



**CENTRAL SOUTH CONSORTIUM
REPORT FOR JOINT COMMITTEE**

28TH JUNE 2016

JOINT EDUCATION SERVICE

REPORT OF THE TREASURER – 2015/16 YEAR-END POSITION

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Improvement
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1. PURPOSE OF REPORT

- 1.1 To seek the Joint Committee's approval for the funding of redundancy costs incurred during 2015/16.
- 1.2 To provide Members with the draft outturn position for the Central South Consortium along with the draft Statement of Accounts for 2015/16.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note and approve the recommended basis of funding redundancy costs incurred in 2015/16 as identified in section 4.0; and
- 2.2 Note the draft outturn position and the draft Statement of Accounts for the Joint Committee for the year-ending 31st March 2016 attached at Appendix 1.

3. EARMARK RESERVES

- 3.1 At the Joint Committee meeting on the 23th March 2016 Members approved a proposal to create an earmark reserve of £194k to carry forward funding into 2016/17 for a number of specific projects that could not be completed during the 2015/16 financial year.

4. GENERAL RESERVES

- 4.1 During 2015/16 the Consortium incurred redundancy costs totalling £291k as a result of changes in the structure of the service and a balance of £662k was also carried forward from 2014/15. Therefore, the total balance of redundancy costs to fund amounts to £953k and a contribution towards these costs of £100k has been included within the 2015/16 accounts leaving a final year-end balance of £853k.
- 4.2 As Members will be aware, the remaining costs are proposed to be funded through a £100k per year revenue budget contribution until they are repaid in full. As part of this proposal, any opportunities to use one off resources (e.g. in-year underspends) to accelerate the payback period will be reported to the Joint Committee for consideration as they arise.
- 4.3 Members are requested to approve the funding proposal.

5. STATEMENT OF ACCOUNTS

5.1 The draft Statement of Accounts for the Consortium for 2015/16 is attached at Appendix 1. These are to be signed by the Treasurer of the Joint Committee (i.e. Rhondda Cynon Taf County Borough Council's Section 151 Officer) by the statutory deadline of 30th June 2016. The draft financial out-turn for the Consortium for 2015/16 is included in the table below:

	2015/16 £'000
Controllable Expenditure	
Employees	7,022
Premises	624
Transport	66
Supplies & Services	77,902
Third Party Payments	891
Support Services	90
	86,595
Controllable Income	
Local Authority Contributions	(4,416)
Grants & Other Income	(82,448)
	(86,864)
Net Expenditure	(269)
Add Interest Payable	0
Transfer to Earmarked Reserves	194
Net (Surplus) / Deficit After Transfer of Earmark Reserves	(75)
General Fund Balances at 01/04/15	(53)
General Fund Balances at 31/03/16	(128)

Summary of Redundancy Payments	£'000
Brought Forward Balance	662
Total Payments Made in Year	291
2015/16 Contribution from Revenue Budget	(100)
Remaining Balance to be Funded **	853
** £100k contribution for 2016/17 included in the budget agreed at the Joint Committee on 9/12/15	

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APPENDIX 1

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

**DRAFT
STATEMENT OF ACCOUNTS**

2015/16

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Explanatory Foreword

1. Introduction

The Central South Consortium Joint Education Service was created on 1st September 2012 to provide a range of school improvement services within the local authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

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 information contained in these accounts allows the user to see the nature of the transactions from 1st April 2015 to 31st March 2016 and its financial composition as at that date.

These accounts will present:

- the financial statements legally required and their supporting notes; and
- the accounting policies that have been applied when preparing the accounts.

2. Summary of Financial Performance

The table shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for the period 1st April 2015 to 31st March 2016:

	Budget £'000	Actual £'000	Variance £'000
Expenditure			
Employees	3,897	3,945	48
Premises	459	585	126
Transport	57	25	(32)
Supplies & Services	449	676	227
Third Party Payments	60	361	301
Support Services	110	90	(20)
	5,032	5,682	650
Income			
Local Authority Contributions	(4,416)	(4,416)	0
Grants & Other Income	(616)	(1,341)	(725)
	(5,032)	(5,757)	(725)
Net Expenditure	0	(75)	(75)

