

# Document Pack



**FRIDAY 22<sup>ND</sup> APRIL 2022**

## **ERW JOINT COMMITTEE**

**VIRTUAL MEETING TO BE HELD AT 2.30 PM  
ON FRIDAY, 29TH APRIL, 2022**

# **A G E N D A**

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF PERSONAL INTERESTS**
- 3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 8TH JULY 2021** 3 - 12
- 4. AUDIT WALES 2021 AUDIT PLAN - EDUCATION THROUGH REGIONAL WORKING JOINT COMMITTEE** 13 - 26
- 5. ERW CONSORTIUM HEAD OF INTERNAL AUDIT ANNUAL ASSURANCE OPINION 2020-21** 27 - 30
- 6. AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT** 31 - 50
- 7. ERW STATEMENT OF ACCOUNTS FOR 2020-21** 51 - 114
- 8. ERW ANNUAL GOVERNANCE STATEMENT 2020-21** 115 - 130
- 9. ERW OUTTURN 2021-22** 131 - 140
- 10. ANY OTHER ITEMS OF BUSINESS THAT BY REASONS OF SPECIAL CIRCUMSTANCES THE CHAIR DECIDES SHOULD BE CONSIDERED AS A MATTER OF URGENCY PURSUANT TO SECTION 100(4)(B) OF THE LOCAL GOVERNMENT ACT 1972**



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# Agenda Item 3

(NOTE: THESE MINUTES ARE SUBJECT TO CONFIRMATION BY THE SHADOW JOINT COMMITTEE AT ITS NEXT MEETING)



**Shadow Partneriaeth Joint Committee  
Thursday, 8<sup>th</sup> July, 2021  
Virtual Meeting  
2.00 pm – 3.15 pm**

**PRESENT:** Councillor Emlyn Dole [Chair], Carmarthenshire County Council

Councillor Rosemarie Harris	Powys County Council
Councillor Rob Smith (substituting for Cllr Rob Stewart)	Swansea Council
Councillor Guy Woodham (substituting for Cllr David Simpson)	Pembrokeshire County Council
Mr Richard Brown	Pembrokeshire County Council
Mr Phil Roberts	Swansea City Council
Dr Caroline Turner	Powys County Council
Mrs Wendy Walters	Carmarthenshire County Council
Mr Jonathan Haswell	Pembrokeshire County Council (ERW – S151 Officer)
Ms Tracey Meredith	Swansea City Council (ERW - Monitoring Officer)
Mr Gareth Morgans	Carmarthenshire County Council (Lead Director)
Mr Stephen Richards-Downes	Pembrokeshire County Council (Deputy Lead Director)
Ms Helen Morgan-Rees	Swansea City Council
Ms Debbie Smith	Swansea City Council
Mr Greg Morgan	ERW Chief Officer
Mr Ian Altman	ERW Chief Officer
Mr Ceri Davies	Pembrokeshire County Council (ERW - HR)
Ms Helen Lewis	Pembrokeshire County Council (ERW - HR)
Ms Jo Hendy	Pembrokeshire County Council (ERW – Head of Audit)
Mr Mark McLaughlin	ERW (Principal Accountant)



(NOTE: THESE MINUTES ARE SUBJECT TO CONFIRMATION BY THE SHADOW  
JOINT COMMITTEE AT ITS NEXT MEETING)

Mr Alex Ingram	Welsh Government
Mr Clive Phillips	ESTYN
Mrs Michelle Evans Thomas	Carmarthenshire County Council (Democratic Services)
Mr Kevin Thomas	Carmarthenshire County Council (Democratic Services)
Mrs Janine Owen	Carmarthenshire County Council (Democratic Services)
Mrs Sarah Hendy	Carmarthenshire County Council (Democratic Services)
Ms Siwan Rees	Carmarthenshire County Council (Translation)

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr David Simpson (Pembrokeshire County Council), Cllr Rob Stewart (Swansea Council). Cllr Guy Woodham (Pembrokeshire County Council) and Cllr Rob Smith (City & County of Swansea Council) attended the meeting as substitutes.

**2. DECLARATIONS OF PERSONAL INTERESTS**

There were no declarations of personal interests made at the meeting.

**3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 30<sup>TH</sup> MARCH 2021**

The following correction was raised:

- **Minute 10 - Any Other Items of Business**  
To remove the reference of Powys County Council, as they had not presented notice that they would wish to leave the consortium.

**RESOLVED** that the minutes of the ERW Joint Committee meeting held on 30<sup>th</sup> March 2021 be signed as a correct record subject to the minutes reflecting the abovementioned amendment.



#### 4. MATTERS ARISING FROM THE MINUTES

##### **Minute 8 – Y Llwyfan Lease**

An update was requested in relation to the Y Llwyfan Lease going forward. Mr Morgans stated that he had recently communicated with the three Chief Executives asking if one of the Councils would be happy to take on the lease from Powys County Council. In addition, it was reported that the new partnership including the lease of Y Llwyfan would be discussed at the upcoming Shadow Joint Committee, an update would be provided to this Committee following the meeting.

##### **Minute 6 – Neath Port Talbot Letter – Procurement of Services and Minute 7 – Ceredigion Letter – Procurement of Services**

The Chair reported that specific programs were being delivered to both Neath Port Talbot and Ceredigion Schools as agreed.

In addition, it was reported the lease for 'Y Llwyfan' had been extended in order to create additional space for the new partnership but Officers had reduced the number of rooms required from September which had therefore reduced the cost of the lease.

#### 5. CORRESPONDENCE

The Joint Committee received the following correspondence:

- Letter from Chair of ERW Scrutiny Councillor Group to Chair of Joint Committee - reflecting on the views following the last meeting of ERW Scrutiny Councillor Group held on 1st March 2021.
- Response from Chair of Joint Committee in reply to Chair of ERW Scrutiny Group

Concern was raised specifically in relation to paragraph 3 in the letter from the Chair of ERW Scrutiny Councillor Group which suggested that those who were not part of the new partnership choose to commission. It was emphasised that it was not of choice that services would be commissioned from September onwards, the fact was that the partnership was approaching an end and therefore new arrangements were being put in place. The concern was in relation to the perceived impression that was being portrayed to the Scrutiny Group and others on this matter. It was commented that the response from the Chair was balanced stating that the new partnership would not be at a financial detriment going forward.



Furthermore, it was commented that fairness be provided to those partners not part of the new partnership going forward in terms of access to the arrangements that would be required ensuring a fair service for Headteachers.

In light of the concerns raised, it was proposed that a further letter be written to the Chair of ERW Scrutiny Committee providing information on the background circumstances stipulating what the arrangements would be going forward into the new partnership. This was duly seconded.

**RESOLVED that: -**

- 5.1 The letter from Chair of ERW Scrutiny Councillor Group to Chair of Joint Committee dated 23<sup>rd</sup> March 2021 be received.**
- 5.2 The response from Chair of Joint Committee dated 20<sup>th</sup> April 2021 in reply to Chair of ERW Scrutiny Group's letter in 5.1 be received.**
- 5.3 The Chair of the ERW Joint Committee write an additional letter to the Chair of ERW Scrutiny Councillor Group providing clarity on the background circumstances and information on the new arrangements going forward.**

**6. ERW UPDATE - ERW CHIEF OFFICERS**

The Joint Committee received the ERW evaluation of Business Plan 2020-21 and draft Business Plan April-August 2021 for consideration.

The Lead Director expressed his gratitude to all staff for their continued support to schools throughout the difficult and challenging period.

The following queries were raised:-

- Reference was made to the pages 3 of the ERW Business Plan Evaluation. It was raised that it was vital that Powys County Council continues to receive access to the National Leadership Programmes moving forward. It was reported that the National Academy would only deal with Consortium. Concern was raised that whilst Powys would be able to access the services of the new Consortium it was understood that this would be at an additional cost. This matter had been raised with the Welsh Government. It was reported that the reality of not being able to access some of the programmes within Wales, the alternative option would be to look to England. In summary, it was recognised that from September 2021, Powys would be facing difficulties in accessing the programmes that Headteachers and Teachers rely on.



Reference was made to page 19 of the ERW Business Plan Evaluation. It was commented that 'Dolen' is a vital resource where all 6 Local Authorities had contributed towards over a number of years. As this is a joint resource, it was asked what the arrangements would be from September 2021 onwards?

In response to the above queries, the Lead Director stated that access to programmes to non-members of the Consortium would be considered and that it would be prudent to make available as a regional provision. In relation to the service 'Dolen', conversations were currently taking place in relation to access to resources created by the consortium. It was explained that Dolen was a platform that was paid for separately and that there could be a possibility of developing a short-term agreement to maintaining the platform. Reassurance was provided that the Dolen platform would be made accessible to all.

- Reference was made to the Well-being elements of the plan. Concern was raised in relation to the increase in demand for mental health services for learners. It was asked if this increase was across the region and if so, could it be considered to support schools from a regional approach?  
The Chief Officer, in response explained that this had been a priority over the last 18 months and that there was a commitment from Welsh Government to continue as a priority. In addition, there were programmes in across the region to support the mental health of both staff and pupils.

**RESOLVED that: -**

- 6.1 The ERW Business Plan Evaluation 2020-21 be received;**
- 6.2 The ERW Business Plan to April – August 2021 be approved.**

## **7. ERW DEVELOPMENT - GARETH MORGANS**

The Joint Committee received a report supported by a verbal update from the Lead Director on the proposed arrangements for the delivery of Welsh Government programmes and Consortia services from 1st September 2021.

The report provided a brief background of the formation of ERW and that a Deed of Variation was currently being circulated amongst the 4 current partner Authorities to allow all the remaining authorities to withdraw from ERW at the same time and with the current ERW Consortium coming to an end. The remaining partners would be required to make alternative arrangements for delivering improvements in teaching and learning to secure the best outcomes for all learners.



It was reported that discussions were ongoing between the remaining local authorities in terms of the future delivery of the agreed functions.

The Committee noted that Carmarthenshire, Pembrokeshire and Swansea had agreed to form a new partnership which would be operational from 1st September 2021 and Powys were making their own local arrangements which included working in partnership with Ceredigion on some aspects of school improvement.

The Chair and the Lead Director highlighted that the current ERW staffing structure had been created to service schools in 6 Local Authorities and whilst some posts were vacant, others were filled by secondments. Some staff members had been successful in securing new posts and it was probable that moving to new arrangements would result in some redundancies, however these would be kept to a minimum where possible.

The following queries were raised:-

- It was commented that Powys had put arrangements in place post August 2021 however, it was not made clear that there would be additional costs attributed to access services/programmes from September onwards. Whilst the grant fund would be utilised from the Welsh Government the pressure from the additional costs from the 1<sup>st</sup> September 2021 had not been foreseen. It would be beneficial if there are additional costs that they be made clear and how the contributions would be made. Furthermore, it would be beneficial to be made aware of how many staff members would be left for the new arrangements come September 2021.

In addition, it was hoped that there would be a commitment in the agreement that Ceredigion and Neath Port Talbot would also contribute to any additional cost in bringing the arrangement to a close. These costs should be shared utilising the calculated formula.

The Chair explained that the final costs would be relevant to all partners and that the costs would be based on the previous formula of contributions.

It was reported that all parties, including Neath Port Talbot and Ceredigion had contingent liability up until the end of March 2022 where cost recovery would be sought.

The Lead Director, in terms of the additional costs, stated that he was working closely with the Section 151 Officer in modelling what the costs would be at the end of the process and that it was intended to write to all partners before the end of August to share the information.

**RESOLVED that:**





**7.1 The verbal update in regard to provision of current Consortia Services post August 2021 be received;**

**7.2 the proposed approaches post August 2021 be noted.**

## **8. ERW FINANCE UPDATE**

The Joint Committee received the ERW Financial Update Outturn 2020-21 relating to the following areas:-

- Central Team Budget
- Service Level Agreements
- Local Authority Contributions
- Grant Allocations
- Pupil Development Grant (PDG)
- Regional Consortia School Improvement Grant (RCSIG)
- Grants – Curriculum, Digital, Welsh, Leadership, Professional Learning, and Equity and Wellbeing
- Risks
- Reserves

The Joint Committee was advised that SLAs for 2020/21 totalled £139,000 and the total Local Authority contributions for the same period was £480,356 and that all contributions had been paid.

The Committees attention was drawn to the table on page 3 of the report which stated that the Appropriation to Reserve was £300k. It was reported that since the publication of this report, during the production of the draft statement of accounts, additional expenditure of £30k in the salaries area had been found. Therefore, the Appropriation to Reserve should be noted as £270k.

Confirmation was provided to the Committee that the £500k grant flexibility provided by Welsh Government in 2020/21 was utilised.

In reference to the 2020-21 Grant Allocation table on page 4 of the report, it was highlighted that of the £56.288m total Grant Income, £607,063 RCSIG and £14,384 PDG funding had not been spent during 2020-21 and had been carried forward for use into 2021-22.

**RESOLVED that the ERW Financial Outturn for 2020-21 be approved.**



**9. ERW INTERNAL AUDIT REPORT 2020-21**

The Joint Committee received a report on the Internal Audit Work Programme for 2020/21 which provided the findings from the Internal Audit review of the ERW Consortium 2020-21.

Members were advised that the work was completed in April-May 2021 and finalised in June 2021. The report included a number of recommendations and overall only limited assurance could be given on the effectiveness of the governance, risk management, internal control and financial management arrangements in place. The Committee noted that this was the fourth year of providing a limited assurance opinion and in line with the commitment last year in the Annual Governance Statement to undertake the lessons learned review, it was suggested that the previous year's Internal Audit Reports be included in that review in order to strengthen arrangements moving forward into the new partnership.

The Committee noted that whilst this report belonged to the existing ERW Consortia, it would be prudent for the new partnership to include these recommendations from September.

**RESOLVED that the ERW Consortium Internal Audit Report 2020-21 be noted.**

**10. ERW RISK REGISTER**

The Joint Committee received the Risk Register detailing the main strategic business risks to ERW's objectives. It was advised that the risks in relation to qualifications 2021 had been updated.

**RESOLVED that the Risk Register be received and that the changes in the risk profile be noted.**

**11. DRAFT DEED OF VARIATION TO THE JOINT COMMITTEE AGREEMENT  
DATED 16<sup>TH</sup> JULY 2014**

The Joint Committee received a report which included the draft Deed of Variation appended to the report.

The terms of the draft Deed of Variation had been developed to allow the current parties to the Consortium to exit the regional arrangements and to terminate the Joint Committee Agreement dated 16th July 2014.

The newly appointed Monitoring Officer from Swansea City Council introduced herself and her colleague Deputy Monitoring Officer also from Swansea City Council who had been working on the contractual arrangements in relation to the Deed of Variation.



*(NOTE: THESE MINUTES ARE SUBJECT TO CONFIRMATION BY THE SHADOW  
JOINT COMMITTEE AT ITS NEXT MEETING)*

The Committee was reminded that in November 2020 [minute 6.1 refers] and March 2021 [Minute 6 & 7 refers], changes to the Joint Committee Agreement was agreed, this allowed both Neath and Port Talbot and Ceredigion Councils to access agreed services. In addition, in relation to governance arrangements the agreed changes enabled facilitation and dissolution and termination of ERW to address any subsequent liabilities or indemnities of all present and former Authorities and to facilitate a reduced notice period. It was reported that following the Committees agreement, each Constituent Authority took a report to their Cabinet whereby Delegated Authority was given to the Chief Legal Officers and in some Authority's the Director of Education to put into the Deed of Variation and any wording necessary to achieve the resolution

The report sought guidance from the Joint Committee for the Constituent Councils to act by finalising the terms of the Deed of Variation and give notice using the previously approved delegated powers.

The following comments/queries were raised:-

- Concern was raised in relation to the short timescale available for the four Cabinets to approve the Deed of Variation. Clarity was requested on some of the elements to enable this to be achieved.
- In addition, it was suggested that it be made clear within the Deed that all partners would be terminating the arrangements on the same day at the end of August.
- A further point was raised in that prior to the signing of the Deed of Variation some outstanding matters would need to be resolved and/or required clarity before approval.

The Monitoring Officer, in response to the points raised above referred to the delegation that was in place which enabled the Chief Legal Officer to approve subject to the Constituent Authority's authorisation, thus negating the need to refer to Cabinet.

In terms of the end of August termination date, it was reported that a report had already been received which stated that the Statement of Accounts would be returned to this consortium for approval/sign off. However, it was highlighted that it was unlikely that this would not take place prior to the end of August 2021, requiring ERW to continue for a short term after the end of August. In addition, in terms of the new regional consortium, a new Joint Committee Agreement would be required to be finalised which would require approval/sign off following each Constituent Authorities consideration and approval.



It was explained that a Constituent Authority would not be able to leave the consortium unilaterally and that it would have to be agreed in accordance with the Deed of Variation. Currently the Deed of Variation was drafted that all authorities are to leave at the same time. However, there was scope to, subject to the agreement of all parties, to allow an Authority to leave the consortium earlier but the terms of this arrangement would need to be included in the Deed of Variation.

It was emphasised that a minimum of two Authorities would need to remain in the ERW consortium to enable the Joint Committee to continue, the liabilities would need to be finalised in order for ERW consortium to finalise its business before ceasing.

**RESOLVED:-**

**11.1 to recommend to each of the constituent Councils that:**

- i) a decision is made to sign the Deed of Variation and serve notice to withdraw from the Consortium in accordance with each Council's constitution and that the notice is duly served on the Chair of the Joint Committee.**
- ii) Any decision by the Councils is coordinated and appropriately timed to reflect the need to finalise outstanding ERW business.**

**11.2 that subject to recommendation 11.1, authorise the S.151 officer for the Consortium to undertake further work to clarify the liabilities of the current and former parties to the Consortium and in conjunction with the Lead Director to liaise with Neath Port Talbot and Ceredigion Councils confirming the detail of any liability arising as a result of their withdrawal from the regional arrangements.**

**12. ANY OTHER ITEMS OF BUSINESS**

There were no items of urgent business.

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**CHAIR**

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**DATE**





## ERW JOINT COMMITTEE 29 APRIL 2022

### AUDIT WALES 2021 AUDIT PLAN - EDUCATION THROUGH REGIONAL WORKING JOINT COMMITTEE

#### PURPOSE:

To provide the ERW Joint Committee with the Audit Wales 2021 Audit Plan for ERW, outlining the work to be undertaken by Audit Wales in discharging their statutory duties.

#### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

- To note and approve the Audit Wales 2021 Audit Plan.
- To approve the total fee of £13,000.

**REASONS:** To obtain the approval of the ERW Joint Committee.

Report Author:  
Jon Haswell

Designation:  
ERW Section 151 Officer

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**EXECUTIVE SUMMARY  
ERW JOINT COMMITTEE  
29 APRIL 2022**

**AUDIT WALES 2021 AUDIT PLAN -  
EDUCATION THROUGH REGIONAL WORKING JOINT COMMITTEE**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

**The Audit Wales 2021 Audit Plan for ERW outlines the work to be undertaken by Audit Wales in discharging their statutory duties.**

**DETAILED REPORT ATTACHED?**

**Yes**

**IMPLICATIONS**

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
<b>NONE</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>NONE</b>
<b>1. Legal</b> As outlined in the report.				
<b>2. Finance</b> As outlined in the report.				
<b>3. Risk Management</b> As outlined in the report.				

