

AGENDA ITEM 14

CENTRAL SOUTH CONSORTIUM REPORT FOR JOINT COMMITTEE

4TH JULY 2017

JOINT EDUCATION SERVICE

REPORT OF THE TREASURER – 2016/17 YEAR-END POSITION

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1. PURPOSE OF REPORT

- 1.1 To seek the Joint Committee's approval to set-up an earmark reserve as part of the 2016/17 year end closure of accounts process and allocate an in-year underspend to contribute to accelerating the repayment of redundancy costs.
- 1.2 To provide Members with the draft outturn position for the Central South Consortium along with the draft Statement of Accounts for 2016/17 (that incorporates the 2016/17 Annual Governance Statement).
- 1.3 To seek the Joint Committee's approval of the 2016/17 Annual Governance Statement for the Central South Consortium.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Approve the earmark reserve request as set out at 3.2;
- 2.2 Approve the allocation of an in-year underspend to contribute to accelerating the repayment of redundancy costs as set out at points 4.6 and 4.7;

- 2.3 Note the draft outturn position (Section 4 – Table 1) and the draft Statement of Accounts for the Joint Committee for the year-ending 31st March 2017 (Appendix 1); and
- 2.4 Approve the 2016/17 Annual Governance Statement (as incorporated within the 2016/17 draft Statement of Accounts).

3. EARMARK RESERVES

- 3.1 At the Joint Committee meeting on the 23rd March 2016, Members approved an earmark reserve amounting to £194k to be carried forward into the 2016/17 financial year to support school improvement activities.
- 3.2 As at 31st March 2017, £167k had been spent and the goods / services relating to the remaining balance of £27k had not been received by the financial year-end. In line with accounting rules, it is not possible to charge this expenditure to the revenue budget until the year in which the goods / services have actually been received. To support this expenditure in 2017/18, the Joint Committee is requested to approve the re-earmarking of the remaining balance (£27k) together with a 2016/17 revenue budget underspend of £17k. The proposed total earmark reserve amounts to £44k and would continue to be utilised to support the delivery of school improvement activities.

4. STATEMENT OF ACCOUNTS 2016/17

- 4.1 The draft Statement of Accounts 2016/17 for the Consortium is attached at Appendix 1. In normal circumstances the draft Statement of Accounts require certification by the Chairperson of the Joint Committee and the Host Authority's Section 151 Officer (i.e. Rhondda Cynon Taf County Borough Council's Group Director for Corporate and Frontline Services) by the 30th June following the end of the financial year, this being in line with the statutory timeframe laid down. However, for Members information, due to the local government elections a Joint Committee meeting with the minimum number of elected Members in attendance for the Committee to be quorate could not be convened within the laid down timescale. As a result, the Joint Committee meeting has been convened at the earliest opportunity following the 30th June 2017 and the appointed external auditor, the Wales Audit Office, has been informed.
- 4.2 Members will note that the draft Statement of Accounts also incorporate the 2016/17 Annual Governance Statement for the Consortium. The Annual Governance Statement has been compiled in accordance with 'Delivering Good Governance in Local Government: Framework 2016' and has been subject to review, challenge and sign off by the Consortium's Senior Management Team.

4.3 Based on the review process undertaken, it was considered that the Consortium's governance arrangements during 2016/17 were fit for purpose and publicly demonstrated how they contributed to the delivery of better outcomes for the region as set out in the Business Plan. This overall conclusion was supported by:

- An open approach to engaging with stakeholders, planning and delivering services, and reporting and scrutiny of the Consortium's performance;
- Clear arrangements for decision making that were supported by robust service management and financial management arrangements; and
- The reporting of understandable priorities and ambition, as set out in the Consortium's Business Plan, with progress reports demonstrating improvement in outcomes and performance at the same time as maintaining financial stability.

4.4 In addition to the draft Statement of Accounts, the draft outturn position for the Consortium for 2016/17 is included in Table 1 overleaf.

Table 1 – 2016/17 draft outturn position

	2016/17 £'000
Controllable Expenditure	
Employees	6,782
Premises	593
Transport	58
Supplies & Services	76,894
Third Party Payments	1,139
Support Services	152
	85,618
Controllable Income	
Local Authority Contributions	(4,196)
Grants & Other Income	(81,441)
	(85,637)
Net Expenditure	(19)
Add Interest Payable	1
Transfer to Earmarked Reserves	18
Net (Surplus) / Deficit After Transfer of Earmark Reserves	0
General Fund Balances at 01/04/16	(129)
General Fund Balances at 31/03/17	(129)

Summary of Redundancy Payments	£'000
Brought Forward Balance	957
In Year Costs	164
Payment Made in Year	(164)
2016/17 Contribution from Revenue Budget	(120)
Remaining Balance to be Funded **	837
** £100k annual revenue budget contribution to enable the remaining balance to be paid back by 2026/17.	

- 4.5 For Members information, the above outturn position includes redundancy costs of £164k (within the 'Employees Controllable Expenditure' line) that supported agreed changes to the structure of the service and were funded from in-year revenue resources.
- 4.6 Following on, a balance of redundancy costs from restructuring exercises completed in previous years amounted to £957k as at 1st April 2016 and is paid back by the Consortium via an agreed £100k revenue budget contribution per year. This arrangement was re-affirmed by the Joint

Committee at its meeting on 29th September 2016. At this time, the Joint Committee also supported the principle of taking opportunities, as they arise, to accelerate the pay-back period through the use of one-off resources such as in-year revenue budget underspends.

- 4.7 With this in mind, an in-year underspend of £20k has been allocated within the draft outturn position (Table 1 overleaf) to contribute to accelerating the pay-back of redundancy costs and Members are requested to approve this proposal.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE

4th July 2017

Report of the Joint Committee

Author: Paul Griffiths, Service Director – Performance and Improvement

Item 14 REPORT OF THE TREASURER – 2016/17 YEAR-END POSITION

List of background papers

Appendix 1 – Central South Consortium Draft Statement of Accounts 2016/17 (including the Central South Consortium 2016/17 Annual Governance Statement).

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**CENTRAL SOUTH
CONSORTIUM
JOINT EDUCATION SERVICE
JOINT COMMITTEE**

**DRAFT STATEMENT OF
ACCOUNTS**

2016/17

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Narrative Report

1. Introduction

The Central South Consortium Joint Education Service was established on 1st September 2012 to provide a range of school improvement services operating on behalf of five local authorities: Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

This region is the most populous in Wales. It includes over 400 schools and serves 135,000 learners - a third of the country's school-age children. The region is home to the highest number and the largest proportion of children living in poverty; it is also home to the capital city and the economic, financial, creative and media industries of Wales.

The Consortium is managed and administered by the Central South Consortium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of five members, one from each Local Authority. Rhondda Cynon Taf CBC became the Host Authority upon formation of the Joint Committee.

The accounts for 2016-17 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRS); and
- Accounts and Audit (Wales) Regulations 2014.

The accounts set out on pages 1 to 64 comply with the above.

2. Business Plan 2016-2018

The Consortium's role is to challenge and support schools in their work to improve educational outcomes.

The local authorities (through a Joint Committee attended by the Cabinet Member for education in each authority) agree the business plan including targets and budget for the region and hold the Consortium to account for the impact of its work.

The Consortium is funded by the five local authorities.

The performance of the schools in the Central South Consortium region are key to the future educational and the economic success of Wales.

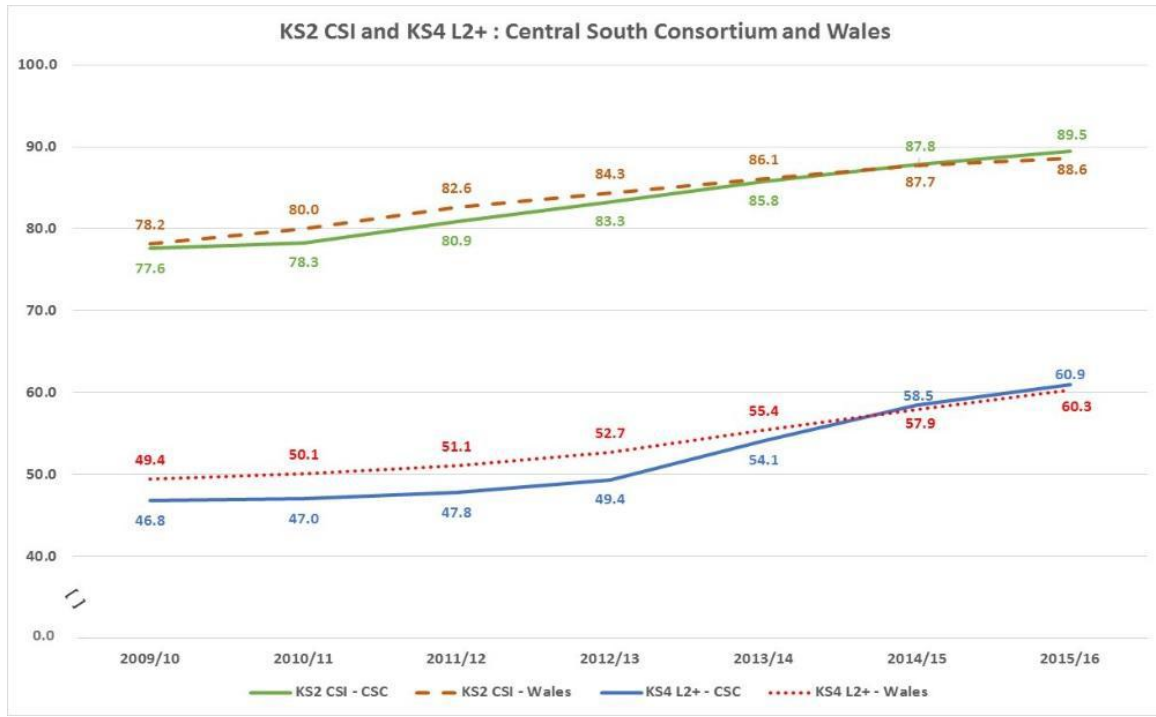
How well children and young people, particularly the most vulnerable, achieve in this region significantly influences how the country and its education system are perceived within our borders and beyond.

