

**CENTRAL SOUTH CONSORTIUM
REPORT FOR JOINT COMMITTEE**

13TH SEPTEMBER 2018

JOINT EDUCATION SERVICE

**CENTRAL SOUTH CONSORTIUM STATEMENT OF ACCOUNTS FOR THE
FINANCIAL YEAR ENDED 31ST MARCH 2018**

REPORT OF THE TREASURER

**Author: Paul Griffiths, Service Director – Performance and Improvement
Tel. No. 01443 680609**

1. PURPOSE OF REPORT

- 1.1 This report is intended to ensure that the Joint Committee complies with the legal requirements relating to the production of a “Statement of Accounts” for the financial year ended 31st March 2018.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Approve the Statement of Accounts for the financial year 2017/18 (Appendix 1), associated Letter of Representation of the Joint Committee (Appendix 2) and Audit enquiries letter to those charged with governance and management (Appendix 3); and
- 2.2 Note the audited final outturn position for the Joint Committee for the 2017/18 financial year and the level of General Reserve Balances held.

3. STATUTORY APPROVAL PROCESS

- 3.1 The Accounts and Audit (Wales) Regulations require the Responsible Financial Officer to certify the unaudited Statement of Accounts by 30th June following financial year end. The Joint Committee complied with the regulations in this respect and the unaudited accounts were signed by the Responsible Financial Officer (i.e. the Treasurer) in advance of the required date on 14th June 2018.
- 3.2 The regulations require that the Joint Committee approve the **audited** Statement of Accounts by 30th September.

4. STATEMENT OF ACCOUNTS

- 4.1 Further to the Wales Audit Office (WAO) receiving the draft Statement of Accounts, the external audit process was undertaken over the summer 2018.
- 4.2 As part of this process, the WAO have confirmed that there have been some minor misstatements and some narrative changes required to the financial statements as a result of the audit; however, the WAO have reported that none warrant being brought to the attention of the Joint Committee.
- 4.3 In line with the findings of the external audit, the minor misstatements and narrative changes identified have been reflected in the Statement of Accounts included at Appendix 1. In addition, the findings do not affect the final 2017/18 outturn position (i.e. a £7k underspend) or the 2017/18 year-end general reserve balance, as set out in Table 1.

Table 1 – 2017/18 Year-End General Reserve Balance

	Total £'000
Balance as at 1 st April 2017	129
Increase/(Decrease) 2017/18	7
Balance as at 31st March 2018	136

- 4.4 As Members will be aware from the '2017/18 Year-end Position' Report presented to the 14th June 2018 Joint Committee meeting, up dated legislation in the form of the Accounts and Audit (Wales) Regulations (as amended) came into force from 31st March 2018 and require local authorities in Wales to produce and publish Statements of Accounts earlier from financial year 2018/19. It is pleasing to note that the Consortium's 2017/18 Statement of Accounts have been prepared and audited in advance of the current statutory deadline of 30th September, and work will continue with the WAO to ensure efficient and timely arrangements are in place to meet the earlier statutory publication date of 31st July from financial year 2020/21 onwards.

5. LETTER OF REPRESENTATION

- 5.1 It is normal practice for the WAO to request that the Responsible Financial Officer provides a “Letter of Representation”, which highlights material issues relating to the completeness and accuracy of the information included in their financial statements and could, therefore, influence his audit opinion. This is to ensure that the Accounts properly reflect the Joint Committee’s financial standing and is consistent with the approach taken by the WAO in prior years.
- 5.2 The Letter of Representation for the Joint Committee has been prepared after full consultation with all relevant officers and is attached at Appendix 2 and the Audit enquiries letter to those charged with governance and management is attached at Appendix 3.

6. CONCLUSION

- 6.1 The completion of the audit process of the statutory accounts provides the Joint Committee with the assurance that the financial affairs of the Committee have been conducted appropriately during the financial year 2017/18.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAFF COUNTY BOROUGH COUNCIL

13th SEPTEMBER 2018

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

List of background papers

Appendix 1 – Central South Consortium Statement of Accounts 2017/18

Appendix 2 – Central South Consortium Letter of Representation 2017/18

Appendix 3 – Central South Consortium Audit enquiries letter to those charged with governance and management - 2017/18

Officer to Contact :

Mr Paul Griffiths

Tel no. 01443 680609

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

STATEMENT OF ACCOUNTS

2017/18

Contents	Page
Narrative Report	2
Statement of Responsibilities for the Statement of Accounts	13
Certificate of the Group Director - Corporate and Frontline Services	14
Movement in Reserves Statement	15
Comprehensive Income and Expenditure Account	17
Expenditure & Funding Analysis Statement	18
Balance Sheet	20
Cash Flow Statement	21
Notes to the Core Financial Statements	22
Annual Governance Statement	44
Independent Auditor's Report	73

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 396 schools and serves 146,928¹ 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 and creative 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 2017/18 have been prepared in accordance with:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 based on International Financial Reporting Standards (IFRS); and
- The Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 15 to 43 comply with the above.

2. Business Plan 2017-2020

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 and budget for the region and hold the Consortium to account for the impact of its work.

The Consortium receives its core funding from the five local authorities and also receives funding from the Welsh Government to support specific activities in line with national priorities / initiatives.

¹ Pupil Level Annual School Census (PLASC) – January 2017

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.

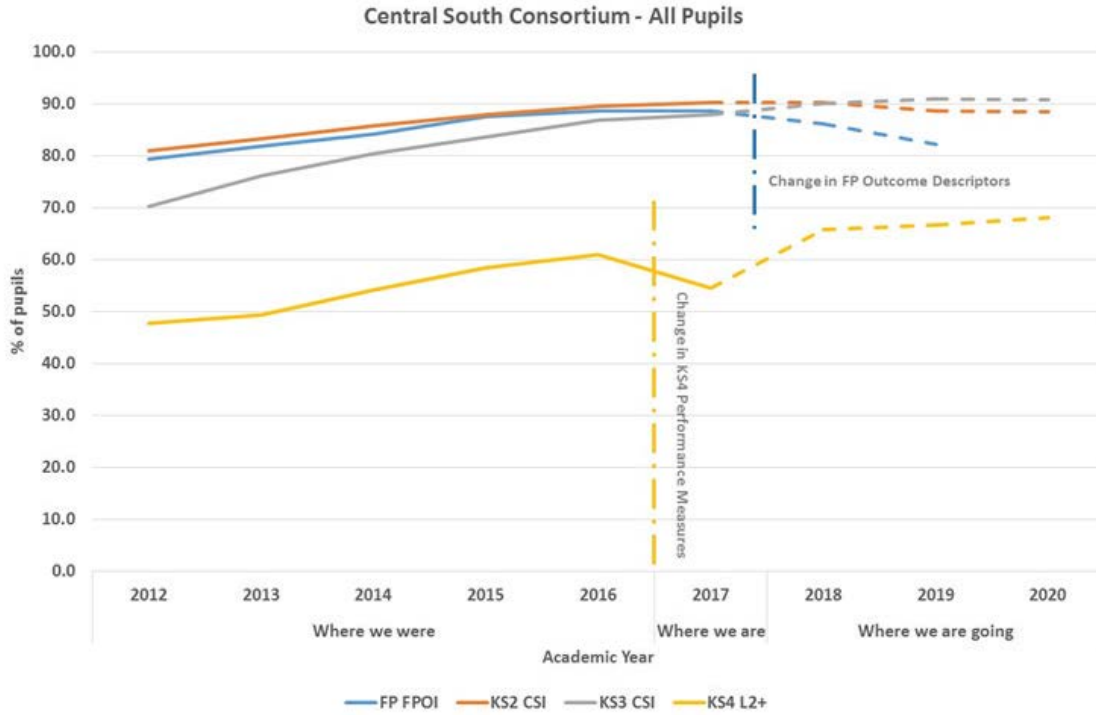
The Consortium's business plan aims to:

- Improve outcomes for vulnerable learners;
- Develop school-to-school working to deliver curriculum reform;
- Develop leadership, governance and workforce reform;
- Deliver rapid and sustainable intervention; and
- Develop effectiveness and efficiency in Central South Consortium.

Operational plans underpin each improvement objective.