**CONSULTATIONS**

N/A

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:  
THERE ARE NONE**

## 2021 Audit Plan – Education through Regional Working Joint Committee

Audit year: 2020-21

Date issued: August 2021

Document reference: 2539A2021-22

This document has been prepared as part of work performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.



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# 2021 Audit Plan

## About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

## My duties

- 2 I complete work each year to meet the following duties.

## Audit of financial statements

- 3 Each year I audit the Education through Regional Working Joint Committee's (the Joint Committee) financial statements to make sure that public money is being properly accounted for.

## Value for money

- 4 The Joint Committee has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.

## Impact of COVID-19

- 5 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit work.
- 6 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and wellbeing of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 7 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.

- 8 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the Joint Committee as the 2021 position becomes clearer.

## Audit of the financial statements

- 9 It is my responsibility to issue a certificate and report on the financial statements. This includes:
- an opinion on the on the 'truth and fairness' of the Joint Committee's financial statements for the financial year ended 31 March 2021; and
  - an assessment as to whether the Joint Committee's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Joint Committee.
- 10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Joint Committee prior to completion of the audit.
- 11 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 12 There have been no limitations imposed on me in planning the scope of this audit.
- 13 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

## Audit of financial statements risks

- 14 The following table sets out the significant risks I have identified for the audit of the Joint Committee.

## Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p><b>Future direction of the Joint Committee.</b> It is expected that ERW will cease on 30 November 2021 and a new partnership of three local authorities - Carmarthenshire County Council, Pembrokeshire County Council and the City and County of Swansea Council will commence from 1 December 2021 – although a formal legal agreement has yet to be finalised. We would expect appropriate disclosures to be made in the financial statements bringing these matters to the attention of the reader.</p>	<p>My audit team will ensure that appropriate disclosures are included in the financial statements which reference the future direction of the joint committee.</p>

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Impact of COVID-19 – quality of the financial statements</b></p> <p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, particularly around estimates, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p><b>Impact of COVID-19 – funding support provided by the Welsh Government</b></p> <p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. The Welsh Government has made available additional flexibility in the funding provided to the Joint Committee during 2020-21. The amounts involved are potentially material to the accounts and there is a risk that these funds may not be appropriately accounted for in the year-end financial statements.</p>	<p>We will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment with the Joint Committee.</p>
<p><b>Senior officer disclosures.</b></p> <p>There have been changes to senior staff during 2020-21 which may impact on disclosures in the accounts.</p>	<p>My audit team will review senior officer disclosures within the financial statements to ensure they are accurate and complete with regard to the materiality level set for such disclosures.</p>

## Statutory audit functions

- 15 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
  - Section 31 Right to make objections at audit.
- 16 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

- 17 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
  - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 18 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 19 Your estimated fee for 2021 is set out in **Exhibit 2**. This is in line with the 2020 fee.

## Exhibit 2: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	13,000	13,000
Total fee	13,000	13,000

20 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with Joint Committee.

21 Further information on my [fee scales and fee setting](#) can be found on our website.

## Audit team

22 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

### Exhibit 3: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Lead	07896 271873	anthony.veale@audit.wales
Jeremy Saunders	Audit Manager	029 20829329	jeremy.saunders@audit.wales
Julie Owens	Senior Auditor	07581 499092	julie.owens@audit.wales

<sup>1</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>2</sup> Payable November 2020 to October 2021.

## Timetable

- 23 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

### Exhibit 4: audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	June 2021	July 2021
<b>Audit of Financial statements work:</b> <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on Financial Statements</li></ul>	July 2021 to September 2021	To be confirmed

- 24 I can confirm that my team members are all independent of Joint Committee and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.







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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



## ERW JOINT COMMITTEE 29 APRIL 2022

### ERW CONSORTIUM HEAD OF INTERNAL AUDIT ANNUAL ASSURANCE OPINION 2020-21

#### PURPOSE:

To provide the Joint Committee with the Head of Internal Audit's annual opinion on the effectiveness of ERW's Governance, Internal Control, Risk Management and Financial Management arrangements.

#### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

To note the Head of Internal Audits Annual Assurance Opinion 2020-21.

#### REASONS:

To assist ERW to inform its Annual Governance Statement 2020-21.

<b>Report Author:</b> Matthew Holder	<b>Designation:</b> ERW Head of Internal Audit	<b>Tel No.</b> 01437 776581  <b>E. Mail:</b> Matthew.holder@pembrokeshire.gov.uk
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**EXECUTIVE SUMMARY  
ERW JOINT COMMITTEE  
29 APRIL 2022**

**ERW CONSORTIUM HEAD OF INTERNAL AUDIT ANNUAL  
ASSURANCE OPINION 2020-21**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

To provide the Joint Committee with the Head of Internal Audit's annual opinion on the effectiveness of ERW's Governance, Internal Control, Risk Management and Financial Management arrangements.

DETAILED REPORT ATTACHED?

Yes

**IMPLICATIONS**

Policy, Crime & Disorder and Equalities NONE	Legal YES	Finance YES	Risk Management Issues YES	Staffing Implications YES
<b>1. Legal</b> As outlined within the Internal Audit Report 2020-21 presented to the Joint Committee on 08 July 2021				
<b>2. Finance</b> As outlined within the Internal Audit Report 2020-21 presented to the Joint Committee on 08 July 2021				
<b>3. Risk Management</b> As outlined within the Internal Audit Report 2020-21 presented to the Joint Committee on 08 July 2021				
<b>4. Staffing Implications</b> As outlined within the Internal Audit Report 2020-21 presented to the Joint Committee on 08 July 2021				

**CONSULTATIONS**

N/A

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:  
THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection
<a href="#">ERW Internal Audit Report 2020-21</a>	-	County Hall, Carmarthen

## **EDUCATION THROUGH REGIONAL WORKING (ERW)**

### **Head of Internal Audit Annual Assurance Opinion 2020-21**

#### **1.0 Introduction**

- 1.1 The Public Sector Internal Audit Standards came into effect on the 1st April 2013 and require the Head of Internal Audit to “deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement”.
- 1.2 The purpose of the annual internal audit opinion is to contribute to the assurances available to the Section 151 Officer and the Joint Committee which underpin the assessment of the effectiveness of the system of internal control for ERW. The audit work undertaken has been based on a risk assessment and the Joint Committee will need to integrate these results with other sources of assurance when making a rounded assessment of control for the purposes of the Annual Governance Statement (AGS).

#### **2.0 Internal Audit Work 2020-21**

- 2.1 The Internal Audit Plan for 2020-21 was a risk-based audit plan, which was agreed with the Lead Chief Executive, Interim Chief Officers and the Section 151 Officer; and approved by the Joint Committee on 09 February 2021.
- 2.2 The Internal Audit Plan for 2020-21 consisted of the following, which received a limited assurance opinion:
- Follow-up of Previous Internal Audit Recommendations and AGS Actions
  - Arrangements for the Cessation of ERW and Preparations for future Education Through Regional Working
  - ERW Business Plan
  - Risk Register
  - Budgetary Management and Control
  - Compliance with Contract Procedure Rules
  - Grant Schedules and Returns for Authorities

In addition, the Internal Audit reviews of the relevant main financial systems operated by Pembrokeshire County Council, received a substantial assurance rating.

### **3.0 Head of Internal Audit Opinion**

- 3.1 In order to form an opinion on each audit review, the Internal Audit Service have to obtain sufficient evidence on which to base their opinion, and by necessity this results in testing on a sample or selected basis and having to place reliance on assurances provided by management. Due to this, Internal Audit are unable to provide absolute assurance that all the governance, internal control, risk management and financial management arrangements in place in the areas audited are fully adequate and effective.
- 3.2 Based on the work undertaken by the Internal Audit Service during 2020-21, it is my opinion that overall, subject to variation between areas audited, that limited assurance is given on the effectiveness of governance, internal control, risk management and financial management arrangements in place. Management have agreed to implement the recommendations made following the Internal Audit review. The implementation of these recommendations in an effective and timely manner will assist in strengthening the governance, internal control, risk management and financial management arrangements in place within current and future partnership working arrangements.
- 3.3 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit undertook a self-assessment of compliance with the Public Sector Internal Audit Standards. The Assessment concluded that the Internal Audit Service conforms to the Code of Ethics and the Public Sector Internal Audit Standards.

### **4.0 Delivery of the Audit Plan**

- 4.1 The Internal Audit plan has been delivered in accordance with the schedule agreed by the Interim Chief Officers, Section 151 Officer and the Joint Committee.
- 4.2 The Internal Audit quality assurance and improvement programme has confirmed compliance with the mandatory requirements of the Public Sector Internal Audit Standards.
- 4.3 Overall, limited assurance was given on the adequacy and effectiveness of arrangements in place. The uncertainty of the future of ERW has diverted an element of strategic focus away from undertaking core work and resulted in previous recommendations not being implemented.

There are a number of recommendations made within the Internal Audit review for 2020-21 and previous years that have been incorporated into the Annual Governance Statement 2020-21, which should be used to inform arrangements for future partnership working.



## ERW JOINT COMMITTEE 29 APRIL 2022

### AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

#### PURPOSE:

To provide the ERW Joint Committee with the response to Audit Wales in respect of the 'Audit enquiries to those charged with governance and management' for 2020-21.

#### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

- To consider and approve the response to Audit Wales for 2020-21.

**REASONS:** To obtain the approval of the ERW Joint Committee.

Report Author: Jon Haswell	Designation: ERW Section 151 Officer	Tel No. 01437 775836  E. Mail: haswellj@pembrokeshire.gov.uk
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**EXECUTIVE SUMMARY  
ERW JOINT COMMITTEE  
29 APRIL 2022**

**AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE  
AND MANAGEMENT**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

Audit Wales are required to conduct their financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the ISA requirements, on an annual basis, Audit Wales formally seek our documented consideration and understanding on a number of the governance areas that impact on their audit of our financial statements.

These considerations are relevant to both ERW's senior management, and 'those charged with governance' which for the purpose of the audit of the financial statements is deemed to be the ERW Joint Committee.

In seeking this assurance, Audit Wales issue an annual letter with a series of questions for completion by those charged with governance and management.

The attached response for 2020-21 has been compiled by the ERW Head of Internal Audit and ERW S151 Officer with input from relevant officers.

DETAILED REPORT ATTACHED?

Yes

**IMPLICATIONS**

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	YES	YES	YES	NONE
<b>1. Legal</b> As outlined in the response to Audit Wales.				
<b>2. Finance</b> As outlined in the response to Audit Wales.				
<b>3. Risk Management</b> As outlined in the response to Audit Wales.				



# CONSULTATIONS

N/A

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:  
THERE ARE NONE**

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Mr Jon Haswell  
Via email

**Reference:**

**Date issued:** 29 June 2021

Dear Jon

## **Audit enquiries to those charged with governance and management – ERW**

As you will be aware I am required to conduct my financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the ISA requirements I am writing to you to formally seek your documented consideration and understanding on a number of the governance areas that impact on my audit of your financial statement.

These considerations are relevant to both the ERW's senior management, and 'those charged with governance' which for the purpose of the audit of the financial statements is deemed to be the Joint Committee.

I have set out below the areas of governance on which I am seeking your views.

1. Management processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in ERW;
  - communication to employees of views on business practice and ethical behaviour; and
  - communication to those charged with governance on the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.

3. How management gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of ERW and its business processes and support our work in providing an audit opinion on the 2020-21 financial statements.

I would be grateful if you could complete the tables in Appendices 1 to 3, which should be formally considered and communicated to us on behalf of both management and those charged with governance by 20 July 2021.

In the meantime, if you have queries, please let me know.

Yours sincerely



**Jeremy Saunders**  
**Audit Manager**

## Appendix 1

### Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and ‘those charged with governance’, which for the Council is the Audit Committee. Management, with the oversight of the Audit Committee, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

#### What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how the Audit Committee exercises oversight of management’s processes. We are also required to make enquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud, for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

## Enquiries of management - in relation to fraud

Question	Previous Response	2020-21 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	<p>Low due to adequate and effective controls in place. All financial systems independently reviewed by Internal Audit have received a substantial assurance rating during 2018-19.</p> <p>The Head of Internal Audit for each Partner Authority is required to undertake a review of compliance with the relevant grant scheme (RCSIG and PDG) and provide an assurance statement to ERW.</p>	<p>Low due to adequate and effective controls in place. All financial systems applicable to ERW are independently reviewed by PCC Internal Audit and have received a substantial assurance rating during 2020-21.</p> <p>The Head of Internal Audit for each Partner Authority is required to undertake a review of compliance with the relevant grant scheme (RCSIG and PDG) and provide an assurance statement to ERW.</p>
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<p>PCC Internal Audit provide the Audit Service for ERW. During 2018-19 PCC adopted a new Counter Fraud, Corruption &amp; Bribery Policy Statement and Strategy. Areas at high-risk of fraud are considered within the annual internal audit plan for ERW based on intelligence, e.g. Counter Fraud Tracker, CIPFA Counter Fraud Hub, etc.</p> <p>During 2018-19 Internal Audit has moved to quarterly CAATS work to ensure that any anomalies are promptly addressed – no material issues have been identified.</p>	<p>PCC Internal Audit provide the Audit Service for ERW. PCC Counter Fraud, Corruption &amp; Bribery Policy Statement and Strategy in place. Areas at high-risk of fraud, including those due to Covid-19, are considered within the annual internal audit plan for ERW based on intelligence, e.g. Counter Fraud Tracker, CIPFA Counter Fraud Hub, Fraud alerts etc. Standard counter fraud work undertaken, e.g. NFI, Data Analytics. Membership of CIFAS for data matching purposes. Financial statements reviewed by PCC S151 Officer and Deputy S151 Officer.</p>

## Enquiries of management - in relation to fraud

Question	Previous Response	2020-21 Response
	<p>Fraud alerts and issues highlighted through horizon scanning and networking are shared with management and considered for inclusion within the work plan. The draft financial statements are subject to a rigorous check and challenge by the Director of Resources and Head of Finance &amp; Business Services.</p>	
<p>3. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>The annual Internal Audit plan is approved by the Joint Committee. The final report and annual HOIA opinion is reported to the Joint Committee.</p> <p>New Financial Regulations approved in December 2018 and adopted by ERW Joint Committee in February 2019, requires any allegations of purported fraud or irregularity to be reported to the Section 151 Officer and the Head of Internal Audit. All S151 Officers across the region are aware of this requirement.</p>	<p>Annual internal audit plan for 2020-21 approved by the Joint Committee, with the final internal audit report for 2020-21 and the Head of Internal Audit Annual Opinion and Report for 2020-21 reported to the Joint Committee.</p> <p>PCC Financial Regulations, adopted by the Joint Committee, require any allegations of purported fraud or irregularity to be reported to the S151 Officer and the Head of Internal Audit. All S151 Officers of ERW partners aware of this requirement.</p>

## Enquiries of management - in relation to fraud

Question	Previous Response	2020-21 Response
<p>4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>ERW Code of Corporate Governance was approved by the Joint Committee 16 July 2018.</p> <p>Officer and Member Code of Conduct in place with their respective Local Authority.</p> <p>The Central Team are employed by PCC and are expected to comply with the Code of Conduct and other local policies which are covered during induction.</p> <p>Annual assurance from the Lead Chief Executive, Managing Director, Head of HR, Section 151 Officer and Monitoring Officer that employees and Members are adhering to policy and procedures and the Code of Conduct.</p> <p>Registers of Interest are collated centrally – this has been an area identified for improvement and included within the AGS 18-19.</p>	<p>ERW Code of Corporate Governance in place.</p> <p>PCC Officer Code of Conduct and other relevant policies and procedures in place for all ERW staff, which would be referenced in induction training.</p> <p>Members Code of Conduct in place for each ERW partner.</p> <p>Register of interests held by the ERW Central Team, with periodic reminder issued to declare any interests.</p>



### Enquiries of management - in relation to fraud

Question	Previous Response	2020-21 Response
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2020?	No	No.

### Enquiries of those charged with governance – in relation to fraud

Question	Previous Response	2020-21 Response
1. How does the Audit 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>New Financial Regulations adopted by the Joint Committee February 2019, which outlines the reporting arrangements to the Director of Resources (S151 Officer) and the Head of Internal Audit. Also new Counter Fraud, Corruption and Bribery Policy Statement and Strategy approved by PCC Audit Committee July 2018 which are referenced within the Financial Regulations.</p> <p>PCC Audit Committee approve and monitor the annual Counter Fraud Work Plan which covers financial systems applicable to ERW.</p>	<p>PCC Financial Regulations adopted by the Joint Committee, which outline the reporting arrangements to the S151 Officer and the Head of Internal Audit.</p> <p>PCC Counter Fraud, Corruption &amp; Bribery Policy Statement and Strategy in place, which is referenced in the Financial Regulations.</p> <p>PCC Audit Committee approve and monitor the annual Counter Fraud Work Plan which covers financial systems applicable to ERW.</p> <p>The Joint Committee receives the Head of Internal Audit Annual</p>

## Enquiries of those charged with governance – in relation to fraud

Question	Previous Response	2020-21 Response
	The Joint Committee receives the Head of Internal Audit Annual Assurance Opinion which feeds into the Annual Governance Statement. Any significant fraud or internal control risks are highlighted.	Assurance Opinion which feeds into the Annual Governance Statement. Any significant fraud or internal control weaknesses/risks are highlighted.
2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?	No	No.

## Appendix 2

### **Matters in relation to laws and regulations**

International Standard for Auditing (UK and Ireland) 250 covers auditors responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance the Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

### **What are we required to do?**

As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the Council is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

## Enquiries of management – in relation to laws and regulations

Question	Previous Response	2020-21 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	<p>Oversight by the Executive Board and Joint Committee.</p> <p>ERW Joint Committee and Executive Boards require identification of legal and financial issues. Statutory Officers attend the Joint Committee meetings to provide professional advice.</p> <p>Membership of Professional Bodies, networking and horizon scanning used to identify upcoming issues.</p> <p>Regular correspondence with Welsh Government and WLGA.</p> <p>Statutory Officers and Lead Officers complete the annual assurance checklist.</p> <p>The Code of Practice on Local Authority Accounting in the UK is updated annually and complied with.</p>	<p>Oversight by the Executive Board and Joint Committee.</p> <p>The Joint Committee and Executive Board reports require identification of legal and financial issues. Statutory Officers attend the Joint Committee meetings to provide professional advice.</p> <p>Membership of Professional Bodies, networking and horizon scanning used to identify upcoming issues.</p> <p>Regular correspondence with Welsh Government and WLGA.</p> <p>The Code of Practice on Local Authority Accounting in the UK is updated annually and complied with.</p>
2. Have there been any instances of non-compliance or suspected non-	No.	No.