The Consortium's business plan aims to:

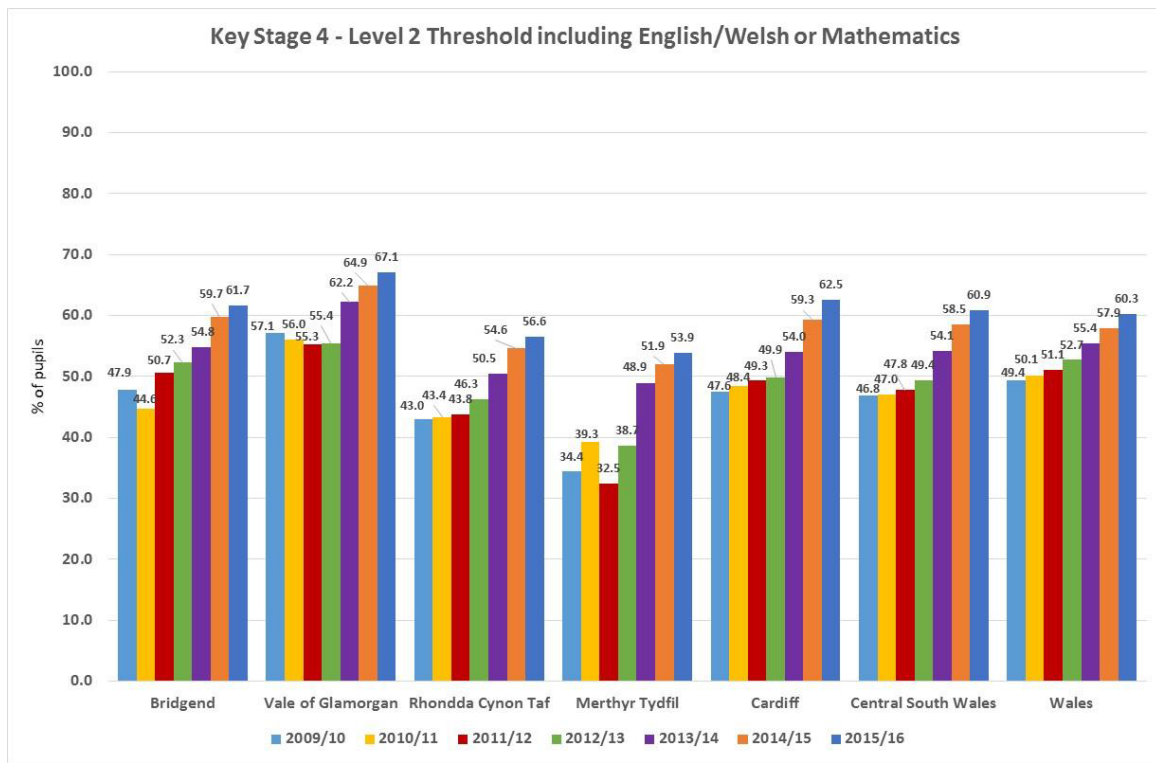
- improve standards for all children and young people in all schools, and for the most vulnerable fastest;
- improve capacity in the school system so that schools work together to support each other to improve; and
- develop further the Central South Consortium as a high performing organisation.

The Consortium's Business Plan has been compiled in the context of reducing resources, this being consistent with the challenging economic climate facing all public sector organisations in Wales. In line with this, the 2016/17 revenue contributions received by the Consortium from the five member local authorities reduced by 5% and it is anticipated that the position of the Consortium requiring to operate in an environment of reducing resources will continue into the medium term.

In 2016 pupils in schools across the Central South region again improved their outcomes significantly. The graph below shows a four-year consistent upward trend of improvement at rates faster than the national rates of improvement. This is particularly evident when looking at the main performance measure at KS4 which is the L2+ indicator – this is the proportion of pupils achieving 5 or more A*- C grades (or equivalent) at GCSE including English or Welsh and mathematics.



This pattern of improvement is evident in the region as a whole and in each of its local authorities:



3. Comprehensive Income and Expenditure Statement 2016-17

The Comprehensive income and Expenditure Statement provides an analysis of the Consortium's gross revenue expenditure and income in accordance with International Financial Reporting Standards.

The broad objectives of the Consortium's 2016-17 revenue budget strategy were to:-

- Support the delivery of key strategic priorities particularly around the need to build teams of challenge advisors to work with all schools in the region (with more time allocated to the schools most in need);
- Provide timely data analysis to support schools' self-evaluation and improvement planning (including school categorisation judgements);
- Support and fund school-to-school improvement partnerships and broker support between schools;
- Allocate grant funding to schools in the region along with guidance and advice on how grant funding can be used to drive improvement; and
- Work with the Welsh Government to deliver its priorities in the region.

The table shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for the period 1st April 2016 to 31st March 2017:

	Budget £'000	Actual £'000	Variance £'000
Expenditure			
Employees	3,642	3,668	26
Premises	551	551	0
Transport	40	24	(16)
Supplies & Services	326	577	251
Third Party Payments	114	0	(114)
Support Services	126	118	(8)
	4,799	4,938	139
Income			
Local Authority Contributions	(4,196)	(4,196)	0
Grants & Other Income	(603)	(742)	(139)
	(4,799)	(4,938)	(139)
Net Expenditure	0	0	0

The reasons for the variances between budgeted and actual expenditure were:

- Employees – vacancy savings occurred within the Business Support Team and eligible core staff costs transferred to the Education Improvement Grant to optimise the use of external funding. This position has been off-set by higher than anticipated expenditure on school improvement service salary costs where staffing appointments have been required at levels above the amounts budgeted;
- Transport – more staff were employed on a ‘daily inclusive rate’ that covers travel costs, hence the reduction in the amount of travel expenses claimed;
- Supplies & Services – one-off investment costs to provide officers with improved technology to enable more efficient remote working and minor pressures in relation to advertising / recruiting and photocopying;
- Third Party Payments – saving due to the re-prioritising of expenditure requirements across this area;
- Support Services– Service Level Agreements for support functions received from the Host Authority were lower than budgeted; and
- Income - increased restaurant and conference centre income due to higher than forecasted conference centre bookings along with additional income in respect of Literacy and Numeracy intervention support received from the Literacy and Numeracy Central Team.

In addition, the following categories of income and expenditure relating to specific grants were processed through the Consortium accounts during 2016/17:

	Actual £'000
Expenditure	
Employees	3,114
Premises	42
Transport	34
Supplies & Services	76,317
Third Party Payments	1,139
Support Services	34
	80,680
Income	
Grants & Other Income	(80,680)
Net Expenditure	0

As at 31st March 2017, the Central South Consortium held General Reserves of £129k. Movements on reserves are detailed within the Movement in Reserves Statement.

4. Capital Expenditure 2016/17

No capital expenditure this financial year.

5. Summary of Future Revenue Plans

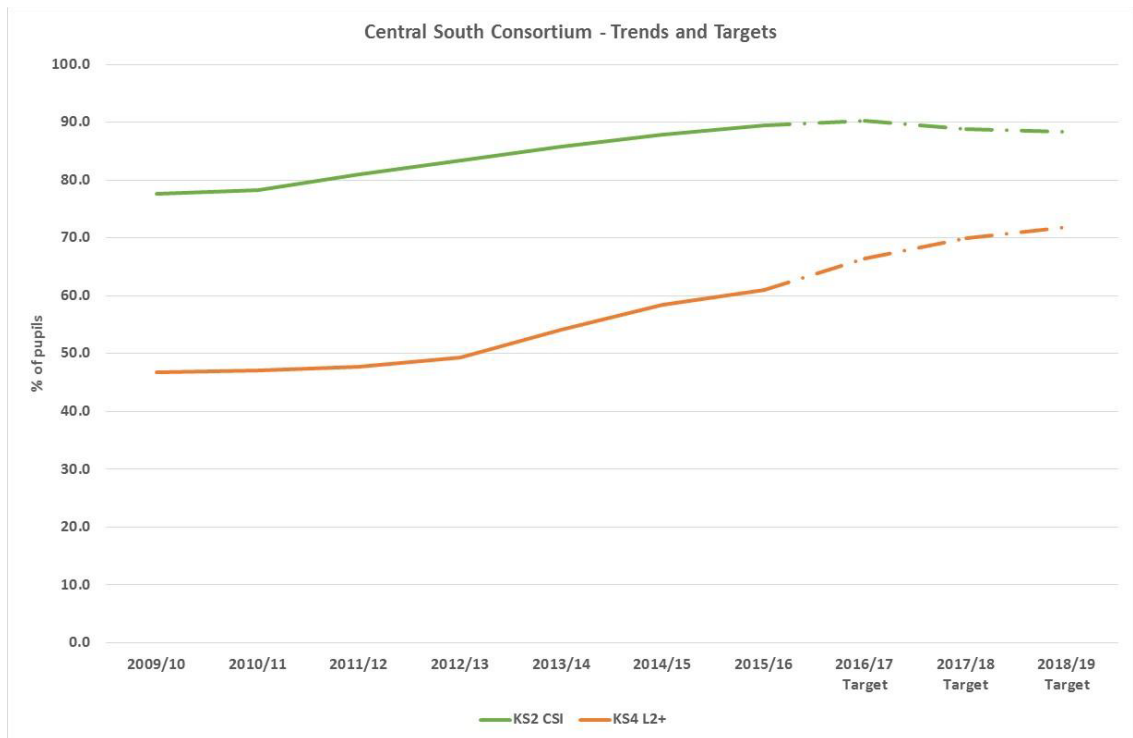
The Consortium's Business Plan 2017-2020 was approved by Joint Committee on 14 March 2017 and sets out the vision, purpose and priorities it aims to deliver within an environment of reducing resources. Our ambition is by 2020 that:

- learners sustain the best educational outcomes in Wales, rivalling parts of the UK;
- the poverty related attainment gap is reduced faster here than anywhere else in Wales; and
- the region is known and recognised for its high quality school-led professional learning and the impact it has on outcomes.

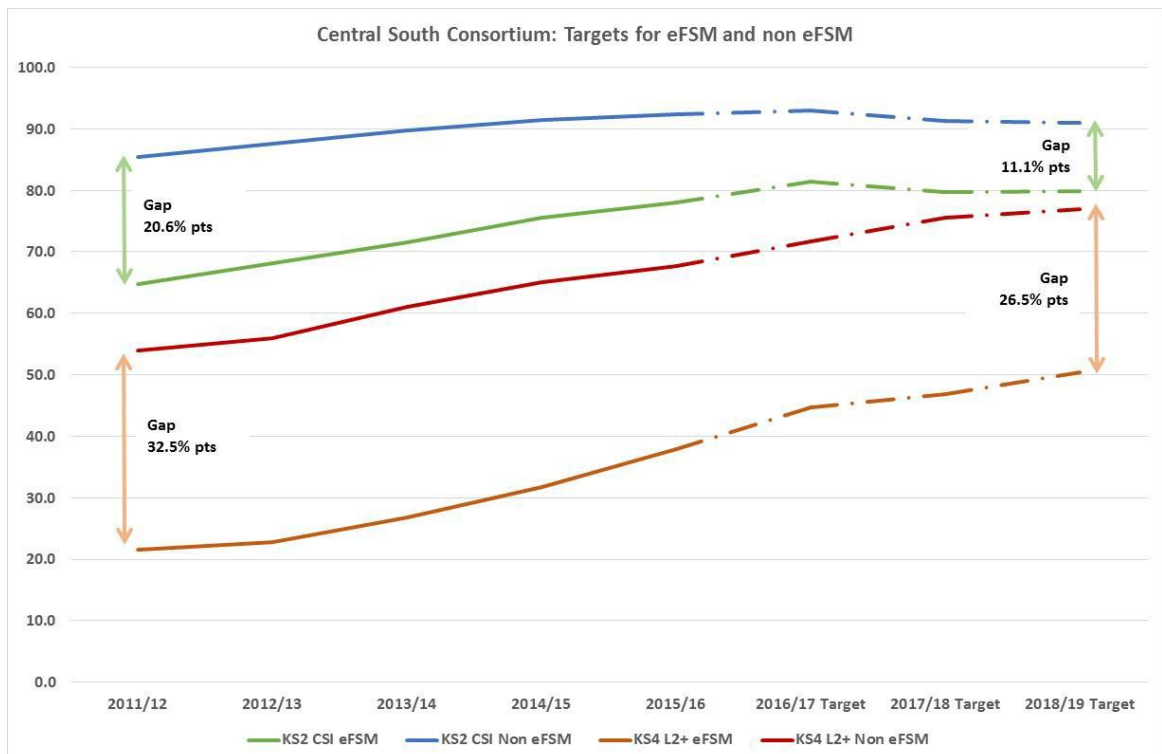
The success of our delivery plan is measured through our targets. These are based on schools' own targets incorporating benchmark measures and informed by additional challenge from the region's challenge adviser workforce.