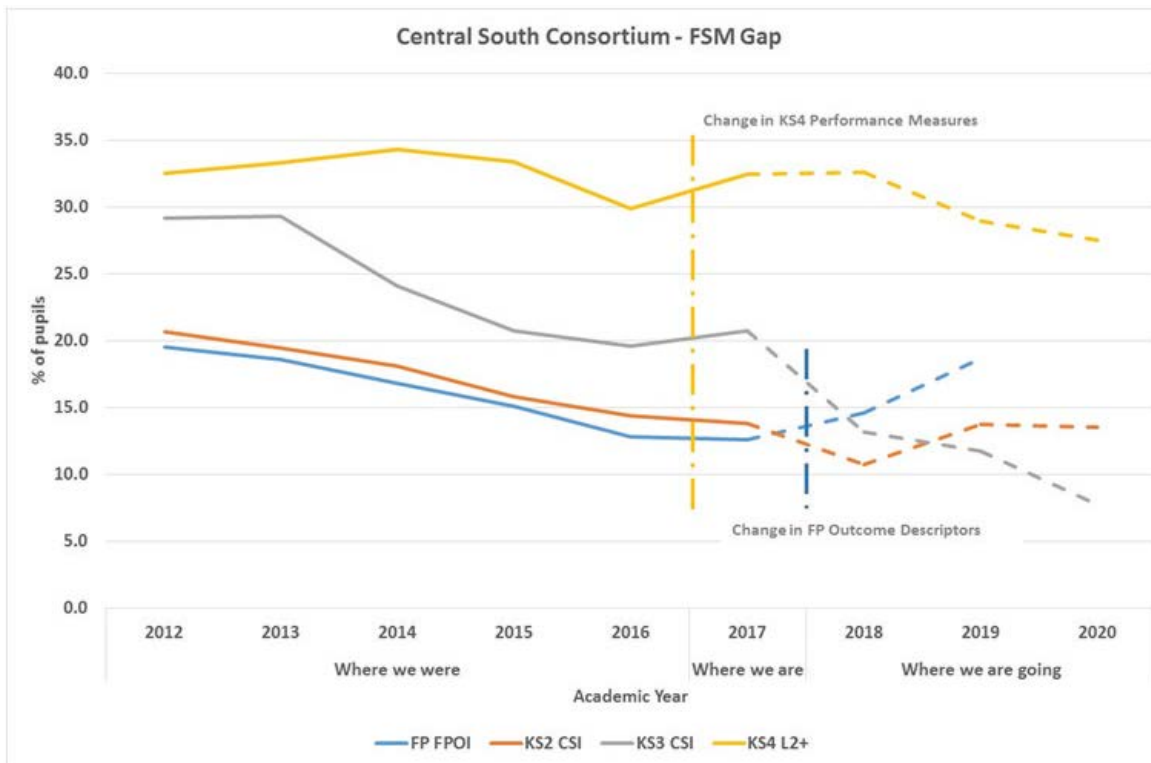
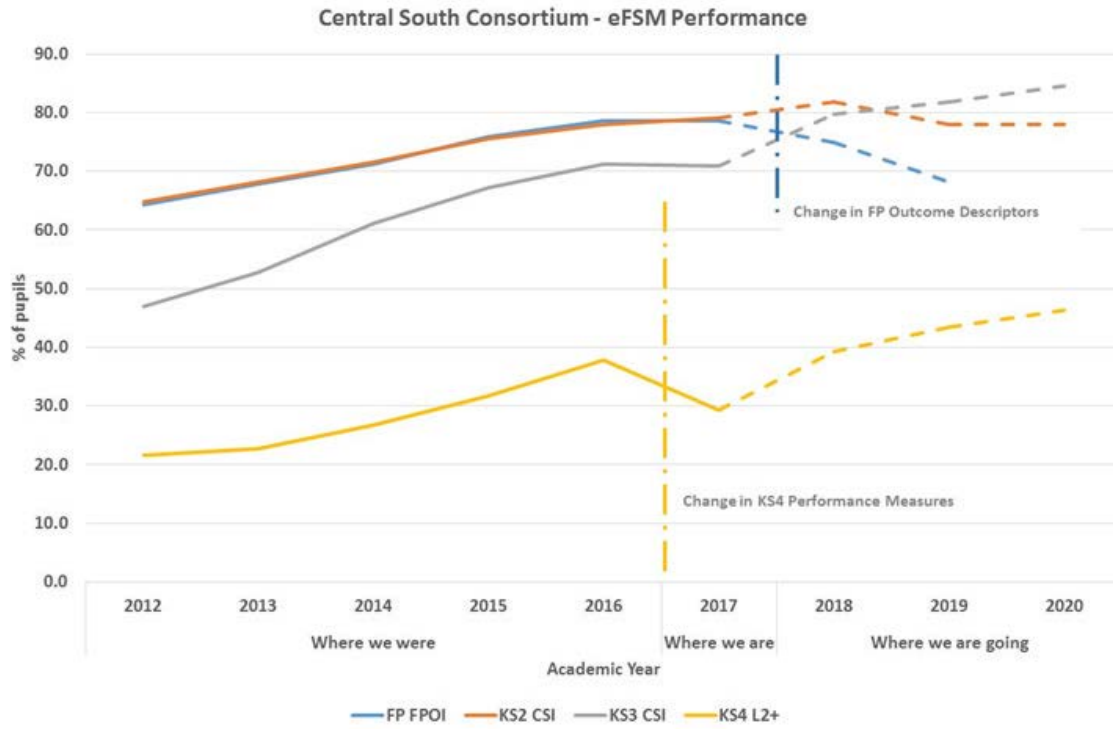
The Consortium's Business Plan has been compiled in the context of reducing resources, this being consistent with the challenging economic climate facing all public sector organisations in Wales. In line with this, the 2017/18 revenue contributions received by the Consortium from the five member local 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.

There has been year-on-year improvement in nearly all performance indicators at all phases, creating a significant upward trend. However, Key Stage 4 performance in summer 2017 was lower than anticipated, even when changes to qualifications and performance indicators were taken into consideration.



Key:
 FPOI – Foundation Phase outcome indicator.
 KS2, KS3 and KS4 – Key Stage 2, 3 and 4.

Whilst the performance of pupils entitled to free school meals improved year on year in most performance indicators up to the summer of 2017, the most recent performance shows a drop in outcomes in some key areas. The gap also remains too large overall.



3. Comprehensive Income and Expenditure Statement 2017/18

The Comprehensive Income and Expenditure Statement provides an analysis of the Consortium's gross revenue expenditure and income in accordance with IFRS.

The Consortium's 2017/18 revenue budget strategy underpinned the following broad objectives:

- 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 2017 to 31st March 2018:

	Budget £'000	Actual £'000	Variance £'000
Expenditure			
Employees	3,496	3,463	(33)
Premises	539	494	(45)
Transport	25	25	0
Supplies & Services	311	475	164
Third Party Payments	0	0	0
Support Services	122	118	(4)
	4,493	4,575	82
Income			
Local Authority Contributions	(3,986)	(3,986)	0
Grants & Other Income	(507)	(596)	(89)
	(4,493)	(4,582)	(89)
Net Expenditure	0	(7)	(7)

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

- Employees (£33k underspend) – as a result of vacancy savings within the Business Support Team and the transfer of eligible staff costs to in-year grant funding received, for example, the Education Improvement Grant (EIG) to optimise the use of external funding;
- Premises (£45k underspend) – due to the actual costs for Non-Domestic Rates being lower than budgeted due to a revaluation of Ty Dysgu (undertaken by the Valuation Office Agency);
- Supplies & Services (£164k overspend) - due to the re-prioritising of expenditure requirements, the transfer of eligible costs to the EIG and the creation of an earmark reserve to support service remodelling over the medium term;
- Support Services (£4k underspend) – as a result of Service Level Agreements for support functions received from the Host Authority being lower than budgeted; and
- Income (actual income £89k higher than budgeted) – due to increased restaurant and conference centre income from higher than forecasted conference centre bookings along with additional income in respect of secondment of Central South Consortium staff.

In addition, the following categories of income and expenditure relating to specific grants were processed through the Central South Consortium's accounts during 2017/18:

	Actual £'000
Expenditure	
Employees	3,492
Premises	23
Transport	26
Supplies & Services	75,351
Third Party Payments	348
Support Services	0
	79,240
Income	
Grants & Other Income	(79,240)
Net Expenditure	0

As at 31st March 2018, the Central South Consortium held General Reserves of £136k. Movements on reserves are detailed within the Movement in Reserves Statement.

4. **Capital Expenditure 2017/18**

No capital expenditure this financial year.

5. **Summary of Future Revenue Plans**

The Consortium's Business Plan 2018/2019 was approved by Joint Committee on 15th March 2018 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

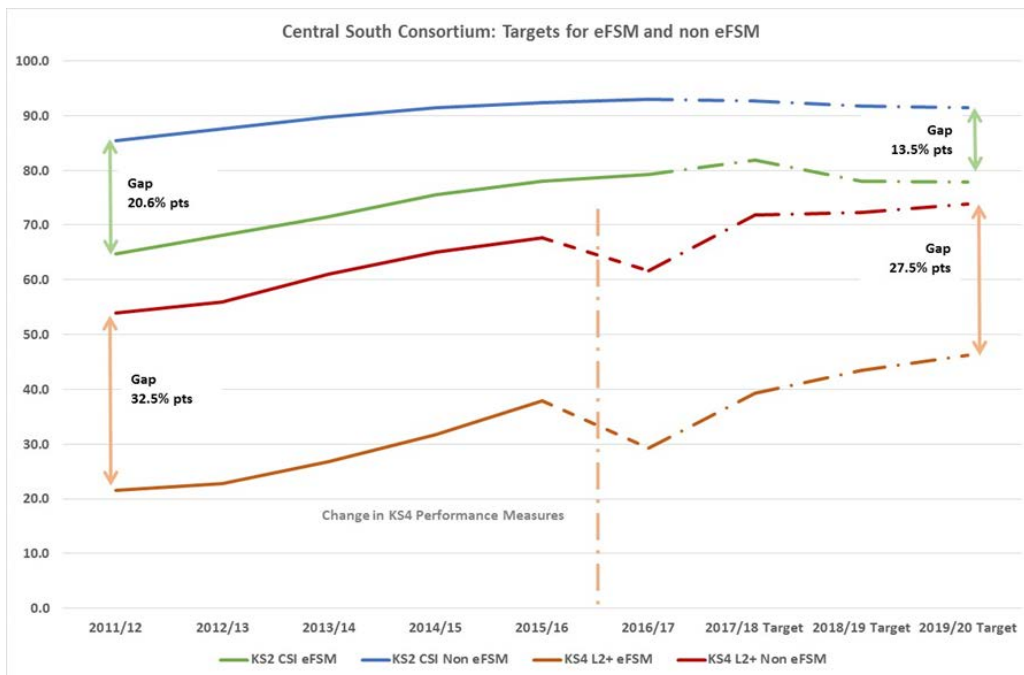
The following chart shows the projected trend in outcomes for both Key Stage 2 Core Subject Indicator² and Key Stage 4 Level 2+ indicator³ for performance up to 2019.

² Key Stage 2 Core Subject Indicator - represents the percentage of pupils achieving the expected level or above in English or Welsh (first language), mathematics and science in combination.

³ Key Stage 4 level 2+ Indicator - a volume of qualifications at Level 2 equivalent to the volume of 5 GCSE's at grade A*-C including English or Welsh First Language and Mathematics



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 2020.



The priorities included within the Central South 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 by the Joint Committee and is included within the Business Plan. Welsh Government also issue annual settlements on grant awards of funding.