<p>compliance with relevant laws and regulations since 1 April 2020, or earlier with an ongoing impact on the 2020-21 financial statements?</p>		
<p>3. Are there any potential litigations or claims that would affect the financial statements?</p>	<p>The McCloud Judgement is outlined in the Contingent Liabilities note in the Statement of Accounts for 2018-19.</p>	<p>No.</p>
<p>4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>No.</p>	<p>No.</p>

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

Question	Previous Response	2020-21 Response
<p>1. How does the Audit Committee, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?</p>	<p>The Joint Committee oversee all financial and internal audit reports. Reports to the Executive Board and the Joint Committee require identification of legal and financial issues. Statutory Officers attend the Joint Committee meetings to provide advice.</p> <p>Internal Audit reviews consider compliance with laws and regulations, either as a particular risk (e.g., Data Protection), or as part of the annual review. The final report is issued to the Joint Committee.</p> <p>The Head of Internal Audit Annual Opinion is presented to the Joint Committee.</p> <p>Statutory Officers complete an annual assurance checklist which supports the AGS.</p> <p>Annual Governance Statement identifies any areas of non-compliance or areas requiring improvement. This</p>	<p>The Joint Committee receive all financial and internal audit reports.</p> <p>ERW Joint Committee and Executive Board reports require identification of legal and financial issues. Statutory Officers attend the Joint Committee meetings to provide professional advice.</p> <p>Internal Audit reviews consider compliance with laws and regulations, either as a particular risk (e.g., Data Protection), or as part of the annual review. The final internal audit report is reported to the Joint Committee.</p> <p>Head of Internal Audit Annual Opinion and Report is presented to the Joint Committee.</p> <p>Annual Governance Statement identifies any areas of non-compliance or areas requiring improvement. This is reviewed and approved by the Joint Committee</p>

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

Question	Previous Response	2020-21 Response
	is reviewed and approved by the Joint Committee	
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	No	No.

## Appendix 3

### **Matters in relation to related parties**

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### **What are we required to do?**

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.



## Enquiries of management – in relation to related parties

Question	Previous Response	2020-21 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> <li>• the identity of any related parties, including changes from the prior period;</li> <li>• the nature of the relationships with these related parties;</li> <li>• details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions.</li> </ul>	<p>Registers of Interest and Internal Audit review of Related Party Transactions. Area for improvement included within the AGS 2018-19.</p>	<p>Register of Interests.</p> <p>Internal Audit Reviews, where applicable.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Code of Conduct for Members and Officers covers declarations of interest. Area for improvement included within the AGS 2018-19.</p> <p>Senior Management safeguards to protect against conflict of interests.</p> <p>Internal Audit undertake annual checks of related party transactions.</p>	<p>PCC Officer Code of Conduct and other relevant policies and procedures covering declaration of interest requirements.</p> <p>Members Code of Conduct in place for each ERW partner covering declaration of interest requirements.</p> <p>Senior management safeguards to protect against conflict of interests.</p>

		<p>Register of interests held by the ERW Central Team, with periodic reminder issued to declare any interests.</p> <p>Internal Audit Reviews, where applicable.</p>
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## Enquiries of the those charged with governance – in relation to related parties

Question	Previous Response	2020-21 Response
<p>1. How does the Audit 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>Code of Corporate Governance approved by the Joint Committee July 2018.</p> <p>Codes of Conduct and declarations of interest requirements. Area for improvement identified in the AGS 2018-19.</p> <p>Internal Audit undertake annual checks to compare contract awards and creditor payments with Members declared interests (related party transactions).</p> <p>Annual review and approval of the Financial Statements and Annual Governance Statement by the Joint Committee.</p>	<p>ERW Code of Corporate Governance in place.</p> <p>PCC Officer Code of Conduct and other relevant policies and procedures covering declaration of interest requirements.</p> <p>Members Code of Conduct in place for each ERW partner covering declaration of interest requirements.</p> <p>Register of interests held by the ERW Central Team, with periodic reminder issued to declare any interests.</p> <p>Internal Audit Reviews, where applicable.</p> <p>Annual review and approval of the Financial Statements and Annual Governance Statement by the Joint Committee.</p>





## ERW JOINT COMMITTEE 29 APRIL 2022

### ERW STATEMENT OF ACCOUNTS FOR 2020-21

#### PURPOSE:

Approval and signing of the ERW Statement of Accounts for 2020-21.

#### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

- To review and approve the ERW Statement of Accounts for 2020-21.
- The ERW Statement of Accounts for 2020-21 be signed by the ERW S151 Officer and the Chair of the ERW Joint Committee.

#### REASONS:

Statutory requirement and to obtain the approval of the ERW Joint Committee.

Report Author: Jon Haswell	Designation: ERW Section 151 Officer	Tel No. 01437 775836  E. Mail: haswellj@pembrokeshire.gov.uk
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**EXECUTIVE SUMMARY  
ERW JOINT COMMITTEE  
29 APRIL 2022**

**ERW STATEMENT OF ACCOUNTS FOR 2020-21**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

- The ERW Joint Committee review the ERW Statement of Accounts for 2020-21 and consider the Audit Wales Audit of Accounts Report and Audit Opinion (ISA 260).
- The ERW Statement of Accounts for 2020-21 be approved by the ERW Joint Committee and be signed by the ERW S151 Officer and the Chair of the ERW Joint Committee.

DETAILED REPORT ATTACHED?

Yes

**IMPLICATIONS**

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	YES	YES	YES	NONE
<b>1. Legal</b> As outlined in the covering report and the ISA 260.				
<b>2. Finance</b> As outlined in the covering report and the ISA 260.				
<b>3. Risk Management</b> As outlined in the covering report and the ISA 260.				

**CONSULTATIONS**

The ERW Statement of Accounts for 2020-21 were available for public inspection for 20 working days.

Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:  
**THERE ARE NONE**

## **ERW JOINT COMMITTEE**

**Report of: Director of Resources (ERW S151 Officer)**

**Date: 29 April 2022**

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### **ERW STATEMENT OF ACCOUNTS for 2020-21**

1. ERW published its draft Statement of Accounts for 2020-21 (see Appendix A) on 08 July 2021 and aims to have them audited and approved by 29 April 2022. The deadlines required by the Accounts and Audit (Wales) (Amendment) Regulations 2018 were 31 May 2021 and 31 July 2021 respectively. However, due to the Covid-19 pandemic, Welsh Government extended these deadlines to 31 August 2021 and 30 November 2021 respectively. Due to the impact of the Covid-19 pandemic on the production and audit of the Statement of Accounts, we were unable to comply with the 30 November 2021 deadline. In accordance with Regulation 10 (4) of the Accounts and Audit (Wales) Regulations 2014, we published a statement on the ERW website setting out the reasons for non-compliance and the actions to be taken to ensure compliance as soon as possible.
2. The projected Outturn for 2020-21 was considered by the ERW Joint Committee on 08 July 2021 as part of the Financial Update report. The draft ERW Statement of Accounts for 2020-21 are subject to audit by ERW's external auditors, Audit Wales. Audit Wales have completed their audit and have issued their Audit of Accounts Report and Audit Opinion (ISA 260), see Appendix B. The ERW Joint Committee need to review and formally approve the ERW Statement of Accounts for 2020-21.
3. ERW's Statement of Accounts must comply with Cipfa's Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of government. IFRS provides a comprehensive framework of mandatory requirements for the production of financial statements in the public and private sector and this framework is continually being refined.
4. The overall financial position of ERW is recognised in a number of core financial statements within the Statement of Accounts, namely the Comprehensive Income & Expenditure Statement (CIES), the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement. These are prepared using International Financial Reporting Standards (IFRS).

Further details on these and other statements within the Statement of Accounts for 2020-21 are outlined below:

- **Narrative Report** - This aims to communicate ERW's purpose, how it has performed in accordance with its overall strategy and against performance indicators over the year, and how it has allocated its resources in line with intended outcomes. It demonstrates collective performance over the year and how well ERW is equipped to deal with the challenges ahead and to continue delivering Education through Regional Working. It tells the story of ERW by providing a holistic, clear and well-structured view of its strategy, performance and future outlook.
- **Expenditure and Funding Analysis** - This shows the reconciliation between how annual expenditure is used and funded from resources (cash basis) by ERW in comparison with those resources consumed or earned by ERW in accordance with generally accepted accounting practices (IFRS basis).
- **Comprehensive Income and Expenditure Statement (CIES)** - This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (IFRS basis) as opposed to the cost actually funded from taxation. The reconciliation to the taxation position, as represented by the actual funds available to ERW, is shown in the Expenditure and Funding Analysis.
- **Movement in Reserves Statement** - This shows the movement on the different reserves held by ERW analysed between usable reserves and unusable reserves held for financial accounting purposes.
- **Balance Sheet** - This sets out the financial position on 31 March in terms of the value of assets and liabilities recognised by ERW and the reserves held by ERW.
- **Cash Flow Statement** - This summarises the inflows and outflows of cash and cash equivalents with third parties arising from revenue and capital transactions.

5. The ERW Joint Committee review of the Statement of Accounts for 2020-21 should be focused on the following issues:

**(a) Financial Reporting Standards**

The International Financial Reporting and Other Standards that have been issued have been applied as required by the Code. The Statement of Accounts have been prepared in compliance with the Code for 2020-21.

The Code requires that ERW discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.



## Accounts and Audit (Wales) Regulations

The Accounts and Audit (Wales) Regulations 2014 amended by SI 2018 No 91 requires Welsh Local Authorities to bring forward the accounts closure and publication timetable. The regulations require signing, approval and publication to take place by 31 July from 2021, although Welsh Government have subsequently extended this deadline to 30 November 2021 for the 2020-21 Statement of Accounts. Although ERW has been producing its Statement of Accounts earlier than current regulations require for several years, the Covid-19 pandemic has resulted in the delay in approval of the 2020-21 Statement of Accounts to 29 April 2022.

### **(b) Accounting Concepts**

The pervasive accounting concepts of “accruals basis” and “going concern” have been used in the preparation of the Core Accounting Statements and the qualitative characteristics of useful financial information continue to be employed, as shown on page 18 of the Statement of Accounts.

### **(c) Critical Judgments in Applying Accounting Policies and Estimation Risk**

In applying the accounting policies set out in the Statement of Accounts for 2020-21, ERW has made judgments about the complex transactions and those involving uncertainty in future years and these are shown on page 19 of the Statement of Accounts.

The main risk areas appertaining to items in the current set of accounts and potentially impacting accounts in the future are shown on pages 19 and 20 of the Statement of Accounts.

### **(d) Accounting Policies**

The accounting policies used to prepare the Core Financial Statements, the Supporting Notes and the Supplementary Financial Statements have been reviewed using the Code for 2020-21.

### **(e) Internal Control Issues**

The ERW Head of Internal Audit Annual Assurance Opinion for 2020-21, to be considered by the ERW Joint Committee on 29 April 2022, confirms that there are no significant internal control issues which would impact upon the Statement of Accounts for 2020-21. However, the opinion concluded that overall, limited assurance is given on the adequacy and effectiveness of governance, internal control, financial management and risk management arrangements in place.

All the audit reviews of the main financial systems received an assurance rating of “substantial”.

**(f) Audit Wales**

Audit Wales have completed their audit of the Statement of Accounts for 2020-21 and have issued their Audit of Accounts Report and Audit Opinion (ISA 260), see Appendix B.

Audit Wales intend to issue an unqualified audit opinion. One emphasis of matter reference will be included in respect of the current status and expected timescale for the cessation of ERW.

6. The Director of Resources (ERW S151 Officer) and ERW Principal Accountant will support the ERW Joint Committee at the meeting in reviewing the ERW Statement of Accounts for 2020-21 and the specific matters highlighted above.

**RECOMMENDATIONS**

- The ERW Joint Committee review the ERW Statement of Accounts for 2020-21 and consider the Audit Wales Audit of Accounts Report and Audit Opinion (ISA 260).
- The ERW Statement of Accounts for 2020-21 be approved by the ERW Joint Committee and be signed by the ERW S151 Officer and the Chair of the ERW Joint Committee.

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**Glossary of Terms:**

Audit Wales - Formerly known as Wales Audit Office (WAO)

ISA 260 – Audit Wales Audit of Accounts Report and Audit Opinion

CIPFA - The Chartered Institute of Public Finance Accountancy

The Code - CIPFA's Code of Practice on Local Authority Accounting

IFRS - International Financial Reporting Standards

IAS - International Accounting Standards

CIES - Comprehensive Income & Expenditure Statement

SeRCOP - CIPFA Service Reporting Code of Practice



# Education Through Regional Working

South West & Mid Wales Consortium

## Statement of Accounts 2020-21

Cynghrair o 5 awdurdod lleol yw ERW a reolir gan gyd-bwyllgor cyfansoddiadol cyfreithiol.

Y nod yw gweithredu strategaeth a chynllun busnes rhanbarthol cytunedig chefnogi gwelliant ysgolion.

ERW is an alliance of 5 local authorities governed by a legally constituted joint committee.

Its aim is to implement the agreed regional strategy and business plan to support school improvement.



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## **1.0 Narrative Report**

### **1.1 Introduction**

ERW's Statement of Accounts for 2020-21 provides a record of the financial position for the year. This section of the report aims to communicate ERW's purpose, how it has performed in accordance with its overall strategy and against performance indicators over the year, and how it has allocated its resources in line with intended outcomes. It demonstrates collective performance over the year and how well ERW is equipped to deal with the challenges ahead and to continue delivering Education Through Regional Working. It tells the story of ERW by providing a holistic, clear and well-structured view of its strategy, governance, performance and future outlook.

## **2.0 Organisational Overview**

### **2.1 Key Facts about ERW**

ERW was an alliance of six local authorities - Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council, Powys County Council, Neath Port Talbot County Borough Council and the City and County of Swansea Council for 2019-20. Neath Port Talbot County Borough Council left ERW on 31 March 2020, albeit ERW continued to provide them with some services during 2020-21.

ERW was an alliance of five local authorities - Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council, Powys County Council, and the City and County of Swansea Council for 2020-21. Ceredigion County Council left ERW on 31 March 2021 so for 2021-22, it became an alliance of four local authorities from 1 April 2021 to 31 August 2021.

It was anticipated that ERW would cease on 31 August 2021 and a new partnership, 'Partneriaeth', of three local authorities - Carmarthenshire County Council, Pembrokeshire County Council and the City and County of Swansea Council would commence from 1 September 2021 with a new legal agreement. However, due to delays in determining the staffing structure for the new Partneriaeth and the timescales for the related consultation and HR processes to be completed, ERW will now cease at the end of 2021-22. Whilst Powys County Council remained part of ERW until 31 August 2021, they have received no services from 1 September 2021. The new 'Partneriaeth' is currently operating in shadow form, with the new legal agreement currently being considered for approval by each of the three partner local authorities. It is understood that the other local authorities will be making their own arrangements for the future.

ERW is governed by a legally constituted Joint Committee and provides a single integrated regional professional school effectiveness service driving school improvement and learner achievement across the combined area in the South West and Mid Wales region.

### **2.2 Joint Committee**

The Joint Committee is made up of the Leader of each local authority, supported by the Chief Executive of each local authority, and is advised by the Executive Board, the Lead Director of Education, the ERW Chief Officers, Statutory Officers, external school improvement experts and Headteacher representatives. Welsh Government, Estyn and the WLGA attend the Joint Committee meetings. Internal Audit and Audit Wales report independently to the Joint Committee. The Joint Committee is chaired by Councillor Emlyn Dole, Leader of Carmarthenshire County Council.

### **2.3 Executive Board**

The Executive Board is made up of the Directors of Education of each of the local authorities, the ERW Chief Officers, Headteacher representatives, the Section 151 Officer/Deputy Section 151 Officer (where applicable) and external members (where applicable).

## 2.4 Management Structure

During 2020-21, the Managing Director role was replaced by two Interim Chief Officers.

- **Lead Chief Executive** – Phil Roberts (Chief Executive, Swansea)
- **Lead Education Director** – Gareth Morgans (Director of Education, Carmarthenshire)
- **Interim Managing Director** – Andi Morgan left on 31 May 2020.
- **Interim Managing Director** – Yan James took over from Andi Morgan (Interim Managing Director) on 1 June 2020 and retired on 31 August 2020.
- **Interim Chief Officer** – Ian Altman took over from Yan James (Interim Managing Director) on 1 September 2020.
- **Interim Chief Officer** – Greg Morgan took over from Yan James (Interim Managing Director) on 1 September 2020.
- **S151 Officer** – Jon Haswell (Director of Resources, Pembrokeshire)
- **Monitoring Officer** – Elin Prysor (Monitoring Officer, Ceredigion)

As Ceredigion County Council left ERW on 31 March 2021, Tracey Meredith (Chief Legal Officer and Monitoring Officer, Swansea) took over the role of Monitoring Officer from 1 April 2021.

## 2.5 ERW's Values

ERW is one of four regional education consortia in Wales. Its purpose is to deliver a single consistent and integrated professional school improvement service across the allied local authorities.

The national model for school improvement in Wales is based on a vision of regional school improvement consortia working on behalf of local authorities to lead and coordinate the improvement in the performance of schools and education of young people.

To achieve the ERW vision, ERW have defined values to guide all that ERW does. These include effectiveness; commitment; integrity; innovation and collaboration.

ERW utilises a wide range of flexible approaches so that bespoke solutions can be used to support schools at their point of need. ERW support teachers through the provision and brokering of professional learning programmes to support individuals in their leadership journey whilst building expertise and capacity where and when it is needed in schools across the region

## 2.6 ERW's Aims

ERW has five aims:

1. Improve the quality of **leadership** and its impact on outcomes.
2. Improve the quality of **teaching and learning experiences** and its impact on outcomes.
3. Reduce the impact of poverty on attainment, support vulnerable learners and **ensure all learners reach their potential**.
4. Deliver **high quality and bespoke support**, challenge and intervention to schools
5. **Communicate** effectively with all stakeholders.

## 2.7 Funding Sources

ERW receives its funding from two main sources – Annual contribution from each of the Local Authorities and grant from Welsh Government.

## **3.0 Governance**

### **3.1 Code of Corporate Governance**

The ERW Code of Corporate Governance was approved by the Joint Committee on 16 July 2018.

### **3.2 Annual Governance Statement**

The ERW Annual Governance Statement provides an overview of the effectiveness of ERW's governance arrangements during 2020-21. It highlights significant governance issues and priorities for improvement for ERW to address in 2021-22.

The Annual Governance Statement for 2020-21 will be considered and approved by the ERW Joint Committee (or the Joint Committee of the new Partnership), alongside the ERW Statement of Accounts.

## **4.0 Operational Model**

### **4.1 ERW Business Plan**

The ERW Business Plan 2020-21 was approved by the Joint Committee on 13 November 2020. The Business Plan identified five improvement priorities that match the enabling objectives of the National Mission, whilst reflecting local and regional priorities:

- Developing and delivering a transformational curriculum;
- Developing a high-quality education profession;
- Developing inspirational leaders and to facilitate them working collaboratively to raise standards;
- Developing strong and inclusive schools that are committed to excellence and wellbeing;
- Developing robust assessment, evaluation and accountability processes that support a self-improving system.

The ERW Business Plan 2020-21 was developed by using the outcomes of self-evaluation, research findings, cross-consortia planning as well as identification of school, local authority, regional and national priorities. A wide range of stakeholders contributed and there was extensive consultation on the development of the plan prior to publication.

- Headteachers;
- Directors of Education
- ERW Joint Committee and Executive Board
- ERW Central Team
- Headteacher Reference Board
- ERW Strategy groups

### **4.2 Performance Management Framework**

As the employing Local Authority for ERW, Pembrokeshire County Council's Performance Management Framework, dated July 2019, is used. It enables all staff working for ERW to identify how their work contributes to achieving the organisations overall objectives. This is achieved by compiling and publishing a hierarchy of aligned plans. The highest level plans describe ERW's objectives, set the strategic direction and take a long term view. By contrast, individual officer performance review plans are reviewed annually, and in many cases, twice a year. The link between these plans is often referred to as the "Golden Thread".