Performance Measures

The following chart shows the projected trend in outcomes for both Key Stage 2 Core Subject Indicator and KS4 Level 2+ indicator for performance up to 2019.



The following chart shows the projected trend for the performance of eFSM pupils and non-eFSM pupils for both Key Stage 2 Core Subject Indicator and KS4 Level 2+ indicator for performance up to 2019.



The priorities included within the Consortium's Business Plan need to be underpinned by robust financial management in ensuring they are affordable, provide value for money and that their impact can be assessed.

The revenue budget is approved annually within the Business Plan by Joint Committee. Welsh Government also issue annual settlements on grant awards of funding.

A summary of the latest revenue budget is as follows:-

<u>Type of Expenditure</u>	<u>Budget</u> <u>2017-18</u> <u>£'000</u>
Expenditure	
Employees	3,437
Premises	540
Transport	26
Supplies & Services	379
Repayment of redundancy costs	100
Support Services	126
Total Expenditure	4,608
Income	
LA Contributions	(3,986)
Ty Dysgu Income	(405)
Grants & Other Income	(217)
Total Income	(4,608)
Net Expenditure	0

6. **Pensions Assets and Liabilities**

As a result of International Accounting Standard (IAS) 19 "Employee Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the balance sheet date. Please refer to note 18.0 to the Core Financial Statements for further details.

The effect of IAS 19 upon the reserves of the Joint Committee is as follows:

	£'000
Net Assets/(Liabilities) excluding Pensions Reserve	365
Net Assets/(Liabilities) as per Balance Sheet	(86)

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.

Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Council as the administering Authority and the Group Director - Corporate and Frontline Services for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding member at the Joint Committee meeting at which the Accounts are approved.

Certificate of the Group Director - Corporate and Frontline Services

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

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

This statement is prepared to record income and expenditure on an accruals basis. It includes items such as salaries and wages, running costs of the service and income received. The statement is based upon International Financial Reporting Standards (IFRS).

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Joint Committee for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows into operating and investing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded from the recipients of services provided.

Annual Governance Statement

The Annual Governance Statement sets out the framework for governance and internal control for the Joint Committee to carry out its functions effectively. It outlines the main components of the framework, including the arrangements for Internal Audit and how the consortium has complied with the various elements of the framework.

8.0 Service Restructure

Redundancy payments totalling £164k were incurred during 2016/17 (£395k incurred in 2015/16); these costs have been funded in year through the revenue account. Also, an additional contribution of £20k has also been paid in year to reduce the prior year balance. The Joint Committee agreed to meet the balance through an annual contribution of £100k from the revenue budget until 2025/26.

Statement of Responsibilities for the Statement of Accounts Central South Consortium Joint Education Service

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of the Joint Committee's 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 and Frontline Services.
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

The Joint Committee's Responsibilities

- To approve the accounts.

Signature: _____

Date: _____

Chair of Central South Consortium Joint Education Service Joint Committee

The Group Director - Corporate and Frontline Services' Responsibilities

The Group Director is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the period ended 31st March 2017.

In preparing the Statement of Accounts, the Group Director has:

- Selected suitable accounting policies, and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Group Director has also throughout the financial year:

- Maintained proper accounting records that were kept up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Group Director – Corporate and Frontline Services as Treasurer of the Joint Committee

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31st March 2017 and its income and expenditure for the period then ended.

Signed: _____

Date: _____

Christopher D. Lee

Group Director – Corporate and Frontline Services

Bronwydd House

Porth

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Movement in Reserves Statement for the Period ended 31st March 2017

	CSEC General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total CSEC Reserves
	£'000	£'000	£'000	£'000	£'000
Notes:	15.1	15.2		16.0	
Balance as at 1st April 2016	129	283	412	(566)	(154)
Movement in reserves during 2016/17					
Total comprehensive income and expenditure	(279)	0	(279)	347	68
Adjustments between accounting basis and funding basis under regulations					
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CI&ES	743	0	743	(743)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(465)	0	(465)	465	0
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18	0	18	(18)	0
Net increase or (decrease) before transfers to Earmarked Reserves	17	0	17	51	68
Transfers to or from Earmarked Reserves	(17)	17	0	0	0
Increase or (decrease) in the Year	0	17	17	51	68
Balance as at 31st March 2017	129	300	429	(515)	(86)

Comprehensive Income and Expenditure Statement for the Period ended 31st March 2017

Year ended 31/03/16 £'000		Year ended 31/03/17 £'000	Note
	Expenditure		
7,629	Employees	7,076	3.0
624	Premises	593	4.0
67	Transport	58	5.0
77,841	Supplies & Services	76,894	6.0
890	Third Party Payments	1,139	
90	Support Services	152	
87,141		85,912	
	Income		
(4,712)	Local Authority Contributions	(4,076)	
(82,034)	Grants & Other Income	(81,561)	
(86,746)		(85,637)	7.0
395	Net Cost of Services	275	
(6)	Interest Receivable and Similar Income	0	23.0
0	Interest Payable and Similar Charges	1	23.0
22	Net Interest on Net Defined Liability	3	17.2
411	(Surplus)/Deficit on the Provision of Services	279	
(801)	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	(347)	17.2
(390)	Total Comprehensive Income and Expenditure	(68)	

Expenditure & Funding Analysis Statement at 31st March 2017

	2016/17		
	Net Expenditure Chargeable to the General Fund £'000	Adjustments Between Funding and Accounting Basis £'000	Net Expenditure in the CI&ES £'000
Employees	6,783	293	7,076
Premises	593	0	593
Transport	58	0	58
Supplies & Services	76,894	0	76,894
Commissioning	1,139	0	1,139
Support Services	152	0	152
Income	(85,620)	(17)	(85,637)
Cost of Services	(1)	276	275
Other Income and Expenditure	1	3	4
(Surplus) or Deficit	0	279	279
Opening General Fund at 31 st March 2016	129		
(Surplus) / Deficit on General Fund in Year	0		
Closing General Fund at 31st March 2017	129		

The details of the 'Adjustments Between Funding and Accounting Basis' figures are incorporated within the 'Movement in Reserves Statement for the Period ended 31st March 2017'.

The comparative figures for 2015-16 are shown in the following table:

Expenditure & Funding Analysis Statement at 31st March 2016

	2015/16		
	Net Expenditure Chargeable to the General Fund £'000	Adjustments Between Funding and Accounting Basis £'000	Net Expenditure in the CI&ES £'000
Employees	7,319	310	7,629
Premises	624	0	624
Transport	67	0	67
Supplies & Services	77,841	0	77,841
Commissioning	890	0	890
Support Services	90	0	90
Income	(86,901)	155	(86,746)
Cost of Services	(70)	465	395
Other Income and Expenditure	(6)	22	16
(Surplus) or Deficit	(76)	487	411
Opening General Fund at 31 st March 2015	(53)		
(Surplus) / Deficit on General Fund in Year	(76)		
Closing General Fund at 31st March 2016	(129)		

Balance Sheet at 31st March 2017

31/03/16		31/03/17	Note
£'000		£'000	
957	Long Term Assets Debtors	837	12.0
1	Current Assets Inventories	1	11.0
25,805	Debtors	17,031	13.0
25,806	Total Current Assets	17,032	
(26,397)	Current Liabilities Creditors	(17,504)	14.0
(591)	Net Current Assets	(472)	
366	Total Assets Less Current Liabilities	365	
(520)	Long-Term Liabilities Defined Benefit Pension Scheme Liability	(451)	17.5
(154)	Net Assets/(Liabilities)	(86)	
	Represented by:		
	Usable Reserves		
129	General Reserves	129	15.1
283	Earmarked Reserves	300	15.2
	Unusable Reserves		
(520)	Pensions Reserve	(451)	17.5
(46)	Short-Term Accumulating Compensated Absence Account	(64)	
(154)	Total Reserves	(86)	

Cash Flow Statement for the Period ended 31st March 2017

Year ended 31/03/16 £'000		Year ended 31/03/17 £'000	Note
	Operating Activities		
	Cash Outflows		
7,216	Cash Paid to and on Behalf of Employees	6,782	
65,300	Other Operating Cash Payments	87,643	
0	Interest Paid	1	
	Cash Inflows		
(94,399)	Cash Received for Goods & Services	(78,447)	
(6)	Interest Received	0	
(21,889)		15,979	
(21,889)	Net (Increase) or Decrease in Cash and Cash Equivalents	15,979	20.0
	Analysis of Changes in Cash and Cash Equivalents		
(94)	Balance as at 1 st April	(21,983)	
(21,889)	Net Cash (Inflows)/Outflows	15,979	
(21,983)	Cash Balance Owed To/(From) Host Authority	6,004	

All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account. The cash balance due to/from the host authority is included in creditors/debtors at 31st March.

Notes to the Core Financial Statements

1.0 Accounting Policies

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2016/17 based on International Financial Reporting Standards (IFRS).

The Accounts have been prepared using historic cost basis, except for certain assets and liabilities that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

1.1 Accruals of Expenditure and Income

The accounts of the Joint Committee have been prepared on an accrual of income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting. This ensures activity is accounted for in the year that it takes place not when cash payments are made or received.

Revenue from the sale of goods or services is recognised when the Joint Committee transfers the significant risks and rewards of goods or provides the services to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date material supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the Comprehensive Income and Expenditure Statement on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract.

1.2 Cash and Cash Equivalents

All cash transactions are administered by Rhondda Cynon Taf CBC as Central South Consortium does not operate its own bank account.

1.3 Inventories

Inventories of stock are measured at the lower of cost and net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount shall be recognised as an expense when the income (if any) is recognised.

1.4 Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

1.5 Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These are deemed Earmarked Reserves. Earmarked Reserves are created by appropriating amounts out of the General Reserves in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. To ensure this is not a charge against General Reserves, the expenditure is funded via an adjustment in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Joint Committee.

1.6 Income

Income is credited to the year of account to which it relates, regardless of when that income was actually received.

1.7 Cost of Support Services

The costs of support services have been charged to the Consortium in line with agreed Service Level Agreements.

1.8 Employee Benefits

All costs relating to employee benefits are accounted for on an accruals basis.

Pensions

The Joint Committee participates in two separate pension schemes.

