

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2013/14**

**COMMITTEE:**

**AUDIT COMMITTEE**

**7<sup>th</sup> May 2014**

<b>Item No. 8</b>
<b>Annual Governance Statement – Central South Consortium 2013/14</b>

**REPORT OF:-**

**GROUP DIRECTOR, CORPORATE SERVICES**

**Author: Marc Crumbie (Operational Audit Manager)**

**(01443) 680779**

**1. PURPOSE OF THE REPORT**

This report provides Members with an overview and opinion on the governance arrangements in place at the Central South Consortium for the financial year 2013/14.

**2. RECOMMENDATIONS**

In order for Audit Committee to discharge the duties as outlined in section A of its Terms of Reference: *Review and recommend for certification the Annual Governance Statement*", it is recommended that Members:

- 2.1 Critically review the Annual Governance Statement for the Central South Consortium, suggest any material amendments and recommend its certification by the Leader of the Council and the Chief Executive in readiness for inclusion within the Central South Consortium Statement of Accounts.

### **3. BACKGROUND**

3.1 The Accounts and Audit (Wales) Regulations 2005 (regulation 4) states:

***“Responsibility for internal control and financial management***

*(1) The local government body shall be responsible for putting in place and ensuring that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes*

- (a) arrangements for the management of risk; and*
- (b) adequate and effective financial management.*

*(2) The local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with Proper Practices.”*

*Proper Practices are deemed to be the Code of Practice for Local Authority accounting which specifies:*

*“A local authority shall undertake a review of its system of internal control in accordance with best practice. Delivering Good Governance in Local Government, published by CIPFA and SOLACE, recommends that the review be reported in an Annual Governance Statement.”*

3.2 A draft Annual Governance Statement for the 2013/14 financial year relating to the activities of the Central South Consortium is attached at Appendix A. The format of the Annual Governance Statement uses the principles contained within the ‘Delivering Good Governance in Local Government’ publication.

### **4. SUMMARY**

4.1 The overall governance arrangements at the Central South Consortium for the financial year 2013/14 are considered to be satisfactory.

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**LOCAL GOVERNMENT ACT, 1972**

**as amended by**

**THE ACCESS TO INFORMATION ACT, 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**LIST OF BACKGROUND PAPERS**

**AUDIT COMMITTEE**

**7<sup>th</sup> May 2014**

**Report of the Group Director for Corporate Services**

Author: Marc Crumbie (Operational Audit Manager).

**Item**

**File Ref:**

- 8. Annual Governance Statement – Central South Consortium 2013/14**

IA / MC

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**APPENDIX A**

**RHONDDA CYNON TAF**

**CENTRAL SOUTH CONSORTIUM 2013/14  
ANNUAL GOVERNANCE STATEMENT**

<b>1.</b>	<b>Scope of Responsibility</b>
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1.1 The Central South Consortium serves:

- Bridgend County Borough Council;
- Cardiff Council;
- Merthyr Tydfil County Borough Council;
- Rhondda Cynon Taf County Borough Council; and
- Vale of Glamorgan County Borough Council.

The responsibilities of the Central South Consortium, combined, cover the needs of over 400 schools and approximately 144,000 pupils in the region of the Central South Consortium Joint Education Service.

1.2 The pledge of the Central South Consortium is as follows:

*“We want our education system to compare with what the best systems in the world are doing.*

*Together we are committed to giving all learners the best possible start in life. We want to equip our learners with the knowledge and skills they need to match the standards of the rest of the world so they can flourish as individuals and succeed in a global economy.”*

[CSC Pledge](#)

1.3 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business and that of the Joint Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and is used economically, efficiently and effectively.

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

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

<b>2.</b>	<b>The purpose of the governance framework</b>
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- 2.1 The governance framework comprises the systems and processes, and cultural values, by which an organisation is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables an organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for the Central South Consortium for the period covering 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014.

<b>3.</b>	<b>The Governance Framework</b>
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- 3.1 The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance:-
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of members and officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 This Governance Statement has used these principles to demonstrate how the overall governance arrangements at the Central South Consortium for the period covering 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 are deemed to be satisfactory. The Governance Statement does not

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

### 3.3 **Legal Agreements**

3.4 The Interim Legal Agreements (accompanied by draft terms of references and governance principles) in place at the commencement of the Joint Education Service and the Learning and Innovation Network for Schools ('Links') Service was in place for the majority of the 2013/14 financial year. On the 4<sup>th</sup> December 2013 all parties formally signed the two legal agreements (identified as the Central South Consortium's significant governance issue in the Annual Governance Statement 2012/13). There were no significant amendments to the Legal Agreement documents between the status of 'Interim' (accompanied by draft terms of references and governance principles) and 'Final'. On the basis of there being no significant amendments to the Interim Legal Agreement, from this point forwards in the Annual Governance Statement, reference will be made to the 'Legal Agreement'.

