



Ein Rhanbarth ar Waith
Education through Regional Working

Education through Regional Working

South West and Mid Wales Consortium

Statement of Accounts 2019-20

DRAFT

Cynghrair o 6 awdurdod lleol yw ERW a reolir gan gyd-bwyllgor cyfansoddiadol cyfreithiol.
Y nod yw gweithredu strategaeth a chynllun busnes rhanbarthol cytunedig a chefnogi gwelliant ysgolion.

ERW is an alliance of 6 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 2019-20 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 until 31 March 2019. Neath Port Talbot County Borough Council left ERW on 31 March 2019 so for 2020-21, it will become an alliance of five local authorities. Carmarthenshire County Council, Ceredigion County Council and the City and County of Swansea Council have given notice to leave ERW at the end of 2020-21. Discussions are ongoing between the six local authorities and Welsh Government in terms of the future footprint for education through regional working. 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, Managing Director, Statutory Officers, external school improvement experts and Headteacher representatives. Welsh Government, Estyn and the WLGA attend the Joint Committee meetings. Internal Audit and Wales Audit Office report independently to the Joint Committee. The Joint Committee is chaired by Councillor Emlyn Dole, Leader of Carmarthenshire County Council, who took over from Councillor Ellen ap Gwynn, Leader of Ceredigion County Council, during 2019-20.

2.3 Executive Board

The Executive Board is made up of the Directors of Education of each of the local authorities, the Managing Director, the Section 151 Officer/Deputy Section 151 Officer (where applicable) and external members (where applicable).

2.4 Management Structure

During 2019-20, the Managing Director and Lead Education Director roles changed:

- **Lead Chief Executive** – Phil Roberts (Chief Executive, Swansea)
- **Lead Education Director** – Gareth Morgans (Director of Education, Carmarthenshire) took over from Kate Evan-Hughes (Director of Children & Schools, Pembrokeshire) in January 2020. Kate took over from Ian Budd (Director of Education, Powys) in April 2019.
- **Managing Director** – Andi Morgan (Interim Managing Director) took over from Geraint Rees (Interim Managing Director) in September 2019.
- **S151 Officer** – Jon Haswell (Director of Resources, Pembrokeshire)
- **Monitoring Officer** – Elin Prysor (Monitoring Officer, Ceredigion)

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 our vision, we have defined values to guide all we do at ERW. 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. We 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 Annual Governance Statement for 2019-20 covers the following areas:

- Review of Governance Arrangements
 - What is Governance?
 - Review of Effectiveness
- ERW Governance Framework
 - Joint Committee
 - Executive Board
 - Scrutiny
 - Statutory/Lead Officers
 - ERW Team
 - Consultation and Engagement
 - Internal Audit
 - External Audit and Regulators
 - Business Risk Management
- Review of ERW's Governance Arrangements for 2019-20
 - Assurance Required On
 - Sources of Assurance
 - Assurance Received
 - Area for Improvement

- Annual Governance Statement Action Plan
 - Significant Governance Issues (including any outstanding actions from 2018-19)
 - Priorities for Improvement (Including any outstanding actions from 2018-19)

The Annual Governance Statement for 2019-20 will be considered and approved by the Joint Committee, alongside the ERW Statement of Accounts.

4.0 Operational Model

4.1 ERW Business Plan

The ERW Business Plan 2019-20 was approved by the Joint Committee on 3 April 2019. The Business Plan identified five improvement priorities that match the enabling objectives of the National Mission:

- 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.

In addition, the Business Plan 2019-20 outlines ERW's approach to:

- Delivering Local, Regional & National Priorities;
- Approach to Schools Improvement;
- The Welsh Language;
- The Business Planning Process.

The Business Plan 2019-20 did not detail the value for money framework in which it will operate. This has been acknowledged and will be developed for 2020-21.