A summary of the latest revenue budget is as follows (as approved by the Joint Committee on 5th December 2017):

<u>Type of Expenditure</u>	<u>Budget 2018/19 £'000</u>
Expenditure	
Employees	3,412
Premises	336
Transport	34
Supplies & Services	227
Support Services	120
Total Expenditure	4,129
Income	
LA Contributions	(3,906)
Ty Dysgu Income	(153)
Grants & Other Income	(70)
Total Income	(4,129)
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 16.0 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	595
Net Assets/(Liabilities) as per Balance Sheet	(249)

7. Introduction to Accounting Statements

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.

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.

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 £162k were incurred during 2017/18 (£164k incurred in 2016/17); these costs have been funded in year through the revenue account. The Joint Committee agreed to meet the balance through an annual contribution of £100k from the revenue budget until 2025/26.

At the Joint Committee held on the 15th March 2018 an alternative approach, in line with the Legal Agreement, to the funding of the balance of outstanding redundancy costs incurred in previous financial years and future redundancy costs should they arise was agreed. The host authority's Chief Finance Officer has engaged with member local authorities to agree the revised approach and will enable the annual contribution of £100k to be removed from the revenue budget as from the 2019/20 financial year.

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 the Central South Consortium Joint Education Service Joint
Committee**

The Group Director - Corporate and Frontline Services' Responsibilities

The Group Director is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the period ended 31st March 2018.

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 2018 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 2017

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
Notes:	14.1	14.2		15.0	
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 Comprehensive Income & Expenditure Statement	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)

Movement in Reserves Statement for the Period ended 31st March 2018

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
Notes:	14.1	14.2		15.0	
Balance as at 1st April 2017	129	300	429	(515)	(86)
Movement in reserves during 2017/18					
Total comprehensive income and expenditure	(316)	0	(316)	651	335
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 Comprehensive Income & Expenditure Statement	1,110	0	1,110	(1,110)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(564)	0	(564)	564	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	4	0	4	(4)	0
Net increase or (decrease) before transfers to Earmarked Reserves	234	0	234	101	335
Transfers to or (from) Earmarked Reserves	(227)	227	0	0	0
Increase or (decrease) in the Year	7	227	234	101	335
Balance as at 31st March 2018	136	527	663	(414)	249

Comprehensive Income and Expenditure Statement for the Period ended 31st March 2018

Year ended 31/03/17 £'000		Year ended 31/03/18 £'000	Note
	Expenditure		
7,076	Employees	7,509	3.0
593	Premises	517	4.0
58	Transport	51	5.0
76,894	Supplies & Services	75,499	6.0
1,139	Third Party Payments	348	
152	Support Services	118	
85,912		84,042	
	Income		
(4,076)	Local Authority Contributions	(3,886)	
(81,561)	Grants & Other Income	(79,834)	
(85,637)		(83,720)	7.0
275	Net Cost of Services	322	
0	Interest Receivable and Similar Income	(2)	22.0
1	Interest Payable and Similar Charges	0	22.0
3	Net Interest on Net Defined Liability	(4)	16.2
279	(Surplus)/Deficit on the Provision of Services	316	
(347)	Remeasurement of the Net Defined Benefit Liability	(651)	16.2
(68)	Total Comprehensive Income and Expenditure	(335)	

Expenditure & Funding Analysis Statement at 31st March 2018

	2017/18		
	Net Expenditure Chargeable to the General Fund £'000	Adjustments Between Funding and Accounting Basis £'000	Net Expenditure in the CI&ES £'000
Employees	6,955	554	7,509
Premises	517		517
Transport	51		51
Supplies & Services	75,499		75,499
Third Party Payments	348		348
Support Services	118		118
Income	(83,493)	(227)	(83,720)
Cost of Services	(5)	327	322
Other Income and Expenditure	(2)	(4)	(6)
(Surplus) or Deficit	(7)	323	316
Opening General Fund at 31 st March 2017	129	0	0
Add Surplus on General Fund in Year	7		
Closing General Fund at 31st March 2018	136		

The comparative figures for 2016-17 are shown in the following table:

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		593
Transport	58		58
Supplies & Services	76,894		76,894
Third Party Payments	1,139		1,139
Support Services	152		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	0	0
Less Deficit on General Fund in Year	0		
Closing General Fund at 31st March 2017	129		

Balance Sheet at 31st March 2018

31/03/17 £'000		31/03/18 £'000	Note
837	Long Term Assets Debtors	737	11.0
1	Current Assets Inventories	1	10.0
17,031	Debtors	23,328	12.0
17,032	Total Current Assets	23,329	
(17,504)	Current Liabilities Creditors	(23,471)	13.0
(472)	Net Current Assets	(142)	
365	Total Assets Less Current Liabilities	595	
(451)	Long-Term Liabilities Defined Benefit Pension Scheme Liability	(346)	16.5
(86)	Net Assets/(Liabilities)	249	
	Represented by:		
	Usable Reserves		
129	General Reserves	136	14.1
300	Earmarked Reserves	527	14.2
	Unusable Reserves		
(451)	Pensions Reserve	(346)	16.5
(64)	Short-Term Accumulating Compensated Absence Account	(68)	
(86)	Total Reserves	249	

Cash Flow Statement for the Period ended 31st March 2018

Year ended 31/03/17 £'000		Year ended 31/03/18 £'000	Note
	Operating Activities		
	Cash Outflows		
6,886	Cash Paid to and on Behalf of Employees	6,955	
87,643	Other Operating Cash Payments	70,571	
1	Interest Paid	0	
94,530	Total Cash Outflows	77,526	
	Cash Inflows		
(78,551)	Cash Received for Goods & Services	(83,795)	
0	Interest Received	(2)	
(78,551)	Total Cash Inflows	(83,797)	
15,979		(6,271)	
15,979	Net (Increase) or Decrease in Cash and Cash Equivalents	(6,271)	19.0
	Analysis of Changes in Cash and Cash Equivalents		
(21,983)	Balance as at 1 st April	(6,004)	
15,979	Net Cash (Inflows)/Outflows	(6,271)	
(6,004)	Cash Balance Owed To/(From) Host Authority	(12,275)	

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) 2017/18 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. Statutory adjustments relating to interest are reflected in the Movement in Reserves Statement.

1.2 Cash and Cash Equivalents

All cash transactions are administered by Rhondda Cynon Taf CBC as the 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 (VAT)

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 Pension 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 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% (2.6% in 2016/17).
- The Rhondda Cynon Taf Pension fund is a multi-employer scheme. The assets of the Fund are not formally allocated to any employer within the Fund and are not the legal property of any employer within the Fund. For the purpose of completing the calculations for each triennial valuation of the Fund, the actuary calculates a notional allocation of assets for each employer. The assets of the pension fund notionally attributed to the Joint Committee are included in the Balance Sheet at their fair value:

Quoted Securities	–	Current Bid Price
Unlisted Securities	–	Current Bid Price
Property	–	Market Value
- The change in the net pensions liability is analysed into the following components:
 - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked plus administration expenses.
 - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of

Services in the Comprehensive Income and Expenditure Statement.

- Net Interest – interest on the present value of liabilities and interest on the net changes in those liabilities over the period, calculated using the discount rate at the start of the period, offset by interest applied to assets and the net changes in the assets over the period using the discount rate at the start of the period – represented in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- Gains or Losses on 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 Local Government Pension 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.

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 (Wales) Regulations 2014 (as amended). The Regulations state that 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); and
- 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 2018 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 Employees Costs

2016/17 £'000	Salaries & Wages	2017/18 £'000
4,945	Advisors	4,956
915	Administration	971
344	Management	466
218	Finance Team	253
50	Catering Staff	50
41	Site Staff	41
14	Cleaning Staff	15
26	Agency	2
164	Employee Redundancy	162
35	Employee Insurance	35
30	Employee Advertising	4
6,782	Sub Total	6,955
18	Short-Term Accumulating Compensated Absences Account adjustment	4
276	IAS 19 adjustments	550
7,076	Total	7,509

4.0 Premises Costs

2016/17 £'000		2017/18 £'000
335	Rent	312
36	Repair and Maintenance	17
39	Electricity and Gas	45
11	Cleaning Materials	8
172	Rates and Water Charges	135
593	Total	517

5.0 Transport

2016/17 £'000		2017/18 £'000
58	Car Allowances	51
58	Total	51

6.0 Supplies and Services

2016/17 £'000		2017/18 £'000
341	Office Expenses	100
475	Consultants Fees	231
0	Grants & Subscriptions	0
6	Office Equipment	17
140	Computer Costs	151
28	Catering Costs	34
49	Photocopying	46
3	Subscriptions	8
51	Marketing	4
20	Audit Fees	17
3	Clothing	2
21	Telephones	20
3	Postage	2
1,058	Training	1,025
	Grants paid to local authorities & schools:	
38,202	Education Improvement Grant (EIG)	39,738
0	Raising Schools Standards Grant (RSSG)	1,681
29,439	Pupil Development Grant (PDG)	29,966
1,549	New Deal	0
0	Pioneer – Block Grant	1,926
583	GCSE	0
4,155	Schools Challenge Cymru (SCC)	0
768	Other	531
76,894	Total	75,499

7.0 Income

2016/17 £'000		2017/18 £'000
	Contributions	
(1,462)	The City of Cardiff Council	(1,400)
(1,117)	Rhondda Cynon Taf CBC	(1,060)
(635)	Bridgend CBC	(606)
(598)	Vale of Glamorgan Council	(572)
(264)	Merthyr Tydfil CBC	(248)
(4,076)	Total Contributions	(3,886)
	Other Income	
(257)	School Income	(67)
(328)	Other	(289)
(80,765)	Grants	(79,240)
(211)	Catering	(238)
(81,561)	Total Other Income	(79,834)
(85,637)	Total Income	(83,720)

7.1 Grant Income

2016/17 £'000		2017/18 £'000
	Grant Programme	
(42,143)	Education Improvement Grant (EIG)	(42,616)
(29,507)	Pupil Development Grant (PDG)	(30,517)
0	Raising Schools Standards Grant (RSSG)	(2,967)
(4,715)	Schools Challenge Cymru (SCC)	(79)
(2,125)	New Deal	0
0	Pioneers – Block Grant	(2,081)
(943)	GCSE	0
(1,332)	Other	(980)
(80,765)	Total Grant Income	(79,240)
	Allocation	
(74,696)	Paid to local authorities and schools (Note 6.0)	(73,842)
(6,069)	Retained by Central South Consortium	(5,398)
(80,765)	Total Grant Income	(79,240)

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:

2016/17		Local Authority	2017/18	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
30,259	(1,609)	The City of Cardiff Council	30,426	(1,539)
19,666	(1,257)	Rhondda Cynon Taf CBC	19,232	(1,149)
10,377	(674)	Bridgend CBC	10,581	(625)
8,937	(606)	Vale of Glamorgan Council	9,403	(584)
5,167	(306)	Merthyr Tydfil CBC	4,639	(259)

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 2018, the RCT owed the Consortium £12,275k relating to these cash transactions (RCT owed the Consortium £6,004k as at 31st March 2017). During 2017/18, Central South Consortium was charged £118k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in the table above, £116k in 2016/17).