## 5.0 Risks and Opportunities

### 5.1 Business Risk Management

Members and Officers are responsible for ensuring that risk is considered in the decisions they take and suitable arrangements are put in place to manage risk. The Joint Committee has responsibility for overseeing ERW's Business Risk Management arrangements.

The ERW corporate risk register identifies the risks (threats) to the achievement of the ERW aims. As a live document, it is revised and updated on an ongoing basis and was last formally reviewed by the Joint Committee on 9 February 2021, with the residual risk scores shown below:

Risk	Residual Risk Scores
ERW Governance	12
Cuts to School Budgets	12
Pembrokeshire Estyn Monitoring results in follow-up	8
Powys Estyn Monitoring results in continued follow-up	8
Failure to comply with Estyn Action Plan	8
LA failure to comply with Grant Regulations	6
Data Protection	6
ERW found not to provide Value for Money	6
Failure to respond to qualifications 2021	6
Timeliness of Welsh Government Funding	6
Delivery of National Mission	6
Transparency of Governance	6
Impact of Covid-19	6
Carmarthenshire Estyn Monitoring results in follow-up	4
Ceredigion Estyn Monitoring results in follow-up	4
Swansea Estyn Monitoring results in follow-up	4
Cost Savings required by Welsh Government	4
Lack of clarity on functions	4
Lack of communication	4
Failure to Deliver Business Plan	4

### 5.2 Key Financial Risks for 2021-22 and Beyond

Some of the key financial risks considered by ERW when setting the budget for 2021-22 (5 months from 1 April 2021 to 31 August 2021) are outlined below:

- A number of assumptions and estimates had to be made to create the budget. The assumptions and estimates are subject to change as they are confirmed.
- The funding for the RCSIG is indicative only, is subject to change by Welsh Government and will be paid direct to the Local Authorities (in previous years it has been paid direct to ERW).
- Grant Offer letters for RCSIG and PDG for 2020-21 have been delayed, pending agreement between Welsh Government and ERW in supporting Neath Port Talbot County Borough Council in 2020-21.
- Service Level Agreements (SLA's) - it was agreed several years ago that twelve months' notice would be given to terminate any SLA's. Potential duplication of costs for 2021-22 in respect of some SLA's, e.g. Internal Audit, as two will be required, one for each structure. Agreement of new SLA's may be more expensive, as some current SLA's haven't increased in many years.
- No grant funding for the PDG and RCSIG will be paid to ERW. In order to fund ERW and allow delivery of the Business Plan until 31 August 2021, each Local Authority will need to transfer an agreed element of their RCSIG and the Co-ordinator aspect of the PDG to ERW.
- The Welsh Government grant flexibility in the RCSIG is no longer available.



- ERW reserves are minimal and any remaining reserves, pending the closure of 2020-21, will need to be utilised to contribute towards funding the Core Central Team in 2021-22.
- Work is ongoing in respect of the future financial and funding model from 1 September 2021, but uncertainties remain. Continued reliance upon grant funding remains a risk.

## **6.0 Strategy and Resource Allocation**

### **6.1 Grant Allocations**

The RCSIG is allocated according to the National Ministerial Priorities. Grants received are allocated according to the ERW Business Plan 2020-21 priorities in line with the ERW Strategy Groups:

- Curriculum
- Professional Learning
- Leadership
- Welsh
- Digital
- Equity & Wellbeing

The terms and conditions of the grant are carefully adhered to, and whenever possible clear links are made between grants to enable greater value for money when planning expenditure. An update is included in the Finance Report provided to the Joint Committee at each meeting.

### **6.2 Welsh Government Grant Funding**

The various Welsh Government grants received in 2020-21 are outlined in Note 13.1.

## **7.0 Performance**

### **7.1 Performance Reporting**

Regional performance in terms of examination results and progress implementing the Business Plan is reported to the Joint Committee.

### **7.2 Financial Reporting**

The Joint Committee are generally provided with a Finance Update Report from the S151 Officer at each of their meetings.

### **7.3 Summarised Financial Performance**

The summarised financial performance provides a high level overview of the financial position of the Consortium as at 31 March 2021. Set out in the following paragraphs is the final outturn position for 2020-21 compared to the original estimate agreed by the ERW Joint Committee on 21 July 2021 and consideration of the Central Team budget and funding position for 2021-22 (5 months from 1 April 2021 to 31 August 2021) approved by the Joint Committee on 30 March 2021.

## 7.4 Revenue Expenditure

Central Team	2020-21		2020-21	2020-21	2019-20
	Central Team		Grants	Total	Total
	Revised Budget £000	Actual Expenditure £000	Actual Expenditure £000	Actual Expenditure £000	Actual Expenditure £000
<b>Gross Expenditure</b>					
Employees	845	678	2,441	3,119	3,973
Premises	59	63	0	63	76
Transport	3	1	4	5	64
Translation	2	6	28	34	36
Supplies & Services	43	28	4	32	163
Consultancy	14	24	415	439	695
Support Services	125	114	25	139	139
Payments to Schools via LA's for specific work	0	0	2,328	2,328	2,407
Facilitation	0	4	12	16	119
Grants Passported to LA's	0	0	50,323	50,323	57,194
Bad debt provision	0	0	0	0	(20)
<b>Total Gross Expenditure</b>	<b>1,091</b>	<b>918</b>	<b>55,580</b>	<b>56,498</b>	<b>64,846</b>
<b>Income</b>					
Contributions from Member LA's	(480)	(480)	0	(480)	(250)
Welsh Government Grant	(313)	(500)	(55,278)	(55,778)	(63,904)
Other Grant Income	-	0	(302)	(302)	(398)
Use of unused EWC Funding	(298)	0	0	0	(231)
Miscellaneous Income	-	(208)	0	(208)	(93)
<b>Total Income</b>	<b>(1,091)</b>	<b>(1,188)</b>	<b>(55,580)</b>	<b>(56,768)</b>	<b>(64,876)</b>
<b>Net Surplus</b>	<b>-</b>	<b>(270)</b>	<b>0</b>	<b>(270)</b>	<b>(30)</b>
Appropriation from Reserve	-	0	-	-	-
Appropriation to Reserve	-	270	-	270	30

### Commentary on the 2020-21 Revenue Performance

The ERW Consortium total gross expenditure for 2020-21 totalled £56.5m which included £50.3m of grants being passported directly to the five constituent Local Authorities.

The impact of Covid-19 on ERW operations and utilisation of the £0.5m grant flexibility provided by Welsh Government resulted in net expenditure of (£0.270m) for 2020-21, which has been appropriated to the Earmarked Reserve.

The ERW Joint Committee and Executive Board received regular budget monitoring reports and financial updates throughout the year and were updated on additional grant resources as they became available. All Joint Committee reports can be found on the ERW website [www.erw.wales](http://www.erw.wales)

Local Authorities were invoiced for their contributions for 2020-21 in the sum of £480k. Unlike other consortia, ERW does not directly employ School Improvement Challenge Advisors. They are employed by each Local Authority and work collaboratively across the region as a whole as and when necessary to deliver an effective service. ERW therefore only directly employs a small administrative Central Team which supports the Managing Director or Interim Chief Officers.

Contributions towards the costs of the Central Team were split between the five Local Authorities on the basis of pupil numbers for PLASC 19.

Local Authority	% of Pupils in Region	Contribution
Powys	17.1%	£81,934
Ceredigion	9.1%	£43,741
Pembrokeshire	16.6%	£79,898
Carmarthenshire	25.8%	£123,998
Swansea	31.4%	£150,785
<b>Total</b>	<b>100%</b>	<b>£480,356</b>

These percentages were also used for apportioning reserves across the five Local Authorities.

£500k of the costs of the Central Team have been funded by various Welsh Government grants.

#### 7.4.1 Budget and Funding Position 1 April – 31 August 2021

Budgeted Expenditure	Central Team		Core Team	Total
	Core Funded £000's	Grant Funded £'000s	Grant Funded £'000s	
Salaries, Secondments, Specialists	246	11	905	1,162
Travel, Subsistence, Training and Development	1	-	2	3
IT Hardware & Mobiles	-	-	1	1
	<b>247</b>	<b>11</b>	<b>908</b>	<b>1,166</b>
Rent and Accommodation	36	-	-	36
General Office Expenses	5	-	-	5
Stationary, Telephone, Photocopying	3	-	-	3
Translation	3	-	11	14
Software & Marketing	22	-	5	27
Service Level Agreements	33	25	-	58
External Audit	14	-	-	14
Legal Expenses	10	-	-	10
Business Plan Objectives	-	-	202	202
	<b>126</b>	<b>25</b>	<b>218</b>	<b>369</b>
<b>Total Estimated Expenditure</b>	<b>373</b>	<b>36</b>	<b>1,126</b>	<b>1,535</b>
<b>Budgeted Income</b>				
LA Contributions	(182)	-	-	(182)
Reserve Funding	(77)	-	-	(77)
Use of Unused EWC Funding	(114)	-	-	(114)
Grant Funding RCSIG (Less EIG)	-	(36)	(750)	(786)
Grant Funding RCSIG (EIG ERW Retained Only)	-	-	(315)	(315)
Grant Funding RCSIG (PDG Coordinator Only)	-	-	(27)	(27)
Grant Funding RCSIG (NPT Estimate)	-	-	(34)	(34)
<b>Total Estimated Income</b>	<b>(373)</b>	<b>(36)</b>	<b>(1,126)</b>	<b>(1,535)</b>

#### 7.4.2 Implications and Risks

It is not anticipated that there are any unbudgeted commitments or liabilities arising from 2020-21 that the Consortium cannot meet. Risks in respect of the future of ERW and the future footprint for education through regional working are outlined in 2.1 and 5.2.

Risk areas are also noted within the Contingent Liabilities note 15.3.

### 7.4.3 Capital Investment

There was no capital expenditure in 2020-21. Capital grants from Welsh Government are issued direct to the relevant Local Authority.

### 7.4.4 Assets and Liabilities

#### Current Assets and Current Liabilities

Total ERW debtors were valued at £295k, for grant funding due and payment of secondment invoices. No issues have been identified in relation to the impairment of any other current assets.

No issues have been identified regarding the settlement of current liabilities.

#### Pensions Liability

ERW participates in two pension schemes - the Dyfed Pension Fund and the Teachers' Pension Fund.

**Dyfed Superannuation Scheme**, which is administered by Carmarthenshire County Council, is a funded defined scheme to which both employees and the ERW Joint Committee as employers pay contributions. The scheme operates under the legislation appertaining to Local Government Pensions.

A composite employer's contribution rate used in 2020-21 was calculated by the Fund's actuary based on the valuation as at 31 March 2019 for all employees of ERW who are members of the scheme.

The Fund was valued as at 31 March 2019. The results of this valuation are reflected in the 2020-21 accounts.

The Dyfed Fund has seen an overall increase in its net deficit. A pension liability of £265.1m as recorded at 31 March 2021 (compared to £251.2m at 31 March 2020) for Pembrokeshire County Council. The share of the pension liability relating to ERW has increased to £0.613m at 31 March 2021 (compared to £0.407m at 31 March 2020), with the remainder relating to Pembrokeshire County Council. It is not anticipated that there is any cause for concern at this stage, as the actuarial assumptions used to calculate the balance sheet position are complex, meaning that the actual payments could differ to this. The position will be recovered in the longer term with the Fund able to meet its commitments

#### Implications and Risks

Auto-enrolment of staff in the Scheme was introduced during 2017.

The new all Wales Pensions Investment Pool was created as a result of a National UK agreement with the Treasury Department to increase the size of the investment funds and reduce administration costs. The all Wales fund is administered by Carmarthenshire County Council and took effect from April 2018. The new fund will be responsible for investing the funds of the current 8 Local Government pension funds. Each existing pension fund within the all Wales pooled investment fund will continue to be able to set its own investment criteria and strategies.

The major risks facing the ERW Joint Committee relate to:

- The overall number of contributors to the fund relative to the number of pensioners falling significantly resulting in higher employer contribution rates.
- Any consequential increase in employer contribution rates arising from the ongoing reforms outlined above or poor economic performance of the Dyfed Fund investments.

Given the small number of employees employed by ERW its exposure to these risks is small.

#### Teachers Pension Scheme

The scheme is administered by the Department for Education in England and Wales. This is an unfunded scheme, meaning that there are no investment assets accumulated to meet pension costs before they arise, and therefore no fund assets or liabilities appearing in the ERW Joint Committee's Balance Sheet.

Pembrokeshire County Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers scheme.

## **Implications and Risks**

The Government introduced reforms to Teachers pensions from April 2015. Future pensions will be based around career average pension as opposed to final salary pensions.

The major risk facing the ERW Joint Committee relates to the consequential increase in employer contribution rates arising from the falling contributor to pensioner ratios and from the reforms outlined above.

### **7.4.5 Usable Reserves and Balances**

#### **General Working Reserve**

This reserve constitutes ERW's working balance and is maintained to meet day to day operational eventualities. It was created in 2016-17 in order to provide an adequate level of funding to deal with any unexpected expenditure. This reserve had a balance of £100k at the end of 2020-21.

#### **Earmarked Reserves**

These constitute balances held at the year-end for specific purposes and will be used in accordance with those specific requirements. These reserves had a balance of £622k at the end of 2020-21.

#### **Education Workforce Council (EWC) Unused Funding**

The EWC provides ERW with grant funding on an annual basis to fund training. When the cost of providing the training has been less than the annual grant, the EWC have advised that they do not require the grant to be returned and a balance has accrued. There was a balance of £650k at the end of 2020-21.

### **7.4.6 Significant Interests**

Members of the ERW Joint Committee, Lead Officers and Officers of the Executive Board are required to declare potential conflicts of interest arising from employment and other arrangements. There are no conflicts of interests to report.

### **7.4.7 Payments to Auditors**

It is estimated that £13k will be paid to Audit Wales for its work auditing the 2020-21 financial statements. All grant certification will be subject to Internal Audit as required by Welsh Government.

### **7.4.8 Post Balance Sheet Events**

#### Cessation of ERW

It was anticipated that ERW would cease on 31 August 2021 and a new partnership, 'Partneriaeth', of three local authorities - Carmarthenshire County Council, Pembrokeshire County Council and the City and County of Swansea Council would commence from 1 September 2021 with a new legal agreement. However, due to delays in determining the staffing structure for the new Partneriaeth and the timescales for the related consultation and HR processes to be completed, ERW will now cease at the end of 2021-22. Whilst Powys County Council remained part of ERW until 31 August 2021, they have received no services from 1 September 2021. The new 'Partneriaeth' is currently operating in shadow form, with the new legal agreement currently being considered for approval by each of the three partner local authorities. It is understood that the other local authorities will be making their own arrangements for the future.

The ERW staff who successfully obtained employment with the new 'Partneriaeth' were transferred during 2021-22. Some staff left or retired from ERW and secondments were ended. There were some redundancies, but no provision for any liability was made in these financial statements as it was anticipated that the number would be small, and any costs will be funded by the previous local authority members of ERW, ERW reserves or the current local authority members of ERW.

## **8.0 Outlook**

The future outlook for ERW has been outlined in the Narrative Report above.

## **9.0 Basis of Preparation and Presentation**

Any matters which may affect ERW's ability to deliver its Business Plan have been identified in the body of this Narrative Report.

**If you need any more information about the ERW Statement of Accounts, please contact the Director of Resources, Pembrokeshire County Council, County Hall, Haverfordwest, SA61 1TP. The ERW Statement of Accounts are also available on ERW's internet site.**

**Jonathan Haswell FCCA  
Director of Resources and ERW S151 Officer  
29 April 2022**

# **The Independent Auditor's Report of the Auditor General for Wales to the Members of the Education through Regional Working Joint Committee**

## **Report on the audit of the financial statements**

### **Opinion on the financial statements**

I have audited the financial statements of the Education through Regional Working Joint Committee (ERW) for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

The Education through Regional Working Joint Committee's 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

### **In my opinion the financial statements:**

- give a true and fair view of the financial position of the Education through Regional Working Joint Committee as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 Education through Regional Working 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 Authority'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.

### **Emphasis of Matter**

We draw attention to Notes 10.3, 15.3 and 16 of the financial statements, which describe the current status and expected timescale for the cessation of ERW. Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on ERW's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## 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 2020-21; and
- 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 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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

### 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 pages 16-17, the responsible financial officer is responsible for the preparation of the statement of accounts, 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 Authority's 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management, ERW's internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Education through Regional Working Joint Committee's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.



- obtaining an understanding of the Education through Regional Working Joint Committee's framework of authority, as well as other legal and regulatory frameworks that the Education through Regional Working Joint Committee operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Education through Regional Working Joint Committee.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Education through Regional Working Joint Committee about actual and potential litigation and claims;
- reading minutes of meetings of the Joint Committee as those charged with governance, and its committees;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Education through Regional Working Joint Committee's controls, and the nature, timing and extent of the audit procedures performed.

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

#### **Certificate of completion of audit**

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

**Adrian Crompton**  
**Auditor General for Wales**  
**(Date to be determined)**

24 Cathedral Road  
Cardiff  
CF11 9LJ

## **STATEMENT OF ACCOUNTS**

### **ERW JOINT COMMITTEE**

#### **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT**

##### **The ERW Joint Committee's Responsibilities**

The ERW Joint Committee is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this ERW Joint Committee, that officer is the Director of Resources of Pembrokeshire County Council.
- To manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

##### **The Director of Resources Responsibilities**

The Director of Resources is responsible for the preparation of the Joint Committee Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Resources has:

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

The Director of Resources has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### **CERTIFICATE OF DIRECTOR OF RESOURCES**

The Statement of Accounts of the ERW Joint Committee for the year ended 31 March 2021 is contained on Sections 10 to 15, and is produced in accordance with the requirements of the Local Government Accounts and Audit (Wales) Regulations 2014, (as amended). The Regulations prescribe the contents of the Statement of Accounts and it is upon the contents only that the Audit opinion is expressed.

I certify the accounts present a true and fair view of the financial position of the ERW Joint Committee as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021 and append my signature to the Statement in accordance with Regulation 10(1).



**J HASWELL FCCA**  
**Director of Resources & ERW S151 Officer**

**Date: 29 April 2022**

## **REPORTING AND APPROVAL**

These accounts, initially published on 8 July 2021 will be reported to the ERW Joint Committee for approval following the conclusion of the Annual Audit on 29 April 2022. The audit certificate is shown on pages 13-15.

**Councillor Emlyn Dole**  
**Chair of ERW Joint Committee**

**Offices Address:** Y Llwyfan,  
College Road,  
Carmarthen,  
SA31 3EQ

**Date: 29 April 2022**

## **10 Core Financial Statements – Underlying Principles**

The application of accounting standards, concepts, critical judgements and inherent risks, and accounting policies used in preparing the core financial statements are set out in the following pages.

### **10.1 Financial Reporting Standards**

The International Financial Reporting and Other Standards that have been issued have been applied as required by the Code of Practice on Local Authority Accounting.