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 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 20 February 2020. The residual risk scores at February 2020 are shown below:

Risk	Residual Risk Scores
Failure to Comply with Estyn Action Plan	12
Cuts to School Budgets	12
ERW Governance	12
Data Protection	12
Timeliness of Welsh Government Funding	9
ERW found not to provide Value for Money	8
LA failure to comply with Grant Regulations	8
Pembrokeshire Estyn Monitoring result in follow-up	8

Risk	Residual Risk Scores
Carmarthenshire Estyn Monitoring results in follow-up	8
Powys Estyn Monitoring results in continued follow-up	8
WG Grant Compliance	8
Delivery of National Mission	6
Failure to Deliver Business Plan	6
Swansea Estyn Monitoring results in follow-up	4
Neath Port Talbot Estyn Monitoring results in follow-up	4
Ceredigion Estyn Monitoring results in follow-up	4

5.2 Key Financial Risks for 2020-21 and Beyond

Some of the key risks considered by ERW when setting the budget for 2020-21 are outlined below:

- Producing a budget when the requirements and assumptions are changing on an ongoing basis is extremely challenging.
- In order to ensure a balanced budget for 2020-21, and to mitigate the financial pressure caused by the loss of Neath Port Talbot County Borough Council, it will be financed by increased contributions from the five remaining local authorities and an increased contribution from the unused Education Workforce Council (EWC) funding carried forward.
- The ERW reserves are diminishing with only £15k remaining at the end of 2019-20 (Earmarked Joint Committee Reserve £322k, General Working Reserve £100k and Pensions Reserve (£407k)), however, there are no reserves required to support the Central Team budget for 2020-21. The key risk to the reserves is any future pressure on the Pensions Reserve in 2020-21 and beyond and any costs associated with the changes to ERW and its footprint. There is a carried forward balance on the EWC unused funding of £465k at the end of 2019-20.
- Grant Offer letters for the Regional Consortia School Improvement Grant (RCSIG) and Pupil Development Grant (PDG) have been delayed, pending agreement between Welsh Government and ERW in supporting Neath Port Talbot County Borough Council in 2020-21.
- It is not known whether Welsh Government will grant £500k transitional flexibility in the RCSIG, as in 2019-20.
- Due to the anticipated changes to ERW and its footprint, work in respect of the longer term financial and funding model for ERW has been paused.

6.0 Strategy and Resource Allocation

6.1 Grant Allocations

The revised RCSIG is allocated according to the National Ministerial Priorities. Grants received are allocated according to the ERW Business Plan 2019-20 priorities:

- Curriculum and Assessment
- Developing the Profession
- Leadership
- Strong and Inclusive Schools
- School Improvement.

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 2019-20 are outlined in Note 13. For 2018-19, a key change was the introduction of the RCSIG, which replaced many of the regional grants as one main grant.

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 for 2019-20

The summarised financial performance provides a high level overview of the financial position of the Consortium as at 31 March 2020. Set out in the following paragraphs is the final outturn position for 2019-20 compared to the original estimate agreed by the ERW Joint Committee on 3 April 2019 and consideration of the Central Team budget and funding position for 2020-21 approved by the Joint Committee on 21 July 2020.

7.4 Revenue Expenditure

Central Team	2019-20		2019-20	2019-20	2018-19
	Central Team		Grants	Total	Total
	Rolling Budget £000	Actual Expenditure £000	Actual Expenditure £000	Actual Expenditure £000	Actual Expenditure £000
Gross Expenditure					
Employees	683	827	3,176	4,003	5,294
Premises	34	76	-	76	40
Transport	-	7	57	64	126
Translation	15	4	32	36	51
Supplies & Services	131	68	95	163	202
Consultancy	14	27	668	695	705
Support Services	88	68	71	139	115
Payments to Schools via LA's for specific work	-	-	2,407	2,407	1,771
Facilitation	75	7	112	119	170
Grants Passport to LA's	-	-	57,194	57,194	61,439
Bad debt provision	-	(20)	-	(20)	20
Total Gross Expenditure	1,040	1,064	63,812	64,876	69,933
Income					
Contributions from Member Authorities	(250)	(250)	-	(250)	(250)
Welsh Government Grant	(500)	(500)	(63,404)	(63,904)	(69,278)
Other Grant Income	-	-	(398)	(398)	(341)
Unused EWC Funding B/fwd	-	(231)	-	(231)	-
Miscellaneous Income	(290)	(83)	(10)	(93)	(4)
Total Income	(1,040)	(1,064)	(63,812)	(64,876)	(69,873)
Net Expenditure	-	-	-	-	60
Appropriation from Reserve	-	-	-	-	(60)
Appropriation to Reserve	-	-	-	-	-

