

- *During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report.*

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 Council 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 Council's performance, plans and decisions.

5.9.2 A review of a sample of information reported to Council, Cabinet, Scrutiny Committees and Audit Committee has revealed that:

- Annual Reports and Plans are reported publicly, providing an overview of performance either on a council wide basis or in relation to specific areas of business, for example:
 - The Council's audited [Statement of Accounts 2015/16](#) reported and approved by Council on 28th September 2016 in line with the statutory timeframe;
 - An assessment of the Council's performance for 2015/16 and plans for 2016/17, these being reported to Council on 29th June 2016 in line with statutory timeframes; and
 - Annual Reports / Plans presented to Cabinet: [Corporate Parenting Board - Annual Report 2015/16](#); [Cwm Taf Safeguarding Board's Annual Plans 2016/17](#) and [Carers Measure - Cwm Taf Annual Report 2015/16](#).
- Use is made of electronic links within reports to provide the reader with more detailed information should they require it; this approach was noted as being utilised within the Council's quarterly Performance Reports where a more Executive Summary style of reporting has been applied; 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 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 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 access 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.

Wales Audit Office recommendations

- 5.9.5 The Council has a process in place for agreeing and monitoring the implementation of recommendations / proposals for improvement made by the Wales Audit Office. It was noted that Wales Audit Reports were reported to Cabinet and then to [Audit Committee](#) and the [Overview and Scrutiny Committee](#) during the year, with the responsibilities of the role of both Committees set out in covering reports. However, some time delays were noted in reporting up dates to Committees; this requires improvement in 2017/18.
- 5.9.6 The Council's arrangements for reporting and monitoring Wales Audit Office recommendations was also referenced within the [Wales Audit Office Annual Improvement Report 2015/16](#), as follows:

"The Council has recently put in place arrangements to ensure that reports from external regulators are communicated internally within the Council, and are reported to the appropriate Committee. Upon receipt of reports, the Council now ensures that senior managers, as well as either the Audit Committee or appropriate scrutiny committee receive them. The Council has also recently established a register of recent reports of external regulators, that includes reference to when the Council's response to any report of an external regulator has been considered by an appropriate Committee. The Council has also developed a template to be completed by Officers outlining progress in addressing recommendations for presentation to the relevant Committee"

As the introduction of these arrangements is relatively recent, it is too early to assess the extent to which the Council's response to all regulatory reports will be subject to appropriate challenge and monitoring arrangements. There is, however, an opportunity to strengthen arrangements further through clarifying the role of respective committees in receiving regulatory reports. Arrangements could also be strengthened by establishing clear

arrangements for monitoring the Council's progress in addressing any recommendations or proposals for improvement from external regulators".

- 5.9.7 During 2016/17 the Council also [developed a section on its internet site](#) that set out all regulatory reports received by the Council since December 2015.

5.10 OTHER KEY GOVERNANCE ARRANGEMENTS

Amgen Cymru Ltd

- 5.10.1 Rhondda Cynon Taf CBC holds 100% of the voting rights of Amgen Cymru Ltd., who in turn hold 100% of the voting rights of Amgen Rhondda. The Council also holds 100% of the allotted preference shares in Amgen Rhondda Ltd. The principal activities of Amgen Cymru is to provide waste management services and waste disposal facilities. Amgen Rhondda is responsible for the stewardship of the Nant y Gwyddon landfill site.
- 5.10.2 The directors of the companies are responsible for ensuring there are sound governance arrangements including a robust system of internal control.
- 5.10.3 The Council removed the "arms length" status of the companies during 2009/10, therefore many of the aspects of the Council's governance arrangements such as policies, processes and controls apply to the companies.
- 5.10.4 During 2016/17 there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

Pension Fund

- 5.10.5 Rhondda Cynon Taf County Borough Council is the Administering Authority for the Rhondda Cynon Taf Pension Fund. Whilst the governance arrangements detailed in this statement apply equally to the Council's responsibilities to the Pension Fund there are further specific requirements for Pension Funds which are detailed in a number of key documents:
- Governance Statement of Compliance which indicates the Fund's position against the Government's best practice standards;
 - Governance Policy Statement which provides an overview of the management structure, decision making and employer engagement;
 - Communication Policy Statement which details the communication and information services to participating employers and scheme members;
 - Pension Fund Administration Strategy which seeks to improve efficiency in the delivery of agreed standards of quality and to ensure compliance with statutory requirements;

- Statement of Investment Principles which details how Fund investments are managed (to be replaced by the Investment Strategy Statement from April 2017);
- Funding Strategy Statement which provides a summary of how we will fund our pension liabilities.