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

- Employees – Includes £100k funding of the £291k redundancy costs relating to the service restructure. See explanatory foreword Note 7 for further explanation of the service restructure.
- Premises – the decision to rent out the middle floor of Ty Dysgu was changed resulting in additional costs higher than budget.
- Transport – Staggered appointments, vacancies and changes in working practices have reduced costs.
- Supplies & Services –
 - Unbudgeted costs incurred in relation to the cost of running courses at the Hubs, offset by income reported below.
- Third Party Payments –
 - Costs of additional responsibilities passed to the consortium including Governor Support.
 - Cost of additional School Improvement work commissioned during the year including “Closing the Gap” and “Regional working”.
 - Commitment for School Improvement activities planned for from 2016-17 earmark reserves.
- Support Services – SLA for support functions received from the Host Authority.
- Income –
 - Increased restaurant and conference centre income due to high volume of conference centre bookings.
 - Additional income not budgeted in respect of the Hubs Courses offsetting expenditure outlined above.

In addition, the following categories of income and expenditure relating to specific grants were processed through the consortium accounts:

	Actual £'000
Expenditure	
Employees	3,271
Premises	39
Transport	41
Supplies & Services	77,226
Third Party Payments	530
	81,107
Income	
Grants & Other Income	(81,107)
Net Expenditure	0

As at 31st March 2016, the Central South Consortium held General Reserves of £129k. Movements on reserves are detailed within the Movement in Reserves Statement.

3. **Capital Expenditure 2015/16**

No expenditure this financial year.

4. **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	366
Net Assets/(Liabilities) as per Balance Sheet	(154)

5. **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.

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

This statement sets out the framework within which Rhondda Cynon Taf CBC, as administering authority, manages and reviews internal control. 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.

6. Grant Funding Changes

Until 2012/13 the Welsh Government paid education grants directly to the individual authorities. From 2013/14 these grants were paid to the consortium who then allocate the funding to the authorities and schools. These transactions are recognised in the accounts of the Joint Committee from 2013/14 and impact upon:

- Comprehensive Income and Expenditure Statement:
:
 - Receipt of grant from Welsh Government in 'Grants & Other Income'; and
 - Payment of grant to local authorities in 'Supplies & Services'.
- Balance Sheet:
 - Outstanding receipts due from Welsh Government in Debtors; and
 - Outstanding payments due to local authorities in Creditors.

7. Service Restructure

On its formation the consortium was organised in two distinct units, with the School Improvement Service (SIS) providing the school monitoring functions on behalf of the five Local Authorities, and the Learning & Innovation Network for Schools (LiNKS) offering support services and courses to schools.

Following the publication of the 'National Model for Regional Working' by the Welsh Government in February 2014 the service has been restructured into a single operating unit, effective from the 2015/16 financial year.

The impact on the accounts are as follows:

- General Reserves were previously allocated separately to the SIS and LiNKS units. These have been combined into a single reserve on the 2014/15 balance sheet onwards.

- Redundancy payments totalling £291k were incurred during 2015/16. The Joint Committee has agreed to meet these costs through an annual contribution from the revenue budget until 2022/23.

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: _____

Interim Chair of Central South Consortium Joint Education Service Joint Committee

Cllr Huw David
Bridgend County Borough Council
Civic Offices
Angel Street
Bridgend
CF31 4WB

The Group Director - Corporate and Frontline Services' Responsibilities

The Group Director is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the period ended 31st March 2016.

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

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

The Group Director has also throughout the financial year:

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

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

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31st March 2016 and its income and expenditure for the period then ended.

Signed: _____

Date: _____

Christopher D. Lee

Group Director – Corporate and Frontline Services

Bronwydd House

Porth

CF39 9DL

Movement in Reserves Statement for the Period ended 31st March 2016

	CSEC General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total CSEC Reserves
	£'000	£'000	£'000	£'000	£'000
Notes:	16.1	16.2		17.0	
Balance as at 1st April 2015	53	437	490	(1,034)	(544)
Movement in reserves during 2015/16					
Surplus or (deficit) on the provision of services (accounting basis)	(411)	0	(411)	0	(411)
Other comprehensive income and expenditure	0	0	0	801	801
Total comprehensive income and expenditure	(411)	0	(411)	801	390
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	912	0	912	(912)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(563)	0	(563)	563	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	(17)	0	(17)	17	0
Net increase or (decrease) before transfers to Earmarked Reserves	(79)	0	(79)	469	390
Transfers to or from Earmarked Reserves	154	(154)	0	0	0
Increase or (decrease) in the Year	75	(154)	(79)	469	390
Balance as at 31st March 2016	128	283	411	(565)	(154)