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 16.0 and 17.0 for further information.

Interests of elected 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 elected Member interest in them) with whom the Joint Committee has had dealings:

Organisation	2016/17		2017/18	
	Expenditure	Income	Expenditure	Income
	£'000	£'000	£'000	£'000
Welsh Joint Education Committee	50	13	0	11
Welsh Local Government Association	0	81	0	9
Business in Focus	0	1	0	0
Coleg y Cymoed (formerly known as Coleg Morgannwg)	1	0	1	1

Cardiff University	0	0	70	10
Merthyr Tydfil College	0	0	1	0
Total	51	95	72	31

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

9.0 Audit Fees

2016/17 £'000		2017/18 £'000
20	Fees payable to the Auditor General for Wales in respect of external audit	17

10.0 Inventories

Inventories consist of food stock in respect of the restaurant.

2016/17 £'000		2017/18 £'000
1	Balance as at 1st April	1
28	Purchases	33
(26)	Recognised as an Expense in the Year	(32)
(2)	Written Off	(1)
1	Balance as at 31st March	1

11.0 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: £737k in Long Term Debtors at 31st March 2018 (£837k at 31st March 2017) and £100k in Short Term Debtors (£100k at 31st March 2017). £100k is included in the Host Authority balance for short term debtor in relation to redundancy costs. If any additional surplus balances are identified in year this will be increased.

12.0 Short Term Debtors

31/03/17 £'000		31/03/18 £'000
6,171	Host Authority	12,275
0	Local Authorities and Schools	8
10,863	Central Government Bodies	10,985
1	Other Entities and Individuals	61

17,035 (4)	Provision for Bad Debt	23,329 (1)
17,031	Balance as at 31st March	23,328

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 to the Consortium by Rhondda Cynon Taf CBC.

13.0 Creditors

31/03/17 £'000		31/03/18 £'000
(3)	Host Authority	0
(16,951)	Local Authorities and Schools	(22,632)
(128)	Central Government Bodies	(76)
(359)	Other	(695)
(63)	Employee Absences Accrual	(68)
(17,504)	Balance as at 31st March	(23,471)

14.0 Movement on Usable Reserves

	General Reserves £'000	Earmarked Reserves £'000	Total £'000
Balance as at 1 st April 2017	129	300	429
Increase/(Decrease)	7	227	234
Balance as at 31st March 2018	136	527	663

14.1 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 2017	129
Increase/(Decrease) 2017/18	7
Balance as at 31st March 2018	136

14.2 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 31/03/17 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31/03/18 £'000
Revenue Grant Reserves	256	256	397	397
Funding for Specific Projects	44	44	130	130
Total	300	300	527	527

15.0 Movements on Unusable Reserves

Reserve	Pension Reserve £'000	Short-Term Acc Comp Absence Account £'000	Total £'000
Balance as at 1 st April 2017	(451)	(64)	(515)
Increase / (Decrease)	105	(4)	101
Balance as at 31st March 2018	(346)	(68)	(414)

15.1 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 17.0 for further information.

15.2 Short-Term Accumulating Compensated Absences Account

The Short-Term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the Consortium's Reserves from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March 2018.

16.0 Retirement Benefits – Defined Benefit Schemes

16.1 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 17.0.

- 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 Committee's accounts are defined by IAS 19 "Employee Benefits".

16.2 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	2016/17 £'000	2017/18 £'000
Cost of Services:		
Current Service Cost	738	985
Past Service Cost	2	129
Settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	3	(4)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	743	1,110
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(3,484)	(530)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	(517)	0
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	4,102	448
Actuarial (Gains) and Losses Arising on Liabilities – Experience	(243)	114
Net increase in liabilities from disposals / acquisitions	(205)	(683)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	396	459
<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	(743)	(1,110)

<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme	465	564

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31st March 2018 is a gain of £651k (£347k gain in 2016/17).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure statement to the year ending 31st March 2018 is a gain of £330k (£362k gain in 2016/17).

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.

16.3 Reconciliation of Present Value of the Scheme Liabilities

	2016/17 £'000	2017/18 £'000
Opening balance at 1 st April	11,523	22,399
Current Service Cost	738	985
Interest Cost on Defined Obligation	631	572
Contributions by Scheme Participants	277	289
<i>Remeasurement Gains and (Losses):</i>		
Actuarial Gains and (Losses) Arising on Liabilities – Demographic Assumptions	(517)	0
Actuarial Gains and (Losses) Arising on Liabilities – Financial Assumptions	4,102	448
Actuarial Gains and (Losses) Arising on Liabilities – Experience	(243)	114
Benefits Paid	(981)	(1,096)
Past Service Costs	2	129
Net increase in liabilities from disposals/acquisitions	6,867	0
Entity combinations	0	0
Curtailments	0	0
Settlements	0	0
Carried Forward at 31st March	22,399	23,840

16.4 Reconciliation of Fair Value of the Scheme Assets

	2016/17 £'000	2017/18 £'000
Opening balance at as at 1 st April	11,003	21,948
Interest Income	628	576
<i>Remeasurement Gains and (Losses)</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	3,484	530
Other	0	0
Employer Contributions	465	564
Contributions by Scheme Participants	277	289
Benefits paid	(981)	(1,096)
Net increase in assets from disposals/acquisitions	7,072	683
Entity Combinations	0	0
Settlements	0	0
Carried Forward as at 31st March	21,948	23,494

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 £1,106k (£4,112k gain in 2016/17).

16.5 Scheme History

	2016/17 £'000	2017/18 £'000
Present Value of Defined Obligation	(22,399)	(23,840)
Fair Value of Plan Assets	21,948	23,494
Surplus / (Deficit)	(451)	(346)

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £346k 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.

16.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets investments as at 31st December 2017 (full scheme not Central South Consortium element) are comprised as follows:

	Fair Value of Scheme Assets	
	2016/17 £'000	2017/18 £'000
UK Equities	595,905	657,668
Overseas Equities	1,459,349	1,775,137
UK Fixed Interest Gilts	259,370	274,407
UK Index Linked Gilts	0	0
UK Corporate Bonds	255,419	276,825
Overseas Government Bonds	8,326	2,735
Overseas Corporate Bonds	28,693	29,407
Property	167,239	175,043
Cash and net current assets	60,748	61,066
Total	2,835,049	3,252,288

16.7 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 2018.

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 based on funded benefits as at 31st March 2016.

The full valuation was based on funded benefits and the principal assumptions used by the actuary have been:

	31/03/17	31/03/18
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.5%	4.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.8	22.9
Women	24.9	25.0
Longevity at 65 for future pensioners:		
Men	25.0	25.1
Women	27.2	27.3
RPI Inflation	3.1%	3.2%
CPI Inflation	2.0%	2.1%
Rate of Increase in Salaries	3.25%	3.35%
Rate of Increase in Pensions	2.0%	2.1%
Rate for discounting scheme liabilities	2.6%	2.6%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	80%	80%
Pre-2010 Service	80%	80%

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)	718	(712)
Rate of Increase in Salaries (increase or decrease by 0.1%)	109	(108)
Rate of Increase in Pensions (increase or decrease by 0.1%)	364	(358)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(465)	474

16.8 Contributions for the Accounting Period ending 31st March 2019

The Employer's regular contributions to the Fund for the accounting period ending 31st March 2019 are estimated to be £415k.

17.0 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 employer's 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 2017/18, the Joint Committee paid £66k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£66k was paid in 2016/17 representing 14.1% of pensionable pay). There were no contributions remaining payable at the year-end.

18.0 Events after the Balance Sheet Date

The draft, unaudited Statement of Accounts will be authorised for issue by the Group Director Corporate & Frontline Services, as Chief Finance Officer, by 30th June 2018. 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 2018, 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 2018 requiring disclosure providing information that is relevant to an understanding of the Central South Consortium's financial position.

19.0 Reconciliation of Comprehensive Income and Expenditure Account to Cash flow

2016/17 £'000		2017/18 £'000
279	(Surplus)/Deficit on the Provision of Services	316
8,893	(Increase)/Decrease in Creditors	(5,966)
7,085	Increase/(Decrease) in Debtors	(75)
0	Increase/(Decrease) in Inventories	0
(278)	IAS 19 Transactions	(546)
15,979	Cash (Inflow)/Outflow from Revenue Items	(6,271)

20.0 Officers' Remuneration

During 2017/18, the Consortium paid 103 employees on average every month (106 in 2016/17). Over the year, salary payments totalled £4,310k (excluding employer's national insurance and pension contributions) (£4,365k in 2016/17).

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 20.1) 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	2016/17	2017/18		
	No. of Employees	No. of Employees		
	Total	At 31/03/18	Left in Year	Total
£60,000 - £64,999	8	11	0	11
£65,000 - £69,999	1	4	0	4
£70,000 - £74,999	0	1	0	1
£75,000 - £79,999	1	0	0	0
£80,000 - £84,999	1	1	0	1
£85,000 - £89,999	1	0	0	0
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	1	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	0	0
£115,000+	0	0	1	1
Total	14	18	1	19

20.1 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	2017/18				
	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	104	0	104	13	117
Senior Officer – Business & Operations	66	0	66	8	74
Senior Officer – Strategy, Leadership & Workforce Reform	64	0	64	7	71
Senior Officer – Teaching & Learning Experiences	114	0	114	0	114

There have been significant changes, following implementation of the recommendations of the Donaldson Review, in the way in which Welsh Government funds initiatives in school improvement. The Central South Consortium Senior Management structure was reviewed and reshaped during academic year 2016/17 and a revised structure became operational from April / September 2017. As part of the restructure the job title of the Business Manager was amended to Senior Officer - Business & Operations. The post of Assistant Director was deleted and three Senior Officer posts incorporated into the senior management structure. The post holder of Senior Officer - Standards and Improvement Planning commenced employment on the 2nd October 2017.