5.10.6 All of these documents can be found at the following link:
www.rctpensions.org.uk

5.10.7 The Public Service Pensions Act 2013 introduced a number of changes to public service pension schemes, including some significant changes for the governance of such schemes. In accordance with the Act, the Pension Fund appointed a Local Pension Board to assist Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manager' in:

- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager.

5.10.8 The Pension Board is made up of two employer representatives and two member representatives. The Board met 3 times during 2016/17.

5.10.9 In 2016/17 the Council created a formal Pension Fund Committee (subject to the provisions of Section 101 of the Local Government Act 1972) to oversee its responsibilities with regard to the administration of the RCT Pension Fund. The Pension Fund Committee consists of 5 elected members and is politically balanced.

5.10.10 The Committee is responsible for the strategic management of the RCT Pension Fund with all operational matters continuing to be delegated to the Group Director Corporate and Frontline Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer) who are supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support.

5.10.11 The Pension Fund Committee met 3 times during 2016/17.

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

6.1 Based on the assessment undertaken, it is considered that the Council'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 Corporate 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 Council's performance;
- Clear arrangements for decision making that were supported by robust service management and financial management arrangements;
- The reporting of understandable priorities and ambition, as set out in the Council's Corporate Plan, with progress reports demonstrating improvement in outcomes and performance at the same time as maintaining financial stability;
- A medium term approach to financial planning that helped inform strategic decision making through a period of prolonged public sector austerity;
- An improving scrutiny function which started to demonstrate the positive impact of its work; and
- The Council having a track record of implementing Annual Governance Statement recommendations in previous years.

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 Council's governance arrangements, Table 2 sets out proposals for improvement.

Table 2 – 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	5.2.9	The 'Anti-Fraud, Bribery and Corruption Policy and Procedure' was last up dated in 2013.	The Council's 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. Thereafter, the up dated document should be used to inform awareness raising throughout the Council.	Qtr 3 2017/18	Service Director – Operational Finance
	5.2.10	Complaints, Comments and Compliments - no update is produced on a periodic basis to summarise the non-social services related complaints, concerns and compliments received and action taken.	A periodic up date, for example annually, of all non-social services complaints, comments and compliments received by the Council should be produced, along with action taken / lessons learned, and reported to an appropriate Committee for review and where relevant further action.	Qtr 1 2018/19	Head Of Legal - Corporate And Democratic Services
Defining outcomes in terms of sustainable economic, social, and environmental benefits	5.4.11	The MTFP does not allocate the Council's Capital Programme over Corporate Plan priority areas	As part of updating the MTFP in 2017/18, the Council's Capital Programme resources should be allocated / categorised over Corporate Plan priorities to demonstrate or otherwise the prioritisation of resources.	Qtr 2 2017/18	Service Director – Performance & Improvement

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Developing the capability of the entity's leadership and other individuals	5.7.5	Councillor / employee development / training – where operational training is delivered, its impact / benefit is not always captured.	Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help demonstrate the longer term effectiveness of the training and also help inform future needs.	Qtr 3 2017/18	Head of Organisational Development
Managing risks and performance through robust internal control and strong public financial management Managing risks and performance through robust internal control and strong public financial management	5.8.5	Risk Management – the Council's Risk Management Strategy has not been reviewed / up dated since 2014.	The Council's Risk Management Strategy should be reviewed, and where relevant updated, and reported to an appropriate Committee for review and sign off.	Qtr 3 2017/18	Head of Internal Audit
	5.8.11	Audit Committee – no self assessment has been undertaken against the standards set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police - 2013 Edition'.	The Council's Audit Committee, in consultation with the Head of Internal Audit, should undertake a self assessment against the Standards as set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition'.	Qtr 4 2017/18	Head of Internal Audit
	5.8.16	Information Management – no update is reported setting out the Council's work and performance in this area.	The Council should report on a periodic basis, for example, annually, its work and performance around Information Management and provide opportunity for review and scrutiny.	Qtr 4 2017/18	Head of I.T

7.2 The Council's Senior Leadership Team has accepted the proposals for improvement and is committed to their implementation during 2017/18. The Senior Leadership Team has also confirmed that an update on progress will be reported to the Council's Audit Committee during the year to enable Councillors to review and scrutinise the extent of progress being made.