Staff on Teachers Terms & Conditions - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency sets contribution rates on the basis of a notional fund. Whilst this is a defined

benefit scheme, the Teachers Pensions Agency is unable to identify the Joint Committee's share of the underlying assets and liabilities and accordingly, the Joint Committee has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997 (as amended), under which contribution rates are set by the fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The Local Government Scheme is accounted for as a Defined Benefit Scheme.

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (3.5% 2015/16).
- The Rhondda Cynon Taf Pension fund is a multi-employer scheme. The assets of the Fund are not formally allocated to any employer within the fund, and are not the legal property of any employer within the Fund. For the purpose of completing the calculations for each triennial valuation of the Fund, the actuary calculates a notional allocation of assets for each employer. The assets of the pension fund notionally attributed to the Joint Committee are included in the Balance Sheet at their fair value:

Quoted Securities	–	Current Bid Price
Unlisted Securities	–	Current Bid Price
Property	–	Market Value

- The change in the net pensions liability is analysed into the following components:
 - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked plus administration expenses.
 - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net Interest – interest on the present value of liabilities and interest on the net changes in those liabilities over the period, calculated using the discount rate at the start of the period, offset by interest

applied to assets and the net changes in the assets over the period using the discount rate at the start of the period – represented in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

- Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their financial / demographic or experience assumptions – debited or credited to the Pensions Reserve.
- Contributions Paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

In relation to retirement benefits, statutory provisions require the Joint Committee Fund Balance to be charged with the amount payable by the Joint Committee to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Reserves of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Joint Committee is able to make discretionary awards of retirement benefits in the event of early retirements. Any such liabilities arising are accrued in the year of decision to make the award in line with the LGPS scheme rules.

Accumulated Absences

The Joint Committee accrues for staff holidays earned but not taken at each year-end. The Welsh Government has issued regulations to mitigate the impact of this charge. This Joint Committee has taken advantage of the regulations and charged the additional costs to the Short-Term Accumulating Compensated Absences Account in Unusable Reserves.

1.9 Government Grants and Other Contributions

Grants and other contributions relating to capital and revenue expenditure shall be accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when there is reasonable assurance that;

- the conditions for their receipt have been/will be complied with, and
- the grant or contribution will be received.

Monies advanced where there is no reasonable assurance of the above two criteria, are held as creditors in the Balance Sheet.

Where a revenue grant has been recognised in the Comprehensive Income and Expenditure Statement but not yet used to fund expenditure, it is set aside as an Earmarked Reserve.

Where a claim has yet to be signed off by the Wales Audit Office, Balance Sheet values in relation to grants are included on an unaudited draft claim basis.

1.10 Leases

Whether a lease is a finance or operating lease depends upon the substance of the transaction rather than the legal form. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

- Transfer of ownership at the end of lease contract.
- Option to purchase asset at a price lower than fair value.
- Lease term is for major part of economic life of asset.
- Present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset.
- Leased assets are specialist and only the lessee can use them without major modifications.
- Leases of land and buildings are considered separately for the purpose of lease classification.

Finance Leases

A finance lease is one which transfers substantially all the risks and rewards incidental to ownership of an asset.

Where the Joint Committee is lessee, an asset and liability is recognised at lease inception. The asset is subsequently depreciated and revalued as though it were the legal property of the Joint Committee. The liability reduces as lease payments are made.

Operating Leases

An operating lease is deemed to be any lease other than a Finance Lease.

Where the Joint Committee is lessee, lease payments are recognised as an expense in the Comprehensive Income and Expenditure Statement on a straight-line basis unless another systematic basis is more representative of the benefits received.

1.11 Events after the Balance Sheet Date

Events after the reporting period are those both favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

The financial statements are authorised for issue in accordance with the Accounts and Audit Regulations (Wales) 2014 (as amended). Regulations state the Statement of Accounts shall be authorised for issue when certified by the Responsible Finance Officer. Certification of unaudited accounts takes place by 30th June following financial year-end.

Regulations require the audited Statement of Accounts to be published by 30th September. The published Statement of Accounts shall reflect events after the reporting period up to the date the accounts were authorised for issue. This is the date the Responsible Finance Officer re-certifies the accounts.

Two types of events can be identified;

- a) those that provide evidence of conditions existing at the end of the reporting period (adjusting events that shall be recognised in the financial statements),
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events that are not reflected in accounting statements but where material, disclosure is made in the Notes to the Core Financial Statements).

2.0 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

This Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Joint Committee's Balance Sheet at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

2.1 Pensions Liability

- Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. AON Hewitt is engaged to provide the Joint Committee with advice about the assumptions to be applied.
- The effects on the net pensions liability of changes in individual assumptions can be measured, however the assumptions interact in complex ways.

3.0 Officers' Emoluments

2015/16 £'000	Salaries & Wages	2016/17 £'000
5,275	Advisors	4,945
898	Administration	915
307	Management	344
200	Finance Team	218
22	Catering Staff	50
54	Site Staff	41
12	Cleaning Staff	14
93	Agency	26
395	Employee Redundancy	164
35	Employee Insurance	35
28	Employee Advertising	30
7,319	Sub Total	6,782
(17)	Accumulated Absence adjustment	18
327	IAS 19 adjustments	276
7,629	Total	7,076

4.0 Premises Costs

2015/16 £'000		2016/17 £'000
322	Rent	335
92	Repair and Maintenance	36
37	Electricity and Gas	39
9	Cleaning Materials	11
164	Rates and Water Charges	172
624	Total	593

5.0 Transport

2015/16 £'000		2016/17 £'000
67	Car Allowances	58
67	Total	58

6.0 Supplies and Services

2015/16 £'000		2016/17 £'000
1,224	Office Expenses	341
1,076	Consultants Fees	475
1	Grants & Subscriptions	0
21	Office Equipment	6
40	Computer Costs	140
27	Catering Costs	28
44	Photocopying	49
1	Subscriptions	3
19	Marketing	51
17	Audit Fees	20
8	Clothing	3
22	Telephones	21
7	Postage	3
320	Training	1,058
	Grants paid to local authorities & Schools:	
40,066	Education Improvement Grant (EIG)	38,202
27,704	Pupil Deprivation Grant (PDG)	29,439
0	New Deal	1,549
0	GCSE	583
5,685	Schools Challenge Cymru (SCC)	4,155
1,559	Other	768
77,841	Total	76,894

7.0 Income

2015/16 £'000		2016/17 £'000
	Contributions	
(1,571)	The City of Cardiff Council	(1,505)
(1,216)	Rhondda Cynon Taf CBC	(1,150)
(692)	Bridgend CBC	(654)
(650)	Vale of Glamorgan Council	(616)
(288)	Merthyr Tydfil CBC	(271)
(295)	Additional contributions due to redundancy costs	120
(4,712)	Total Contributions	(4,076)
	Other Income	
(799)	School Income	(257)
(225)	Other	(328)
(80,834)	Grants	(80,765)
(176)	Catering	(211)
(82,034)	Total Other Income	(81,561)
(86,746)	Total Income	(85,637)

7.1 Grant Income

2015/16 £'000		2016/17 £'000
	Grant Programme	
(43,971)	Education Improvement Grant (EIG)	(42,143)
(27,736)	Pupil Deprivation Grant (PDG)	(29,507)
(6,189)	Schools Challenge Cymru (SCC)	(4,715)
0	New Deal	(2,125)
0	GCSE	(943)
(2,938)	Other	(1,332)
(80,834)	Total Grant Income	(80,765)
	Allocation	
(75,014)	Paid to local authorities and schools (Note 6.0)	(74,696)
(5,820)	Retained by Central South Consortium	(6,069)
(80,834)	Total Grant Income	(80,765)

8.0 Related Party Transactions

In accordance with IAS 24, the Joint Committee 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.

The Joint Committee transacts with the Local Authorities and its Schools within the Consortium, distributes funding, and provides advisory and inspection services for which it receives income. During the year, material transactions with these related parties arose as follows:

2015/16		Local Authority	2016/17	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
30,673	(1,784)	The City of Cardiff Council	31,392	(1,609)
19,705	(1,318)	Rhondda Cynon Taf CBC	15,424	(1,257)
10,476	(785)	Bridgend CBC	11,126	(674)
9,296	(694)	Vale of Glamorgan Council	8,270	(606)
5,964	(357)	Merthyr Tydfil CBC	4,952	(306)

Welsh Government exerts significant influence through legislation and grant funding. The main grants received are shown in Note 7.1.

All cash transactions are administered by the host authority, Rhondda Cynon Taf CBC, as the consortium does not operate its own bank account. At 31st March 2017, the Consortium owes the Council £6,004k relating to these cash transactions (RCT owed the Consortium £21,983k as at 31st March 2016). During 2016/17, Central South Consortium was charged £116k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in the table above, £110k in 2015/16).

Pension contributions are made to both the Rhondda Cynon Taf CBC Pension Fund and the Teachers' Pension Agency, in respect of Joint Committee employees. See notes 17.0 and 18.0 for further information.

Interests of Members of the Joint Committee are maintained in a register held by their own Local Authority. Interests of Senior Officers are monitored by the Consortium. The following transactions occurred with related parties (by virtue of Member interest in them) with whom the Joint Committee has had dealings:

Organisation	2015/16 £'000	2016/17 £'000
Welsh Joint Education Committee	87	50
Coleg Morgannwg	0	1
Total	87	51

The table above does not include payments to/from the Local Authorities or schools within the consortium, as they are included elsewhere within this note.

9.0 Audit Fees

2015/16 £'000		2016/17 £'000
17	Wales Audit Office Fees Relating to External Audit	17

10.0 Leases

The Joint Committee uses general office equipment which is financed under the terms of an operating lease. Operating lease rentals paid to lessors in 2016/17 totalled £2k (£2k in 2015-16).

There are no long-term lease agreements at the balance sheet date.

The Joint Committee holds no assets on Finance Leases.

11.0 Inventories

Inventories consist of food stock in respect of the Restaurant.

2015/16 £'000		2016/17 £'000
1	Balance as at 1st April	1
26	Purchases	28
(25)	Recognised as an Expense in the Year	(26)
(1)	Written Off	(2)
1	Balance as at 31st March	1

12.0 Long Term Debtors

The Joint Committee has incurred redundancy costs that are being paid off from the Local Authorities' annual contributions at £100k a year until 2025/26. A debtor has been recognised for the amount outstanding at the year end: £837k in Long Term Debtors at 31 March 2017 (£957k at 31 March 2016) and £100k in Short Term Debtors.

13.0 Short Term Debtors

31/03/16 £'000		31/03/17 £'000
21,988	Host Authority	6,171
115	Local Authorities and Schools	0
3,692	Central Government Bodies	10,863
11	Other Entities and Individuals	1
25,806		17,035
(1)	Provision for Bad Debt	(4)
25,805	Balance as at 31st March	17,031

All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account. The host authority debtor includes the 'cash' balance owed by the Consortium to Rhondda Cynon Taf CBC.