The Code of Practice requires that the Joint Committee discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There is one key change to accounting standards that will impact on the Joint Committee:

- The Accounts and Audit (Wales) Regulations 2014 amended by SI 2018 No 91 requires Welsh Local Authorities to bring forward the accounts closure and publication timetable. The regulations require signing, approval and publication to take place by 31 July from 2021. Although ERW has been producing its Statement of Accounts earlier than current regulations require for several years, the Covid-19 pandemic has resulted in the delay in approval of the 2020-21 Statement of Accounts to 29 April 2022.

The Statement of Accounts set out in sections 11 to 15 have been prepared in compliance with the 2020-21 Code of Practice on Local Authority Accounting.

### **10.2 Accounting Concepts**

The following pervasive accounting concepts have been used in the preparation of the Core Accounting Statements:

- Accruals basis
- Going concern

The qualitative characteristics of financial information continue to be employed:

- Relevance
- Comparability
- Verifiability
- Timeliness
- Understandability
- Materiality
- Faithful Representation
- Completeness, Neutrality, Free from Error
- Primacy of legislative requirements

### 10.3 Critical judgements in Applying Accounting Policies and Estimating Risk

In applying the accounting policies set below in section 10.4 the ERW Joint Committee has made judgements about the complex transactions and those involving uncertainty in future years.

There continues to be a high degree of uncertainty about the future level of funding for local government. Therefore, whilst some grants may be reduced, given the relatively small number of employees directly employed by ERW, there is insufficient evidence to conclude that the Joint Committee activities will be severely impaired or reduced in 2021-22. It was anticipated that ERW would cease on 31 August 2021 and a new partnership, 'Partneriaeth', of three local authorities - Carmarthenshire County Council, Pembrokeshire County Council and the City and County of Swansea Council would commence from 1 September 2021 with a new legal agreement. However, due to delays in determining the staffing structure for the new Partneriaeth and the timescales for the related consultation and HR processes to be completed, ERW will now cease at the end of 2021-22. Whilst Powys County Council remained part of ERW until 31 August 2021, they have received no services from 1 September 2021. The new 'Partneriaeth' is currently operating in shadow form, with the new legal agreement currently being considered for approval by each of the three partner local authorities. It is understood that the other local authorities will be making their own arrangements for the future.

Pembrokeshire County Council is the employing body for the ERW staff and maintains the ERW finances/accounts (circa £57m for 2020-21), providing financial services, internal audit, ICT, HR and procurement support to ERW via service level agreements. It is anticipated that Pembrokeshire County Council will retain these roles in the new partnership albeit discussions are ongoing.

In certain instances it has been necessary to estimate the changes made in the accounts using historical experience, current trends etc. Actual results may be different from the assumptions made and consequently may affect the charges made in future years' accounts.

The main risk areas are set out in the following table:

<b>Issues appertaining to items in the current set of accounts:</b>		
<b>Item</b>	<b>Risk</b>	<b>Potential Affect</b>
Contractual Obligations	Incorrect quantifications and legal challenge	Additional charge to the Joint Committee and its Partner Authorities
Grant Funding	Claimed ineligible expenditure	Loss of grant with expenditure to be funded from core or grant clawback
Pension Liability	Actuarial assumptions incorrect	Increased Employer Contributions at future date
Confirmation of regional position as delivery mechanism for School improvement	Funding from WG and subsequent expectations	Inability to respond to increasing expectations of regional working.
Delay in receiving grant funding	Committed expenditure not being eligible. Poor planning.	Loss of grant with expenditure to be funded from core or grant clawback. Adverse cashflow
Governance – Future arrangements	Decisions not made in timely manner	Delay in improvements, grant clawback or loss of grant funding
Core LA funding not being received	Break-up of the Consortium	Loss of Welsh Government grant Cessation of regional working

<b>Issues potentially impacting the accounts in the future:</b>		
<b>Item</b>	<b>Risk</b>	<b>Potential Affect</b>
Changes in Political Priorities	Reduced funding	Reduction in service, or cessation of regional working
Educational Outcomes	Pupils attainment does not improve at the necessary pace	Loss of future grant funding/ Local Authorities having to change support levels to ERW

Item	Risk	Potential Affect
Grant Funding	Claimed ineligible expenditure  RCSIG and PDG paid direct to Councils and not paid over to ERW.	Loss of grant with expenditure to be funded from core or grant clawback  Reduction in service provision
Demographic Change	Assumptions Incorrect	Increased service & contractual costs
Grant Funding	Loss of grant from Welsh Government	Reduction in service provision
Transformation/ Alternative Service Delivery	Changed ways of working do not deliver assumed financial savings	Budget over/under spend Separate accounting arrangements
Welsh Language Standard	Assumption incorrect	Increased service & contractual costs
Wellbeing of Future Generations Act	Act not considered in decision making	Cost of corrective action
Grant funding withheld by Welsh Government	ERW not adhering to regional nature of grant conditions	Schools do not access the support required.
ERW – Future provision of education through regional working.	Regional service does not continue	Insufficient support provided to schools to implement new curriculum and action the Estyn recommendations.  Cashflow - Pembrokeshire to finance the cessation of ERW prior to being reimbursed by other local authorities.  Failure to obtain reimbursement for other local authorities who have already left ERW.

#### 10.4 Accounting Policies

The accounting policies used to prepare the Core Accounting Statements and the following Supporting Notes and Supplementary Financial Statements have been reviewed using the 2020-21 Code of Practice on Local Authority Accounting.

##### 10.4.1 General Principles

The objective of the accounting policies adopted shall be to ensure that the Statement of Accounts provides a “true and fair” view of the financial position of the ERW Joint Committee.

The accounts shall be prepared in accordance with the latest Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (the Code) and adhere to the relevant Financial Reporting Standards and Practices, unless otherwise stated.

Figures shall be included in the Financial Statements using the cost convention specified by the appropriate accounting standard.

The accounting policies shall be revised as required from those of the previous year to reflect changes in reporting requirement with any such changes being disclosed.

##### 10.4.2 Going Concern, Exceptional, Extraordinary Items, Prior Year Adjustments & Events After the Reporting Period

The Financial Statements shall be prepared on a going concern basis unless there is an intention by government that the services will no longer be provided.

Extraordinary items - No items of income or expense will be treated as extraordinary. All items will therefore be accommodated within one of the specified lines of the Surplus or Deficit on the Provision of Services or the Other Comprehensive Income and Expenditure.

Exceptional items – When items of income and expense are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Account or in the notes to the accounts.

Unless otherwise sanctioned by the Code, material prior period adjustments shall result in a restatement of prior year figures and disclosure of the effect.

Material events occurring after the end of the reporting period shall, if applicable at the Balance Sheet date, amend the Statement of Accounts. Other events will be disclosed with an estimate of the likely financial effect. If amended after being issued prior to the conclusion of audit the responsible financial officer shall re-certify the revised Statement of Accounts as replacing that previously issued.

### **10.4.3 Leases and Lease-Type Arrangements**

#### Recognition and Classification

Operating leases shall be defined as all other lease type arrangements not deemed to be finance leases. In considering property leases, land and buildings shall be considered separately for classification purposes, with land with an infinite life generally being recognised as an operating lease.

Operating Leases - the whole of the rental payable under operating leases shall be charged to the revenue account on a straight line basis over the term of the lease.

### **10.4.4 ERW Joint Committee Reserves (Working Balances)**

#### Classification

Reserves shall be classified as usable, being available to support future expenditure or unusable being those required for financial accounting purposes.

#### Usable Reserves

The ERW Joint Committee shall govern the management and use of all reserves.

The expenditure financed from reserves shall be shown, when it is incurred, in the appropriate service section of the Comprehensive Income and Expenditure Statement.

The following circumstances shall allow amounts to be reserved from revenue:

- i. Material commitments exist for goods and services not received or paid for by 31 March
- ii. Facilitation of rolling over of funding to future years to ensure the cost effective use of resources and allow for variation in service demand from year to year
- iii. To set aside resources for future developments or contingencies

#### Unusable Reserves

The following financial reserves shall be maintained:

- i. Pension Reserve – to reflect the position of the Scheme's Fund.

#### Reporting

Appropriations to and from reserves shall be reported in the Movement in Reserves Statement.

### **10.4.5 Income & Expenditure**

#### Employee Costs & Benefits

Salaries and wages shall be charged against the periods to which they relate and if necessary estimated accruals made using previous pay periods as a basis. An adjustment shall be made in the Comprehensive Income & Expenditure Account to take account of accrued leave entitlement.

Pension costs – see policy 10.4.7 below.

#### Supplies and Services Etc

The ERW Joint Committee operates a system of accruals and converted payments. Creditors will be accrued by the end of a predetermined period of the following year and by the inclusion of estimates for significant items remaining outstanding at this time based on quotations or past costs. An exception to this principle relates to electricity and similar periodic payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy shall be consistently applied each year and therefore does not have a material effect on any year's accounts.

### Support Services

All support services provided within and to the ERW Joint Committee will be charged as appropriate through Grant, within the scope of the Terms and Conditions, and Local Authority contributions. Support services are provided by an administration team within ERW and from Local Authorities through Service Level Agreements (SLAs).

### Income

All income due to the ERW Joint Committee shall be accounted for at the due date and recognised at fair value.

## **10.4.6 Government Grants and Other Contributions**

### General

Government grants and other contributions shall be accounted for on an accruals basis and when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

### Revenue Grants and Contributions

Where a revenue grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant or contribution shall be recognised as a receipt in advance. When the grant conditions are met it shall be recognised in Comprehensive Income and Expenditure Statement as income and be matched in the service revenue accounts with the expenditure to which it relates.

### Repayment

In the event of repayment this shall first be applied to any receipt or contribution received in advance. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

## **10.4.7 Employee Costs & Benefits**

### Benefits during Employment

Normal remuneration costs shall be charged as an expense in the period to which they relate.

A year end accrual shall be made in the Comprehensive Income and Expenditure Statement of any material costs arising from holiday entitlement not taken. However, not being a charge for taxation purposes shall be reversed out in the Movement in Reserves Statement.

### Termination Benefits

Termination benefits shall be charged in the Comprehensive Income and Expenditure Statement when the ERW Joint Committee is demonstrably committed to the termination of employment.

### Pension Costs

The pension contributions paid by the ERW Joint Committee shall be charged on an accruals basis to the appropriate service revenue account and, together with the contributions made by employees, shall be paid over to the respective fund.

Dyfed Pension Fund – The accounting policies applying to the Fund shall be determined by the administering Authority, Carmarthenshire County Council, who keep the accounts of the Fund and arrange for actuarial information to be provided to participating Bodies.

Pembrokeshire County Council, as an employing Authority for the ERW Joint Committee shall include the current service costs of pensions as calculated by the Fund's actuary in the cost of services in accordance with the requirements of IAS19 as this is accounted for as a defined benefit scheme.

These charges shall be reversed out in the Movement in Reserves Statement and the actual contributions paid to the Fund included to ensure that the correct cost is charged to the ERW Joint Committee.

Assets and liabilities pertaining to the ERW Joint Committee shall be disclosed on the Balance Sheet.

Teachers Pension Scheme - In the case of teachers, pensions are "unfunded" and are met from annual contributions, therefore no liability for future benefits shall be recognised in the Balance Sheet. The scheme is accounted for as a defined contribution scheme and the contributions payable are charged to the Consolidated Income and Expenditure Statement.



#### **10.4.8 Debtors, Bad Debt Impairment & Creditors**

General Debtors shall be recognised in the Balance Sheet and measured at fair value of the amount receivable when revenue has been recognised. In the majority of cases fair value will equate to the cash value but in the case of long term debtors the value shall be discounted by the appropriate rate to reflect fair value. The adjustment shall be made in the Comprehensive Income and Expenditure Statement but not being a proper charge to the ERW Joint Committee shall be reversed in the Movement in Reserves Statement to the Financial Instrument Adjustment Account.

Where revenue has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

General Creditors shall be recognised in the Balance Sheet and measured at fair value of the amount payable when goods have been delivered or services rendered. In the majority of cases fair value will equate to the cash value but in the case of long term creditors the value shall be discounted by the appropriate rate to reflect fair value. The adjustment shall be made in the Comprehensive Income and Expenditure Statement but not being a proper charge to the ERW Joint Committee fund shall be reversed in the Movement in Reserves Statement to the Financial Instrument Adjustment Account.

#### **10.4.9 Cash and Cash Equivalents**

Represented by funds that are held to meet short-term cash commitments, rather than invested for other purposes, and that are readily convertible to known amounts of cash. The amount of cash and cash equivalents so defined shall be determined by reference to the daily cash flow forecasts.

#### **10.4.10 VAT**

Transactions shall be shown net of VAT to the extent that it is recoverable/payable.

#### **10.4.11 Related Parties**

The following disclosures shall be made in respect of material transactions with related parties not disclosed elsewhere in the Statement of Accounts:

- i. Nature of the relationship and influence exerted either by or on the ERW Joint Committee
- ii. The aggregate of transactions in the year separately showing payable and receivable amounts
- iii. Outstanding balances as at 31 March.

#### **10.4.12 Provisions**

Provisions are made where an event has taken place that gives the ERW Joint Committee a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the ERW Joint Committee becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the ERW Joint Committee settles the obligation.

#### **10.4.13 Contingent Liabilities and Assets**

##### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives ERW a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of ERW. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

**Contingent Assets**

A contingent asset arises where an event has taken place that gives ERW a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of ERW.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## 11.0 Core Financial Statements – Components and Detail

The core financial statements, prepared using International Financial Reporting Standards, (IFRS) comprise of:

- The Comprehensive Income and Expenditure Statement - showing the accounting cost in the year of providing services measured on an IFRS basis as opposed to the cost actually funded from taxation. The reconciliation to the taxation position, as represented by the actual funds available to the ERW Joint Committee, is shown in the Expenditure and Funding Analysis (note 11.1)
- The Movement in Reserves Statement – showing the movement on the different reserves held by the ERW Joint Committee analysed between usable reserves and unusable reserves held for financial accounting purposes.
- The Balance Sheet - which sets out the financial position on 31 March in terms of the value of assets and liabilities recognised by the ERW Joint Committee and the reserves held by the ERW Joint Committee
- The Cash Flow Statement - which summarises the inflows and outflows of cash and cash equivalents with third parties arising from revenue and capital transactions.

### Supporting Notes and Supplementary Financial Statements

These comprise of:

- The Expenditure and Funding Analysis.
- Notes to the core financial statements.

## 11.1 Expenditure and Funding Analysis

This statement shows the reconciliation between how annual expenditure is used and funded from resources (government grants and contributions) by ERW as reported to management in comparison with those resources consumed or earned by ERW in accordance with generally accepted accounting practices (IFRS basis). It also shows how this expenditure is allocated for decision making purposes between ERW's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019-20			2020-21			
Net Expenditure £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
			<b>Expenditure</b>			
3,973	71	4,044	Employees	3,119	139	3,258
76		76	Premises	63		63
64		64	Transport	5		5
36		36	Translation	34		34
163		163	Supplies & Services	32		32
695		695	Consultancy	439		439
139		139	Support Services	139		139
2,407		2,407	Payments to Schools via LA's for specific work	2,328		2,328
119		119	Facilitation	16		16
57,194		57,194	Grants Passported to LA's	50,323		50,323
(20)		(20)	Bad debt provision	0		0
<b>64,846</b>	<b>71</b>	<b>64,917</b>	<b>Total Expenditure</b>	<b>56,498</b>	<b>139</b>	<b>56,637</b>
			<b>Income</b>			
(250)		(250)	Contributions from Member LA's	(480)		(480)
(63,904)		(63,904)	Welsh Government Grant	(55,779)		(55,779)
(398)		(398)	Other Grant Income	(302)		(302)
(93)		(93)	Miscellaneous Income	(207)		(207)
(231)		(231)	Use of funding b/fwd	0		0
<b>(64,876)</b>		<b>(64,876)</b>	<b>Total Income</b>	<b>(56,768)</b>		<b>(56,768)</b>
<b>(30)</b>	<b>71</b>	<b>41</b>	<b>(Surplus) / Deficit on Continuing Operations</b>	<b>(270)</b>	<b>139</b>	<b>(131)</b>
-	-	-	Financing & Investment Income and Expenditure	-	-	-
-	20	20	Net Pensions Interest Remeasurement of Pension Liabilities and Assets	-	67	67
-	-	-		-	-	-
<b>(30)</b>	<b>91</b>	<b>61</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(270)</b>	<b>206</b>	<b>(64)</b>
<b>(30)</b>	<b>91</b>	<b>61</b>	<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>	<b>(270)</b>	<b>206</b>	<b>(64)</b>

	2019-20 Fund Balance £000	2020-21 Fund Balance £000
Opening General Fund, Usable Earmarked Reserves	(322)	(352)
(Surplus)/Deficit on General Fund	(30)	(270)
<b>Closing General Fund, Usable Earmarked Reserves</b>	<b>(352)</b>	<b>(622)</b>

## 11.2 Comprehensive Income and Expenditure Statement

This statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practice.

The Comprehensive Income and Expenditure Statement can be summarised as follows:

- **Surplus/Deficit on Continuing Operations** – analyses by subjective groupings, the day to day income and expenditure on such items as employee remuneration, running costs of services, service specific grants, fees and charges.

In accordance with the Code requirements, the operating income and expenditure of services include the following “notional” costs that are “reversed out” in the Movement in Reserves Statement:

- Current service pension costs.
- **Other Comprehensive Income & Expenditure** – shows the surplus or deficit arising from the re-measurement of pension assets and liabilities.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	2019-20			2020-21		
		Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Employees		4,044	-	4,044	3,258	-	3,258
Premises		76	-	76	63	-	63
Transport		64	-	64	5	-	5
Translation		36	-	36	34	-	34
Supplies & Services		163	-	163	32	-	32
Consultancy		695	-	695	439	-	439
Support Services		139	-	139	139	-	139
Payments to Schools via LA's for Specific Work		2,407	-	2,407	2,328	-	2,328
Facilitation		119	-	119	16	-	16
Bad debt provision		(20)	-	(20)	-	-	-
<b>Total Expenditure</b>		<b>7,723</b>	-	<b>7,723</b>	<b>6,314</b>	-	<b>6,314</b>
Contributions from Member LA's		-	(250)	(250)	-	(480)	(480)
Welsh Government Grant		-	(6,710)	(6,710)	-	(5,456)	(5,456)
Other Grant Income		-	(398)	(398)	-	(302)	(302)
Miscellaneous Income		-	(93)	(93)	-	(207)	(207)
Use of Funding B/fwd		-	(231)	(231)	-	-	-
<b>Total Income</b>		-	<b>(7,682)</b>	<b>(7,682)</b>	-	<b>(6,445)</b>	<b>(6,445)</b>
<b>WG Grant Passported to Member Authorities</b>	<b>13.1</b>						
Carmarthenshire		12,122	(12,122)	-	12,712	(12,712)	-
Ceredigion		3,780	(3,780)	-	4,022	(4,022)	-
Neath Port-Talbot		10,635	(10,635)	-	-	-	-
Pembrokeshire		7,353	(7,353)	-	7,955	(7,955)	-
Powys		6,874	(6,874)	-	7,262	(7,262)	-
City and County of Swansea		16,430	(16,430)	-	18,372	(18,372)	-
		<b>57,194</b>	<b>(57,194)</b>	-	<b>50,323</b>	<b>(50,323)</b>	-
<b>(Surplus) / Deficit on Continuing Operations</b>		<b>64,917</b>	<b>(64,876)</b>	<b>41</b>	<b>56,637</b>	<b>(56,768)</b>	<b>(131)</b>
<b>Financing &amp; Investment Income and Expenditure</b>							
Net Pensions Interest	<b>13.2</b>			20			67
Remeasurement of Pension Liabilities and Assets				-			-
<b>(Surplus) or Deficit on Provision of Services</b>				<b>61</b>			<b>(64)</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>61</b>			<b>(64)</b>

### 11.3 Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the ERW Joint Committee, analysed between usable (those that can be applied to fund expenditure) and other unusable reserves. The unusable reserves include reserves that hold unrealised gains and losses that are only realised when assets are sold and reserves that hold accounting differences needed to reconcile the differences between reporting on the IFRS accounting basis and the statutory funding basis.