- 7.2 The Council's Senior Leadership Team has accepted the proposals for improvement and is committed to their implementation during 2017/18. The Senior Leadership Team has also confirmed that an update on progress will be reported to the Council's Audit Committee during the year to enable Councillors to review and scrutinise the extent of progress being made.

Deputy Leader: M. Webber.

Deputy Chief Executive: C. Hee

Auditor General for Wales' report to the Members of Rhondda Cynon Taf County Borough Council

I have audited the accounting statements and related notes of:

- Rhondda Cynon Taf County Borough Council;
- Rhondda Cynon Taf County Borough Council Group; and
- Rhondda Cynon Taf Pension Fund

for the year ended 31 March 2017 under Public Audit (Wales) Act 2004.

Rhondda Cynon Taf County Borough Council's (RCTCBC) accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

RCTCBC's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

Rhondda Cynon Taf Pension Fund's accounting statements comprise the Fund Account and the Net Assets 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 15, the responsible financial officer is responsible for the preparation of the statement of accounts, including RCTCBC's Group accounting statements and Rhondda Cynon Taf Pension Fund accounting statements, 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 RCTCBC's, and RCTCBC Group's and Rhondda Cynon Taf Pension Fund'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 RCTCBC

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of RCTCBC 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 in 2016-17.

Opinion on the accounting statements of RCTCBC Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of RCTCBC Group 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 the accounting statements of Rhondda Cynon Taf Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Rhondda Cynon Taf Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date.
- 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 Rhondda Cynon Taf County Borough Council 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
27th September 2017**

**Wales Audit Office,
24 Cathedral Road,
Cardiff
CF11 9LJ**

Glossary of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the Balance Sheet.

Actuary

An actuary is an individual or organisation that calculates insurance premiums and liabilities and pension obligations.

Agency Services

Agency services are services provided by an external organisation, or services that the Council provides for an external organisation.

Amortisation

Charges to revenue for the estimated reduction in the value of an intangible asset.

Audit

An audit is an independent examination of activities.

Budget

A budget (or estimate) is a plan of income and spending, based upon which Council Tax is set. Actual expenditure is subsequently monitored against this plan.

Capital Expenditure

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

Capital Receipt

Capital receipts are proceeds from the sale of long-term assets such as land or buildings.

CCR – Cardiff Capital Region

The Cardiff Capital Region within the City Deal is comprised of 10 local authorities; Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen; and the Vale of Glamorgan.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is responsible for issuing financial guidance to public bodies.

Creditor

A creditor is an organisation/individual owed money by the Council at the end of the financial year for goods/services received.

Current Assets

These are short-term assets that are available for the Council to use in the following accounting period.

Current Liabilities

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

Debtor

A debtor is an organisation/individual who owes the Council money at the end of the financial year for goods/services received.

Debt Management Office (DMO)

The DMO is an Executive Agency of Her Majesty's Treasury. Its responsibilities include debt and cash management for the UK Government, lending to Local Authorities and managing certain public sector funds.

Defined Benefit Scheme

A defined benefit pension scheme is one that bases retirement benefits upon Career Average Re-valued Earnings.

Defined Contribution Scheme

A defined contribution scheme is a type of retirement plan in which the amount of the employer's annual contribution is specified. Benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions) plus any investment earnings. Only employer contributions to the account are guaranteed, not the future benefits.

Delegated Schools

A delegated school is one managed independently by its Governing Body. The funds of these schools are held outside of the Council Fund balances.

Depreciated Historic Cost (DHC)

Depreciated Historic Cost is obtained by recording the purchase price of an asset and reducing the value over its useful economic life.

Depreciated Replacement Cost (DRC)

DRC is an estimation of the market value for existing use plus current gross replacement costs less allowances for deterioration.

Depreciation

Depreciation is the estimated loss in value of tangible long-term assets that are presented in the Balance Sheet.