Commentary on the 2019-20 Revenue Performance

The ERW Consortium gross expenditure for 2019-20 totalled £64.89m which included £57.1m of grants being pass ported directly to the six constituent Local Authorities.

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.

The Central Team and their capacity to support the region was maintained in 2019-20. During 2019-20, the Review and Reform Programme resulted in a restructure of ERW and a move from seconded employees for the Cluster Leaders of Learning to a more streamlined and specialism focussed permanent workforce, resulting in significant cost savings during the year.

Local Authorities were invoiced for their contributions for 2019-20 in the sum of £250k. Unlike other consortiums, 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.

Contributions towards the costs of the Central Team were split between the six Local Authorities on the basis of pupil numbers for 2019-20:

Local Authority	% of Pupils in Region	Contribution
Powys	13.4%	£33,535
Ceredigion	7.5%	£18,692
Pembrokeshire	13.5%	£33,895
Carmarthenshire	21.3%	£53,167
Swansea	28.0%	£69,998
NPT	16.3%	£40,713
Total	100%	£250,000

These percentages were also used for apportioning reserves across the six 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 2020-21

Central Team	2020-21 Total Estimated Expenditure £000
Gross Expenditure	
Employees	845
Premises	62
Transport	2
Translation	1
Supplies & Services	234
Total Gross Expenditure	1,144
Income	
Contributions from Member Authorities *	(480)
Welsh Government Grant	(312)
Unused EWC Funding	(346)
Funding C/fwd in Reserve	(6)
Total Income	(1,144)
Net Expenditure	-
Appropriation from Reserve	-

7.4.2 Implications and Risks

It is not anticipated that there are any unbudgeted commitments or liabilities arising from 2019-20 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 2019-20. 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 £158k, for grant funding due from Welsh Government and payment of secondment invoices which have both been paid during 2020-21. 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 2019-20 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 2019-20 accounts.

The Dyfed Fund has seen an overall increase in its net deficit. A pension liability of £251.2m as recorded at 31 March 2020 (compared to £178.0m at 31 March 2019) for Pembrokeshire County Council. The share of the pension liability relating to ERW has increased to £0.407m at 31 March 2020 (compared to £0.316m at 31 March 2019), 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

The overall liability has had a significant increase primarily due to a revaluation of assets downwards in March 2020 due to the impact of Covid-19 on financial markets.

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.

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 2019-20.

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 £322k at the end of 2019-20.

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 £465k at the end of 2019-20.

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 the Wales Audit Office for its work auditing the 2019-20 financial statements. All grant certification will be subject to Internal Audit as required by Welsh Government.

7.4.8 Post Balance Sheet Events

Despite the onset of the Covid-19 pandemic at the end of the 2019-20 financial year, resulting in an unprecedented response from the ERW constituent Authorities, there are no events judged as material to ERW's financial position at 31 March 2020.

Any events taking place between 24 July 2020 and 02 October 2020, the date the audited Statement of Accounts being authorised for issue by the ERW S151 Officer, will be reported and approved by the ERW Joint Committee. There are no events to be reported.

8.0 Outlook

The future outlook for ERW has been outlined in this Narrative Report and is dependent on ongoing discussions between Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council, Powys County Council, Neath Port Talbot County Borough Council, the City and County of Swansea Council and Welsh Government in respect of the future regional footprint for Education through Regional Working.

9.0 Basis of Preparation and Presentation

Any matters which may affect ERW's ability to deliver its Business Plan over the short, medium and long term 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 will also be available on ERW's internet site.