14.0 Creditors

31/03/16 £'000		31/03/17 £'000
(6)	Host Authority	(3)
(25,923)	Local Authorities and Schools	(16,951)
(130)	Central Government Bodies	(128)
(292)	Other	(359)
(46)	Employee Absences Accrual	(63)
(26,397)	Balance as at 31st March	(17,504)

15.0 Movement on Usable Reserves

	General Reserves £'000	Earmarked Reserves £'000	Total £'000
Balance as at 1 st April 2016	129	283	412
Increase/(Decrease)	0	17	17
Balance as at 31st March 2017	129	300	429

15.1 CSEC General Reserves

The Fund Balance is a distributable revenue reserve, which consists of the accumulated surpluses of the Consortium's operations.

	Total £'000
Balance as at 1 st April 2016	129
Increase/(Decrease) 2016/17	0
Balance as at 31st March 2017	129

15.2 Earmarked Reserves

This note sets out the amounts set aside from the General Reserves balance in earmarked reserves to provide financing for future expenditure. All earmarked reserves are deemed to be revenue reserves.

	Balance at 31/03/16 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31/03/17 £'000
Revenue Grant Reserves	89	(89)	44	44
Funding for Specific Projects	194	(194)	256	256
Total	283	(283)	300	300

16.0 Movements on Unusable Reserves

Reserve	Pension Reserve £'000	Short- Term Acc Comp Absence Account £'000	Total £'000
Balance as at 1 st April 2016	(520)	(46)	(566)
Increase / (Decrease)	69	(18)	51
Balance as at 31st March 2017	(451)	(64)	(515)

16.1 Pension Reserve

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as required by IAS 19 "Employee Benefits". See note 18.0 for further information.

16.2 Short-Term Accumulating Compensated Absences Account

The Short-Term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on CSEC Reserves from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March 2016.

17.0 Retirement Benefits – Defined Benefit Schemes

17.1 Participation in Pension Schemes

As part of their terms and conditions, the employees of Central South Consortium are offered retirement benefits by the Joint Committee. Although these benefits will not be payable until retirement, the Joint Committee has a commitment to make these payments. The liability for

these payments needs to be accounted for at the time future entitlement is earned.

The Joint Committee participates in two pension schemes:

- Teachers – Please refer to note 18.0.
- Other employees – The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit salary scheme, meaning that the Joint Committee and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Joint Committees' accounts are defined by IAS 19 "Employee Benefits".

17.2 Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Account when earned by employees, rather than when benefits are actually paid as pensions. However, the charge required to be made to the general reserves is based on the cash payable in the year. The difference is reversed out in the Movement in Reserves Statement. The following transactions have been posted in the year:

Comprehensive Income and Expenditure Account	2015/16 £'000	2016/17 £'000
Cost of Services:		
Current Service Cost	815	738
Past Service Cost	75	2
Settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	22	3
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	912	743
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(26)	(3,484)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	(517)
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	(736)	4,102
Actuarial (Gains) and Losses Arising on Liabilities – Experience	(39)	(243)
Net Increase in Liabilities from Disposals / Aquisitions on Liabilities - Experience	0	(205)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	111	396

<i>Movement in Reserves Statement</i>		
Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	(912)	(743)
<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme	563	465

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31st March 2017 is a gain of £347k (£801k gain in 2015/16).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure statement to the year ending 31st March 2017 is a loss of £659k (£220k gain in 2015/16).

The figures above do not include allowance for any membership (or associated assets) relating to members who have joined the employer but have not yet exercised their option to link their past service rights to their current employment.

17.3 Reconciliation of Present Value of the Scheme Liabilities

	2015/16 £'000	2016/17 £'000
Opening balance at 1 st April	10,968	11,523
Current Service Cost	815	738
Interest Cost on Defined Obligation	363	631
Contributions by Scheme Participants	269	277
<i>Remeasurement Gains and (Losses):</i>		
Actuarial Gains and (Losses) Arising on Liabilities – Demographic Assumptions	0	(517)
Actuarial Gains and (Losses) Arising on Liabilities – Financial Assumptions	(736)	4,102
Actuarial Gains and (Losses) Arising on Liabilities – Experience	(39)	(243)
Benefits Paid	(192)	(981)
Past Service Costs	75	2
Net increase in liabilities from disposals/acquisitions	0	6,867
Entity combinations	0	0
Curtailments	0	0
Settlements	0	0
Carried Forward at 31st March	11,523	22,399

17.4 Reconciliation of Fair Value of the Scheme Assets

	2015/16 £'000	2016/17 £'000
Opening balance at as at 1 st April	9,996	11,003
Interest Income	341	628
<i>Remeasurement Gains and (Losses)</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	26	3,484
Other	0	0
Employer Contributions	563	465
Contributions by Scheme Participants	269	277
Benefits paid	(192)	(981)
Net increase in assets from disposals/acquisitions	0	7,072
Entity Combinations	0	0
Settlements	0	0
Carried Forward as at 31st March	11,003	21,948

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £4,112k (£367k gain in 2015/16).

17.5 Scheme History

	2015/16 £'000	2016/17 £'000
Present Value of Defined Obligation	(11,523)	(22,399)
Fair Value of Plan Assets	11,003	21,948
Surplus / (Deficit)	(520)	(451)

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £451k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

17.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets (full scheme not Central South Consortium element) are comprised as follows:

	Fair Value of Scheme Assets	
	2015/16 £'000	2016/17 £'000
UK Equities	509,808	595,905
Overseas Equities	1,194,382	1,459,349
UK Fixed Interest Gilts	195,240	259,370
UK Index Linked Gilts	0	0
UK Corporate Bonds	231,299	255,419
Overseas Government Bonds	27,723	8,326
Overseas Corporate Bonds	25,668	28,693
Property	154,639	167,239
Cash and net current assets	89,719	60,748
Total	2,428,478	2,835,049

17.7 Basis for Estimating Assets & Liabilities

The Rhondda Cynon Taf Pension Fund employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31st March 2017.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council Fund liabilities have been assessed by AON Hewitt, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31st March 2016.

The principal assumptions used by the actuary have been:

	31/03/16	31/03/17
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	5.6%	4.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	23.1	22.8
Women	26.0	24.9
Longevity at 65 for future pensioners:		
Men	25.3	25.0
Women	28.4	27.2
RPI Inflation	2.9%	3.1%
CPI Inflation	1.8%	2.0%
Rate of Increase in Salaries	3.3%	3.25%
Rate of Increase in Pensions	1.8%	2.0%
Rate for discounting scheme liabilities	3.5%	2.6%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	75%	75%
Pre-2010 Service	75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (Increase or Decrease in 1 Year)	666	(662)
Rate of Increase in Salaries (increase or decrease by 0.1%)	102	(101)
Rate of Increase in Pensions (increase or decrease by 0.1%)	342	(337)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	437	(445)

17.8 Contributions for the Accounting Period ending 31st March 2018

The Employer's regular contributions to the Fund for the accounting period ending 31st March 2018 are estimated to be £536k.

18.0 Retirement Benefits – Defined Contribution Scheme

Staff employed on Teachers terms and conditions are members of the Teachers' Pension Scheme. The scheme provides teachers with specified benefits upon their retirement, and the Joint Committee contributes towards the costs by making contributions based upon a percentage of members' pensionable salary.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Joint Committee paid £66k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£74k was paid in 2015/16 representing 14.1% of pensionable pay). There were no contributions remaining payable at the year-end.

19.0 Events after the Balance Sheet Date

The draft, unaudited Statement of Accounts was authorised for issue by the Group Director Corporate & Frontline Services, as Chief Finance Officer, on 30th June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31st March 2017, the figures in the financial statements and notes have been adjusted in all materials respects to reflect the impact of this information. There are no events that took place after 31st March 2017 requiring disclosure providing information that is relevant to an understanding of the Council's financial position.

20.0 Reconciliation of Comprehensive Income and Expenditure Account to Cash flow

2015/16 £'000		2016/17 £'000
411	(Surplus)/Deficit on the Provision of Services	279
(14,194)	(Increase)/Decrease in Creditors	8,789
(7,757)	Increase/(Decrease) in Debtors	7,189
0	Increase/(Decrease) in Inventories	0
(349)	IAS 19 Transactions	(278)
(21,889)	Cash (Inflow)/Outflow from Revenue Items	15,979

21.0 Officers' Remuneration

During 2016/17, the Consortium paid 106 employees on average every month (103 in 2015/16). Over the year, salary payments totalled £4,364,689 (excluding employer's national insurance and pension contributions) (£4,225,826 in 2015/16).

Under the Accounts and Audit (Wales) Regulations 2014, the Joint Committee must disclose in their accounts the number of employees (excluding specific senior employees who are shown in Note 22.1) whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding pension contributions). The disclosure includes redundancy payments.

The following salary payments were made within the categories specified:

Remuneration Band	2015/16	2016/17		
	No. of Employees	No. of Employees		
	Total	At 31/03/17	Left in Year	Total
£60,000 - £64,999	6	7	0	7
£65,000 - £69,999	2	1	0	1
£70,000 - £74,999	0	0	0	0
£75,000 - £79,999	2	0	0	0
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	1	0	0	0
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	1	0	0	0
£105,000 - £109,999	0	0	1	1
Total	12	8	1	9

21.1 Senior Officers

The following table sets out the remuneration for specific Senior Officers whose salary is less than £150k but greater than £60k. There are no Senior Officers whose salary is greater than £150k. Employer pension contributions are included.

Post Holder Information	2016/17				
	Salary	Taxable Benefits in Kind	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
	£'000	£'000	£'000	£'000	£'000
Managing Director	98	0	98	13	111
Assistant Director (Commenced 01 June 16)	66	0	66	9	75
Head of School Improvement (Phased retirement)	50	0	50	0	50
Business Manager	65	0	65	9	74

The salary for the Group Director – Corporate and Frontline Services, who signs the accounts on page 13, is not included in this note as he is a senior officer of the Host Authority rather than the Consortium itself.

The comparative figures for 2015-16 are shown in the following table:

Post Holder Information	2015/16				
	Salary	Taxable Benefits in Kind	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
	£'000	£'000	£'000	£'000	£'000
Managing Director	97	0	97	14	111
Head of School Improvement	83	0	83	12	95
Business Manager	65	0	65	10	75

22.0 Severance Costs

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Severance Cost	
							£000s	
	15/16	16/17	15/16	16/17	15/16	16/17	15/16	16/17
£0 - £20,000	0	0	2	3	2	3	23	15
£20,001 - £40,000	3	0	0	3	3	3	104	72
£40,001 - £60,000	0	0	1	0	1	0	48	0
£60,001 - £80,000	0	0	0	1	0	1	0	77
£80,001 - £100,000	0	0	1	0	1	0	96	0
£100,001 - £150,000	0	0	1	0	1	0	124	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	3	0	5	7	8	7	395	164

23.0 Interest

Interest is paid daily on the personal account balance due to/from Rhondda Cynon Taf CBC.