Earmarked Reserves

These are reserves set aside for a specific purpose.

Financial Year

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

HMRC

Her Majesty's Revenue and Customs.

Impairment

Impairment occurs when the value of a long-term asset falls below the value it is currently held at in the Balance Sheet and Asset Register.

International Accounting Standard (IAS)

Financial Regulations to be followed as set by the International Accounting Standards Board (IASB).

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

Inventories

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

Leasing

This is a method of financing expenditure by paying the owner to use property or equipment for a number of years.

Lessee

User or renter of the leased asset or property. In case of capital leases, the lessee is also the 'debtor' to the lessor.

Lessor

Owner or the title holder of the leased asset or property. The lessor is also the lender and secured party in case of capital leases and operating leases.

Liability

A liability is an obligation to transfer economic benefits as a result of past transactions or events.

Long-Term Asset

These are assets that are used in the provision of services (usually for more than one year).

Minimum Revenue Provision (MRP)

MRP is a charge against revenue resources representing a repayment of debt. It is a method of paying for Capital Expenditure which was funded by borrowing.

Modern Equivalent Valuation (MEV)

Modern Equivalent Valuation is a method of valuation that calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life

Non-Domestic Rates (NDR)

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

Net Realisable Value

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

Non-Recurring Fair Values

These relate to assets that are measured at fair value due to particular circumstances. The assets which meet the criteria for assets held for sale are valued at the lower of non-recurring value less cost to sell, and its carrying value.

Operating Leases

These are leases where risks of ownership of the asset remain with the owner.

Pooled Budget

A pooled budget is a financial mechanism, in which partners, normally statutory public sector bodies, consolidate funding to form a discrete shared fund or 'pool'. This pool is then used to pay for goods, services and activities for a defined client group.

Post Balance Sheet Events

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

Precepts

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

Prior Year Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors.

Projected Unit Method

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service.

Provision

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

Public Works Loan Board (PWLB)

This is a Government agency that provides loans to local authorities for periods between 1 and 50 years.

Recurring Fair Value

These relate to assets that are measured at the end of each accounting period, within the rolling programme of valuations.

Related Party

A related party exists where there is control or influence by one party over another.

SeRCOP

The Service Reporting Code of Practice for Local Authorities 2016/17.

Strain on Funds

When an employee retires early and is immediately paid a pension, without actuarial reduction, the lost contribution income and interest cost arising from the associated earlier increased cash flow is referred to as pension strain cost. The pension strain cost is determined by actuarial calculation.

Sub Lease

A sub-lease is a lease between a tenant who already holds a lease to a commercial space or property and someone (the sub-lessee) who wants to use part or all of the tenant's space. The tenant is deemed to be a sub-lessor.

Trust Fund

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

Voluntary Aided School

Voluntary aided schools are mainly religious or faith schools, although anyone can apply for a place. The governing body employs the staff and sets admissions criteria. School land and buildings are normally owned by a charitable foundation, often a religious organisation, and the governing body contributes to building and maintenance costs.

Voluntary Controlled School

Voluntary controlled schools are similar to voluntary aided schools, but are run by the local authority. The local authority employs the school's staff and sets the admissions criteria. School land and buildings are normally owned by a charity, often a religious organisation, which also appoints some of the members of the governing body.

Welsh Government (WG)

The Welsh Government is the devolved Government for Wales. The Welsh Government consists of the First Minister, Welsh Ministers, the Counsel General and Deputy Ministers. They are supported by Civil Servants who work across devolved areas of public life such as health, education and the environment.