**Jonathan Haswell FCCA
Director of Resources and ERW S151 Officer
02 October 2020**

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

I have audited the financial statements of Education through Regional Working Joint Committee for the year ended 31 March 2020 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Education through Regional Working Joint Committee as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

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

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the joint committee's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- 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 joint committee and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

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 17 to 23, 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 joint committee'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.

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

Anthony J Barrett
For and on behalf of the Auditor General for Wales
02 October 2020

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 2020 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 2020 and its income and expenditure for the year ended 31 March 2020 and append my signature to the Statement in accordance with Regulation 10(1).



J HASWELL FCCA

Director of Resources & ERW S151 Officer

Date: 24 July 2020

REPORTING AND APPROVAL

These accounts, initially published on 24 July 2020 will be reported to the ERW Joint Committee for approval following the conclusion of the Annual Audit on 2 October 2020. The audit certificate is shown on pages 12-13.

Councillor Emlyn Dole
Chair of ERW Joint Committee

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

Date: 02 October 2020

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 over the next three years.

- The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021. This standard replaces the current guidance in IAS 17 on leases. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals.
- This is a significant change in lessee accounting. A project group has been set up to implement this change and to ascertain the impact.
- Amendments to IAS 19 Employee Benefits: plan amendment, curtailment of settlement have been adopted in the 2020-21 Code and will be applicable for the 2020-21 financial year.
- 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 the Authority 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 publication of the 2019-20 Statement of Accounts to 8 October 2020.

The impact of the above changes are not considered to be material.

The Statement of Accounts set out in sections 11 to 15 have been prepared in compliance with the 2019-20 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 future years.

Welsh Government consolidated many of the Regional Grants into one main grant for 2018-19, the Regional Consortia School Improvement Grant (RCSIG), with quarterly payment schedules. 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.

ERW was an alliance of six local authorities for 2019-20, but reduced to an alliance of five local authorities for 2020-21, with three of the remaining local authorities giving notice to leave ERW at the end of 2020-21. Discussions are ongoing between the six local authorities and Welsh Government in terms of the future footprint for education through regional working.

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:

Issues appertaining to items in the current set of accounts:		
Item	Risk	Potential Affect
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 Review and Reform Programme	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

Issues potentially impacting the accounts in the future		
Item	Risk	Potential Affect
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
Grant Funding	Claimed ineligible expenditure	Loss of grant with expenditure to be funded from core or grant clawback

Item	Risk	Potential Affect
Demographic Change	Assumptions Incorrect	Increased service & contractual costs
Grant Funding / Brexit	Loss of grant from Welsh Government & Europe	Reduction in service provision
Covid-19	Economic instability and uncertainty.	Increased costs of service provision
	Reduced Welsh Government funding.	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 ERW constituent Authorities have to finance any cessation of 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 2019-20 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

Leases and similar financial arrangements shall be classified as either finance leases or operating leases. Finance leases are defined as arrangements whereby all risks and rewards incidental to ownership transfer substantially to the lessee but title may or may not eventually transfer. Operating leases shall be defined as all other lease type arrangements.

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.

Finance Leases - shall be recorded in the Balance Sheet as assets and equal liabilities in the appropriate category at fair value of the property or, if lower, the present value of the minimum lease payments – the discount rate applied being that implicit in the lease. Subsequently assets are subject to revaluation and depreciation.

The finance charge shall be charged to the revenue account on a constant basis over the term of the 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.
- ii. Accumulated Absences Account – to reflect the cost of paid absence entitlement due but not taken at 31 March.

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.

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 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 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.