2015/16 £'000	2015/16 Interest rate %		2016/17 £'000	2016/17 Interest rate %
(6)	0.27	Interest on Personal Account Balance Paid / (Received)	1	0.21
(6)			1	

CENTRAL SOUTH CONSORTIUM

ANNUAL GOVERNANCE STATEMENT 2016/17

1. **SCOPE OF RESPONSIBILITY**

1.1 The Central South Consortium is a Joint Education Service commissioned by five Local Authorities namely:

- Bridgend CBC;
- Cardiff CBC;
- Merthyr Tydfil CBC;
- Rhondda Cynon Taf CBC; and
- Vale of Glamorgan CBC.

The responsibilities of the Central South Consortium combined, cover the needs of 398 schools and approximately 146,500 pupils in the region.

1.2 In January 2014, Central South Wales Challenge was launched with the aim of raising standards across all schools within the Region and to stimulate the sharing of expertise amongst schools and joint efforts to innovate to:

- Improve the performance of every school;
- Increase the numbers of good and excellent schools;
- Reduce the gap between high and low performing groups of learners; and
- Improve outcomes for vulnerable groups of pupils.

Subsequently the Central South Wales Challenge has developed and is summarised by the following strategies:

- School Improvement Groups (SIGs);
- Pathfinder Programme;
- Hubs and Pioneer Schools Programme; and
- Leadership & Peer Enquiry.

1.3 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business and that of the Joint Education Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.4 In discharging this overall responsibility, the Consortium is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.

1.5 The Council's Annual Governance Statement aims to provide an accurate representation of the governance arrangements in place for financial year ending 31st March 2017.

2. **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems, processes and cultural values by which the Consortium is directed and controlled, and the activities through which it accounts to and engages with stakeholders. It enables the Consortium to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Consortium's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The Consortium has responsibility for conducting, at least annually, an assessment of its governance framework including the system of internal control. The assessment is informed by the work conducted by external agencies and internal arrangements, including performance management arrangements.
- 2.5 The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for the Central South Consortium for the year ended 31st March 2017 (and up to the date of approval of the 2016/17 Statement of Accounts).

3. **THE GOVERNANCE FRAMEWORK**

- 3.1 The Consortium has used the *Delivering Good Governance in Local Government: Framework (2016)* in compiling its Annual Governance Statement. The Framework comprises two Core Principles and five Supporting Principles:

Core principles

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity's capacity, including the capability of its leadership and the individuals within it;

- Managing risks and performance through robust internal control and strong public financial management; and
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.2 The Core Principles permeate implementation of the Supporting Principles with the need for the Consortium to be committed to improving governance on a continual basis through a process of evaluation and review.
- 3.3 The Consortium has applied these principles to structure its Annual Governance Statement for financial year ending 31st March 2017 and to assess the arrangements in place.
- 3.4 **Legal Agreement**
On the 20th April 2015 all parties entered into and signed a revised legal agreement which superseded all previous legal agreements between the Partners. This agreement consolidated the legal arrangements relevant to the Central South Consortium into one Agreement. From this point forward within the Annual Governance Statement, reference will be made to the 'Legal Agreement'.
- 3.5 The Legal Agreement for the Joint Education Service provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:
- The Host Authority;
 - The Directors' Steering Group;
 - The Advisory Board;
 - Operational Management Group;
 - Central South Consortium Joint Education Committee; and
 - Financial Management.
- 3.6 **The Host Authority**
The Legal Agreement formally assigns Rhondda Cynon Taf County Borough Council as the Host Authority for the Central South Consortium. Rhondda Cynon Taf County Borough Council provides all support services (save for the day to day administration undertaken by staff in accordance with their duties) required, including but not limited to:
- Financial (Section 151 Officer as defined by section 151 of the Local Government Act 1972, Accounts, Payroll, Creditors, Debtors, Insurance);
 - Human Resources;
 - Health & Safety;
 - Legal;
 - ICT;
 - Estates;
 - ICT;
 - Internal Audit; and
 - Procurement.

The costs of which are charged to the CSC Joint Education Committee through Service Level Agreements.

3.7 The Constitution of Rhondda Cynon Taf County Borough Council, which has the financial stewardship of the Central South Consortium, allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedure. All functions undertaken by the Central South Consortium should be done so in accordance with all relevant Policies and Procedure Rules of Rhondda Cynon Taf County Borough Council.

3.8 **Officer Conduct**

To ensure a consistent approach to working practices and processes, all officers are subject to the terms and conditions of employment (which are based on Rhondda Cynon Taf County Borough Council's operating terms and conditions) as follows:

1. Staff appointed to undertake responsibilities on behalf of the Central South Consortium since October 2012, are employed / contracted on the standard terms and conditions of employment of the Host.
2. Staff appointed who were previously employed by any of the five partner local authorities prior to October 2012, were upon appointment transferred onto the standard terms and conditions of the Host or if matched to a role, given the option if they so wished to retain the terms and conditions of their home authority.

Regardless of which terms and conditions officers are employed upon, all officers are subject to a common set of operating Employment Policies based on the Host's operating policies and procedures.

4. **ASSESSING THE CONSORTIUM'S GOVERNANCE ARRANGEMENTS**

4.1 In line with the Core and Supporting Principles of the Framework, the approach taken to assess the Consortium's arrangements has been to:

- Set out a brief description of the arrangements and procedures in place together with the key outcomes the Consortium is aiming to achieve;
- Examine and document the main activities that have taken place around these areas, taking account of supporting evidence from the Consortium's internal processes and Wales Audit Office reports published on the Consortium;
- Form a view on the extent to which the activities comply with the procedures in place; and
- Make proposals for improvement, where appropriate, together with recommended timescales for implementation and responsible officers.

- 4.2 The assessment of the Consortium's governance arrangements is set out in Section 5.

5. **ASSESSMENT OF GOVERNANCE ARRANGEMENTS**

5.1 **PROGRESS MADE TO IMPLEMENT RECOMMENDATIONS REPORTED IN THE 2015/16 ANNUAL GOVERNANCE STATEMENT**

- 5.1.1 The 2015/16 Annual Governance Statement did not identify any recommendations.

5.2 **BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW**

Behaving with integrity

- 5.2.1 The Consortium follows the Host Authority Constitution which sets down how it should operate, how decisions need to be made and the procedures to be followed to ensure they are efficient, transparent and available to local people. Within the Constitution there are a number of [Rules](#)¹ and [Protocols](#)² that aim to ensure both elected Councillors and employees behave with integrity.

- 5.2.2 The Consortium has put in place procedures to be followed by the Joint Education Committee when conducting meetings and making decisions during the year to publicly demonstrate an accountable, open and honest approach. This has included considering the accuracy of 'meeting minutes'³; recording declarations of personal interest; publishing reports on RCT's website five working days prior to meetings taking place; making decisions based on evidenced based reports; and publishing the minutes of meetings. A review of a sample of Joint Education Committee meetings during the year revealed that the above mentioned procedures had been followed.

Consortium employees

- 5.2.3 The CSC legal agreement outlines the role of Rhondda Cynon Taf (RCT) as the host authority. As part of this agreement, CSC adopts the policies of RCT including an Officer Code of Conduct that has been used to create an easy to understand 'Basic Rules – A Guide for Employees' and includes information in relation to, amongst other things, expected behaviour, use of social media, appearance and attendance. The guide is available on-line for all employees.

¹ Rules – for example, Financial and Contract Procedure Rules

² Protocols – for example, Gifts and Hospitality Policy

³ Meeting minutes – a formal and agreed record of the events that took place at each meeting.

Policies and Registers

5.2.4 An RCT review of Policies and Registers in place during 2016/17 identified the following:

- The Consortium adopted the RCT Whistle-blowing Policy but no referrals were made during 2016/17.
- The Consortium adopted the host authority's 'Anti-Fraud, Bribery and Corruption Policy and Procedure' and is based on a series of procedures designed to deter and frustrate, and take effective action against any attempted fraudulent or corrupt acts affecting the Consortium. The Policy was last up dated in 2013.

The host authority 'Home web-page' provides instructions for those who wish to raise anti-fraud, bribery or corruption concerns under the [Report It](#) section.

- The Consortium adopted the host authority [Complaints & Concerns Policy](#) that sets out a commitment to effectively deal with any complaints or concerns about services provided.
- The Consortium adopted the host authority [Gifts and Hospitality Policy](#) and arrangements were in place, via registers, to record gifts and hospitality in line with the Policy.
- The Consortium adopts all host authority Policies although there is no systematic process to review these Policies with the Senior Leadership Team.

Proposals for Improvement

5.2.5 The host authority has identified that the Anti-Fraud, Bribery and Corruption Policy and Procedure should be reviewed and up dated, where relevant, and reported to the appropriate Committee for scrutiny and sign-off. This update should then be used to inform a refreshed programme of awareness raising across the Council and will include officers at the Consortium.

5.2.6 Develop a systematic process whereby updates to policies provided by the host authority are discussed at the operational senior leadership team meeting for approval and shared with staff on Cronfa.

Demonstrating strong commitment to ethical values

- 5.2.7 Ethical Values: Consortium employees - the Consortium has described what excellent behaviour looks like for each type of job, for example, '*always treat people with respect*', and this information is used to test candidates suitability for jobs at interview and is used to inform discussions managers have with their staff as part of their development.

Respecting the rule of law

- 5.2.8 The Managing Director leads the Consortium's officers and chairs the Senior Leadership Team. The Senior Leadership Team comprises, in addition to other key posts, the senior management roles of Assistant Director, Head of School to School Working & Curriculum, Head of School Improvement and the Business Manager.

5.3 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Openness

- 5.3.1 Members of the Joint Education Committee are governed by the Code of Conduct of their relevant Council. The Codes of Conduct for councillors and employees within the Constitution of the Host Authority are built on the principles of openness, transparency and honesty.

Planning ahead

- 5.3.2 The Consortium consulted with stakeholders on its vision and priorities for the next three years and set these out in a document called 'Business Plan 2017 - 2020'; this Plan was agreed by Joint Education Committee Council on 14th March 2017.
- 5.3.3 Looking ahead, it is likely that public sector austerity will continue resulting in on-going reductions to core funding from the five local authorities. In recent years, the consortium has had a 5% cut to funding in 2016/17 with a further 5% cut in 2017/18. It is likely that on-going reductions in core funding will necessitate the Consortium to consider the sustainability of the current operating module.

Decision making and scrutiny of decisions made

- 5.3.4 Joint Education Committee agreed the Consortium Business Plan, including the core budget and the budget for the Education Improvement Grant, following scrutiny of the Consortium's self evaluation and identification of improvement priorities.
- 5.3.5 The Joint Education Committee is one of the main decision making bodies within the Consortium and throughout 2016/17 received 23 reports, 19 of

which were made publicly available prior to the meetings and 4 were excluded from the press / public on the grounds that the items of business involved the likely disclosure of exempt information.

5.3.6 Key decisions were also taken by the Directors of Education from each of the local authorities at the Director Steering Group meetings.

5.3.7 Based on the above information it is considered that the decision making arrangements that operated during 2016/17 were open and transparent, and compliant with the Council's Constitution.

5.3.8 Finally, a review of a sample of Joint Education Committee Reports for 2016/17 has confirmed that a consistent format was used.