3.5 The Legal Agreement for the Joint Education Service provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:

- The Host Authority
- The Executive Board
- Operational Management Group & The Director
- Central South Consortium Joint Education Committee
- Financial Management

The Legal Agreement for the Learning and Innovation Network for Schools Service provides the governance framework within which the service operates and allocates responsibility and accountability, as follows:

- The Host Authority
- The Executive Board
- Board of Management
- Central South Consortium Joint Education Committee
- Financial Management

### 3.6 **The Host Authority**

The Legal Agreements formally assigns Rhondda Cynon Taf County Borough Council as the Host Authority for the Central South Consortium. Rhondda Cynon Taf County Borough Council provides all support services (save for the day to day administration undertaken by staff in accordance with their duties) required, including but not limited to:

- Financial (Section 151 Officer as defined by section 151 of the Local Government Act 1972, Accounts, Payroll, Creditors, Debtors, Insurance)
- Human Resources,

- Health & Safety,
- Legal,
- ICT
- Estates,
- PR/Marketing,
- Information Management,
- Internal Audit and;
- Procurement

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

3.7 The Constitution of Rhondda Cynon Taf County Borough Council, which has the financial stewardship of the Central South Consortium, allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedures. All functions undertaken by the Central South Consortium should be done so in accordance with all relevant Policies and Procedure Rules of Rhondda Cynon Taf County Borough Council.

3.8 Member Conduct

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

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

3.10 Officer Conduct

To ensure a consistent approach to working practices and processes, all officers are subject to the terms and conditions of employment (which are based on RCT operating terms and conditions) as follows:

1. Staff appointed to undertake responsibilities on behalf of the JES since October 2012, are employed / contracted on the standard terms and conditions of employment of the Host.
2. Staff appointed who were previously employed by any of the five partner local authorities prior to October 2012, were upon appointment transferred onto the standard terms and conditions of the Host or if matched to a role, given the option if they so wished to retain the terms and conditions of their home authority.

Regardless of which terms and conditions officers are employed upon, all officers are subject to a common set of operating Employment Policies based on the Host's operating policies and procedures.

3.11 **The Executive Board**

The purpose of the Executive Board is to support the Director in ensuring that the strategies of the CSC align themselves with the needs



of all Parties to raise educational standards.

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

3.13 **Joint Education Service:  
Operational Management Group & The Director**

The Operational Management Group comprises the Director, the JES Heads of Service and each Parties respective Head of School Improvement. The objective of the group is to deliver school improvement activities with the aim of raising educational standards.

3.14 The membership, decision making process, meetings and the terms of reference for the Operational Management Group are documented within Schedule 3 of the Joint Education Service Legal Agreement.

3.15 In May 2013 the Interim Director left his role at the CSC Joint Education Service. Contingency arrangements were put in place to cover for the duties of the outgoing Interim Director until a further interim appointment was made in October 2013. Following a recruitment process in March/April 2014 the CSC Joint Education Service failed to appoint a permanent Director. Efforts to appoint a permanent Director will continue during 2014, but the current Interim arrangement will continue until such time as the review of the permanent position is completed.

3.16 **Learning and Innovation Network for Schools:  
Board of Management & The Director**

The Board of Management comprises the Director, Head of Links, at least 10 but no more that 15 nominated representative Headteachers from Nursery, Primary, Secondary and Special Co-Founder Schools. The objective of the Board is to provide a steer for the strategic direction of the service. To influence, by representing the views of Headteachers, the offer and delivery of the service provided by the Links services.

3.17 The membership, decision making process, meetings and the terms of reference for the Board of Management are documented within Schedule 3 of the Learning and Innovation Network for Schools Legal Agreement.

3.18 **Central South Consortium Joint Education Committee**

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

The Joint Education Committee is the joint committee for both the Joint Education Service and the Learning and Innovation Network for Schools ('Links').

The Joint Education Committee has the powers of each Council with reference to the provision of a Joint Education Service and its performance.

The purpose of the Joint Education Committee is to support effective Central South Consortium arrangements which raise education standards across the Consortium.