The salary for the Group Director – Corporate and Frontline Services, who signs the accounts on page 14, 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 2016/17 are shown in the following table:

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	66	0	66	9	75
CSW Challenge	106	0	106	17	123
Business Manager	65	0	65	9	74

21.0 Severance Costs

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Severance Cost	
							£000s	
	16/17	17/18	16/17	17/18	16/17	17/18	16/17	17/18
£0 - £20,000	0	0	3	0	3	0	15	0
£20,001 - £40,000	0	0	3	0	3	0	72	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	1	0	1	0	77	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	1	0	1	0	162
Total	0	0	7	1	7	1	164	162

22.0 Interest

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

2016/17 £'000	2016/17 Interest rate %		2017/18 £'000	2017/18 Interest rate %
0	0.21	Interest on Personal Account Balance (Received) & Similar	(2)	0.20
1	0.21	Interest on Personal Account Balance Paid & Similar Charges	0	0.20
1			(2)	

CENTRAL SOUTH CONSORTIUM

DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

1. **SCOPE OF RESPONSIBILITY**

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

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

The responsibilities of the CSC combined, cover the needs of 396 schools and approximately 146,928¹ 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 CSC 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 Pupil Level Annual School Census (PLASC) - January 2017

- 1.5 The Annual Governance Statement of the CSC aims to provide an accurate representation of the governance arrangements in place for financial year ending 31st March 2018.

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

- 2.1 The governance framework comprises the systems, processes and cultural values by which the CSC is directed and controlled, and the activities through which it accounts to and engages with stakeholders. It enables the CSC 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 CSC's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The CSC 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 have been in place for the CSC for the year ended 31st March 2018 (and up to the date of approval of the 2017/18 Statement of Accounts).

3. **THE GOVERNANCE FRAMEWORK**

- 3.1 The CSC 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 CSC to be committed to improving governance on a continual basis through a process of evaluation and review.
- 3.3 The CSC has applied these principles to structure its Annual Governance Statement for financial year ending 31st March 2018 and to assess the arrangements in place.
- 3.4 The CSC has a range of governance arrangements in place, in line with the 'Delivering Good Governance in Local Government: framework (2016)', many of which are set out in the CSC's Legal Agreement. Table 1 provides examples of the key systems, processes and documents in place within the CSC during 2017/18.

Good Governance Principles	Examples of key systems, processes and documents in place within the CSC
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> • Rules of Procedure – covering Council / CSC, Open Government, Access to Information, Budget and Policy Framework, Executive, Overview and Scrutiny, Officer Employment and Contract and Financial Procedure Rules. The rules set out arrangements to be followed by elected Councillors and Officers when conducting the Council's / CSC's business with the aim of publicly demonstrating accountability and openness. • Whistle-blowing Policy – promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of the Council / CSC. • Anti-fraud, Bribery & Corruption Strategy. • Gifts and hospitality Policy. • Comments, Compliments and Complaints – setting out how the Council / CSC handles and responds to the feedback (complaints, compliments and comments). • HR Charter

Good Governance Principles	Examples of key systems, processes and documents in place within the CSC
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Performance Management Framework. • Business Plan and Operational Delivery Plans. • Quarterly Performance Reports to Joint Committee (including Risk Register up dates). • Risk Management Strategy. • Annual Revenue Budget Strategy. • Medium Term Financial Plan. • Scrutiny Committees Meetings. • Challenge and Review sessions with Welsh Government.
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	<ul style="list-style-type: none"> • Business Plan. • HR Charter. • Schemes of Delegation.
Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> • Risk Management Strategy. • Quarterly Performance Report (including Risk Register up dates). • Audit Committee and an Internal Audit function. • Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules. • Medium Term Financial Plan.

3.5 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 CSC into one Agreement. From this point forward within the Annual Governance Statement, reference will be made to the 'Legal Agreement'.

3.6 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;
- CSC Joint Education Committee; and
- Financial Management.

3.7 The Host Authority

The Legal Agreement formally assigns Rhondda Cynon Taf County Borough Council as the Host Authority for the CSC. 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;
- Legal;
- ICT;
- Estates;
- ICT;
- Internal Audit; and
- Procurement.

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

- 3.8 The Constitution of Rhondda Cynon Taf County Borough Council, which has the financial stewardship of the CSC, 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 CSC should be done so in accordance with all relevant Policies and Procedure Rules of Rhondda Cynon Taf County Borough Council.

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 CSC 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.

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

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

- Set out a brief description of the arrangements and procedures in place together with the key outcomes the CSC is aiming to achieve;
- Examine and document the main activities that have taken place around these areas, taking account of supporting evidence from the CSC's internal processes and Wales Audit Office reports published on the CSC;
- 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 CSC's governance arrangements is set out in Section 5.

5. **ASSESSMENT OF GOVERNANCE ARRANGEMENTS**

5.1 **PROGRESS MADE TO IMPLEMENT RECOMMENDATIONS REPORTED IN THE 2016/17 ANNUAL GOVERNANCE STATEMENT**

5.1.1 The 2016/17 Annual Governance Statement made 7 recommendations. An update on progress was reported to the CSC's Joint Committee on 5 December 2017 and following consideration of the Committee RESOLVED: to note the progress that has been made to date in implementing the proposals for improvement.

As at 31st March 2018, progress made to implement the recommendations included within the 2016/17 Annual Governance Statement was as follows (7 recommendations in total):

- 4 recommendations fully completed;
- 1 recommendation partly completed with further work required during 2018/19; and
- Work on-going for 2 recommendations in respect of continuing to support Officer and elected Member training; these recommendations are scheduled to be implemented by June 2018.

5.1.2 It is considered that sufficient progress has been made in delivering the 2016/17 proposals for improvement with the requirement for further work to be completed in 2018/19. A detailed position statement is set out at Appendix A.

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

Behaving with integrity

5.2.1 The CSC follows the Host Authority Constitution which sets out 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](#)² and [Protocols](#)³ that aim to ensure both elected Councillors and employees behave with integrity.

5.2.2 The CSC 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'⁴; 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.

CSC employees

5.2.3 The CSC Legal Agreement outlines the role of Rhondda Cynon Taf Council (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.

Policies and Registers

5.2.4 A review of Policies and Registers in place during 2017/18 identified the following:

- [Whistle-blowing arrangement](#) - the Council included a payslip insert to all employees in May 2017 providing information on how Council employees

² Rules – for example, Financial and Contract Procedure Rules

³ Protocols – for example, Gifts and Hospitality Policy

⁴ Meeting minutes – a formal and agreed record of the events that took place at each meeting.

could access the Whistle-blowing Policy. The CSC adopted the RCT Whistle-blowing Policy but no referrals were made during 2017/18.

- The CSC 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 CSC. The RCT Audit Committee also supported the requirement to raise awareness, at its meeting on 30th April 2018, and a payroll insert was electronically provided to all employees in May 2018.
- 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 CSC adopted the host authority [Complaints & Concerns Policy](#) that sets out a commitment to effectively deal with any complaints or concerns about services provided.
- The CSC 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 CSC adopts all host authority Policies. Where new policies are revised or introduced they are discussed with the senior leadership team and staff are advised of the policies through staff bulletins.
- Progress has been made in raising awareness and understanding of Council Policies and Strategies. This level of awareness and understanding should also be included within induction arrangements for new staff.

Proposal for Improvement

- 5.2.5 Policies and Strategies – Review the HR Charter and other CSC specific documentation to ensure this includes the references to the Whistle-blowing Policy, Anti-fraud, Bribery and Corruption Strategy, Gifts and Hospitality Policy and induction arrangements.

Demonstrating strong commitment to ethical values

- 5.2.6 Ethical Values: CSC employees - the CSC 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

- 5.2.7 The Managing Director leads the CSC's officers and chairs the Senior Leadership Team. The Senior Leadership Team comprises, in addition to other key posts, Senior Officer – Strategy, Leadership and Workforce Reform, Senior Lead – Teaching and Learning Experiences, Senior Lead – Standards and Improvements and Senior Lead - Business and Operations.

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.

During 2017/18, the CSC received 4 Freedom of Information (FOI) requests. However, there is no formal process for reporting these requests to the Joint Committee.

Planning ahead

- 5.3.2 The CSC consulted with stakeholders on its vision and priorities for 2018/19 and set these out in a document called 'Business Plan 2018/19'; this Plan was agreed by Joint Education Committee Council on 15th March 2018.

- 5.3.3 Looking ahead, it is likely that public sector austerity will continue to result in on-going reductions to core funding from the five local authorities. In recent years, the CSC has had a 5% cut to its core funding in 2017/18 with a further 2% cut in 2018/19. It is likely that on-going reductions in core funding will necessitate the CSC to consider the sustainability of the current operating module.

Decision making and scrutiny of decisions made

- 5.3.4 The Joint Education Committee agreed the CSC Business Plan, including the core budget and the budget for the Education Improvement Grant, following scrutiny of the CSC'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 CSC and throughout 2017/18 received 32 reports, all of which were made publicly available prior to the meetings and no report was 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 2017/18 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 2017/18 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 CSC 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 CSC. 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 identified during 2016/17 the need to include Headteachers within the overall governance model of the CSC as part of a school-led self-improving system. Although some progress has been made in this area, the CSC is awaiting the outcomes of the review of the National Model to ensure any recommended revisions to the governance model align with the requirements of the Revised National Model.

Senior Leadership Group - The Group comprises the senior management team of the CSC 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.