**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 14 to 42 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.

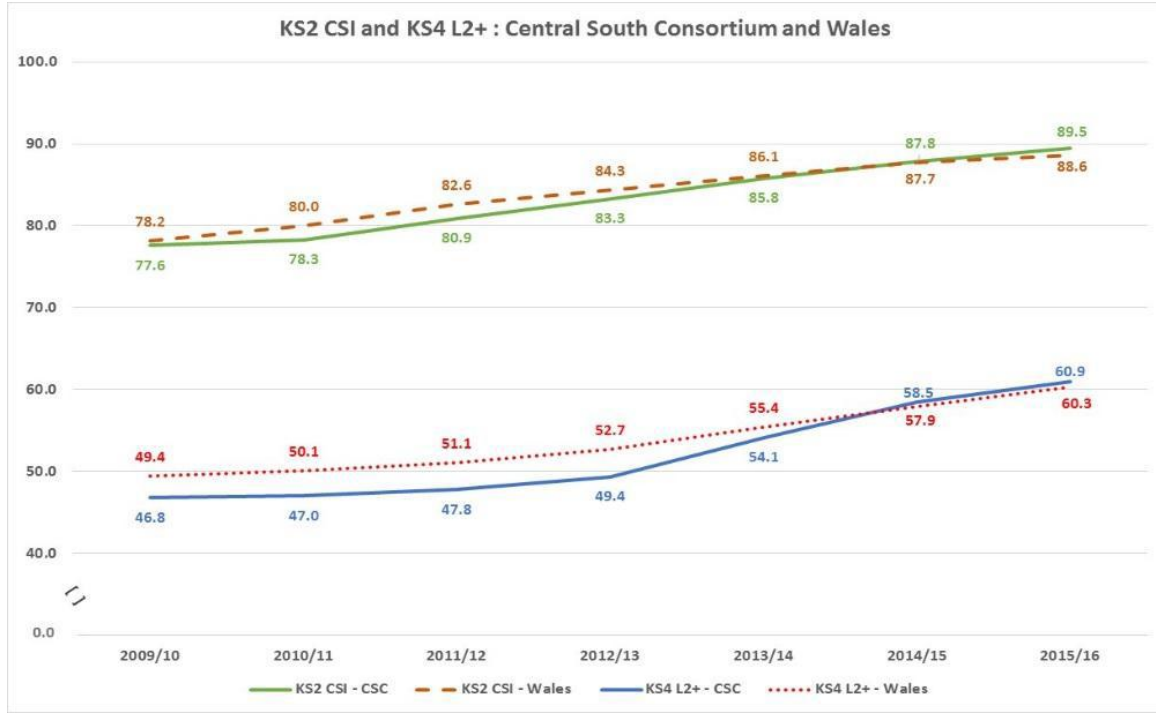
How well children and young people, particularly the most vulnerable, achieve in this region significantly influences how the country and its education system are perceived within our borders and beyond.

The Consortium's business plan aims to:

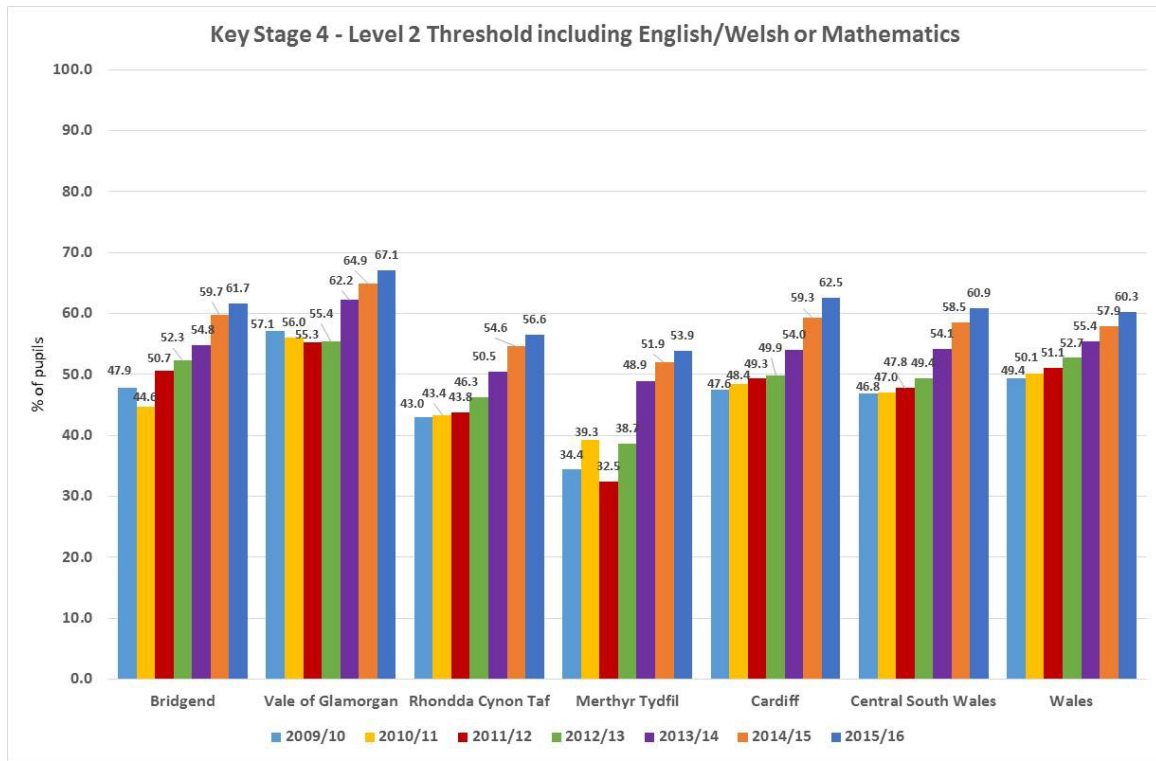
- improve standards for all children and young people in all schools, and for the most vulnerable fastest;
- improve capacity in the school system so that schools work together to support each other to improve; and
- develop further the Central South Consortium as a high performing organisation.