Comprehensive Income and Expenditure Statement for the Period ended 31st March 2016

Year ended 31/03/15 £'000		Year ended 31/03/16 £'000	Note
	Expenditure		
7,781	Employees	7,525	3.0
556	Premises	624	4.0
88	Transport	67	5.0
64,934	Supplies & Services	77,841	6.0
900	Third Party Payments	890	
109	Support Services	90	
74,368		87,037	
	Income		
(5,178)	Local Authority Contributions	(4,608)	
(68,791)	Grants & Other Income	(82,034)	
(73,969)		(86,642)	7.0
399	Net Cost of Services	395	
0	Interest Receivable and Similar Income	(6)	24.0
2	Interest Payable and Similar Charges	0	24.0
17	Net Interest on Net Defined Liability	22	18.2
418	(Surplus)/Deficit on the Provision of Services	411	
206	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	(801)	18.2
624	Total Comprehensive Income and Expenditure	(390)	

Balance Sheet at 31st March 2016

31/03/15 £'000		31/03/16 £'000	Note
662	Long Term Assets Debtors	853	12.0
1	Current Assets Inventories	1	11.0
11,864	Debtors	25,079	13.0
11,865	Total Current Assets	25,080	
(12,099)	Current Liabilities Creditors	(25,567)	14.0
(234)	Net Current Assets	(487)	
428	Total Assets Less Current Liabilities	366	
(972)	Long-Term Liabilities Defined Benefit Pension Scheme Liability	(520)	18.5
(544)	Net Assets/(Liabilities)	(154)	
	Represented by:		
	Usable Reserves		
53	General Reserves	128	16.1
438	Earmarked Reserves	283	16.2
	Unusable Reserves		
(972)	Pensions Reserve	(520)	18.5
(63)	Short-Term Accumulating Compensated Absence Account	(45)	17.2
(544)	Total Reserves	(154)	

Cash Flow Statement for the Period ended 31st March 2016

Year ended 31/03/15 £'000		Year ended 31/03/16 £'000	Note
	Operating Activities		
	Cash Outflows		
7,815	Cash Paid to and on Behalf of Employees	7,216	
66,959	Other Operating Cash Payments	66,027	
2	Interest Paid	0	
	Cash Inflows		
(78,184)	Cash Received for Goods & Services	(94,399)	
0	Interest Received	(6)	
(3,408)		(21,162)	21.0
(3,408)	Net (Increase) or Decrease in Cash and Cash Equivalents	(21,162)	21.0
	Analysis of Changes in Cash and Cash Equivalents		
3,314	Balance as at 1 st April	(94)	8
(3,408)	Net Cash (Inflows)/Outflows	(21,162)	
(94)	Cash Balance Owed To/(From) Host Authority	(21,256)	

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

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) 2015/16 based on International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP).

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 3.5% (3.3% 2014/15).
- 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) 2005 (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 2016 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

2014/15 £'000	Salaries & Wages	2015/16 £'000
4,532	Advisors	5,258
709	Administration	898
237	Management	307
179	Finance Team	200
48	Catering Staff	22
39	Site Staff	54
18	Cleaning Staff	12
620	Agency	93
1,390	Employee Redundancy	291
35	Employee Insurance	35
41	Employee Advertising	28
7,848	Sub Total	7,198
(67)	IAS 19 adjustments	327
7,781	Total	7,525

4.0 Premises Costs

2014/15 £'000		2015/16 £'000
277	Rent	322
55	Repair and Maintenance	92
49	Electricity and Gas	37
5	Cleaning Materials	9
170	Rates and Water Charges	164
556	Total	624

5.0 Transport

2014/15 £'000		2015/16 £'000
86	Car Allowances	67
2	Vehicle Hire	0
88	Total	67

6.0 Supplies and Services

2014/15 £'000		2015/16 £'000
2,586	Office Expenses	1,515
1,525	Consultants Fees	1,076
146	Grants & Subscriptions	1
134	Office Equipment	21
132	Computer Costs	40
48	Catering Costs	27
59	Photocopying	44
4	Subscriptions	1
37	Marketing	19
16	Audit Fees	17
7	Clothing	8
23	Telephones	22
9	Postage	7
255	Training	320
	Grants paid to local authorities & Schools:	
6,302	SEG	0
0	EIG	39,617
23,082	PDG	27,704
27,685	Foundation Phase	0
2,313	Schools Challenge Cymru	5,885
571	Other	1,517
64,934	Total	77,841