Engagement with stakeholders

5.3.9 **The Advisory Board** - The purpose of the Advisory Board is to support the Managing Director in ensuring that the strategies of the Central South Consortium align themselves with the needs of all Parties to raise educational standards.

The membership, decision making process, meetings and the terms of reference for the Advisory Board are documented within Schedule 2 of each Legal Agreement.

Directors' Steering Group – The Directors' Steering Group comprises the Directors of Education from each of the five local authorities comprising the Central South Consortium. This group is responsible for delegated decision making on behalf of each local authority.

The membership, decision making process, meetings and the terms of reference for the Director's Steering Group are documented within Schedule 2 of each Legal Agreement.

Directors and Headteacher representatives from the Central South Wales Strategy Group have identified the need to include Headteachers within the overall Governance model of the Central South Consortium as part of a school-led self improving system,

Senior Leadership Group - The Group comprises the senior management team of Central South Consortium as well as Senior Challenge Advisers for each local authority. Senior officers with strategic responsibilities are also part of the leadership group. The objective of the group is to deliver school improvement activities with the aim of raising educational standards.

The membership, decision making process, meetings and the terms of reference for all groups are documented within Schedule 3 of the Legal Agreement.

Central South Consortium Joint Education Committee

The Central South Consortium Joint Education Committee (hereinafter called the 'Joint Education Committee') comprises of one elected Member from each Council and one officer representative with responsibility for Education from each Council.

The Joint Education Committee has the powers of each Council with reference to the provision of a Joint Education Service and its performance as set out in the Legal Agreement and guided by the Welsh Government's 'National Model for Regional working'.

The purpose of the Joint Education Committee is to be responsible for the decision making, approval of the business plan, monitoring and accountability and financial reporting of the Central South Consortium arrangements in line with its own business plan.

The membership, decision making process, meetings and the terms of reference for the Joint Education Committee are documented within Schedule 4 of the Legal Agreement.

- 5.3.10 There were a broad range of communication methods on offer to encourage stakeholders to express their views. This included social media, focus group discussions with strategy groups as well as an annual survey of schools.

Proposal for improvement

- 5.3.11 Review the overall governance structure for the Consortium to ensure increased engagement in the decision making process from headteachers across the region as part of a continued drive to a school led self improving system.

5.4 **DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS**

Defining outcomes

- 5.4.1 The Consortium's 'Business Plan – 2016 /17, as approved by Joint Education Committee on the 23rd March 2016, set out the vision, purpose and priorities it aims to deliver:

- The Consortium's aim is to "*Improve educational outcomes for all pupils, and the outcomes for vulnerable learners fastest*".
- The Consortium's priorities are to:
 - *Improve outcomes for vulnerable learners;*
 - *Develop school-to- school working to deliver curriculum reform;*
 - *Develop leadership, governance and workforce reform;*

- *Deliver rapid and sustainable intervention; and*
- *Develop effectiveness and efficiency in Central South Consortium*

- 5.4.2 At the same Joint Education Committee meeting, the 2016/17 Revenue Budget was approved and set out that resources would be targeted in line with the Business Plan priorities.
- 5.4.3 Following approval of the Business Plan and Revenue Budget, Action Plans were put in place for each priority, in line with resources available, that detailed what outcomes were being aimed for, the actions to be delivered with timescales for delivery and performance indicators.
- 5.4.4 A review of performance indicator targets included within the Business Plan identified that there is a clear ambition for the Consortium to improve in its priority areas, and where performance is comparable with others, the ambition is for the Consortium to be either as good as or better than the Welsh average by 2020.
- 5.4.5 Throughout 2016/17 action plan progress updates have been made public through Joint Education Committee meetings that also contain information on financial performance, strategic risks and investment linked to Business Plan priorities. Monitoring arrangements have been reviewed and simplified with impact reviews embedded into the monitoring cycle.

Proposal for Improvement

- 5.4.6 Develop a Medium Term Financial Plan in 2017/18, ensuring resources are allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources.

5.5 DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Determining and planning interventions

- 5.5.1 The Consortium's Legal Agreement lays down the key requirements to be followed when setting its priorities, reporting the extent of progress made in priority areas and also the financial planning and management arrangements that support this. These include the requirement to:
- Agree the draft School Improvement Service annual revenue budget by the 31st December prior to the start of the financial year and submit to each of the Parties for approval with the business plan to be agreed by the 1st February; and
 - Publish financial and performance progress updates on a termly basis during the year, which will include explanations of any variances against the profiled budget.

5.5.2 When the above requirements were reviewed for the 2016/17 financial year:

- Performance Reports were presented to Joint Education Committee and the Local Authority Scrutiny Committees during the year, with performance reports also presented to the Minister as part of the Challenge and Review meetings. A review of information reported during the year identified that at each Joint Education Committee meeting, members were provided with updates on financial performance; progress against Business Plan priorities; progress with Estyn Recommendations; and strategic risks. With specific regard to financial performance, Business Plan priority and strategic risk up dates, exceptions were highlighted, explained and the corrective action to be taken included within reports.

5.5.3 Based on the above, it is considered that the information published during the year would provide opportunity for stakeholders to understand the Consortium's performance and hold it to account.

Optimising achievement of intended outcomes

5.5.4 The Consortium's Business Plan sets out how the 5% cut to the core budget was managed.

5.5.5 With this context in mind, the Consortium took steps to plan the allocation of resources and put in place arrangements to maximise its impact.

The allocation of resources

5.5.6 The Consortium's 2016/17 Revenue Budget Setting Report (9th December 2015) set out how the total saving requirement of 5% would be delivered.

Maximising impact

5.5.7 Examination of Progress Report presented to the Joint Education Committee during the year demonstrated that the Consortium is making progress in delivering its Business Plan priorities and the outcomes associated with it, supported by the targeted allocation of resources and sound financial management. It is considered that the updates reviewed provide a balanced picture of progress, and concluded that:

In 2016-2017⁴, there were improvements in nearly all local authorities and for the consortium as a whole in the Foundation Phase. Both Bridgend and the Vale of Glamorgan local authorities saw reductions in some indicators for Foundation Phase, but their overall attainment remained above the National average. The improvement at consortium level was greater than the improvement seen nationally for all performance measure at Foundation Phase for the expected outcomes and the above expected outcomes.

⁴ All performance measures are as reported in the Summer Term 2016. (Academic Year 2015/16)

For both key stages 2 and 3, the improvements for the consortium at the expected level and the expected level +1 were greater than the improvements seen nationally for all subjects. Improvements were also evident for each of the local authorities in all measures at KS2 apart from Welsh 1st Language in Bridgend and the Vale of Glamorgan local authorities at the expected level, and Bridgend and Merthyr Tydfil at the expected level +1 (for KS2) and Science expected level +1 in the Vale of Glamorgan. For KS3, improvements were seen in all local authorities for every measure at both EL and EL+1, with the exception of Welsh 1st Language in Rhondda Cynon Taf at the expected level.

Taking the last three years as whole, rates of improvement have been between 1% and 2% greater than for Wales at outcomes 5/6 and level 4/ 5 and level 5/6+. Performance is now above the Welsh averages in all indicators at these three phases/ key stages.

At key stage 4, data for 2016-2017 indicates improvement against most main indicators for the region and in each local authority. There has been improvement for each of the last three years but at a much more substantial rate in the last two years. Performance against the level 2+ threshold remains above the Welsh average and has improved at a faster rate than that seen nationally. The performance of the Region is above the Welsh average for all main indicators apart from Level 2 Mathematics, which is still below the Welsh average, despite improving at a faster rate between summer results 2015 and summer results 2016.

The performance of eFSM pupils in the Region for L2+ has already exceeded the National target for this measure for summer results 2017.

There is a significant reduction in the number of schools where less than 40% and less than 50% of pupils achieve the level 2+ threshold. However, the region has not yet achieved its ambition of reducing this to zero (40% or less).

- 5.5.8 The individual Local Authority scrutiny committees have provided review and challenge on performance results during the year, either through their own work programming arrangements or as a result of in-year performance exceptions being scrutinised in more detail.

5.6 **DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT**

Developing the entity's capacity

- 5.6.1 The Consortium aims to ensure that staff have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery.

Effectively managing the workforce – the Consortium has been required to manage reductions in staff numbers over the past few years as a result of on-going reductions in funding and at the same time:

- Continued to deliver improved performance results in priority areas (see section 5.5.7);
- More closely managed and supported staff absence through the production of the performance dashboard; and
- Is operating a system of agile working arrangements that aims to take advantage of digital technology to help the Consortium to work in new and different ways to meet school needs, reduce costs and increase productivity.

5.7 **Developing the capability of the entity's leadership and other individuals**

5.7.1 The Consortium's Legal Agreement, sets out the responsibilities of the Managing Director, the Joint Education Committee and Advisory Group (Schedule 2). A review of a sample of delegated decisions made during the year confirmed that decisions were approved by the designated Joint Education Committee members and employees.

Developing the capabilities of councillors

5.7.2 During 2016/17 there was evidence to confirm that Councillors development needs were supported through the provision of local authority training; it was noted that the training provided related primarily to the roles of Councillors within their host authorities rather than specifically in relation to the Central South Consortium.

Developing the capabilities of employees

5.7.3 The Consortium is also committed to staff development, in line with business needs, to help ensure it has a 'fit for purpose' workforce. During the year this has included staff induction sessions, Leadership and Middle Management Development Programmes, Staff Briefings and a range of operational training such as Effective Brokerage, Characteristics of Professional Learning and Teaching & Learning. It was noted that limited evidence is collected to confirm what benefit or impact operational training had, for example, did it improve employees understanding?

Proposal for Improvement

5.7.4 Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help inform future activity and assess the impact on attendees.

5.7.5 Design and contribute to a national training programme for newly elected members in relation to their role overseeing the Central South Consortium.

5.8 **MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT**

Managing risk

5.8.1 During 2016/17, the Consortium up dated its Risk Register at the start of the year to align with Business Plan priority areas and incorporated strategic risk up dates to Joint Education Committee meetings. In addition, the Consortium reported a risk overview to each meeting of the Senior Leadership Team Performance and Strategy Group through the Management Dashboard.

5.8.2 Following on, it is noted that as part of the Consortium's reporting to Joint Education Committee in 2016/17, where changes in strategic risks occurred, for example, a higher or lower likelihood of occurring, this was summarised in the report to give heighten prominence to the management of the Consortium's strategic risks.

Proposal for Improvement

5.8.3 The Consortium's Risk Management Strategy should be reviewed, and where relevant updated, and reported to the Performance & Strategy Senior Leadership Team meeting for review and sign off.

Managing performance

5.8.4 The 'Determining and planning interventions' section (5.5.1) of this Annual Governance Statement provides an overview of the Consortium's Performance Management arrangements.

Robust internal control

5.8.5 The membership and meeting frequency of the Consortium's Joint Education Committee during 2016/17 was in line with the Consortium's Legal Agreement.

Managing data

5.8.6 An Information Management Plan is in place that sets out the framework, including legal requirements, for information management within the Consortium.