The (Surplus)/Deficit on the provision of services reflects the economic cost of providing the ERW Joint Committee's services, more details of which are provided in the Comprehensive Income and Expenditure Statement on the following page.

Actuals 2020-21	ERW Usable Earmarked Reserves £000	ERW General Working Reserve £000	ERW Unusable Reserves £000	Total ERW Reserves £000
<b>Balance 1st April 2020</b>	<b>(352)</b>	<b>(100)</b>	<b>407</b>	<b>(45)</b>
(Surplus) / Deficit On Provision of Services	(64)	-	-	(64)
<b>Total Comprehensive Income &amp; Expenditure</b> (see note 11.2)	<b>(64)</b>	-	-	<b>(64)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see note 14.1)	(206)	-	206	-
<b>(Increase)/Decrease In Year</b>	<b>(270)</b>	-	<b>206</b>	<b>(64)</b>
<b>Balance 31st March 2021</b>	<b>(622)</b>	<b>(100)</b>	<b>613</b>	<b>(109)</b>

Actuals 2019-20	ERW Usable Earmarked Reserves £000	ERW General Working Reserve £000	ERW Unusable Reserves £000	Total ERW Reserves £000
<b>Balance 1st April 2019</b>	<b>(322)</b>	<b>(100)</b>	<b>316</b>	<b>(106)</b>
(Surplus) / Deficit On Provision of Services	61	-	-	61
<b>Total Comprehensive Income &amp; Expenditure</b> (see note 11.2)	<b>61</b>	-	-	<b>61</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulation (See note 14.0)	(91)	-	91	-
<b>(Increase)/Decrease In Year</b>	<b>(30)</b>	-	<b>91</b>	<b>61</b>
<b>Balance 31st March 2020</b>	<b>(352)</b>	<b>(100)</b>	<b>407</b>	<b>(45)</b>

## 11.4 Balance Sheet

This Statement shows the value at the Balance Sheet date of the assets and liabilities recognised by the ERW Joint Committee. The net assets (assets less liabilities) are matched by:

- Usable reserves comprising of the General Working Reserve and Earmarked Reserves.
- Unusable reserves comprising of reserves facilitating the adjustments required between accounting basis used to prepare the Statement of Accounts and the statutory funding basis under regulation.

BALANCE SHEET AS AT 31st MARCH	Note No.	2019-20		2020-21	
		£000	£000	£000	£000
<b>CURRENT ASSETS:</b>					
Short-term Debtors and Prepayments	15.1.1	158		295	
Cash & Cash Equivalents	15.2	2,725		3,135	
<b>Total Current Assets</b>			<b>2,883</b>		<b>3,430</b>
<b>TOTAL ASSETS</b>			<b>2,883</b>		<b>3,430</b>
<b>CURRENT LIABILITIES:</b>					
Short-term Creditors	15.1.2	(1,966)		(2,016)	
Receipt in Advance	15.1.2	(465)		(692)	
Overdraft	15.2	-		-	
<b>Total Current Liabilities</b>			<b>(2,431)</b>		<b>(2,708)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>452</b>		<b>722</b>
Net Pension Fund Liability	15.4	(407)		(613)	
<b>TOTAL LONG TERM LIABILITIES</b>			<b>(407)</b>		<b>(613)</b>
<b>NET ASSETS</b>			<b>45</b>		<b>109</b>
Usable Reserves					
- Earmarked Joint Committee Reserves	14.2		352	622	
- General Working Reserve	14.2		100	100	
- Earmarked Joint Committee Reserve	32				
Unusable Reserves					
- Pensions Reserve	14.3		(407)	(613)	
<b>TOTAL RESERVES</b>			<b>45</b>		<b>109</b>

## 11.5 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period, showing how the ERW Joint Committee generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities.

The amount of net cash flows arising from net operating activities is a key indicator of the extent to which operations are funded by way of grant income or from the recipients of services provided by the ERW Joint Committee.

All cash transactions are administered by Pembrokeshire County Council as ERW Joint Committee does not operate its own bank account.

CASH FLOW STATEMENT	2019-20		2020-21	
	£000	£000	£000	£000
<b>Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cashflow</b>				
<b>Net (Surplus)/Deficit on the provision of services</b>	-	61	-	(64)
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>				
Pension fund adjustments	(91)		(206)	
Movements in revenue debtors, creditors, stocks etc.	(850)	(941)	(140)	(346)
<b>Net cash Flow from Operating Activities</b>		<b>(880)</b>		<b>(410)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>				
Cash & Cash equivalents at the beginning of reporting period	(1,845)		(2,725)	
Cash & Cash equivalents at the end of reporting period	2,725		3,135	
<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		<b>880</b>		<b>410</b>

See note 15.1 for a breakdown of debtors and creditors and note 15.2 for cash at the end of the year.



## 12.0 Notes to the Expenditure and Funding Analysis

	2019-20		
	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000
(Surplus) / Deficit on Continuing Operations	71		71
Other Operating Expenditure			
Financing & Investment Income & expenditure	20		20
Taxation and non-specific grant income			
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>91</b>	<b>-</b>	<b>91</b>

	2020-21		
	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000
(Surplus) / Deficit on Continuing Operations	139		139
Other Operating Expenditure			
Financing & Investment Income & expenditure	67		67
Taxation and non-specific grant income			
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>206</b>	<b>-</b>	<b>206</b>

### 12.1 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by ERW as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.

## 13.0 Notes to the Comprehensive Income & Expenditure Statement

### 13.1 Revenue Grants

The table below sets out specific grant income from Welsh Government and Other Grant Awarding Bodies. The Grants held centrally are further analysed on the next page.

Revenue Grants	2019-20	Grants Allocated Direct to Authority	Grants Held Centrally	2020-21	Grants Allocated Direct to Authority	Grants Held Centrally
	£000	£000	£000	£000	£000	£000
Pupil Development Grant	(24,425)	(24,282)	(143)	(21,274)	(20,957)	(317)
EWC NQT Moderation	(398)	-	(398)	(224)	-	(224)
Regional Consortia School Improvement Grant	(39,335)	(32,912)	(6,423)	(34,505)	(29,366)	(5,139)
Regional Consortia School Improvement Grant B/fwd	(144)	-	(144)	-	-	-
Others	-	-	-	(78)	-	(78)
<b>Total Revenue Grants</b>	<b>(64,302)</b>	<b>(57,194)</b>	<b>(7,108)</b>	<b>(56,081)</b>	<b>(50,323)</b>	<b>(5,758)</b>

The above revenue grants have been accounted as follows during the year:

Revenue Grants	2019-20	Grants Allocated Direct to Authority	Grants Held Centrally	2020-21	Grants Allocated Direct to Authority	Grants Held Centrally
	£000	£000	£000	£000	£000	£000
Welsh Government Grants	(63,904)	(57,194)	(6,710)	(55,779)	(50,323)	(5,456)
EWC	(398)	-	(398)	(224)	-	(224)
Others	-	-	-	(78)	-	(78)
<b>Grants Credited As Income in Year</b>	<b>(64,302)</b>	<b>(57,194)</b>	<b>(7,108)</b>	<b>(56,081)</b>	<b>(50,323)</b>	<b>(5,758)</b>

Further analysis of the Grants held centrally:

Revenue Grants	2019-20	Grants Held Centrally	2020-21	Grants Held Centrally
		£000		
<b>Payments to schools via LA's for specific work</b>				
Powys	471		379	
Ceredigion	263		190	
Pembrokeshire	250		413	
Carmarthenshire	347		527	
City and County of Swansea	641		716	
Neath Port-Talbot	378		103	
General	47		-	
		2,397		2,328
<b>Other expenditure</b>				
Employees	3,176		2,442	
Grants covering central team	500		500	
Transport / Mileage	57		4	
Translation	32		28	
Supplies & Services	763		444	
Facilitation	183		12	
		4,711		3,430
<b>Total expenditure</b>		<b>7,108</b>		<b>5,758</b>

## 13.2 Pension Costs

The ERW Joint Committee participates in two pension schemes:

### 13.2.1 The Dyfed Superannuation Scheme, which is administered by Carmarthenshire County Council, is a funded defined benefit scheme to which both employees and the ERW Joint Committee, through Pembrokeshire County Council as employers, pay contributions. The scheme operates under the legislation appertaining to Local Government Pensions.

A composite employer's contribution rate used in 2020-21 was calculated by the Fund's actuary based on the valuation as at 31 March 2019 for all employees of the County Council who are members of the scheme.

The Fund was valued as at 31 March 2019 & the results of this valuation are reflected in the 2020-21 accounts.

The disclosures set out below are required by International Accounting Standard 19 (IAS 19), which employs slightly different assumptions than those used in the actuarial valuation, are also produced by the Fund's Actuary at each financial year end.

IAS 19 requires most assets to be valued at "realisable values" i.e.: bid values, as opposed to "fair values" (in effect, mid-market values).

The pensions fund investment assets will move in line with the value of securities quoted on world equity markets which could increase or decrease. As the Pension Fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2021 and the date that the accounting statements are authorised for issue.

#### Interest on Assets

This is the interest on assets held at the start of the period and cash flows occurring during the period, calculated using the discount rate at the start of the year.

The Net Interest Cost is calculated as interest on pension liabilities less the interest on assets.

#### Recognition of Actuarial Gains and Losses

All actuarial gains and losses are recognised in the year of occurrence via Other Comprehensive Income and Expenditure.

Actuarial gains and losses on liabilities due to changes in actuarial assumptions are split between the effect of changes in financial assumptions and changes in demographic assumptions.

#### Expenses

Administration expenses are recognised as a separate item within the pension cost. Investment expenses are treated as a loss on asset and so recognised via Other Comprehensive Income and Expenditure.

### 13.2.2 Teachers Pension Scheme

The scheme is administered by the Department for Education in England and Wales. This is an unfunded scheme, meaning that there are no investment assets accumulated to meet pension costs before they arise, and therefore no fund assets or liabilities appearing in the ERW Joint Committee's Balance Sheet. Pembrokeshire County Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers scheme.

### 13.2.3 McCloud Legal Judgement – Age Discrimination in Pension Funds

No specific investigation has been undertaken in relation to increases in the average age of the scheme membership, but no reason has been given to suggest there have been any substantial changes since the 2019 actuarial valuation.

The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. In July 2020, the UK Government published proposals for consultation on a remedy to address the McCloud issue. The pension fund actuary has based the estimate on the major provisions of the remedy, however there remains some uncertainty over the final outcome.

## Revenue Transactions

Comprehensive Income And Expenditure Statement Entries included in Net Operating Expenditure	2019-20		2020-21	
	£000	£000	£000	£000
Interest on Pension Liabilities	91		218	
Interest on Plan Assets	(71)		(151)	
		<b>20</b>		<b>67</b>
Current Service Cost		136		319
Remeasurement of Pension Liabilities and Assets		-		-
		<b>156</b>		<b>386</b>
<b>Statement of Movement on the Council Fund Balance Entries</b>				
<b>Reversal IAS 19 Entries Above:</b>		(156)		(386)
<b>Actual Charges Paid in Year</b>				
Actual Amount Charged for Period	65	65	180	180
<b>Net Adjustment Required</b>		<b>(91)</b>		<b>(206)</b>

The pensions fund investment assets will move in line with the value of securities quoted on world equity markets which could increase or decrease. As the Pension Fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2021 and the date that the accounting statements are authorised for issue.

### 13.3 Exceptional Costs

There were no exceptional costs incurred in the period.

### 13.4 Remuneration Details

13.4.1 The following tables set out the disclosure of remuneration for ERW Joint Committee Senior Staff as follows:

- Managing Director and Other Senior Staff including pension contributions or equivalent payments. The total contribution rate for employer pension contributions was 17.0% for 2019-20 and 17.1% for 2020-21.
- Other Employees receiving remuneration of £60,000 or more (not including employer pension contributions) in bands of £5,000.

Senior Officers	Year	Gross Salary, Fees & Other Emoluments	Employer Pension Contributions to Local Government Pension Scheme	Benefits in Kind
Interim Managing Director*	2019-20	£63,555	-	-
Interim Managing Director**	2019-20	£73,404	-	-
Interim Managing Director***	2020-21	£36,382	£5,848	-
Interim Chief Officer****	2020-21	£43,348	£7,412	-
Interim Chief Officer****	2020-21	£43,348	£7,412	-
Head of Human Resources*****	2020-21	£40,730	£6,965	£6,836

\* The Interim Managing Director was seconded from Cardiff City Council for the period April 2019 to August 2019

\*\* The Interim Managing Director was seconded from Carmarthenshire County Council for the period September 2019 to 31 March 2020, and continued on a voluntary basis until 31 May 2020

\*\*\* The Interim Managing Director was appointed for the period 1 June 2020 to 31 August 2020

\*\*\*\* Two Interim Chief Officers were appointed for the period 1 September 2020 to 31 March 2021

\*\*\*\*\* The Head of Human Resources was seconded from Pembrokeshire County Council for the period 1 November 2020 to 31 March 2021

Other Employees Remuneration Band	Number of Other Employees	
	2019-20	2020-21
£60,000 - £64,999	-	1
£65,000 - £69,999	-	2
£70,000 - £74,999	2	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	1	-
£90,000 - £94,999	1	-
£95,000 - £99,999	-	-
£130,000-£134,999	1	-

The former Managing Director remained seconded and recharged to Welsh Government for the period April 2020 to October 2020. The total reimbursement from Welsh Government was £68k (via invoice to WG).

One employee received remuneration above £60,000 but is excluded from the table above due to the fact that they are seconded and recharged to Welsh Government for the period April 2020 to March 2021. The total reimbursement from Welsh Government was £95k (via invoice to WG).

There are other senior officer roles within the ERW Joint Committee who are not employed by the Consortium and they do not receive any remuneration through the additional roles that they carry out on behalf of the region. They include:

Lead Chief Executive	Swansea
Lead Director of Education	Carmarthenshire
Director of Resources/S151 Officer	Pembrokeshire
Monitoring Officer	Ceredigion

Also on the Executive Board were the five Directors of Education from Ceredigion, Carmarthenshire, Pembrokeshire, Powys and Swansea.

For information on the remuneration of the above individuals and seconded staff members, users should refer to the respective Local Authority Statement of Accounts.

### 13.4.2 Termination Benefits

Redundancy & Other Termination Costs (Current Year)	2019-20				2020-21				
	Band	No's			£000	No's			£000
		Compulsory	Other	Total		Compulsory	Other	Total	
£0 - £20,000	-	-	-	-	-	-	-	-	
£20,001 - £40,000	-	1	1	37	-	-	-	-	
£40,001 - £60,000	-	1	1	78	-	-	-	-	
<b>Total</b>	-	<b>2</b>	<b>2</b>	<b>115</b>	-	-	-	-	

### 13.5 Audit Fees

The following amounts are estimated as payable to Audit Wales for the year:

	2019-20 £000	2020-21 £000
Fees payable to Audit Wales with regard to external audit services carried out by the Appointed Auditor for the year	13	13
<b>Total</b>	<b>13</b>	<b>13</b>

### 13.6 Related Parties

Related parties refers to bodies or individuals that have the potential to control or influence the ERW Joint Committee or to be influenced or controlled by the ERW Joint Committee thereby possibly constraining the ability of the ERW Joint Committee or the other party to operate independently.

There are other instances where Executive Board Members, lead officers and Members of the ERW Joint Committee may attend meetings of the third party bodies but do not have the direct ability to exercise control, however, the opinions they express may influence decisions and policy.

During 2020-21, the former Managing Director was seconded to Welsh Government, who provide ERW with the majority of its funding.

#### 13.6.1 Material Relationships

The following material relationships have been identified where material influence exists.

##### Welsh Government

The Welsh Government has the responsibility for the statutory framework and provide the majority of the ERW Joint Committees funding, much of which is subject to specific terms and conditions. The bodies can, therefore, exert effective control over the operations of the ERW Joint Committee. Details of grants received are set out in note 13.1.

The following table shows the total transactions and year end balances with the 5 Local Authorities:

Transaction with Local Authorities	Balance Owed at the Year End £000	Total Transactions in the Year £000
Powys County Council	25	7,681
Ceredigion County Council	108	4,314
Pembrokeshire County Council	26	8,555
Carmarthenshire County Council	72	13,286
City and County of Swansea	123	19,249
<b>Total</b>	<b>354</b>	<b>53,085</b>

## 14.0 Notes To The Movement In Reserves

### 14.1 Adjustments Between Accounting Basis & the Regulatory Funding Basis

Actuals	2019-20		2020-21	
	ERW Usable Reserves £000	ERW Unusable Reserves £000	ERW Usable Reserves £000	ERW Unusable Reserves £000
<b>Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position</b>				
Pension Cost Adjustment	(156)	156	(386)	386
Remeasurement of Pension Liabilities and Assets	-	-	-	-
<b>Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position</b>				
Employers Contribution to Pension Scheme	65	(65)	180	(180)
<b>Net Adjustment Required</b>	<b>(91)</b>	<b>91</b>	<b>(206)</b>	<b>206</b>

### 14.2 Usable Reserves

Usable Reserves	Balance 1st April 2020 £000	Contribution from Revenue Accounts £000	Contribution to Revenue Accounts £000	Balance 31st March 2021 £000
Earmarked Reserves	(352)	(270)	-	(622)
General Working Reserve	(100)	-	-	(100)
<b>Total Useable Reserves</b>	<b>(452)</b>	<b>(270)</b>	<b>-</b>	<b>(722)</b>

#### General Working Reserve

This reserve constitutes ERW's working balance and is maintained to meet day to day operational eventualities. It was created in 2016-17 in order to provide an adequate level of funding to deal with any unexpected expenditure.

#### Earmarked Reserves

These constitute balances held at the year-end for specific purposes and will be used in accordance with those specific requirements.

Both reserves are reviewed annually during the budget process.

### 14.3 Unusable Reserves

The transactions in the unusable reserve accounts summarised below can be found in more detail in note 15.4.

Unusable Reserves	Balance 1st April 2020 £000	Movement in Year £000	Balance 31st March 2021 £000
Pensions Reserve	407	206	613
<b>Total Unusable Reserves</b>	<b>407</b>	<b>206</b>	<b>613</b>



## 15.0 Notes To The Balance Sheet

### 15.1 Debtors and Creditors

#### 15.1.1 Debtors and Prepayments

All amounts included as assets are shown at market (fair) value.