7.0 Income

2014/15 £'000		2015/16 £'000
	Contributions	
(1,535)	The City of Cardiff Council	(1,571)
(1,236)	Rhondda Cynon Taf CBC	(1,216)
(698)	Bridgend CBC	(692)
(653)	Vale of Glamorgan Council	(650)
(294)	Merthyr Tydfil CBC	(288)
(762)	Redundancy cost funded from annual revenue budget	(191)
(5,178)	Total Contributions	(4,608)
	Other Income	
(813)	School Income	(532)
(154)	Other	(64)
(67,631)	Grants	(81,262)
(193)	Catering	(176)
(68,791)	Total Other Income	(82,034)
(73,969)	Total Income	(86,642)

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.

All cash transactions are administered by the host authority as the consortium does not operate its own bank account. At 31st March 2016 the Council owes the consortium £21,256k relating to these cash transactions (The consortium owed RCT £94k as at 31st March 2015). During 2015/16, Central South Consortium was charged £110k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in table below).

The Joint Committee provides advisory and inspection services to the Local Authorities and its Schools within the Consortium. During the year, transactions with related parties arose as follows:

2014/15		Local Authority	2015/16	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
1,993	(1,827)	The City of Cardiff Council	1,821	(1,784)
344	(1,338)	Rhondda Cynon Taf CBC	955	(102)
649	(808)	Bridgend CBC	771	(785)
727	(767)	Vale of Glamorgan Council	1,077	(694)
211	(402)	Merthyr Tydfil CBC	399	357

In addition, the consortium received various grants from the Welsh Government and paid these to the Local Authorities (including their schools) as follows:

2014/15 £'000	Local Authority	2015/16 £'000
21,717	The City of Cardiff Council	28,852
17,207	Rhondda Cynon Taf CBC	18,750
8,993	Bridgend CBC	9,705
7,483	Vale of Glamorgan Council	8,219
4,592	Merthyr Tydfil CBC	5,565

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 18.0 and 19.0 for further information.

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

Category of Organisation	2014/15 £'000	2015/16 £'000
Educational Establishments	90	60

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

9.0 Audit Fees

2014/15 £'000		2015/16 £'000
16	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 2015/16 totalled £2k.

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.

31/03/15 £'000		31/03/16 £'000
2	Balance as at 1st April	1
48	Purchases	26
(47)	Recognised as an Expense in the Year	(25)
(2)	Written Off	(1)
1	Balance as at 31st March	1

12.0 Long Term Debtors

In 2015/16 the Joint Committee incurred redundancy costs totalling £291k. These costs have been funded through a £100k contribution from the 2015/16 revenue budget shown under note 13.0 Short Term Debtors and £191k in Long Term Debtors which will be cleared through further annual contributions until 2022/23.

13.0 Short Term Debtors

31/03/15 £'000		31/03/16 £'000
96	Host Authority	105
176	Local Authorities and Schools	16
11,536	Central Government Bodies	24,948
59	Other Entities and Individuals	9
11,867		25,078
(3)	Provision for Bad Debt	1
11,864	Balance as at 31st March	25,079

14.0 Creditors

31/03/15 £'000		31/03/16 £'000
(4)	Host Authority	(6)
(11,887)	Local Authorities and Schools	(25,367)
(18)	Central Government Bodies	(130)
(127)	Other	(19)
(63)	Employee Absences Accrual	(45)
(12,099)	Balance as at 31st March	25,567

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 creditor includes the 'cash' balance owed by the Consortium to Rhondda Cynon Taf CBC.

15.0 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP. However, decisions about resource allocation are taken by the Joint Committee on the basis of budget reports analysed across groups. These reports are prepared on a different basis from the accounting policies used in the financial statements. The following reconciles controllable costs to Net Cost of Services and to the (Surplus)/Deficit on Provision of Services.