2018-19				2019-20		
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
			Expenditure			
5,294	111	5,405	Employees	4,003	71	4,074
40		40	Premises	76		76
126		126	Transport / Mileage	64		64
51		51	Translation	36		36
202		202	Supplies & Services	163		163
705		705	Consultancy	695		695
115		115	Support Services	139		139
			Payments to Schools via LA's for ERW defined projects	2,407		2,407
1,771		1,771	Training / Conferences	119		119
170		170	Grants passported to LA's	57,194		57,194
61,439		61,439	Bad debt provision	(20)		(20)
20		20	Total Expenditure	64,876	71	64,947
69,933	111	70,044	Income			
			Contributions from Member Authorities	(250)		(250)
(250)		(250)	Welsh Government Grant	(63,904)		(63,904)
(69,278)		(69,278)	Other Grant Income	(398)		(398)
(341)		(341)	Miscellaneous Income	(93)		(93)
(4)		(4)	Unused EWC Funding B/fwd	(231)		(231)
(69,873)		(69,873)	Total Income	(64,876)		(64,876)
			WG Grant Passported to Member Authorities			
60	111	171	(Surplus) / Deficit on Continuing Operations	-	71	71
			Financing & Investment Income and Expenditure			
-	37	37	Net Pensions Interest	-	20	20
-	(124)	(124)	Remeasurement of Pension Liabilities and Assets	-	-	-
60	24	84	(Surplus) or Deficit on Provision of Services	0	91	91
60	24	84	TOTAL COMPREHENSIVE INCOME & EXPENDITURE	0	91	91

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 NO.	2018-19			2019-20		
		Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Expenditure							
Employees		5,405	-	5,405	4,074	-	4,074
Premises		40	-	40	76	-	76
Transport / Mileage		126	-	126	64	-	64
Translation		51	-	51	36	-	36
Supplies & Services		202	-	202	163	-	163
Consultancy		705	-	705	695	-	695
Support Services		115	-	115	139	-	139
Payments to Schools via LA's for ERW defined projects		1,771	-	1,771	2,407	-	2,407
Training / Conferences		170	-	170	119	-	119
Bad debt provision		20	-	20	(20)	-	(20)
Total Expenditure		8,605	-	8,605	7,753	-	7,753
Income							
Contributions from Member Authorities		-	(250)	(250)	-	(250)	(250)
Welsh Government Grant		-	(7,839)	(7,839)	-	(6,710)	(6,710)
Other Grant Income		-	(341)	(341)	-	(398)	(398)
Miscellaneous Income		-	(4)	(4)	-	(93)	(93)
Unused EWC Funding B/fwd		-	-	-	-	(231)	(231)
Total Income		-	(8,434)	(8,434)	-	(7,682)	(7,682)
WG Grant Passported to Member Authorities	13.1						
Carmarthenshire		13,069	(13,069)	-	12,122	(12,122)	-
Ceredigion		4,105	(4,105)	-	3,780	(3,780)	-
Neath Port-Talbot		11,186	(11,186)	-	10,635	(10,635)	-
Pembrokeshire		7,979	(7,979)	-	7,353	(7,353)	-
Powys		7,708	(7,708)	-	6,874	(6,874)	-
City and County of Swansea		17,392	(17,392)	-	16,430	(16,430)	-
		61,439	(61,439)	-	57,194	(57,194)	-
(Surplus) / Deficit on Continuing Operations		70,044	(69,873)	171	64,947	(64,876)	71
Financing & Investment Income and Expenditure							
Net Pensions Interest	13.2			37			20
Remeasurement of Pension Liabilities and Assets				(124)			-
(Surplus) or Deficit on Provision of Services				84			91
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				84			91

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 2019-20	ERW Usable Earmarked Reserves £000	ERW General Working Reserve £000	ERW Unusable Reserves £000	Total ERW Reserves £000
Balance 1st April 2019	(322)	(100)	316	(106)
(Surplus) / Deficit On Provision of Services	91	-	-	91
Total Comprehensive Income & Expenditure (see page 24)	91	-	-	91
Adjustments Between Accounting Basis and Funding Basis Under Regulation (See note 12.0)	(91)	-	91	-
(Increase) / Decrease In Year	-	-	91	91
Balance 31st March 2020	(322)	(100)	407	(15)