5.8.7 A review of arrangements in place during 2016/17 identified that they were in line with laid down requirements because:

- Key responsibilities were formally designated within the Consortium: The Consortium's designated Senior Information Management Risk Officer (SIRO) is the Managing Director, there was a Information Management & Data Protection Act Officer within the host authority who reports to the Head of Information Technology;
- An Information Management Board was in operation, Chaired by the SIRO, with the Board being supported by an Information Management Working Group;
- Information was available on the RCT Council website in respect of Data Protection and Freedom of Information, and had in place a [Publication Scheme](#) (which has been adopted by the Consortium) in accordance with the Council's responsibilities under the Freedom of Information Act 2000;
- Information Sharing Protocols were in place for the safe and appropriate sharing of personal information between the Consortium and other organisations; and
- The Host Authority continued to secure its annual accreditation to the Public Service Network (PSN) in September 2016 i.e. The 'PSN' is the Council's connection to the wider public sector network (Council to Council, Council to Government e.g. Department for Work and Pensions) to enable the Council to communicate and share data securely across all public bodies.

Proposal for Improvement

5.8.8 The Consortium should report on a periodic basis, for example annually, its work and performance around Information Management and provide opportunity for review and scrutiny by the Joint Education Committee.

Strong public financial management

5.8.9 Schedule 5 of the Legal Agreement provides the framework within which the finances of the Joint Education Service operate. The Financial Protocol provides the financial framework and relationship between the Parties (the Councils), the Host and the Central South Consortium. The following areas of business are documented in the Legal Agreement

- General Principles
- Contributions and charging mechanisms;
- Payment arrangements;
- Budgetary control & monitoring;
- Capital Expenditure & long term contracts;
- Annual Accounts & Audit; and
- Financial insolvency.

5.8.10 The Legal Agreement requires the Joint Education Committee to hold at least termly meetings throughout the year. Standard agenda items include a report from the Treasurer.

5.8.11 Rhondda Cynon Taf County Borough Council's Financial Procedure Rules provide guidance in relation to all financial matters. The Central South Consortium has adopted Rhondda Cynon Taf's Financial & Contract Procedure Rules – as confirmed in Section 17 (Schedule 4) of the Legal Agreement:

“Rules and Procedure

For the avoidance of doubt the Central South Consortium Joint Education Committee shall, where relevant and subject to the provisions of this Agreement, operate in accordance with the Host's schemes of delegation, Rules of Procedure and policies from time to time.”

5.8.12 The Wales Audit Office audits the Central South Consortium's annual statement of accounts.

5.8.13 The Central South Consortium's financial and operational performance is monitored and scrutinised by the Joint Education Committee

The Joint Education Committee receives reports from:

- The Treasurer;
- The Managing Director; and
- Officers, relevant to the operations and governance of the organisation.

5.8.14 During 2016/17 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

5.8.15 **Internal Audit**

During 2016/17 Internal Audit reviewed the core financial systems of the Central South Consortium Joint Education Service and concluded there to be no material weaknesses.

5.8.16 **External Audit**

The 2015/16 statement of accounts were audited by the WAO (the WAO issuing an unqualified audit report on the financial statements) and were

approved at the meeting of the Joint Education Committee on 29th September 2016.

5.8.17 The Consortium has publicly demonstrated its commitment to strong and responsible financial planning and management, and has supported this through the delivery of sound financial performance during a period of reducing budgets. This is because:

- The Consortium has adopted a suite of protocols supporting strong financial planning and management, for example, 'Financial Procedure Rules' and 'Contract Procedure Rules', that were complied with during the year;

The Consortium set a Gross Revenue Budget in December 2015 for the financial year 2016/17 of £4,943,662, thus representing a 5% cut from the previous year.

- Financial performance results were publicly reported every term during the year and scrutinised by the Joint Education Committee. The latest financial performance results, for the period April 2016 to March 2017, forecast that the Consortium will deliver a £1,000 under spend on its revenue budget against a total budget of £4,799,000. The actual yearend position resulted in a £538 underspend.
- The Consortium has kept its finances under on-going review throughout 2016/17 and was able to release £20,000 through the early identification of savings to make an additional contribution to funding redundancy costs. This was in line with the request made at the Joint Education Committee meeting on the 28th September 2016 to identify one off resources to accelerate the payback period for redundancy costs.
- The Consortium is financially stable as a result of it maintaining General Reserve balances at £129,000; having a track record over a number of years of setting and delivering balanced revenue budgets; and having 'clean bills of health' on its year end accounts when audited by the Wales Audit Office.

5.8.18 The latest Wales Audit Office report 'Audit of Financial Statements Report and Management Letter' reported to Joint Education Committee on 29th September 2016 concluded that the accounting statements and related notes:

- *Give a true and fair view of the financial position of the Central South Consortium Joint Education Service as at 31 March 2016; and*

- *Have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.*

5.8.19 The 29th September 2016 Wales Audit Office report also made a number of recommendations and it is noted that these have been addressed by the CSC and the Host Authority. The recommendations were:

- *To include a separate code for Programme costs. This would remove certain elements from office Costs ensuring items disclosed are better categorised;*
- *To undertake an annual exercise to identify related party transactions; and*
- *To review the arrangements for off payroll engagements to ensure they are fully compliant with a change to the legislation surrounding the responsibilities of employers with regard to the tax and NI payments of off payroll employees.*

5.9 **IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

Implementing good practice in transparency and reporting

5.9.1 The Consortium has implemented an open and consistent approach to reporting its business, as set out in sections 5.4 and 5.5 of this Annual Governance Statement, with the aim of helping to ensure information is understandable to stakeholders and that they have the opportunity to challenge the Consortium's performance, plans and decisions.

5.9.2 A review of a sample of information reported to the Joint Education Committee and Local Authority Scrutiny Committees has revealed that:

- Annual Reports and Plans are reported publicly, providing an overview of performance, for example, the Council's audited Statement of Accounts 2015/16 reported and approved by Joint Education Committee on 29th September 2016 in line with the statutory timeframe; and
- Use is made of electronic links within reports to provide the reader with more detailed information should they require it; and
- The minutes of meetings confirm that designated officers attend each meeting to orally present reports and answer questions, and a number of occasions were noted where updates were delivered via presentations, for example, using slides.

Assurance and effective accountability

Internal Audit

- 5.9.3 The Consortium has an SLA with the Host Authority to provide Internal Audit Services. The Council's Internal Audit Service was subject to an external assessment during 2016/17 to determine conformance or otherwise with the Public Sector Internal Audit Standards. The external assessment concluded that the service '*complies with the Standards in all significant areas, the impact of the non-conformances identified is not considered to be significant*'. The outcome of the external assessment was presented in full to the RCT Audit Committee held on [20th March 2017](#) (Appendixes 3A and B).
- 5.9.4 The Council's Internal Audit Service also had an Internal Audit Charter that was approved by Audit Committee on [31st March 2016](#) and sets out the Service's position within the organisation, for example, its authority to records, personnel and physical properties relevant to the performance engagements. From a review of Audit Committee reports during the year, the Internal Audit Service was delivered in line with the requirements set out in the Charter.
- 5.9.5 During 2016/17 the host authority also developed a section on its internet site that set out all regulatory reports received by the Council since December 2015.

6. **OVERALL ASSESSMENT OF THE CONSORTIUM'S ARRANGEMENTS**

- 6.1 Based on the assessment undertaken, it is considered that the Consortium's governance arrangements were fit for purpose and publicly demonstrated how they contributed to the delivery of better outcomes for the area as set out in the Business Plan.
- 6.2 The overall conclusion has been based upon:
- An open approach to engaging with stakeholders, planning and delivering services, and reporting and scrutiny of the Consortium's performance;
 - Clear arrangements for decision making that were supported by robust service management and financial management arrangements; and
 - The reporting of understandable priorities and ambition, as set out in the Consortium's Business Plan, with progress reports demonstrating improvement in outcomes and performance at the same time as maintaining financial stability.

6.3 Notwithstanding this overall position, the assessment has identified areas where improvements are deemed necessary to further reinforce the effectiveness of the Council's current arrangements. These are set out in Section 7.

7. PROPOSALS FOR IMPROVEMENT

7.1 Further to completing the assessment of the Consortium's governance arrangements, Table 1 sets out proposals for improvement.

Table 1 – Proposals for Improvement

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	5.2.5	The 'Anti-Fraud, Bribery and Corruption Policy and Procedure' was last updated in 2013.	The host authority has identified that the Anti-Fraud, Bribery and Corruption Policy and Procedure should be reviewed and updated, where relevant, and reported to the appropriate Committee for scrutiny and sign-off. This update should then be used to inform a refreshed programme of awareness raising across the Council and will include officers at the Consortium.	January 2018	Managing Director
	5.2.6	There is a need for a systematic process for the adoption of host authority policies	Develop a systematic process whereby updates to policies provided by the host authority are discussed at the operational senior leadership team meeting for approval and shared with staff on Cronfa.	September 2017	Senior Lead – Business & Operations
Ensuring openness and comprehensive stakeholder engagement	5.3.11	There is a need to increase the level of headteacher engagement in the governance of the organisation.	Review the overall governance structure for the Consortium to ensure increased engagement in the decision making process from headteachers across the region as part of a continued drive to a school led self improving system.	September 2017	Managing Director

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Defining outcomes in terms of sustainable economic, social, and environmental benefits	5.4.6	The need to develop a medium term financial plan	Develop a MTFP in 2017/18, ensuring resources be allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources.	December 2017	Senior Lead – Business & Operations
Developing the capability of the entity's leadership and other individuals	5.7.4	Councillor / employee development / training – where operational training is delivered, its impact is not always captured	Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help inform future activity and assess the impact on attendees.	September 2017	Senior Lead – Standards & Improvement Planning
	5.7.5	Newly Elected members may require further training on the work of the Consortium	Design and contribute to a national training programme for newly elected members.	September 2017	Senior Lead – Strategy, Leadership & Workforce Reform
Managing risks and performance through robust internal control and strong	5.8.8	Information Management – no update is reported setting out the Consortium's work and performance in	The Consortium should report on a periodic basis, for example annually, its work and performance around Information Management and provide opportunity for review and scrutiny by the Joint Education Committee.	June 2018	Head of Data, Quality & Intelligence Unit

public financial management Managing risks and performance through robust internal control and strong public financial management		this area.			
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7.2 The Consortium’s Senior Management Team has accepted the proposals for improvement and is committed to their implementation during 2017/18. The Senior Management Team has also confirmed that an update on progress will be reported to the Consortium's Joint Education Committee during the year to enable Councillors to review and scrutinise the extent of progress being made.

Managing Director: _____ Section 151 Officer: _____

Chair, Joint Education Committee _____

Auditor General for Wales report to the Members of the Central South Consortium Joint Education Service Joint Committee

I have audited the accounting statements and related notes of the Central South Consortium Joint Education Service Joint Committee for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

The Central South Consortium Joint Education Service Joint Committee accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Central South Consortium Joint Education Service Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me

in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Central South Consortium Joint Education Service Joint Committee

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Central South Consortium Joint Education Service Joint Committee as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Central South Consortium Joint Education Service Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
xx September 2017

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Cardiff
CF11 9LJ

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