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

### 3.19 **Financial Management**

Schedule 5 of the Legal Agreements provides the framework within which the finances of the Joint Education Service and the Learning and Innovation Network for Schools Services operate. The Financial Protocol provides the financial framework and relationship between the Parties (the councils), the Host and the Central South Consortium. The following areas of business are documented in each of the two Legal Agreements:

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

3.20 The Legal Agreements require the Joint Education Committee to hold at least termly meetings throughout the year. Standard agenda items include a report from the Treasurer.

3.21 The Rhondda Cynon Taf County Borough Council's Financial Procedure Rules provide clear guidance in relation to all financial matters. The Central South Consortium has adopted Rhondda Cynon Taf's Financial & Contract Procedure Rules – as confirmed in Section 17 (Schedule 4) of the Legal Agreements:

**“Rules and Procedure**

*For the avoidance of doubt the CSC Joint Education Committee shall, where relevant and subject to the provisions of this Agreement, operate in accordance with the Hosts schemes of delegation, Rules of Procedure and policies from time to time.”*

3.22 The Wales Audit Office audits the Central South Consortium's annual statement of accounts. The 2012/13 statement of accounts were audited by the WAO and approved at the meeting of the Joint Committee on 27<sup>th</sup> September 2013.

3.23 The Central South Consortium's financial and operational performance

is monitored and scrutinised by the Joint Education Committee.

The Joint Education Committee receives reports from:

- The Treasurer, and;
- The Interim Regional Director.

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

## Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and Chief Officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The requirement to undertake an annual review also extends to Joint Ventures where this Council has lead responsibility.

### 4.2 **Report of the Interim Regional Director**

Since the inception of the organisation the Interim Regional Director (or designated representative) provided members of the Joint Education Committee with updates on performance and statistical information.

4.3 In addition to these 'standard' agenda items, issues specific to the operational running of the organisation were also reported to the Joint Education Committee.

4.4 In the Draft Central South Consortium Business Plan (March 2014) the Interim Director reflected upon the performance and delivery of the service during 2013/14 and concluded that *'In 2013, whilst some improvements have been shown, they need to be significantly more marked.'*

*A transformation is needed. Our ambition is to work alongside schools to enable Headteachers to lead improvement in schools' banding positions, in literacy and numeracy, in performance against the level 2+ threshold and most crucially in closing the attainment gap for disadvantaged pupils.'*

In order to address the transformation required, the Business Plan proposes a change in delivery:

*'Over the next three to five years moving to a fully school-led system will involve significant cultural change from all parts of the system in order to build the capacity, confidence and behaviours of schools to lead improvement.'*

The Business Plan proposes the previous model of the Joint Education Service and the Learning and Innovation Network for Schools ('Links') to cease during the Spring of 2014 with the model being replaced with a strategy which is led by Headteachers from within the region.

### 4.5 **Financial Management**

During 2013/14 the Joint Education Committee received regular finance reports from the Treasurer.

4.6 During 2012/13 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

4.7 **Joint Education Committee**

During 2013/14 the Joint Education Committee received regular finance reports from the Treasurer and also regular performance reports from the Interim Regional Director. The Joint Education Committee also received reports relevant to the operation and governance of the organisation.

4.8 In accordance with their terms of reference, the Joint Education Committee also considered the recruitment of a permanent Director during April 2014 the outcome of which was unsuccessful and leaves the Joint Education Service with an Interim Director for the foreseeable future.

4.9 **Internal Audit**

During 2013/14 Internal Audit reviewed the core financial systems of the CSC Joint Education Service and concluded there to be no material weaknesses. Internal Audit also reviewed the reports provided to the Joint Education Committee and the Legal Agreements (which incorporates the Terms of Reference for the Executive Board, Operational Management Group, Board of Management and the Joint Education Committee).

4.10 **External Audit**

The Wales Audit Office audits the Central South Consortium's annual statement of accounts. The 2012/13 statement of accounts were audited by the WAO and approved at the meeting of the Joint Committee on 27<sup>th</sup> September 2013.

## Significant Governance Issues

- 5.1 **Definition of Governance:** A series of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.
- 5.2 **Definition of a Significant Governance Issue:**  
A specific area of the Organisation's work that requires Senior Management attention to ensure that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, to support improved outcomes for local people.
- 5.3 The following areas are deemed to be significant governance issues during 2014/15:
- 5.4 The need to appoint a permanent Director.
- 5.5 Managing the cultural change required to implement the proposed new model of delivery as outlined within the Draft Central South Consortium Business Plan (March 2014) – subject to approval.

### Certification of Annual Governance Statement

Leader

Chief Executive