	Net 1st April 2019 £000	Gross 31st March 2020 £000	Impairment Allowance £000	Net 31st March 2020 £000
<b>Amounts falling due in one year:</b>				
Welsh Government	-	158	-	158
Local Authorities & Schools	20	-	-	-
Other Debtors	1	-	-	-
<b>Total Debtors</b>	<b>21</b>	<b>158</b>	<b>-</b>	<b>158</b>

	Net 1st April 2020 £000	Gross 31st March 2021 £000	Impairment Allowance £000	Net 31st March 2021 £000
<b>Amounts falling due in one year:</b>				
Welsh Government	158	58	-	58
Local Authorities & Schools	-	114	-	114
Prepayments	-	22	-	22
Other Debtors	-	101	-	101
<b>Total Debtors</b>	<b>158</b>	<b>295</b>	<b>-</b>	<b>295</b>

#### 15.1.2 Creditors

	Balance 31st March 2020			
	Short Term Creditors £000	Revenue Grants Receipts in Advance £000	Capital Grants Receipts in Advance £000	Total Creditors £000
<b>Amounts falling due in one year:</b>				
Welsh Government	(832)	-	-	(832)
Local Authorities & Schools	(719)	-	-	(719)
Other Creditors	(415)	(465)	-	(880)
<b>Total Creditors</b>	<b>(1,966)</b>	<b>(465)</b>	<b>-</b>	<b>(2,431)</b>

	Balance 31st March 2021			
	Short Term Creditors £000	Revenue Grants Receipts in Advance £000	Capital Grants Receipts in Advance £000	Total Creditors £000
<b>Amounts falling due in one year:</b>				
Welsh Government	(1,472)	(42)	-	(1,514)
Local Authorities & Schools	(362)	-	-	(362)
Other Creditors	(182)	(650)	-	(832)
<b>Total Creditors</b>	<b>(2,016)</b>	<b>(692)</b>	<b>-</b>	<b>(2,708)</b>

Revenue Grants Receipts in Advance	2019-20 £000	2020-21 £000
Welsh Government	-	(42)
NQT/ EWC Balance	(465)	(650)
<b>Total Current Liabilities Revenue Grants Receipts in Advance</b>	<b>(465)</b>	<b>(692)</b>

### 15.1.3 Further Breakdown of Short-Term Creditor Analysis

Breakdown of Short-Term Creditors	2019-20 £000	2020-21 £000
Pupil Development Grant	85	95
Regional Consortia School Improvement	1,636	1,724
NQT		120
<b>Total Current Liabilities Revenue Grants</b>	<b>1,721</b>	<b>1,939</b>
Central Team	245	77
<b>Total Creditors Owed 31st March</b>	<b>1,966</b>	<b>2,016</b>

### 15.2 Cash and Cash Equivalents

	Balance 31st March 2020 £000	Balance 31st March 2021 £000
Cash at Bank / in Hand	2,725	3,135
Cash Overdrawn	-	-
<b>Total Cash and Cash Equivalents</b>	<b>2,725</b>	<b>3,135</b>

### 15.3 Contingent Liabilities

#### Cessation of ERW

It was anticipated that ERW would cease on 31 August 2021 and a new partnership, 'Partneriaeth', of three local authorities - Carmarthenshire County Council, Pembrokeshire County Council and the City and County of Swansea Council would commence from 1 September 2021 with a new legal agreement. However, due to delays in determining the staffing structure for the new Partneriaeth and the timescales for the related consultation and HR processes to be completed, ERW will now cease at the end of 2021-22. Whilst Powys County Council remained part of ERW until 31 August 2021, they have received no services from 1 September 2021. The new 'Partneriaeth' is currently operating in shadow form, with the new legal agreement currently being considered for approval by each of the three partner local authorities. It is understood that the other local authorities will be making their own arrangements for the future.

The ERW staff who successfully obtained employment with the new 'Partneriaeth' were transferred during 2021-22. Some staff left or retired from ERW and secondments were ended. There were some redundancies, but no provision for any liability was made in these financial statements as it was anticipated that the number would be small, and any costs will be funded by the previous local authority members of ERW, ERW reserves or the current local authority members of ERW.

### 15.4 Pensions (Reserve)/Liability

The Pensions (Reserve)/Liability relates to the Dyfed Pension Scheme (see note 13.2.1) and absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The debit balance on the Pensions Reserve reflects the shortfall at a point in time between the benefits earned by past and current employees and the resources in terms of pension fund assets required to meet them. The statutory arrangements for managing the Fund should ensure that funding will have been set aside by the time the benefits come to be paid.<sup>40</sup>

	2019-20 £000	2020-21 £000
<b>Balance 1st April</b>	<b>316</b>	<b>407</b>
Remeasurement of Pension Liabilities and Assets	-	-
Reversal of items chargeable to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement	156	386
Employers pension contributions and other direct payments in the year	(65)	(180)
<b>Balance 31st March</b>	<b>407</b>	<b>613</b>

## 16.0 Events After the Reporting Period

It was anticipated that ERW would cease on 31 August 2021 and a new partnership, 'Partneriaeth', of three local authorities - Carmarthenshire County Council, Pembrokeshire County Council and the City and County of Swansea Council would commence from 1 September 2021 with a new legal agreement. However, due to delays in determining the staffing structure for the new Partneriaeth and the timescales for the related consultation and HR processes to be completed, ERW will now cease at the end of 2021-22. Whilst Powys County Council remained part of ERW until 31 August 2021, they have received no services from 1 September 2021. The new 'Partneriaeth' is currently operating in shadow form, with the new legal agreement currently being considered for approval by each of the three partner local authorities. It is understood that the other local authorities will be making their own arrangements for the future.

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## Audit of Accounts Report – Education through Regional Working Joint Committee

Audit year: 2020-21

Date issued: December 2021

Document reference: 2752A2021-22

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

## Audit of Accounts Report

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2020-21 accounts in this report.
- 2 We have already discussed these issues with ERW's S.151 Officer.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £1.1 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - £1,000 for senior officers' remuneration, pension and exit packages; and
  - £10,000 for related party transactions and balances, being pecuniary interests and/or positions of influence held by senior officers and members, or, by their close family.
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.



**Exhibit 1 – impact of COVID-19 on this year’s audit**

<p><b>Timetable</b></p>	<p>Given the continuing impact of COVID-19, the Welsh Government provided flexibility in terms of both the accounts preparation deadlines and the audit deadlines:</p> <ul style="list-style-type: none"> <li>• the accounts preparation deadlines were extended to 31 August 2021 and the audit deadlines extended to 30 November 2021.</li> <li>• we received the draft accounts on 8 July 2021, however, subsequent delays encountered during the audit led to delays in concluding the work. We have now substantially completed our work but are awaiting confirmation of the date the Joint Committee will meet to approve the accounts before we can determine the expected date of our audit opinion.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>If still necessary at the time of approval and signing, we will accept electronic signatures and electronic transfer of files. We anticipate that your audit report will be signed electronically.</p>
<p><b>Audit evidence</b></p>	<p>As in previous years, we received most of the audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• ERW officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• ERW officers provided audit evidence to the audit team through remote access to Pembrokeshire Council’s shared server and</li> <li>• Audit Wales also secured remote read-only access to Pembrokeshire Council’s ledger which enabled the audit team to query the ledger and hence reduce the burden on officers to provide this information.</li> </ul> <p>Additional workload pressures on your staff in responding to the pandemic and pressures meant we did encounter significant delays in receiving audit evidence and timely responses to audit queries, and this has resulted in a delay in concluding the audit.</p>
<p><b>Other</b></p>	<p>Officers were available by video conferencing for discussions which enabled the audit team to correspond effectively with officers throughout the audit.</p>

- 10 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 11 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 Our proposed audit report is set out in Appendix 2 and includes one emphasis of matter reference, drawing the reader's attention to Notes 10.3, 15.3 and 16 of the financial statements, which describe the current status and expected timescale for the cessation of ERW. Our opinion is not modified in respect of this matter.
- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.

## Significant issues arising from the audit

### Uncorrected misstatements

- 15 There are no misstatements identified with the accounts, which remain uncorrected.

### Corrected misstatements

- 16 There were initially minor arithmetic and disclosure errors in the draft statement of accounts. These have now been corrected by management and have no impact on ERW's reported net expenditure.

### Other significant issues arising from the audit

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There was one issue arising in this area this year as shown in **Exhibit 2**.

## Exhibit 2 – significant issue arising from the audit

Significant issue arising from the audit		
<b>Delays in providing responses to audit queries</b>	Whilst initial supporting working papers were provided as agreed, there were significant delays in responses to subsequent audit queries and requests. Although this was due to staff absences and pressures, it did cause significant delays in the completion of the audit of the financial statements.	ERW should ensure improvements are made to the process for dealing with audit requests for 2021-22.

## Recommendations

- 18 Following the audit certification by the Auditor General, we will continue to work with ERW's finance team to improve the accounts production and audit process for 2021-22.
- 19 There were no other significant issues arising during this year's audit.

## Other recommendations

- 20 We have identified other areas where there is scope for further development, and we will report these separately to Management and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

# Appendix 1

## Final Letter of Representation

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

Date

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of the Education through Regional Working Joint Committee (ERW) for the year ended 31 March 2021 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 [insert relevant code]; in particular, the financial statements give a true and fair view in accordance therewith; and
- 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 ERW 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.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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. There are no uncorrected misstatements in the financial statements.

## Representations by the Education through Regional Working 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 ERW on **a date to be confirmed**

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:

Signed by:

**Section 151 Officer**

Chair of Education through Regional Working Joint Committee

**Date:**

**Date:**

# Appendix 2

## Proposed audit report

### The independent auditor's report of the Auditor General for Wales to the members of the Education through Regional Working Joint Committee

#### Opinion on the financial statements

I have audited the financial statements of the Education through Regional Working Joint Committee (ERW) for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

The Education through Regional Working Joint Committee's 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Education through Regional Working Joint Committee as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 Education through Regional Working 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 Authority'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.

## **Emphasis of Matter**

We draw attention to Notes 10.3, 15.3 and 16 of the financial statements, which describe the current status and expected timescale for the cessation of ERW. Our opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on ERW's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **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 2020-21; and



- 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 Authority 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## **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 58, the responsible financial officer is responsible for the preparation of the statement of accounts, 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 Authority's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management, ERW's internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Education through Regional Working Joint Committee's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.
- obtaining an understanding of the Education through Regional Working Joint Committee's framework of authority, as well as other legal and regulatory frameworks that the Education through Regional Working Joint Committee operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Education through Regional Working Joint Committee.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Education through Regional Working Joint Committee about actual and potential litigation and claims;
- reading minutes of meetings of the Joint Committee as those charged with governance, and its committees;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Education through Regional Working Joint Committee's controls, and the nature, timing and extent of the audit procedures performed.

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

### **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales

24 Cathedral Road  
Cardiff  
CF11 9LJ

Date: TBC



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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



## ERW JOINT COMMITTEE 29 APRIL 2022

### ERW ANNUAL GOVERNANCE STATEMENT 2020-21

#### PURPOSE:

To provide the ERW Joint Committee with the findings from the annual review of governance arrangements for ERW for 2020-21.

#### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

- To review and approve the ERW Annual Governance Statement 2020-21.

**REASONS:** Statutory requirement.

**Report Author:**  
Jon Haswell

(AGS 2020-21 completed by Jo Hendy, former ERW Head of Internal Audit)

**Designation:**  
ERW Section 151 Officer

**Tel No.** 01437 775836

**E. Mail:**  
haswellj@pembrokeshire.gov.uk

**EXECUTIVE SUMMARY  
ERW JOINT COMMITTEE  
29 APRIL 2022**

**ERW ANNUAL GOVERNANCE STATEMENT 2020-21**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

To provide the ERW Joint Committee with the findings from the annual review of governance arrangements for ERW for 2020-21 and to agree actions to address the significant governance issues and priorities for improvement.

The ERW Annual Governance Statement 2020-21 was agreed by the ERW Statutory Officers in August 2021. It was written at a point in time and whilst there have been a number of subsequent changes in respect of the cessation of ERW and the creation of Partneriaeth, the ERW Annual Governance Statement 2020-21 has not been updated to reflect these changes. Any outstanding actions from the ERW Annual Governance Statement 2020-21 will be included in the ERW Annual Governance Statement 2021-22, for implementation by Partneriaeth during 2022-23.

DETAILED REPORT ATTACHED?

Yes

**IMPLICATIONS**

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>YES</b>	Finance <b>YES</b>	Risk Management Issues <b>YES</b>	Staffing Implications <b>YES</b>
<b>1. Legal</b> As outlined in the Annual Governance Statement 2020-21.				
<b>2. Finance</b> As outlined in the Annual Governance Statement 2020-21.				
<b>3. Risk Management</b> As outlined in the Annual Governance Statement 2020-21.				
<b>4. Staffing Implications</b> As outlined in the Annual Governance Statement 2020-21.				

## CONSULTATIONS

N/A

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:  
THERE ARE NONE**

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# Annual Governance Statement 2020-21



ERW has a clear mission of actively working together to improve teaching and learning to secure the best outcomes for all learners.

## ERW Consortium

ERW was formally established as a Joint Education Improvement Service with the first formal meeting of the Joint Committee held on 25 July 2014. From 2014 to March 2020, the consortium consisted of six Local Authorities:

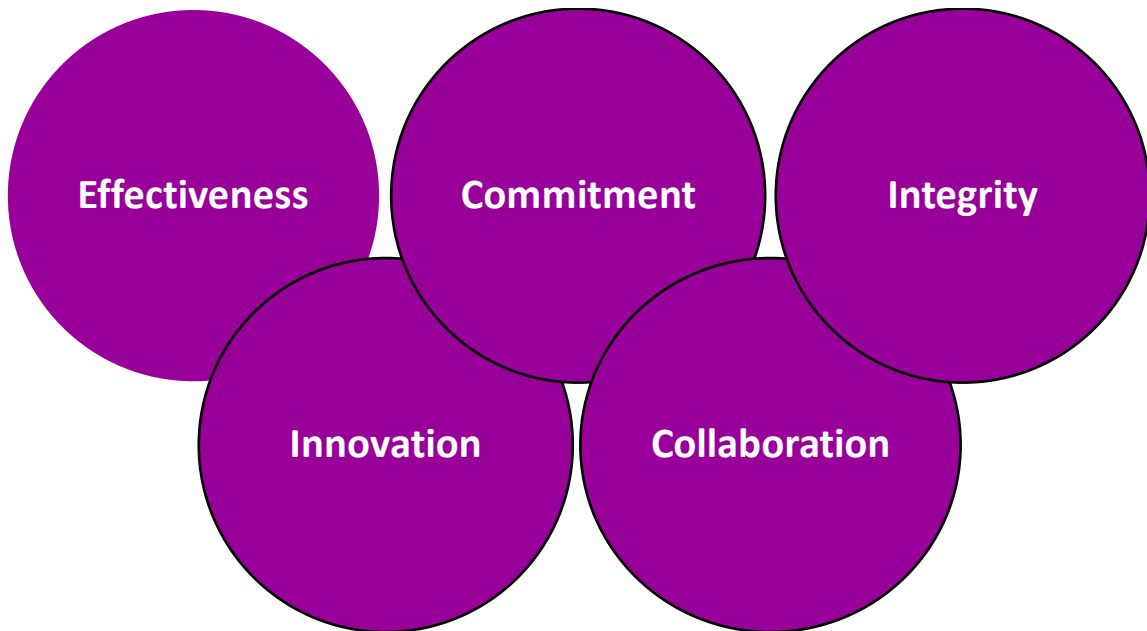
- City and County of Swansea Council
- Neath and Port Talbot County and Borough Council
- Powys County Council
- Ceredigion County Council
- Pembrokeshire County Council
- Carmarthenshire County Council

Neath Port Talbot County and Borough Council withdrew from the consortium on 31 March 2020, and Ceredigion County Council withdrew from the consortium on 31 March 2021. The City and County of Swansea Council and Carmarthenshire County Council rescinded their notices to withdraw until initially 31 August 2021. The remaining partners are considering shorter notice periods set out in a Deed of Variation to withdraw from ERW.

A report to the Joint Committee in July 2020 regarding the future footprint of ERW highlighted that ERW has struggled to function effectively and identified a number of challenges faced and drivers for change. Much of the focus of 2020-21 has related to the cessation of ERW in its current format, and the development of future regional partnership working. A report to the Joint Committee in February 2021 noted that escalating COVID-19 cases in schools and further lockdowns impeded progress.

Leaders and Chief Executives have met with the Minister for Local Government for an initial discussion regarding potential future arrangements, at which there was a stated preference for two new consortia to be based on the footprints for the two growth deals; Swansea Bay City Deal and Growing Mid Wales. Whilst this preference was confirmed at the Joint Committee meeting on 21 July 2020, at this time agreement has been reached for three Local Authorities to continue to work together in partnership (Carmarthenshire County Council, Pembrokeshire County Council and the City and County of Swansea County Council). Discussions on forming an informal partnership are ongoing between Ceredigion County Council and Powys County Council. Neath Port Talbot County Borough Council has indicated that it will not join any future arrangement at this point in time.

## ERW'S VALUES



## ERW'S VISION

“Improving Learning Together”

## ERW'S AIMS

- Improve the quality of **leadership** and its impact on outcomes;
- Improve the quality of **teaching and learning experiences** and its impact on outcomes;
- Reduce the impact of poverty on attainment, support vulnerable learners and **ensure all learners reach their potential**;
- Deliver **high quality bespoke support**, challenge and intervention to schools;
- **Communicate** effectively with all stakeholders.

# Review of Governance Arrangements

## What is Governance?

ERW is responsible for ensuring that its business is conducted in accordance with laws, regulations and its ethical standards. The governance framework is the process, culture, values and systems by which this is achieved.

To deliver good governance in local government, both ERW and its Officers must try to achieve ERW's priorities whilst acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for learners and other stakeholders.

## Review of Effectiveness

ERW has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness for 2020-21 was informed by the work undertaken during the Internal Audit review, which included a follow-up on the implementation of Significant Governance Issues and Priorities for Improvement identified in 2019-20. Additional assurance was provided by the Head of Internal Audit Assurance Opinion based on the work undertaken by Internal Audit in 2020-21, along with the minutes from the ERW Joint Committee. The diagram on the next page outlines what assurances were available under the current Governance Structure, the sources of assurance provided and the areas for improvement identified.

The review is focused on the effectiveness of arrangements during the financial year 2020-21. ERW has been impacted by the COVID-19 pandemic from March 2020, the review will identify areas that have been affected and the alternative arrangements that have been put in place to mitigate the impact on the Governance Framework.

## **ERW Governance Framework**

The ERW Code of Corporate Governance was approved by the Joint Committee on 16 July 2018.

The ERW Business Plan 2020-21 was approved by the Joint Committee on 9 November 2020. The Business Plan identified five improvement priorities that match the enabling objective of The National Mission:

- Developing and delivering a transformational curriculum;
- To develop a high-quality education profession;
- To develop inspirational leaders and to facilitate them working collaboratively to raise standards;
- To develop strong and inclusive schools that are committed to excellence and wellbeing;
- To develop robust assessment, evaluation and accountability processes that support a self-improving system.