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

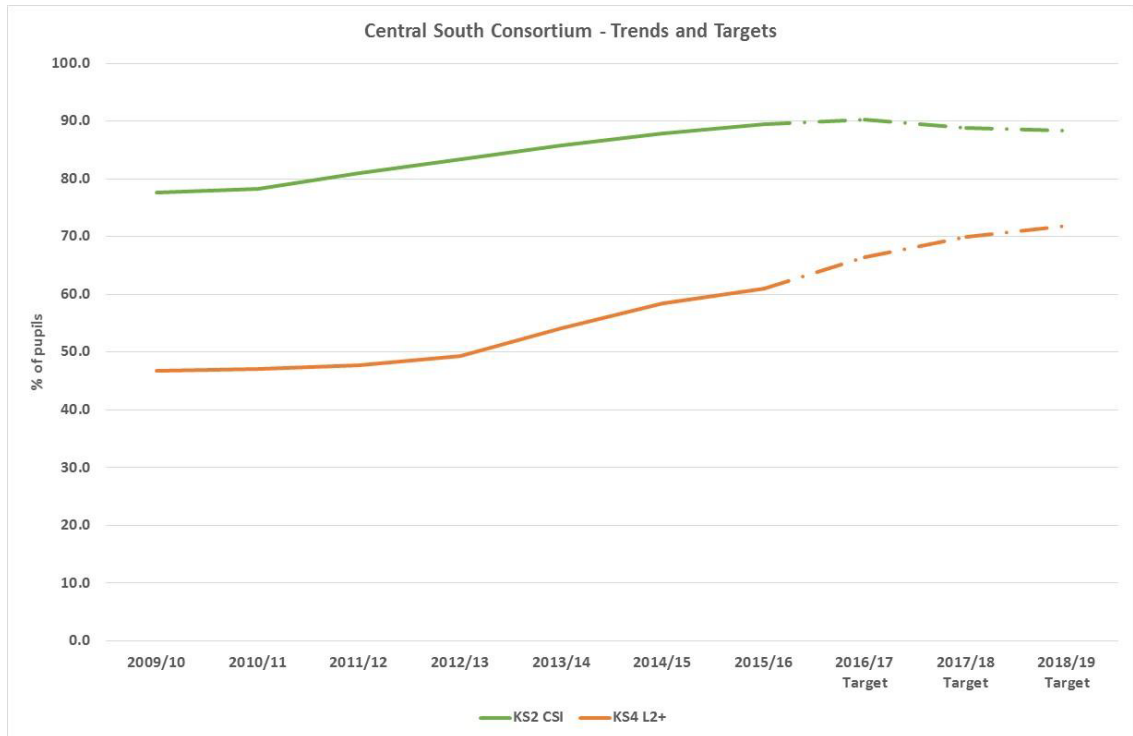
The Consortium's Business Plan 2017-2020 was approved by Joint Committee on 14 March 2017 and sets out the vision, purpose and priorities it aims to deliver within an environment of reducing resources. Our ambition is by 2020 that:

- 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.