Service Information for 2015/16				Core Service	Grants	Total
				£'000	£'000	£'000
Income				(5,757)	(81,107)	(86,864)
Costs						
Employees				3,945	3,270	7,215
Premises				585	39	624
Transport				25	42	67
Supplies & Services				676	77,226	77,902
Third Party Payments				361	530	891
Support Services				90	0	90
Net Controllable Costs				(75)	0	(75)
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement						
Add amounts included in Comprehensive Income and Expenditure Statement Net Cost of Services but not included as reported controllable costs						1089
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement						(619)
Net Cost of Services						395
Reconciliation to Subjective 2015/16						
	Service Analysis	Not Reported to Management	Not Included in CI&ES	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(82,448)	216	0	(82,232)	0	(82,232)
Local Authority Contributions	(4,416)	0	0	(4,416)	0	(4,416)
Total Income	(86,864)	216	0	(86,648)	0	(86,648)
Employee Expenses	7,216	873	(563)	7,526	22	7,548
Other Service Expenses	79,573	0	(62)	79,511	0	79,511
Interest Paid	0	0	6	6	(6)	0
Total Operating Expenses	86,789	873	(619)	87,043	16	87,059
(Surplus)/Deficit on Provision of Services	(75)	1,089	(619)	395	16	411

16.0 Movement on Usable Reserves

	General Reserves £'000	Earmarked Reserves £'000	Total £'000
Balance as at 1 st April 2015	53	437	490
Increase/(Decrease)	75	(154)	(79)
Balance as at 31st March	128	283	411

16.1 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 2015	53
Increase/(Decrease) 2015/16	75
Balance as at 31st March	128

16.2 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 31/03/15 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31/03/16 £'000
Revenue Grant Reserves	305	(305)	89	89
Funding for Specific Projects	133	(133)	194	194
Balance as at 31st March	438	(438)	283	283

17.0 Movements on Unusable Reserves

Reserve	Pension Reserve £'000	Short-Term Acc Comp Absence Account £'000	Total £'000
Balance as at 1 st April 2015	(972)	(63)	(1035)
Increase / (Decrease)	452	17	469
Balance as at 31st March	(520)	(46)	(566)

17.1 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.

17.2 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.

	2015/16 £'000
Balance as at 1st April 2015	(63)
Settlement or cancellation of accrual made at the end of the preceding year	63
Amounts accrued at the end of the current year	(45)
Balance as at 31st March	(45)

18.0 Retirement Benefits – Defined Benefit Schemes

18.1 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 19.0.
- 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”.

18.2 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 Comprehensive Income and Expenditure Account is based on the cash payable in the year. The cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been posted in the year:

Comprehensive Income and Expenditure Account	2014/15 £'000	2015/16 £'000
Cost of Services:		
Current Service Cost	687	815
Past Service Cost	68	75
Settlements and curtailments	0	0
Financing and Investment Income and Expenditure		
Net Interest Expense	17	22
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	772	912
Remeasurement of the Net Defined Benefit Liability Comprising:		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(898)	(26)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	0
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	1,126	(736)
Actuarial (Gains) and Losses Arising on Liabilities – Experience	(22)	(39)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	978	111
Movement in Reserves Statement		
Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	(772)	(912)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
Employers' Contributions Payable to Scheme	822	563

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31st March 2016 is a gain of £801k (£206k loss in 2014/15).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure statement to the year ending 31st March 2016 is a gain of £220k.

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.

18.3 Reconciliation of Present Value of the Scheme Liabilities

	2014/15 £'000	2015/16 £'000
Opening balance at 1 st April	9,453	10,968
Current Service Cost	687	815
Interest Cost on Defined Obligation	391	363
Contributions by Scheme Participants	268	269
<i>Remeasurement (Gains) and Losses:</i>		
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	0
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	1,126	(736)
Actuarial (Gains) and Losses Arising on Liabilities – Experience	(22)	(39)
Benefits Paid	(1,003)	(192)
Past Service Costs	68	75
Entity combinations	0	0
Curtailments	0	0
Settlements	0	0
Carried Forward at 31st March	10,968	11,523

18.4 Reconciliation of Fair Value of the Scheme Assets

	2014/15 £'000	2015/16 £'000
Opening balance at as at 1 st April	8,637	9,996
Interest Income	374	341
<i>Remeasurement (Gains) and Losses</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	898	26
Other	0	
Employer Contributions	822	563
Contributions by Scheme Participants	268	269
Benefits paid	(1,003)	(192)
Entity Combinations	0	0
Settlements	0	0
Carried Forward as at 31st March	9,996	11,003

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 £0.367m (£1.272m gain in 2014/15).

18.5 Scheme History

	2014/15 £'000	2015/16 £'000
Present Value of Defined Obligation	(10,968)	(11,523)
Fair Value of Plan Assets	9,996	11,003
Surplus / (Deficit)	(972)	(520)

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £520k 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.