Actuals 2018-19	ERW Usable Earmarked Reserves £000	ERW General Working Reserve £000	ERW Unusable Reserves £000	Total ERW Reserves £000
Balance 1st April 2018	(382)	(100)	292	(190)
(Surplus) / Deficit On Provision of Services	84	-	-	84
Total Comprehensive Income & Expenditure (see page 24)	84	-	-	84
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see note 12.0)	(24)	-	24	-
(Increase) / Decrease In Year	60	-	24	84
Balance 31st March 2019	(322)	(100)	316	(106)

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.	2018-19		2019-20	
		£000	£000	£000	£000
CURRENT ASSETS:					
Short-term Debtors and Prepayments	15.1.1	21		158	
Cash & Cash Equivalents	15.2	1,845		2,725	
Total Current Assets			1,866		2,883
TOTAL ASSETS					
CURRENT LIABILITIES					
Short-term Creditors	15.1.2	(655)		(1,996)	
Payment in Advance	15.1.2	(789)		(465)	
Overdraft	15.2	-		-	
Total Current Liabilities			(1,444)		(2,461)
TOTAL ASSETS LESS CURRENT LIABILITIES			422		422
Net Pension Fund Liability	15.4	(316)		(407)	
TOTAL LONG TERM LIABILITIES			(316)		(407)
NET ASSETS			106		15
Usable Reserves					
- Earmarked Joint Committee Reserves	14.2		(322)		(322)
- General Working Reserve	14.2		(100)		(100)
Unusable Reserves					
- Pensions Reserve	14.3		316		407
TOTAL RESERVES			(106)		(15)

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	2018-19		2019-20	
	£000	£000	£000	£000
Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cashflow				
Net (Surplus)/Deficit on the provision of services	-	84	-	91
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Pension fund adjustments	(24)		(91)	
Movements in revenue debtors, creditors, stocks etc.	(2,501)	(2,525)	880	789
Net cash Flow from Operating Activities		(2,441)		880
NET (INCREASE)/DECREASE IN CASH & CASH EQUIVALENTS				
Cash & Cash equivalents at the beginning of reporting period	(596)		1,845	
Cash & Cash equivalents at the end of reporting period	1,845		2,725	
(INCREASE)/DECREASE IN CASH & CASH EQUIVALENTS		2,441		880

12.0 Notes to the Expenditure and Funding Analysis

	2018-19		
	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
(Surplus) / Deficit on Continuing Operations	111		111
Other Operating Expenditure			
Financing & Investment Income & expenditure	(87)		(87)
Taxation and non-specific grant income			
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	24	-	24

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

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	2018-19	Grants Allocated Direct to Authority	Grants Held Centrally	2019-20	Grants Allocated Direct to Authority	Grants Held Centrally
	£000	£000	£000	£000	£000	£000
Pupil Development Grant	(24,492)	(24,214)	(278)	(24,425)	(24,282)	(143)
National Qualification for Headteachers	(113)	-	(113)	-	-	-
EWC NQT Moderation	(341)	-	(341)	(398)	-	(398)
British Council Grant	(14)	-	(14)	-	-	-
Informal Use Welsh	(191)	-	(191)	-	-	-
National Tests	(5)	(5)	-	-	-	-
Raising Standards	(37)	-	(37)	-	-	-
Regional Consortia School Improvement Grant	(44,414)	(37,220)	(7,194)	(39,335)	(32,912)	(6,423)
Regional Consortia School Improvement Grant b/fwd	-	-	-	(144)	-	(144)
Others	(12)	-	(12)	-	-	-
Total Revenue Grants	(69,619)	(61,439)	(8,180)	(64,302)	(57,194)	(7,108)
Total All Grants Offered to ERW	(69,619)	(61,439)	(8,180)	(64,302)	(57,194)	(7,108)

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

Revenue Grants	2018-19	Grants Allocated Direct to Authority	Grants Held Centrally	2019-20	Grants Allocated Direct to Authority	Grants Held Centrally
	£000	£000	£000		£000	£000
Welsh Government Grants Received	(69,252)	(61,439)	(7,813)	(63,904)	(57,194)	(6,710)
EWC	(341)	-	(341)	(398)	-	(398)
Others	(12)	-	(12)	-	-	-
British Council	(14)	-	(14)	-	-	-
Grants Credited As Income in Year	(69,619)	(61,439)	(8,180)	(64,302)	(57,194)	(7,108)