The Business Plan 2020-21 did not detail the value for money framework in which it will operate, nor were milestones, key performance metrics or success criteria included by which outcomes could be measured. This was also highlighted as a concern during 2019-20, with assurances provided that a framework would be developed for 2020-21.

### **Joint Committee**

During 2020-21 the Joint Committee comprised of the five Local Authority Leaders supported by the five Chief Executives and is advised by Lead/Statutory Officers, the Executive Board and external school improvement experts. Internal Audit and Audit Wales report independently to the Joint Committee. Neath Port Talbot County Borough Council withdrew from the consortium on 31 March 2020, and Ceredigion County Council withdrew from the consortium on 31 March 2021.

Following publication of The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020, the Joint Committee held virtual meetings during 2020-21. However, the absence of meetings at the outset of the pandemic impacted on the timeliness of decision making (for example, the Business Plan was not formally approved until November 2020).

### **Executive Board**

The Executive Board is made up of the Directors of Education from each of the Local Authorities, the Interim Chief Officers, the Section 151 Officer (or deputy), Headteacher representatives and external members.

The Executive Board met regularly during 2020-21, prior to each meeting of the Joint Committee. However, minutes of meetings have not been published since June 2017.

### **Scrutiny Councillor Group**

All work streams and activity both locally and regionally are led by the Joint Committee and are accountable locally. The Chairs and Vice Chairs of the five local authorities' Education Scrutiny Committee's met twice during 2020-21 as a Scrutiny Councillor Group to consider scrutiny work plans and make requests directly to the Joint Committee.

### **Statutory/Lead Officers**

The following Lead and Statutory roles have been held by the same officers for a number of years, affording consistency and stability:

- Lead Chief Executive – Phil Roberts (Chief Executive, Swansea)
- Section 151 Officer – Jon Haswell (Director of Resources, Pembrokeshire)
- Monitoring Officer – Elin Prysor (Monitoring Officer, Ceredigion) (following the withdrawal of Ceredigion County Council from the Consortium, the role of Monitoring Officer was reallocated to Tracey Meredith from the City and County of Swansea Council on an interim basis)

The Statutory role of the Lead Education Director has been held by Gareth Morgans (Director of Education, Carmarthenshire) since February 2020.

However, there have been several changes to the Managing Director/Chief Officer roles during 2020-21:

- Managing Director:
  - Interim Managing Director – Andi Morgan, September 2019 – May 2020;
  - Interim Managing Director – Yan James, June 2020 to August 2020;
- Chief Officer:
  - Interim Chief Officer – Greg Morgan, September 2020 to date;
  - Interim Chief Officer – Ian Altman, September 2020 to date.

### **ERW Team**

In February 2019, the Joint Committee approved a new central staffing structure. The structure for ERW is made up of the following:

- Senior Leadership Team
- Curriculum Team
- Secondary Specialists Team
- Central Team
- Business Support

## **Strategy Groups**

Joint Committee approved the Strategy Groups at their meeting on 9 December 2019. The ERW Strategy Groups are a critical aspect of ERW's governance arrangements. They are the primary driver for developing ERW's work in the key areas of: Professional Learning and Research; Leadership; Curriculum; Digital Skills; Equity and Wellbeing; and Welsh. Each Strategy Group is responsible for monitoring the progress of the aspect of the Business Plan actions for which they are responsible. They are also responsible for co-constructing content in the following year's Business Plan. The Strategy Groups are also a conduit for communication between the region and peers within the constituent local authorities, and the wider profession.

## **Consultation, Communication & Engagement**

Since the onset of COVID-19 the ERW region has continued to work closely and collaboratively with its constituent local authorities, consortia partners, Welsh Government, Estyn and other stakeholders in support of the highest quality of blended learning and well-being provision for all learners.

COVID-19 impacted upon the delivery of face-to-face professional learning, network and team meetings. However, ERW have continued to implement a similar open and embracing approach to the delivery of services via a series of on-line learning events and virtual meetings, and by developing an online Professional Learning offer, detailing the full range of support and professional learning opportunities provided by the ERW team, enabling both synchronous and asynchronous training and provisional learning.

The Chief Officers termly update reports presented to the Joint Committee outlines further communication and engagement activities undertaken during 2020-21 both within the region and nationally.

## **Internal Audit**

Pembrokeshire County Council, as the Lead Authority for Finance, provides the Internal Audit Service to ERW. The role of Internal Audit is to provide independent assurance on the effectiveness of governance, internal control, financial management and risk management arrangements in place. To ensure that the Internal Audit plan is appropriately risk-based, it is agreed on an academic year basis and undertaken in the latter quarters of the financial year. In accordance with the Public Sector Internal Audit Standards, a risk-based work plan was agreed with the Section 151 Officer and Interim Chief Officers and was approved by the Joint Committee in February 2021. The Head of Internal Audit's Annual Assurance Opinion concluded that overall, limited assurance is given on the adequacy and effectiveness of governance, internal control, financial management and risk management arrangements in place. Management have agreed to implement the recommendations made following the Internal Audit review. The implementation of recommendations in an effective and timely manner will assist in strengthening the governance, internal control, risk management and financial management arrangements in place.

In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit undertook a self-assessment of compliance with the Public Sector Internal Audit Standards. The assessment concluded that the Internal Audit Service conforms to the Code of Ethics and the Public Sector Internal Audit Standards.

### **External Audit & Regulators**

Audit Wales are the appointed external auditor for ERW. Estyn provide an independent inspection and advice service on quality and standards in education and training in Wales.

During 2020-21 Estyn undertook a review of local authorities and regional consortia work in supporting their learning communities in schools and pupil referral units during the period from March to October 2020. A letter was provided by Estyn outlining the outcome of this work in ERW, which was presented to the Joint Committee in February 2021. The letter reflected that throughout the period, those leading ERW sought to support the wellbeing of ERW staff, and ensure that ERW's resources have been used to support schools in the region with issues relating to the pandemic as well as with their ongoing school improvement priorities.



## Business Risk Management

Members and Officers are responsible for ensuring that risk is considered in the decisions they take and suitable arrangements are put in place to manage risk. The Joint Committee has responsibility for overseeing ERW's Business Risk Management arrangements. The table below is a summary of movement of risks in ERW's risk register for 2020-21:

Risk	Residual Rating February 2021	Residual Rating November 2020	Residual Rating July 2020*
ERW Governance	12	12	12
Cuts to School Budgets	12	12	12
Powys Estyn Monitoring results in continued follow-up	8	8	8
Pembrokeshire Estyn Monitoring result in follow-up	8	8	8
Failure to comply with Estyn Action Plan	8	8	12
Data Protection	6	6	12
ERW found not to provide Value for Money	6	6	8
LA failure to comply with Grant Regulations	6	6	8
Failure to respond to qualifications 2021	6	6	-
Timeliness of Welsh Government Funding	6	6	9
Delivery of National Mission	6	6	6
Transparency of Governance	6	6	12
Failure to respond to the impact of Covid-19	6	6	-
Ceredigion Estyn Monitoring results in follow-up	4	4	4
Carmarthenshire Estyn Monitoring results in follow-up	4	4	4
Swansea Estyn Monitoring results in follow-up	4	4	4
Failure to Deliver Business Plan	4	4	6
Cost Savings Required by Welsh Government	4	4	-
Lack of Clarify on functions	4	4	6
Lack of Communication	4	4	6

\* The Risk Register presented to the July 2020 Joint Committee was prepared in March 2020, risks removed from the Risk Register between July and November 2020 have not been included in the table above.

## Review of ERW's Governance Arrangements for 2020-21





<b>Priorities for Improvement</b>			
<b>Current Position</b>	<b>Planned Actions/Key Milestones</b>	<b>Owner</b>	<b>Key Milestone Completion Dates</b>
<p><b>Business Plan</b> The Business Plan should include clear milestones, outcomes, supported by performance measures so that delivery and effectiveness can be monitored throughout the year. The Business Plan needs to be fully costed to ensure that it is deliverable within available resources and ensure for Value for Money.</p>	<ul style="list-style-type: none"> <li>• SMART outcomes identified within the Business Plan, with clear milestones to facilitate monitoring and evidencing of delivery and effectiveness;</li> <li>• Business Plan aligned to the budget to ensure affordable and deliverable. Focus on value for money included within the Business Plan;</li> <li>• Regular, evidenced based progress reporting to the Joint Committee against the SMART outcomes.</li> </ul>	<p><b>Lead Officer, Partneriaeth</b></p> <p><i>Partnership's Strategic Lead Officers</i></p>	<p><b>Draft Business Plan for September 2021-March 2022 to be presented to partners in September 2021</b></p>
<p><b>Accountability, Performance Management &amp; Value for Money</b> The Governance and staffing structure for the new partnership should have clear roles and responsibilities with defined outcomes linked to the delivery of the National Mission. In order to ensure accountability and value for money can be evidenced, forward work plans for Committee's and Working Groups should be in place which include a structure for measuring performance and delivery across the Partnership. There should be clear reporting lines and mechanisms to enhance accountability while avoiding unnecessary bureaucracy.</p>	<ul style="list-style-type: none"> <li>• Standardised approach to Committee and Working Group establishment as part of the revised Governance Structure, to ensure that all have a unique purpose that is contributing to the delivery of the National Mission and the Partnership's Aims &amp; Objectives;</li> <li>• Review and define the role and responsibilities of the staffing structure to support the sustainability and delivery of the Partnership's Aims &amp; Objectives whilst delivering value for money and accountability;</li> <li>• Develop a formal, evidence based reporting structure to demonstrate accountability and value for money from the Governance and staffing structure.</li> </ul>	<p><b>Lead Officer, Partneriaeth</b></p> <p><b>Directors of Education</b></p> <p><b>Monitoring Officer</b></p> <p><i>Section 151 Officer</i></p>	<p><b>Ongoing from September 2021 to be completed by March 2022</b></p>
<p><b>Core Funding Agreement &amp; Medium Term Financial Plan</b> The new partnership will need to be supported by a Medium Term Financial Plan to enable longer-term Business Planning. Commissioning arrangements with other Local Authorities should be clarified, so that a full cost recovery model can be adopted with an indication of required support to enable service and financial planning.</p>	<ul style="list-style-type: none"> <li>• Based on indications of Welsh Government future funding and contributions from Partner Authorities, develop Medium Term Financial Plans aligned to the revised structure and future objectives of the new Partnership.</li> </ul>	<p><b>Section 151 Officer</b></p> <p><b>Lead Officer, Partneriaeth</b></p> <p><i>Principal Accountant</i></p>	<p><b>The budget for 2022-23 to be in place by March 2022</b> <b>We will also endeavour to put a MTFP in place by March 2022, accepting it may have to be based on estimates</b></p>

We are committed to implementing the improvements outlined above to enhance the achievement of intended outcomes from the new Partnership. We are satisfied that these steps will address areas of improvement identified.

**Signed by Interim Chief Officers**

**Date: 29 April 2022**

**Signed by Lead Chief Executive**

**Date: 29 April 2022**

**Signed by Chair of the Joint Committee**

**Date: 29 April 2022**

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## ERW JOINT COMMITTEE 29 APRIL 2022

### ERW FINANCIAL OUTTURN 2021-22

#### Purpose:

To present the Joint Committee with the ERW financial outturn for 2021-22.

#### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

- The Joint Committee approves the ERW financial outturn for 2021-22.
- The Joint Committee authorise the ERW S151 Officer to make revisions the ERW financial outturn for 2021-22, prior to completion of the Statement of Accounts for 2021-22.

#### REASONS:

Compliance with Financial Regulations.

#### Report Author:

Jon Haswell

Mark McLaughlin

#### Designation:

Partneriaeth S151 Officer

Principal Accountant

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**EXECUTIVE SUMMARY  
ERW JOINT COMMITTEE  
29 APRIL 2022**

**ERW FINANCIAL OUTTURN 2021-22**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

To present the Joint Committee with the ERW financial outturn for 2021-22.

Approval of the ERW financial outturn for 2021-22 will enable completion of the ERW Statement of Accounts for 2021-22, auditing of the Statement of Accounts by Audit Wales, review and approval of the Statement of Accounts by the Joint Committee and finally the cessation of ERW and distribution of any balances or recovery of costs from Local Authorities in accordance with the ERW Joint Agreement.

**DETAILED REPORT ATTACHED?**

**YES**



## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>YES</b>	Finance <b>YES</b>	Risk Management Issues <b>YES</b>	Staffing Implications <b>YES</b>
<p><b>1. Legal</b></p> <p>It is anticipated that the costs of any redundancies from the cessation of ERW will be met from ERW reserve or EWC balances, however, should there be insufficient balances, the costs would have to be funded by Local Authorities in accordance with the ERW Joint Agreement.</p> <p>Should there be any ERW reserve or EWC balances remaining at the cessation of ERW, these will have to be distributed in accordance with the ERW Joint Agreement.</p>				
<p><b>2. Finance</b></p> <p>As outlined in the detailed report.</p> <p>It is anticipated that the costs of any redundancies from the cessation of ERW will be met from ERW reserve or EWC balances, however, should there be insufficient balances, the costs would have to be funded by Local Authorities in accordance with the ERW Joint Agreement.</p> <p>Should there be any ERW reserve or EWC balances remaining at the cessation of ERW, these will have to be distributed in accordance with the ERW Joint Agreement.</p>				
<p><b>3. Risk Management Issues</b></p> <p>As outlined in the detailed report.</p>				
<p><b>4. Staffing Issues</b></p> <p>It is anticipated that the costs of any redundancies from the cessation of ERW will be met from ERW reserves or EWC balances, however, should there be insufficient balances, the costs would have to be funded by Local Authorities in accordance with the ERW Joint Agreement.</p>				

## CONSULTATIONS

N/A
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Section 100D Local Government Act, 1972 – Access to Information List of Background Papers used in the preparation of this report: <b>THESE ARE DETAILED BELOW</b>		
Title of Document	File Ref No.	Locations that the papers are available for public inspection
N/A	N/A	N/A

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# **ERW Financial Outturn 2021-22**

**ERW Joint Committee  
29 April 2022**

**ERW S151 Officer**

## 1. Introduction

This report presents the Joint Committee with the ERW financial outturn at 31 March 2022, the final year for ERW. As it was required by the Joint Committee immediately following the year end, it may be revised over the coming weeks. It is not envisaged that any changes will be material.

## 2. ERW Budget 2021-22

The ERW budget for 2021-22 was approved by the Joint Committee on 30 March 2021 for the five month period April to August 2021, with Powys County Council being part of ERW for this period.

Following the departure of Powys County Council at the end of August 2021, it was anticipated that ERW would cease at that point, however, delays in the creation of the new Partneriaeth structure resulted in ERW continuing until the end of 2021-22, being an alliance of Carmarthenshire County Council, Pembrokeshire County Council and Swansea Council for the seven month period September 2021 to March 2022.

As the Joint Committee did not meet post August 2021, an amended budget was not formally approved, however, the 5/12<sup>th</sup>'s approved on 30 March 2021 was effectively increased to a full year budget and additional grant funding was also received during the year. The anticipated contributions from ERW reserves and the EWC unused funding carried forward to balance the budget for 2021-22 were not required.

It has been noted that grant dependency has risks but these were accepted by the Joint Committee.

### Service Level Agreements (SLA's)

For 2021-22, the agreed SLA's were as follows:

SLA's	Budgeted Cost
Committee Services (Carmarthenshire)	£5,000
Scrutiny (Swansea)	£5,000
Finance (Pembrokeshire)	£40,000
Internal Audit (Pembrokeshire)	£25,000
Human Resources (Pembrokeshire)	£20,000
Information Technology (Pembrokeshire)	£24,000
Procurement (Pembrokeshire)	£20,000
<b>Total Budgeted SLA's</b>	<b>£139,000</b>

## Local Authority Contributions

For 2021-22, the agreed Local Authority contributions were as follows:

Local Authority	2021-22 Contribution £
Powys (5/12 <sup>th</sup> 's)	34,139
Pembrokeshire	79,898
Carmarthenshire	123,998
Swansea	150,785
<b>Total</b>	<b>388,820</b>

All contributions have been paid.

<b>ERW Outturn 2021-22</b>			
<b>Expenditure</b>	<b>Original Budget 5 Months £'000</b>	<b>Amended Budget Full Year £'000</b>	<b>Outturn £'000</b>
<b>Staffing Costs</b>			
Salaries, Secondments & Specialists	1,162	2,789	2,588
Travel, Subsistence, Training & Development	3	7	1
IT Hardware & Mobiles	1	2	2
	<b>1,166</b>	<b>2,798</b>	<b>2,591</b>
<b>Development and Running Costs</b>			
Rent and Accommodation	36	36	36
General Office Expenses	5	12	8
Stationary, Telephone & Photocopying	3	3	1
Translation	14	34	21
Software & Marketing	27	27	25
Service Level Agreements	58	139	139
External Audit	14	14	15
Legal Expenses	10	10	10
Business Plan Objectives	202	1,314	1,241
	<b>369</b>	<b>1,589</b>	<b>1,496</b>
<b>Total Expenditure</b>	<b>1,535</b>	<b>4,387</b>	<b>4,087</b>
<b>Income</b>	<b>Original Budget 5 Months £'000</b>	<b>Amended Budget Full Year £'000</b>	<b>Outturn £'000</b>
LA Contributions	182	389	389
Reserve (Unused contributions from 2020-21)	77	0	0
EWC (Unused funding carried forward)	114	0	0
EWC Funding	0	0	297
Grant Funding RCSIG	1,162	3,943	3,743
PDG Co-ordinator	0	55	55
<b>Total Income</b>	<b>1,535</b>	<b>4,387</b>	<b>4,484</b>
<b>Net Expenditure/ (Income)</b>	<b>0</b>	<b>0</b>	<b>(397)</b>
<b>Appropriation to Reserve</b>	<b>0</b>	<b>0</b>	<b>397</b>

- The salaries, secondments and specialists includes the cost of the Head of Human Resources/HR Lead seconded to ERW.
- £397k will be appropriated to reserve, some of which may be returned to Welsh Government due to the underspend.

### **3. Risks**

It is anticipated that the costs of any redundancies from the cessation of ERW will be met from ERW reserve or EWC balances, however, should there be insufficient balances, the costs would have to be funded by Local Authorities in accordance with the ERW Joint Agreement.

Should there be any ERW reserve or EWC balances remaining at the cessation of ERW, these will have to be distributed in accordance with the ERW Joint Agreement.

There may be unforeseen costs involved in the cessation of ERW, e.g. any Welsh Government clawback of grant funding, which will not be known until the Statement of Accounts for 2021-22 have been compiled and audited by Audit Wales.

It is anticipated that a working balance and reserves for Partneriaeth will be created following the cessation of ERW, utilising any ERW reserve or EWC balances. If there are no balances following the cessation of ERW, consideration would have to be given how to fund a Partneriaeth working balance or reserve, e.g. Specific contribution from each Local Authority.

Continued reliance on grant funding was a risk for ERW and will remain a risk for Partneriaeth.

### **4. Recommendation**

- The Joint Committee approve the ERW financial outturn for 2021-22.
- The Joint Committee authorise the ERW S151 Officer to make revisions the ERW financial outturn for 2021-22, prior to completion of the Statement of Accounts for 2021-22.

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