18.6 Local Government Pension Scheme Assets

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

	Fair Value of Scheme Assets	
	2014/15 £'000	2015/16 £'000
UK Equities	500,938	509,808
Overseas Equities	1,147,728	1,194,382
UK Fixed Interest Gilts	208,144	195,240
UK Index Linked Gilts	-	-
UK Corporate Bonds	242,101	231,299
Overseas Government Bonds	22,526	27,723
Overseas Corporate Bonds	37,577	25,668
Property	134,011	154,639
Cash and net current assets	95,942	89,719
Total	2,388,967	2,428,478

18.7 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 2016.

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 2013.

The principal assumptions used by the actuary have been:

	31/03/15	31/03/16
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	5.6%	5.6%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	23.0	23.1
Women	25.9	26.0
Longevity at 65 for future pensioners:		
Men	25.2	25.3
Women	28.3	28.4
RPI Inflation	3.0%	2.9%
CPI Inflation	1.9%	1.8%
Rate of Increase in Salaries	3.4%	3.3%
Rate of Increase in Pensions	1.9%	1.8%
Rate for discounting scheme liabilities	3.3%	3.5%
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)	289	(289)
Rate of Increase in Salaries (increase or decrease by 0.1%)	82	(81)
Rate of Increase in Pensions (increase or decrease by 0.1%)	164	(162)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(242)	247

18.8 Contributions for the Accounting Period ending 31st March 2017

The Employer's regular contributions to the Fund for the accounting period ending 31st March 2017 are estimated to be £540k.

19.0 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 2015/16, the Joint Committee paid £74k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. There were no contributions remaining payable at the year-end.

20.0 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) 2005 (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).

21.0 Reconciliation of Comprehensive Income and Expenditure Account to Cash flow

2014/15 £'000		2015/16 £'000
418	(Surplus)/Deficit on the Provision of Services	411
340	(Increase)/Decrease in Creditors	(13,467)
(4,215)	Increase/(Decrease) in Debtors	(7,757)
(1)	Increase/(Decrease) in Inventories	0
50	IAS 19 Transactions	(349)
(3,408)	Cash (Inflow)/Outflow from Revenue Items	(21,162)

22.0 Officers' Remuneration

Under the Accounts and Audit (Wales) Regulations 2010, the Joint Committee must disclose in their accounts the number of employees 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.

During 2015/16, the Consortium paid 103 employees (103 in 2014/15) paying total salaries of £4,225,826 (excluding employer's national insurance and pension contributions) (£5,071,049.35 in 2014/15). Within this, the following salary payments were made within the categories specified:

Remuneration Band	2014/15	2015/16		
	No. of Employees	No. of Employees		
	Total	At 31/03/15	Left in Year	Total
£60,000 - £64,999	3	6	0	6
£65,000 - £69,999	1	0	0	0
£70,000 - £74,999	2	0	0	0
£75,000 - £79,999	0	0	0	0
£80,000 - £84,999	3	1	0	1
£85,000 - £89,999	1	0	0	0
£90,000 - £94,999	3	0	0	0
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	1	1	0	1
£105,000 - £109,999	1	0	0	0
Total	15	8	0	8

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	2015/16				
	Salary £'000	Taxable Benefits in Kind £'000	Total Remuneration £'000	Total Employer's Pension Contributions £'000	Total Remuneration Including Employer's Pension Contributions £'000
Managing Director	97	0	97	14	111
Head of School Improvement	83	0	83	12	95
Business Manager	65	0	65	10	75
Senior Challenge Advisor	61	0	61	10	71

23.0 Severance Costs

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Severance Cost	
							£000s	
	14/15	15/16	14/15	15/16	14/15	15/16	14/15	15/16
£0 - £20,000	0	0	2	2	2	2	24	23
£20,001 - £40,000	0	0	6	0	6	0	183	0
£40,001 - £60,000	0	0	2	1	2	1	97	48
£60,001 - £80,000	0	0	5	0	5	0	333	0
£80,001 - £100,000	0	0	1	1	1	1	82	96
£100,001 - £150,000	0	0	4	1	4	1	473	124
£150,001 - £200,000	0	0	1	0	1	0	198	0
Total	0	0	21	5	21	5	1,390	291

24.0 Interest

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

2014/15 £'000	2014/15 Interest rate %		2015/16 £'000	2015/16 Interest rate %
2	0.26	Interest on Personal Account Balance	(6)	0.27
2			(6)	

RHONDDA CYNON TAF

CENTRAL SOUTH CONSORTIUM - ANNUAL GOVERNANCE STATEMENT 2015/16

1.	Scope of Responsibility
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1.1 The Central South Consortium is a Joint Education Service commissioned by five Local Authorities namely:

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

The responsibilities of the Central South Consortium combined, cover the needs of 401 schools and approximately 146,500 pupils in the region.