Further analysis of the Grants held centrally:

Revenue Grants	2018-19	Grants Held Centrally	2019-20	Grants Held Centrally
		£000		£000
Payments to schools via LA's for specific work				
Powys	265		471	
Ceredigion	122		263	
Pembrokeshire	279		250	
Carmarthenshire	394		347	
City and County of Swansea	423		641	
Neath Port-Talbot	237		378	
General	51		47	
		1,771		2,397
Other expenditure				
Employees	4,964		3,176	
Grants covering central team	275		500	
Transport / Mileage	123		57	
Translation	39		32	
Supplies & Services	849		763	
Facilitation	159		183	
		6,409		4,711
Total expenditure		8,180		7,108

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 2019-20 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 2019-20 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).

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.

Revenue Transactions

Comprehensive Income And Expenditure Statement Entries included in Net Operating Expenditure	2018-19		2019-20	
	£000	£000	£000	£000
Interest on Pension Liabilities	201		91	
Interest on Plan Assets	(164)	37	(71)	20
Current Service Cost		253		136
Remeasurement of Pension Liabilities and Assets		(124)		-
		166		156
Statement of Movement on the Council Fund Balance Entries				
Reversal IAS 19 Entries Above:		(166)		(156)
Actual Charges Paid in Year				
Actual Amount Charged for Period	142		65	
		142		65
Net Adjustment Required		(24)		(91)

The overall liability has had a significant increase primarily due to a revaluation of assets downwards in March 2020 by over £62m (Covid Impact). 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 2020 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 16.9% for 2018-19 and 17.0% for 2019-20.
- 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
Managing Director	2018-19	£56,280	£8,435	-
Interim Managing Director	2018-19	£59,924	-	-
Interim Managing Director*	2019-20	£64,578	-	-
Interim Managing Director**	2019-20	£71,906	-	-

Other Employees	Number of Other Employees	
Remuneration Band	2018-19	2019-20
£60,000 - £64,999	3	-
£70,000 - £74,999	-	2
£85,000 - £89,999	-	1
£90,000 - £94,999	-	1

* 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 March 2020.

The former Managing Director remained seconded and recharged to Welsh Government for the period April 2019 to March 2020. The total reimbursement from Welsh Government was £115k (£73k via the RCSIG and the remainder 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	Pembrokeshire/Carmarthenshire
Director of Resources/S151 Officer	Pembrokeshire
Monitoring Officer	Ceredigion

Also on the Executive Board are the other five Directors of Education from Neath Port Talbot, Carmarthenshire, Ceredigion, Pembrokeshire 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)	2018-19				2019-20			
Band	No's			£000	No's			£000
	Compulsory	Other	Total		Compulsory	Other	Total	
£60,001 - £80,000	-	-	-	-	-	2	2	145
Total	-	-	-	-	-	2	2	145

The termination payments are in respect of the former Managing Director (part payment in 2019-20 with the remainder in 2020-21) and the Lead for Secondary Support.

13.5 Audit Fees

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

	2018-19 £000	2019-20 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the Appointed Auditor for the year	13	13
Total	13	13

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 2019-20, 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. Grant receipts outstanding at 31 March 2020 are set out in note 15.1.3.

The following table shows the total transactions and year end balances with the 6 Local Authorities:

Transactions with Local Authorities	Balance owed at the year end £000	Total transactions in the year £000
Carmarthenshire County Council	186	12,961
Pembrokeshire County Council	102	7,971
Neath Port Talbot County Council	97	11,297
Swansea County Council	29	17,438
Powys County Council	226	7,661
Ceredigion County Council	79	4,228
Total	719	61,556