CSC Joint Education Service Joint Committee

The CSC Joint Education Service Joint 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 CSC arrangements in line with its own business plan.

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

- 5.3.10 There were a broad range of communication methods on offer to encourage stakeholders to express their views. This included social media, focus group discussions with strategy groups as well as an annual survey of schools. An updated CSC Communications Strategy was presented to Directors during 2017/18.

Proposal for improvement

- 5.3.11 Review the overall governance structure for the CSC to ensure increased engagement in the decision making process from headteachers across the region in line with the requirements of the revised National Model for Regional Working when this is published.
- 5.3.12 Develop a systematic process whereby Freedom of Information requests are reported to Joint Committee.

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

Defining outcomes

- 5.4.1 The CSC's 'Business Plan – 2017-2020, as approved by Joint Education Committee on the 14th March 2017, set out the vision, purpose and priorities it aims to deliver:

- The CSC's aim is to *"Improve educational outcomes for all pupils, and the outcomes for vulnerable learners fastest. The success of schools in this region is key to the future economic and social success of Wales. We are improving. We need to do more"*.
- The CSC's priorities are to:
 - *Improve outcomes for vulnerable learners;*
 - *Develop school-to-school working to deliver curriculum reform;*
 - *Develop leadership, governance and workforce reform;*
 - *Deliver rapid and sustainable intervention; and*
 - *Develop effectiveness and efficiency in CSC.*

- 5.4.2 The Joint Education Committee approved the 2017/18 Revenue Budget at its meeting on 8th December 2016 and reaffirmed that resources would be targeted in line with the Business Plan priorities.
- 5.4.3 Following approval of the Business Plan and Revenue Budget, Action Plans were put in place for each priority, in line with resources available, that detailed what outcomes were being aimed for, the actions to be delivered with timescales for delivery and performance indicators.
- 5.4.4 A review of performance indicator targets included within the Business Plan identified that there is a clear ambition for the CSC to improve in its priority areas, and where performance is comparable with others, the ambition is for the CSC to be either as good as or better than the Welsh average by 2020.
- 5.4.5 Throughout 2017/18 action plan progress updates have been made public through Joint Education Committee meetings that also contain information on financial performance, strategic risks and investment linked to Business Plan priorities. Monitoring arrangements have been reviewed and simplified with impact reviews embedded into the monitoring cycle.
- 5.4.6 The Outcomes Framework and progress with the Business Plan are also monitored by Welsh Government during the programme of Challenge and Review Sessions. During 2017/18, 97% of the CSC's Business Plan was funded from Welsh Government Awards of Funding. The CSC's first medium term financial forecast, covering financial years 2018/19 to 2020/21, was presented to the Joint Committee on 15th March 2018.

Proposal for Improvement

- 5.4.7 Further develop medium term financial planning during 2018/19 to ensure resources are allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources. Proposals for revisions to service delivery will be discussed with Chief Executives and Directors in light of any published revisions to the National Model for Regional Working.

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

Determining and planning interventions

- 5.5.1 The CSC's Legal Agreement lays down the key requirements to be followed when setting its priorities, reporting the extent of progress made in priority areas and also the financial planning and management arrangements that support this. These include the requirement to:
- Agree the draft School Improvement Service annual revenue budget by the 31st December prior to the start of the financial year and submit to

each of the Parties for approval with the business plan to be agreed by the 1st February; and

- Publish financial and performance progress updates on a termly basis during the year, which will include explanations of any variances against the profiled budget.

5.5.2 When the above requirements were reviewed for the 2017/18 financial year:

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

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

Optimising achievement of intended outcomes

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

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

The allocation of resources

5.5.6 The CSC's 2017/18 Revenue Budget Setting Report (8th December 2016) set out how the total saving requirement of 5% would be delivered.

Maximising impact

5.5.7 In 2017-2018⁵, Foundation Phase saw continued improvement for most indicators at the expected level for the CSC, but the performance at local authority level was more variable. Only Bridgend CBC saw improvements for all indicators at the expected level; however, at the expected level +1, improvements were seen in nearly all indicators for nearly all local authorities. The improvement at CSC level was either lower or in-line with the

⁵ All performance measures are as reported in the Summer Term 2017. (Academic Year 2016/17)

improvement seen nationally for all performance measures at Foundation Phase for the expected outcomes but was above the improvement seen nationally for nearly all indicators for the above expected outcomes.

For key stage 2, the CSC improved at both the expected level, and above expected level for all indicators with the exception of Welsh 1st Language at the expected level. The improvement for the CSC is less than the improvement seen nationally at the expected level, however, at the above expected level the improvement for the consortium is above the National improvement for all measures except Welsh 1st Language. Improvements were made by nearly all local authorities for nearly all performance measures at the expected outcome. At the above expected level, only the Vale of Glamorgan Council saw a fall in performance in Welsh 1st Language.

For key stage 3, the CSC continued to improve at both the expected level and the expected level +1 for all areas, with the only exception being Welsh 1st Language at the expected level +1. The improvements for the CSC exceed the improvements seen nationally for all core subjects at the expected level with the only exception being Mathematics. Nearly all local authorities have continued to improve in the most recent year for all performance measures at both the expected and expected level +1, with the exceptions being seen in Welsh 1st Language and Science at the expected level in the Vale of Glamorgan Council, Mathematics expected level in both Merthyr Tydfil and Cardiff Councils, English expected level +1 in Science and Welsh 1st Language at the expected level +1 in both the Vale of Glamorgan and Rhondda Cynon Taf Councils.

Please note: Welsh Government have introduced key changes to the performance measures data for reporting in 2016/17, which affects any possible comparisons that may be made against previous data.

The main changes are:

- the introduction of a cap of 40% on non-GCSEs that contribute to threshold measures;
- the removal of literature from the literacy elements in the Capped 9 points score and the Level 2 Threshold including English/Welsh and Mathematics;
- the introduction of new specifications for English, Welsh 1st Language, Mathematics and Mathematics-Numeracy; and
- a new Capped 9 Points Score Measure.

Therefore, caution should be used when comparing 2016/17 data with previous years data.

The only performance measures that saw improvements in the most recent year are 5A*-A and Level 2 Welsh First Language. All other indicators fell in the most recent year, with the biggest fall being seen in Level 2 Threshold, which fell by 19.5pp. The L2+ for the CSC decreased by 6.4pp in the most recent year, which has seen the region fall below the national average for the

first time in the last three years by 0.1pp. However, the region has improved for this performance measure by 0.4pp since 2014, which is against a national decrease of 0.8pp over the same time-period. All 5 local authorities in the region saw performance drop in the most recent year, with decreases ranging between 4.1pp and 11.5pp.

The gap in performance at KS4 between eFSM and non eFSM pupils in the region has increased for all performance measures, with the exception of Level 2 Welsh First Language, in the most recent year. Level 2 Threshold inc EWM has seen an increase in the gap in performance in the most recent year, but this is still smaller than the gap seen in both 2014 and 2015, however, the performance of eFSM pupils for this measure is the lowest seen over the last three years.

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

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

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

Developing the entity's capacity

- 5.6.1 The CSC aims to ensure that staff have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery.
- 5.6.2 Effectively managing the workforce – the CSC has been required to manage reductions in staff numbers over the past few years as a result of on-going reductions in funding and at the same time:
- Continued to deliver improved performance results in priority areas (see section 5.5.7);
 - More closely managed and supported staff absence through the production of the performance dashboard; and
 - Is operating a system of agile working arrangements that aims to take advantage of digital technology to help the CSC to work in new and different ways to meet school needs, reduce costs and increase productivity. During 2017/18 the CSC invested in further digitisation to further support improvement in productivity, work life balance and utilisation of space within the CSC.

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

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

Developing the capabilities of councillors

- 5.7.2 During 2017/18 there was evidence to confirm that Councillor development needs were supported through the provision of local authority training; it was noted that the training provided related primarily to the roles of Councillors within their host authorities rather than specifically in relation to the CSC.

Developing the capabilities of employees

- 5.7.3 The CSC is also committed to staff development, in line with business needs, to help ensure it has a 'fit for purpose' workforce. During the year this has included staff induction sessions, Leadership and Middle Management Development Programmes, Staff Briefings and a range of operational training such as Curriculum for Wales, National Mission and Professional Teaching and Learning Standards.

Proposal for Improvement

- 5.7.4 Design and contribute to a national training programme for newly elected members in relation to their role overseeing the CSC.

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

Managing risk

- 5.8.1 During 2017/18, the CSC up dated its Risk Policy and presented this to the senior leadership team for approval in readiness for the new academic year. This included the establishment of a risk change template to improve the process and transparency of recording risks experienced by the CSC.
- 5.8.2 This risk change template is updated by all risk owners and then presented for review by the senior leadership team. This is included within the CSC dashboard on a half termly basis. Following on from this it is issued to both Directors and Joint Committee meetings for final review. Once this process is completed the risk register is finalised.

Proposal for Improvement

- 5.8.3 The CSC's risk policy will need to be reviewed with respect to the ownership of risks for the CSC. At present the majority of risks are owned by the Managing Director. Where risks are associated with drive team priorities these will need to be aligned with the respective leads to ensure strategic alignment with priority plans.

Managing performance

- 5.8.4 The 'Determining and Planning Interventions' section (5.5.1) of this Annual Governance Statement provides an overview of the CSC's Performance Management arrangements. Performance at a strategic level is driven and measured through the CSC's drive teams. Four drive teams have been established to ensure the effective delivery and impact of the four priority plans aligned to the 2017/18 CSC business plan. Each Drive Team is managed by the Senior Leads within the CSC.

Robust internal control

- 5.8.5 The membership and meeting frequency of the CSC's Joint Education Committee during 2017/18 was in line with the CSC's Legal Agreement.

Managing data

- 5.8.6 An Information Management Plan is in place that sets out the framework, including legal requirements, for information management within the CSC. This work has been reviewed to ensure compliance with new GDPR regulations.

