mini & Junior Rugby Club (Sportslot)	180,375	Direct Project Expenditure
Penydarren Boys & Girls Club (Sportlot)	9,487	
Gellideg Foundation Group (Sportslot)	7,000	
Wales Tourist Board	9,648	Direct Project Expenditure
Nat West Charitable Group	2,607	Direct Project Expenditure
Groundwork Wales	60,156	Direct Project Expenditure
Welsh Development Agency	165,322	Direct Project Expenditure
Private Sector via Groundwork National Office	37,833	Direct Project Expenditure
Gellideg Foundation Group		Direct Project Expenditure
Cefn Pennar District Association	2,750	Direct Project Expenditure