14.0 Notes To The Movement In Reserves

14.1 Adjustments Between Accounting Basis & the Regulatory Funding Basis

Actuals	2018-19		2019-20	
	ERW Usable Reserves £000	ERW Unusable Reserves £000	ERW Usable Reserves £000	ERW Unusable Reserves £000
Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position				
Pension Cost Adjustment	(290)	290	(156)	156
Remeasurement of Pension Liabilities and Assets	124	(124)	-	-
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position				
Employers Contribution to Pension Scheme	142	(142)	65	(65)
Net Adjustment Required	(24)	24	(91)	91

14.2 Usable Reserves

Usable Reserves	Balance 1st April 2019 £000	Contribution from Revenue Accounts £000	Contribution to Revenue Accounts £000	Balance 31st March 2020 £000
Earmarked Reserves	(322)	-	-	(322)
General Working Reserve	(100)	-	-	(100)
Total Useable Reserves	(422)	-	-	(422)

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 2019 £000	Movement in Year £000	Balance 31st March 2020 £000
Pensions Reserve	316	91	407
Total Unusable Reserves	316	91	407

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
Amounts falling due in one year:				
Welsh Government	-	158	-	158
Local Authorities & Schools	20	-	-	-
Other Debtors	1	-	-	-
Total Debtors	21	158	-	158

15.1.2 Creditors

	Balance 1st April 2019			
	Short Term Creditors £000	Revenue Grants Receipts in Advance £000	Capital Grants Receipts in Advance £000	Total Creditors £000
Amounts falling due in one year:				
Welsh Government	-	(193)	-	(193)
Local Authorities & Schools	(513)	-	-	(513)
Other Creditors	(142)	(596)	-	(738)
Total Creditors	(655)	(789)	-	(1,444)

	Balance 31st March 2020			
	Short Term Creditors £000	Revenue Grants Receipts in Advance £000	Capital Grants Receipts in Advance £000	Total Creditors £000
Amounts falling due in one year:				
Welsh Government	(832)	-	-	(832)
Local Authorities & Schools	(719)	-	-	(719)
Other Creditors	(445)	(465)	-	(910)
Total Creditors	(1,996)	(465)	-	(2,461)

Revenue Grants Receipts in Advance	2018-19 £000	2019-20 £000
Welsh Government	(193)	-
NQT	(96)	(119)
Funding for core costs	(500)	(346)
Total Current Liabilities Revenue Grants Receipts in Advance	(789)	(465)

15.1.3 Further Breakdown of Short-Term Creditor Analysis

Breakdown of Short-Term Creditors	2018-19 £000	2019-20 £000
Pupil Development Grant	28	85
Regional Consortia School Improvement	594	1,636
Total Current Liabilities Revenue Grants	622	1,721
Central Team	33	275
Total Creditors Owed 31st March	655	1,996

15.2 Cash and Cash Equivalents

	Balance 31st March 2019 £000	Balance 31st March 2020 £000
Cash at Bank / in Hand	1,845	2,725
Cash Overdrawn	-	-
Total Cash and Cash Equivalents	1,845	2,725

15.3 Contingent Liabilities

Local Authority Contributions

The 2020-21 Central Team Budget has been prepared on the basis of the partner Local Authorities contributing £480k core contributions in proportion to the number of pupils attending each of the Local Authority's schools.

ERW Future Model

Following the receipt of notice to withdraw from ERW by three of the five local authorities that form ERW for 2020-21, there is the potential for severance/redundancy payments during 2020-21. All severance/redundancy payments for senior management should be approved by the Joint Committee prior to any payments being made. No provision for any liability has been made in these financial statements as it is anticipated that existing ERW staff would be redeployed within the regional model which replaces ERW.

The impact of Brexit on ERW is unknown until the exit arrangements are confirmed.

The impact of Covid-19 may result in a future increase in Pension liability. As a 3 year agreement has just been entered into it is hoped that the impact of the drop in markets will have recovered before the date of the next agreement which will limit this liability.

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.

	2018-19 £000	2019-20 £000
Balance 1st April	292	316
Remeasurement of Pension Liabilities and Assets	(124)	-
Reversal of items chargeable to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement	290	156
Employers pension contributions and other direct payments in the year	(142)	(65)
Balance 31st March	316	407