- 5.8.7 A review of arrangements in place during 2017/18 identified that they were in line with laid down requirements because:

- Key responsibilities were formally designated within the CSC: The CSC's designated Senior Information Management Risk Officer (SIRO) is the Managing Director, there was a Information Management & Data Protection Act Officer within the host authority who reports to the Head of Information Technology;
- Information was available on the RCT Council website in respect of Data Protection and Freedom of Information, and it had in place a [Publication Scheme](#) (which has been adopted by the CSC) in accordance with the Council's responsibilities under the Freedom of Information Act 2000;
- Information Sharing Protocols were in place for the safe and appropriate sharing of personal information between the CSC and other organisations although these will require review during 2018/19; and
- The Host Authority continued to secure its annual accreditation to the Public Service Network (PSN) in September 2017 i.e. The 'PSN' is the Council's connection to the wider public sector network (Council to Council, Council to Government e.g. Department for Work and Pensions)

to enable the Council to communicate and share data securely across all public bodies.

5.8.8 General Data Protection Regulation (GDPR)

In addition to the normal business of the Information Management requirements placed upon the CSC, the General Data Protection Regulation (Regulation (EU) 2016/679) comes into effect on 25th May 2018.

The GDPR is a regulation intended to strengthen and unify data protection for all individuals within the European Union (EU). The primary objectives of the GDPR are to give individuals greater control of their personal data and to simplify the regulatory environment. When the GDPR takes effect, it will replace the Data Protection Directive 1995 (under which the UK Data Protection Act 1998 was made).

A Report was presented to Senior Leadership Team at the meeting held on 14th May 2018 providing an overview of the preparatory work being undertaken in readiness for the 25th May 2018.

Proposal for Improvement

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

A calendar and programme of work should be agreed for future SIRO meetings.

Strong public financial management

- 5.8.10 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 CSC. The following areas of business are documented in the Legal Agreement

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

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

- 5.8.12 Rhondda Cynon Taf County Borough Council's Financial Procedure Rules provide guidance in relation to all financial matters. The CSC has adopted Rhondda Cynon Taf Council'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 CSC Joint Education Committee shall, where relevant and subject to the provisions of this Agreement, operate in accordance with the Host's schemes of delegation, Rules of Procedure and policies from time to time.”

- 5.8.13 The Wales Audit Office audits the CSC's annual statement of accounts.
- 5.8.14 The CSC's financial and operational performance is monitored and scrutinised by the Joint Education Committee. The Joint Education Committee receives reports from:
- The Treasurer;
 - The Managing Director; and
 - Officers relevant to the operations and governance of the organisation.

- 5.8.15 During 2017/18 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

5.8.16 **Internal Audit**

During 2017/18 Internal Audit reviewed the core financial systems of the CSC Joint Education Service and the findings reported to the Joint Education Committee on 15th March 2018. At this meeting, the Joint Education Committee concluded that there were no matters of governance or of an internal control nature that require further action or attention.

5.8.17 **External Audit**

The 2016/17 statement of accounts were audited by the WAO (the WAO issuing an unqualified audit report on the financial statements) and were approved at the meeting of the Joint Education Committee on 15th September 2017.

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

- The CSC has adopted a suite of protocols supporting strong financial planning and management, for example, 'Financial Procedure Rules' and 'Contract Procedure Rules', that were complied with during the year;
- The CSC set a Gross Revenue Budget in December 2016 for the financial year 2017/18 of £4,607,779, representing a 5% cut from the previous year.

- Financial performance results were publicly reported every term during the year and scrutinised by the Joint Education Committee. The latest financial performance results, for the period April 2017 to March 2018, forecast that the CSC will deliver a £132,926 under spend on its revenue budget against a total budget of £4,492,736.
 - The CSC has kept its finances under on-going review throughout 2017/18.
 - The CSC is financially stable as a result of it maintaining an adequate General Reserve balance; having a track record over a number of years of setting and delivering balanced revenue budgets; and having 'clean bills of health' on its year end accounts when audited by the Wales Audit Office.
- 5.8.19 The latest Wales Audit Office report 'Audit of Financial Statements Report and Management Letter' reported to Joint Education Committee on 15th September 2017 concluded that the accounting statements and related notes:
- *Give a true and fair view of the financial position of the CSC Joint Education Service as at 31 March 2017; and*
 - *Have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.*
- 5.8.20 The 15th September 2017 Wales Audit Office report also made a number of recommendations and it is noted that these have been addressed by the CSC and the Host Authority. The recommendations were:
- look for methods of decreasing the payback period of the original redundancies (pre-April 2016), for example by increasing the annual repayment of the debtor from £100,000, or even agreeing a lump sum from constituent authorities.
 - fund any new redundancies in year, but where that is not possible, ensure the payback period is no longer than 2 to 3 years. This will require recording each additional case individually.

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 CSC 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 CSC's performance, plans and decisions.

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

- Annual Reports and Plans are reported publicly, providing an overview of performance, for example, the Council's audited Statement of Accounts 2016/17 reported and approved by Joint Education Committee on 15th September 2017 in line with the statutory timeframe;
- Use is made of electronic links within reports to provide the reader with more detailed information should they require it; and
- The minutes of meetings confirm that designated officers attend each meeting to orally present reports and answer questions, and a number of occasions were noted where updates were delivered via presentations, for example, using slides.

Proposal for Improvement

5.9.3 As part of the above review, it was noted that the CSC's Annual Governance Statement was incorporated within the Statement of Accounts and was not a standalone document. To increase the prominence / awareness of the Annual Governance Statement, this should be a standalone document on the CSC's website.

Assurance and effective accountability

Internal Audit

5.9.4 The CSC has an SLA with the Host Authority to provide Internal Audit Services. The Council's Internal Audit Service was subject to an external assessment during 2016/17 to determine conformance or otherwise with the Public Sector Internal Audit Standards. The external assessment concluded that the service '*complies with the Standards in all significant areas, the impact of the non-conformances identified is not considered to be significant*'. The outcome of the external assessment was presented in full to the RCT Audit Committee held on [20th March 2017](#) (Appendixes 3A and B).

5.9.5 RCT CBC Internal Audit Service undertake a series of audit reviews within CSC each year to independently assess the adequacy of this area from a financial administrative perspective. This work is undertaken in line with the Legal Agreement for the CSC. In 2017/18 four audit reviews of core financial systems were carried out and findings reported to the Joint Committee on 15th March 2018. The Joint Committee were requested to determine whether there are any matters of governance or of an internal control nature that require further action or attention and concluded that no further action(s) were required.

- 5.9.6 During 2017/18 the host authority continued to develop the section on its internet site that set out all regulatory reports received by the Council since December 2015.

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

- 6.1 Based on the assessment undertaken, it is considered that the CSC's governance arrangements were fit for purpose and publicly demonstrated how they contributed to the delivery of better outcomes for the area as set out in the Business Plan.

- 6.2 The overall conclusion has been based upon:

- An open approach to engaging with stakeholders, planning and delivering services, and reporting and scrutiny of the CSC'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 CSC's Business Plan, with progress reports demonstrating improvement in outcomes and performance at the same time as maintaining financial stability.
- Sound arrangements to support elected Councillors and Officers in the effective discharge of their responsibilities and also in maintaining high standards of conduct when undertaking business on behalf of the CSC;
- Processes in place to update governance related documents, such as the 'Anti-fraud, Bribery and Corruption Strategy' and 'Whistle-blowing' arrangements, raise awareness of these documents and also publicly reporting on performance in such areas;
- Developing medium term financial planning arrangements that can be built upon further in 2018/19; and
- The CSC 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 Consortium's current arrangements. These are set out in Section 7.

7. RECOMMENDATIONS

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

Table 1 – Recommendations for Improvement

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Ensuring our Policies and Strategies are up to date and relevant	5.2.5	The HR Charter was last up dated in 2016.	The HR Charter and other CSC specific documentation requires reviewing in order to ensure they include references to the Whistle-blowing Policy, Anti-fraud, Bribery and Corruption Strategy, Gifts and Hospitality Policy and induction arrangements.	September 2018	Senior Lead – Business & Operations
Ensuring openness and comprehensive stakeholder engagement	5.3.11	There is a need to increase the level of headteacher engagement in the governance of the organisation.	The Governance structure requires review to ensure increased engagement in the decision making process from headteachers across the region in line with the requirements of the revised National Model for Regional Working when this is published.	September 2018	Senior Lead – Business & Operations
		The need to include FOI updates on the agenda to Joint Committee.	Develop a systematic process whereby Freedom of information Requests are reported to Joint Committee.	September 2018	Managing Director

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Medium Term Financial Plan	5.4.7	The need to further develop the medium term financial plan.	Further develop the Medium Term Financial Plan during 2018/19, to ensure resources are allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources. Proposals for revisions to service delivery will be discussed with Chief Executives and Directors in light of any published revisions to the National Model for Regional Working.	December 2018	Senior Lead – Business & Operations
Elected Members Training Programme	5.7.4	Newly Elected members may require further training on the work of the CSC.	Design and contribute to a national training programme for newly elected members in relation to their role overseeing the CSC.	June 2018	Senior Lead – Strategy, Leadership & Workforce Reform
Risk Management	5.8.3	During 2017/18, the CSC up dated its Risk Policy and presented this to the senior leadership team for approval in readiness for the new academic year. However, the majority of risks are owned by the Managing Director.	The CSC's risk policy will need to be improved with respect to the ownership of risks for the CSC. At present the majority of risks are owned by the managing Director. Where risks are associated with drive team priorities these will need to be aligned with the respective leads to ensure strategic alignment with priority plans.	December 2018	Managing Director

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Information Management	5.8.9	Information Management – no update is reported setting out the CSC’s work and performance in this area.	The CSC should report on a periodic basis, for example annually, its work and performance around Information Management and provide opportunity for review and scrutiny by the Joint Education Committee.	December 2018	Senior Lead – Business & Operations
			A calendar and programme of work should be agreed for future SIRO meetings.		
Implementing good practice in transparency and reporting	5.9.3	The Annual Governance Statement is incorporated within the Statement of Accounts but is not a stand alone document e.g. on the CSC’s website.	To increase the prominence / awareness of the Annual Governance Statement, this should be a standalone document on the CSC’s website.	Autumn 2018	Senior Lead – Business & Operations

7.2 The CSC’s Senior Management Team has accepted the recommendations and is committed to their implementation during 2018/19. The Senior Management Team has also confirmed that an update on progress will be reported to the CSC’s Joint Education Committee during the year to enable Councillors to review and scrutinise the extent of progress being made.