1.2 In January 2014, the 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 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 is used economically, efficiently and effectively.

1.4 Rhondda Cynon Taf County Borough Council and the Central South Consortium have several policies and processes that are consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

- 1.5 This Annual Governance Statement explains how the Central South Consortium has complied with the various elements of the framework.

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2.	The purpose of the governance framework
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- 2.1 The governance framework comprises the systems, processes and cultural values by which an organisation is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables an organisation 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 an ongoing process designed to identify and prioritise the risks to the achievement of aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 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 period covering 1st April 2015 to 31st March 2016.

3.	The Governance Framework
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- 3.1 The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance:-
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 - Developing the capacity and capability of members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 This Governance Statement has used these principles to demonstrate how the overall governance arrangements at the Central South Consortium for the period covering 1st April 2015 to 31st March 2016 are deemed to be satisfactory. The Governance Statement does not

document policies, procedures and working practices under each of the six principles, but instead provides an overview of the governance and internal control processes and systems.

3.3 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'.

3.4 The Legal Agreement for the Joint Education Service¹ 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 Committee; and
- Financial Management.

3.5 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;
- PR/Marketing;
- Information Management;
- Internal Audit; and
- Procurement.

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

3.6 The Constitution of Rhondda Cynon Taf County Borough Council,

¹ Joint Education Service i.e. the Central South Consortium Joint Education Service

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.

3.7 Member Conduct

Members of the Joint Education Committee are governed by the Code of Conduct of their relevant Council.

3.8 The Public Service Ombudsman and the relevant Council's Standards Committee investigate allegations of misconduct by Members and monitor the conduct of Members.

3.9 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:

- 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.
- 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.

3.10 **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.

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

3.12 **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.

- 3.13 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.

3.14 **Joint Education Service:
Operational Management Group**

The Operational Group comprises each Party's respective Head of School Improvement and Senior Challenge Advisers. Senior officers with strategic responsibilities are also part of the operational group. The objective of the group is to deliver school improvement activities with the aim of raising educational standards.

- 3.15 The membership, decision making process, meetings and the terms of reference for the Operational Group are documented within Schedule 3 of the Legal Agreement.

3.16 **Central South Consortium Joint Education Committee**

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

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

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

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

3.17 **Financial Management**

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

- General principles;

- Contributions and charging mechanisms;
 - Payment arrangements;
 - Budgetary control & monitoring;
 - Capital Expenditure & long term contracts;
 - Annual Accounts & Audit; and
 - Financial insolvency.
- 3.18 The Legal Agreement requires the Joint Education Committee to hold at least termly meetings throughout the year. Standard agenda items include a report from the Treasurer.
- 3.19 Rhondda Cynon Taf County Borough Council's Financial Procedure Rules provides guidance in relation to all financial matters. The Central South Consortium has adopted Rhondda Cynon Taf's Financial & Contract Procedure Rules – as confirmed in Section 17 (Schedule 4) of the Legal Agreement:

"Rules and Procedure

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

- 3.20 The Wales Audit Office audits the Central South Consortium's annual statement of accounts.
- 3.21 The Central South Consortium's financial and operational performance is monitored and scrutinised by the Joint Committee.

The Joint Committee receives reports from:

- The Treasurer; and
- The Managing Director.

In addition to these regular reports, the Joint Committee also receives ad-hoc reports relevant to the operation of the organisation.

Review of Effectiveness

- 4.1 The Central South Consortium has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and the Managing Director of the Central South Consortium who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The requirement to undertake an annual review also extends to Joint Ventures where this Central South Consortium has lead responsibility.
- 4.2 **Report of the Managing Director**
Since the inception of the organisation the Managing Director (or designated representative) provided members of the Joint Education Committee with updates on performance and statistical information.
- 4.3 In addition to these 'standard' agenda items, issues specific to the operational running of the organisation were also reported to the Joint Education Committee.
- 4.4 In the self evaluation report, the Head of School Improvement reflected upon the performance and delivery of the service during 2015/16 and concluded that;

In 2014-2015, there were improvements in each local authority and for the consortium as a whole in the Foundation Phase and at each key stage. In each case, the increases were again greater for more able pupils as performance at above the expected outcome/ level improved more than the performance at the expected outcome/ level.