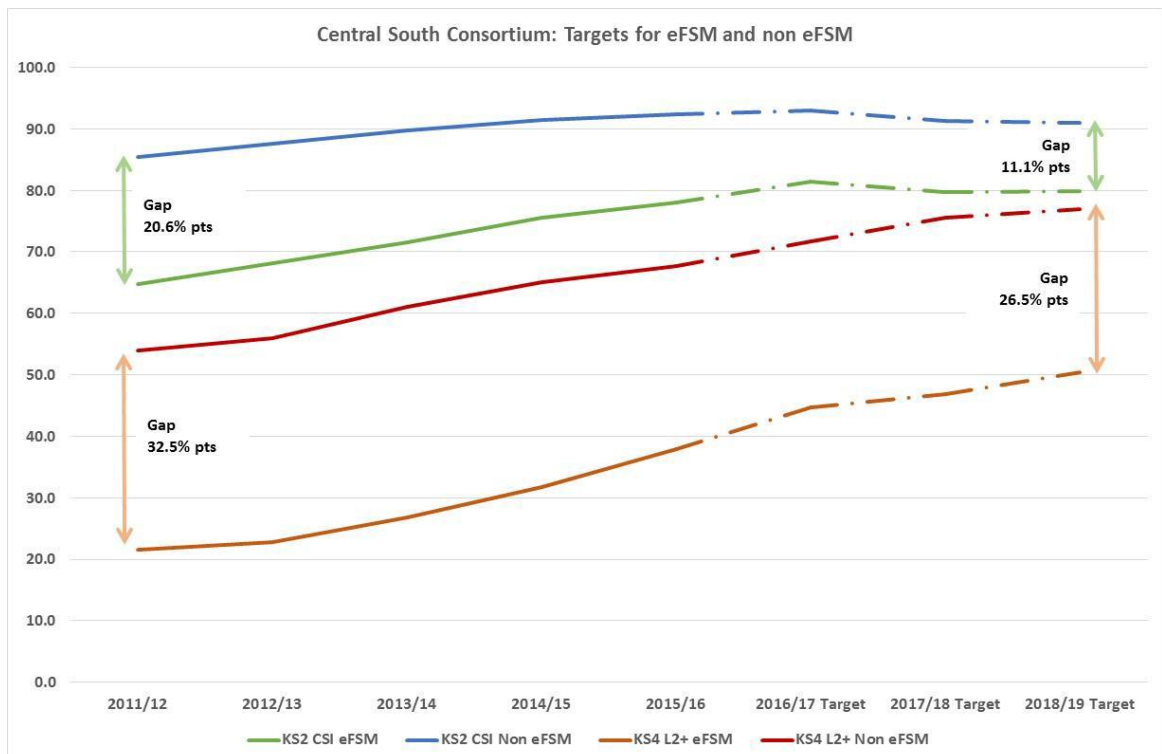
The success of our delivery plan is measured through our targets. These are based on schools' own targets incorporating benchmark measures and informed by additional challenge from the region's challenge adviser workforce.

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

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
		275	
395	Net Cost of Services		
(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	6,782	294	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	(85,619)	(18)	(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		
Less 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 can be seen on the face of the Movement in Reserves Statement

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)		
Less Deficit on General Fund in Year	(76)		
Closing General Fund at 31st March 2016	(129)		

Balance Sheet at 31st March 2017

31/03/16 £'000		31/03/17 £'000	Note
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
Unitised 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.

committee in the approval, and the purpose of the meeting should be made absolutely clear. If there are any delays in preparing and auditing the financial statements the audit committee should find out why, as they may be due to underlying problems within the finance department or audit process.

However, the audit committee needs to ensure it does not become involved in any details that should be dealt with more properly by the director of finance, designated office holder or other relevant committee.

QUESTIONS FOR AUDIT COMMITTEE MEMBERS – REVIEW OF THE FINANCIAL STATEMENTS

- Which significant items in the accounts are based on accounting estimates? Which accounting policies followed by the authority required an element of judgment in their application? How does the approach taken this year to these items and policies compare with the previous year?
- Have there been any developments in accounting standards or generally accepted accounting practice of relevance to the authority since the audit committee last reviewed the authority's accounting policies and practices?
- Do the financial statements satisfy all statutory and other regulatory disclosure requirements to which the authority is subject?