Managing Director: _____ Section 151 Officer: _____

Chair, Joint Education Committee _____

APPENDIX A

POSITION STATEMENT ON PROGRESS MADE TO IMPLEMENT 2016/17 RECOMMENDATIONS

Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer	Progress
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The 'Anti-Fraud, Bribery and Corruption Policy and Procedure' was last updated in 2013.	The host authority has identified that the Anti-Fraud, Bribery and Corruption Policy and Procedure should be reviewed and updated, where relevant, and reported to the appropriate Committee for scrutiny and sign-off. This update should then be used to inform a refreshed programme of awareness raising across the Council and will include officers at the CSC.	January 2018	Managing Director	Completed Reported to RCT Audit Committee 27 th November 2017.
	There is a need for a systematic process for the adoption of host authority policies.	Develop a systematic process whereby updates to policies provided by the host authority are discussed at the operational senior leadership team meeting for approval and shared with staff on Cronfa.	September 2017	Senior Lead –Business & Operations	Completed When notified of updated policies from RCT, these are reviewed by SMT and presented to SLT for discussion / comment. Once agreed, they are uploaded to the staff area on Cronfa.

Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer	Progress
Ensuring openness and comprehensive stakeholder engagement	There is a need to increase the level of headteacher engagement in the governance of the organisation.	Review the overall governance structure for the CSC to ensure increased engagement in the decision making process from headteachers across the region as part of a continued drive to a school led self improving system.	September 2017	Managing Director	Partly Completed Meetings have taken place with Directors on the future role of Headteachers regarding governance of the CSC. CSC is awaiting the outcomes of a review of the National Model.
Defining outcomes in terms of sustainable economic, social, and environmental benefits	The need to develop a medium term financial plan	Develop a MTFP in 2017/18, ensuring resources be allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources.	December 2017	Senior Lead –Business & Operations	Completed Medium Term Financial Plan regarding the core budget presented to Joint Committee in December 2017. Due to the uncertainty of Welsh Government grant funding, it has not currently been possible to profile grant funding over the medium term.

Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer	Progress
Developing the capability of the entity's leadership and other individuals	Councillor / employee development / training – where operational training is delivered, its impact is not always captured	Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help inform future activity and assess the impact on attendees.	September 2017	Senior Lead –Standards & Improvement Planning	Scheduled to be completed during 2018/19 Training programme agreed with WLGA for Summer 2018.
	Newly Elected members may require further training on the work of the CSC	Design and contribute to a national training programme for newly elected members.	September 2017	Senior Lead –Strategy, Leadership & Workforce Reform	Scheduled to be completed during 2018/19 Training programme agreed with WLGA for Summer 2018.
Managing risks and performance through robust internal control and strong public financial management	Information Management – no update is reported setting out the CSC's work and performance in this area.	The CSC should report on a periodic basis, for example annually, its work and performance around Information Management and provide opportunity for review and scrutiny by the Joint Education Committee.	June 2018	Head of Data, Quality & Intelligence Unit	Completed CSC report to the March 2018 Joint Committee in respect of the Information Management Policy.

The independent auditor's report of the Auditor General for Wales to the members of Central South Consortium Joint Education Service Joint Committee

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Central South Consortium Joint Education Service Joint Committee for the year ended 31st March 2018 under the Public Audit (Wales) Act 2004.

The Central South Consortium Joint Education Service Joint Committee financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

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 2017/18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Central South Consortium Joint Education Service Joint Committee as at 31st March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Central South Consortium Joint Education Service Joint Committee in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Central South Consortium Joint Education Service Joint Committee ability to continue to adopt the

going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements 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.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council [and the group] and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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 financial 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.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of 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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on page 13, the responsible financial officer is responsible for the preparation of the statement of accounts, Central South Consortium Joint Education Service Joint Committee, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Central South Consortium Joint Education Service Joint Committee ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities . This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
XX September 2018

24 Cathedral Road
Cardiff
CF11 9LJ

APPENDIX 2
13th September 2018

Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the Central South Consortium Joint Education Service Joint Committee for the year ended 31st March 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Audit Practice; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Central South Consortium Joint Education Service Joint Committee and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed. All events occurring, subsequent to the reporting date, which require adjustment or disclosure, have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements, taken as a whole.

Representations by members of the Central South Consortium Joint Education Service Joint Committee.

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Central South Consortium Joint Education Service Joint Committee on 13th September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:
S151 Officer
Date:

Signed by:
Chair of the Joint Committee
Date:



International Standard for Auditing (UK and Ireland) 240 covers – The auditor’s responsibilities relating to fraud in an audit of financial statements.

Enquiries of those charged with governance – in relation to fraud

Question	2016-17 Response	2017-18 Response
<p>1. How does the Joint Committee exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?</p>	<p>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.</p> <p>The Legal Agreement for the Joint Education Service provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:</p> <ul style="list-style-type: none"> • The Host Authority; • The Directors’ Steering Group; • The Advisory Board; • Operational Management Group; • Central South Consortium Joint Education Committee; and • Financial Management 	<p>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.</p> <p>The Legal Agreement for the Joint Education Service provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:</p> <ul style="list-style-type: none"> • The Host Authority; • The Directors’ Steering Group; • The Advisory Board; • Operational Management Group; • Central South Consortium Joint Education Committee; and • Financial Management
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2017?</p>	<p>No instances of fraud relating to the financial management of the Joint Committee were reported to and / or investigated by Internal Audit during</p>	<p>No instances of fraud relating to the financial management of the Joint Committee were reported to and / or investigated by Internal Audit during</p>

Enquiries of those charged with governance – in relation to fraud

Question	2016-17 Response	2017-18 Response
	<p>2016/17.</p> <p>In addition, no instances of fraud relating to the financial management of the Joint Committee were reported / identified via the Anti-Fraud, Bribery and Corruption Policy and Procedure and/or Whistleblowing Policy during 2016/17.</p>	<p>2017/18.</p> <p>In addition, no instances of fraud relating to the financial management of the Joint Committee were reported / identified via the Anti-Fraud, Bribery and Corruption Policy and Procedure and/or Whistleblowing Policy during 2017/18.</p>

Enquiries of management – in relation to laws and regulations

Question	2016-17 Response	2017-18 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	The accounts are prepared in accordance with the accounts & audit regulations. Initial feedback from the WAO audit indicates compliance.	The accounts are prepared in accordance with the accounts & audit regulations. Initial feedback from the WAO audit indicates compliance.
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2017, or earlier with an ongoing impact on the 2017-18 financial statements?	There are no instances of non-compliance with relevant laws and regulations. The Joint Committee receives assurance from the appointed External Auditor.	There are no instances of non-compliance with relevant laws and regulations. The Joint Committee receives assurance from the appointed External Auditor.
3. Are there any potential litigations or claims that would affect the financial statements?	Any potential litigations and/or claims are accounted for in accordance with the Code of Practice and where appropriate, disclosed in the letter of representation.	Any potential litigations and/or claims are accounted for in accordance with the Code of Practice and where appropriate, disclosed in the letter of representation.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?		There are no reports from regulatory bodies which indicate non-compliance.
5. Are you aware of any non-compliance with laws and regulations within service organisation since 1 April 2017?		There are no instances of non-compliance with relevant laws and regulations.

Enquiries of those charged with governance – in relation to laws and regulations

Question	2016-17 Response	2017-18 Response
<p>1. How does the Joint Committee in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?</p>	<p>Constituent Local Authority's make appointment of elected member for representation on Joint Committee.</p> <p>Full Council (Rhondda Cynon Taff CBC) ratifies the appointment of the Section 151 Officer and the Council's Monitoring Officer, whose roles are defined by statute and referenced within the Constitution.</p> <p>The Joint Committee receives assurance from the appointed External Auditor.</p>	<p>Constituent Local Authority's make appointment of elected member for representation on Joint Committee.</p> <p>Full Council (Rhondda Cynon Taff CBC) ratifies the appointment of the Section 151 Officer and the Council's Monitoring Officer, whose roles are defined by statute and referenced within the Constitution.</p> <p>The Joint Committee receives assurance from the appointed External Auditor.</p>
<p>2. Are you aware of any instances of non-compliance with relevant laws and regulations?</p>	<p>There are no instances of non-compliance with relevant laws and regulations. The Joint Committee receives assurance from the appointed External Auditor.</p>	<p>There are no instances of non-compliance with relevant laws and regulations. The Joint Committee receives assurance from the appointed External Auditor.</p>

Enquiries of management – in relation to related parties

Question	2016-17 Response	2017-18 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; • details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting.</p>	<p>Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting.</p> <p>Additional Controls in place include:</p> <ul style="list-style-type: none"> • Gifts & Hospitality Policy; • Contract Procedure Rules; and • The Anti-Fraud, Bribery & Corruption Policy and Procedure. 	<p>Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting.</p> <p>Additional Controls in place include:</p> <ul style="list-style-type: none"> • Gifts & Hospitality Policy; • Contract Procedure Rules; and • The Anti-Fraud, Bribery & Corruption Policy and Procedure.

Enquiries of the those charged with governance – in relation to related parties

Question	2016-17 Response	2017-18 Response
<p>1. How does the Joint Committee in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting.</p> <p>Additional Controls in place include:</p> <ul style="list-style-type: none"> • Gifts & Hospitality Policy; • Contract Procedure Rules; and • The Anti-Fraud, Bribery & Corruption Policy and Procedure. 	<p>Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting.</p> <p>Additional Controls in place include:</p> <ul style="list-style-type: none"> • Gifts & Hospitality Policy; • Contract Procedure Rules; • The Anti-Fraud, Bribery & Corruption • Policies and Procedures; and • Declarations of Interest at each committee are asked for as a standard agenda item.