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

At key stage 4 data for 2014-2015 indicate improvement against most main indicators for the region and in each local authority. There has been improvement for each of the last three years but at a much more substantial rate in the last two years. Performance against the level 2+ threshold is now above the Welsh average for the first time but improvement in other aspects such as the level 1 threshold and in the outcomes achieved by e-FSM pupils at key stage 4 is too slow. There is a significant reduction in the number of schools where less than 40% and less than 50% of pupils achieve the level 2+ threshold. However, the region has not yet achieved its ambition of reducing this to zero

(40% or less).

In order to realise our ambition for 2018, we will focus on three improvement priorities in 2016 - 2017:

- Raising standards particularly in literacy / Welsh / English, numeracy / mathematics and improving the outcomes of vulnerable learners fastest;
- Improving the capacity of the system to be self improving; and
- Further developing the Central South Consortium to be a high performing organisation.

Financial Management

4.5 During 2015/16 the Joint Education Committee received regular finance reports from the Treasurer.

4.6 During 2015/16 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

4.7 Joint Education Committee

During 2015/16 the Joint Committee received regular finance reports from the Treasurer and also regular performance reports from the Managing Director. The Joint Committee also received reports relevant to the operation and governance of the organisation.

4.8 Internal Audit

During 2015/16 Internal Audit reviewed the core financial systems of the Central South Consortium Joint Education Service and concluded there to be no material weaknesses. Internal Audit also reviewed the reports provided to the Joint Education Committee and the Legal Agreement (which incorporates the Terms of Reference for the Executive Board, Operational Management Group, Board of Management and the Joint Education Committee).

4.9 External Audit

The 2014/15 statement of accounts were audited by the WAO and approved at the meeting of the Joint Committee on 14th September 2015.

Estyn Inspection

- 4.10 During 2015/16 Estyn inspected the Central South Consortium. Key findings from a governance perspective were:

Leadership: Good

Strategic leadership and management in the consortium are strong. Senior leaders in the five local authorities and the senior management team in the consortium have a clear shared strategic vision for the regional school improvement service. These elected members and officers have worked effectively together to develop this strategic vision and to put in place the appropriate governance structure to drive this forward.

The consortium's governance structure is set out clearly in the recently revised legal agreement, which takes good account of the Welsh Government's guidance on implementing the National Model for School Improvement. This agreement confirms that the consortium is a jointly provided school improvement service and establishes an effective framework that allocates governance responsibilities and accountability to a joint committee, an advisory board, strategic and operational management groups and a host authority.

This agreement directs appropriate representation from each local authority at lead director, chief executive, and lead member levels. Every local authority is represented, and responsibilities are distributed between the five local authorities with key posts rotating periodically. All of the five local authorities engage with the governance structure well and have taken up their allotted representative posts and duties.

Significant Governance Issues

- 5.1 **Definition of Governance:** A series of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.
- 5.2 **Definition of a Significant Governance Issue:**
A specific area of the Organisation's work that requires Senior Management attention to ensure that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, to support improved outcomes for local people.
- 5.3 There were no significant governance issues raised during 2015/16.

Certification of Annual Governance Statement

Chair of Joint Committee

Managing Director of Central South Consortium

Rhondda Cynon Taf County Borough Council's Section 151 Officer

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

I have audited the accounting statements and related notes of the Central South Consortium Joint Education Service Joint Committee for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 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 7 the responsible financial officer is responsible for the preparation of the statement of accounts of The Central South Consortium Joint Education Service Joint Committee, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information what is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any

apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Central South Consortium Joint Education Service Joint Committee as at 31 March 2016 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 2015-16.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword 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;
- I have not received all the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

**For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
30 June 2016**

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

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE

28 June 2016

Report of the Joint Committee

Author: Paul Griffiths, Service Director – Performance and Improvement

REPORT OF THE TREASURER – 2015/16 YEAR-END POSITION

List of background papers

Appendix 1 – Central South Consortium Draft Statement of Accounts 2015/16

Officer to Contact :

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