



Gwasanaeth Democraidd
Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Cyfarfod / Meeting

PWYLLGOR ARCHWILIO
AUDIT COMMITTEE

Dyddiad ac Amser / Date and Time

10.30am DYDD IAU, 22 TACHWEDD 2012

10.30am THURSDAY, 22 NOVEMBER 2012

Lleoliad / Location

SIAMBR ARFON/CHAMBER,
SWYDDFEYDD Y CYNGOR/COUNCIL OFFICES,
PENRALLT,
CAERNARFON

Pwynt Cyswllt / Contact Point

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Dosbarthwyd/Distributed: 14-11-12

**PWYLLGOR ARCHWILIO
AUDIT COMMITTEE**

AELODAETH/MEMBERSHIP (19)

Plaid Cymru (9)

Y Cynghorwyr/Councillors

Edward Dogan
Chris Hughes
Dilwyn Morgan

Huw Edwards
Charles W Jones
Michael Sol Owen

Aled Ll. Evans
Dyfrig Jones
Gethin G. Williams

Annibynnol/Independent (4)

Y Cynghorwyr/Councillors

Trevor Edwards

Tom Ellis

John Pughe Roberts

Angela Russell

Llais Gwynedd (4)

Y Cynghorwyr/Councillors

Anwen Davies

John Brynmor Hughes Aeron M. Jones

R.J. Wright

Llafur/Labour (1)

Y Cynghorydd/Councillor

Sion W. Jones

Aelod Lleyg/Lay Member

Mr John Pollard

Aelod Ex-officio/Ex-officio Member

Cadeirydd y Cyngor /Council Chairman

RHAGLEN

1. YMDDIHEURIADAU

Derbyn unrhyw ymddiheuriadau am absenoldeb.

2. DATGAN BUDDIANT PERSONOL

Derbyn unrhyw ddatganiad o fuddiant personol

3. MATERION BRYD

Ystyried unrhyw fater arall sydd yn teilyngu sylw bryd ym marn y Cadeirydd.

4. COFNODION

Bydd y Cadeirydd yn cynnig y dylid llofnodi cofnodion cyfarfod diwethaf o'r pwyllgor hwn a gynhaliwyd ar 27 Medi 2012, fel rhai cywir.

(copi yma- papur **gwyn**)

5. YMATEB YR ADRAN ADNODDAU DYNOL I ARGYMHELLION ARCHWILIO MEWNOL – RECRIWTIO – PROFION HUNANIAETH

Cyflwyno adroddiad yr Uwch Reolwr Archwilio a Risg
(copi yma – papur **aur**)

6. YMATEB YR ADRAN RHEOLEIDDO I ARGYMHELLION ARCHWILIO MEWNOL – UNED TRWYDDEDU

Cyflwyno adroddiad Pennaeth Adran Rheoleiddio (copi yma – papur **llwyd**)

7. CYNNYRCH YR ADRAN ARCHWILIO MEWNOL

Cyflwyno adroddiad yr Uwch Reolwr Archwilio a Risg yn amlinellu gwaith yr Adain Archwilio Mewnol am y cyfnod rhwng 1 Awst a 30 Medi 2012

(copi yma – papur **glas**)

8. CYLLIDEB REFENIW 2012/13 – ADOLYGIAD AIL CHWARTER (MEDI 2012)

Cyflwyno adroddiad y Pennaeth Cyllid (copi yma – papur **melyn**)

9. RHAGLEN GYFALAF 2012/13 – ADOLYGIAD DIWEDD YR AIL CHWARTER (MEDI 2012)

Cyflwyno adroddiad y Pennaeth Cyllid
(copi yma – papur **aur**)

**10. RHEOLAETH TRYSORLYS 2012/13 – ADOLYGIAD CANOL
BLWYDDYN**

Cyflwyno, er gwybodaeth, adroddiad y Pennaeth Cyllid ar wir weithgarwch benthyg a buddsoddi'r Cyngor hyd yma yn y flwyddyn ariannol gyfredol (copi yma – papur **pinc**)

11. DATGANIAD STRATEGAETH RHEOLAETH TRYSORLYS 2012/13

Atgoffa'r aelodau o'r hyfforddiant gan Gwmni Arlingclose ar y mater uchod am 2.00 o'r gloch ar 29 Ionawr 2013, yn Ystafell Glyder Fawr, Swyddfeydd y Cyngor, Penrallt, Caernarfon.

12. CYNLLUN ARCHWILIO MEWNOL 2012/13

Cyflwyno adroddiad yr Uwch Reolwr Archwilio a Risg ar y cynnydd ar Gynllun Archwilio Mewnol 2012/13 (copi yma – papur **gwyrdd**)

AGENDA

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT BUSINESS

To note any items that are a matter of urgency in the view of the Chairman for consideration.

4. MINUTES

The Chairman shall propose that the minutes of the last meeting of this committee, held on 27 September 2012, be signed as a true record.
(copy herewith - **white** paper)

5. THE HUMAN RESOURCES DEPARTMENT'S RESPONSE TO THE RECOMMENDATIONS OF INTERNAL AUDIT – RECRUITMENT – IDENTITY CHECKS

To submit the report of the Senior Audit and Risk Manager (copy herewith – **gold** paper)

6. THE REGULATORY DEPARTMENT'S RESPONSE TO THE RECOMMENDATIONS OF INTERNAL AUDIT – LICENCING UNIT

To submit the report of the Head of Regulatory Department (copy herewith – **grey** paper)

7. OUTPUT OF THE INTERNAL AUDIT SECTION

To submit the report of the Senior Audit and Risk Manager outlining the work of the Internal Audit Section for the period between 1 August and 30 September 2012 (copy herewith – **blue** paper)

8. 2012/13 REVENUE BUDGET – SECOND QUARTER REVIEW (SEPTEMBER 2012)

To submit the report of the Head of Finance (copy herewith – **yellow** paper)

9. CAPITAL PROGRAMME 2012/13 – END OF SECOND QUARTER REVIEW (SEPTEMBER 2012)

To submit the report of the Head of Finance
(copy herewith – **gold** paper)

10. TREASURY MANAGEMENT 2012/13 – MID-YEAR REVIEW

To submit, for information, the report of the Head of Finance on the Council's actual borrowing and investment during the current financial year (copy herewith – **pink** paper)

11. TREASURY MANAGEMENT STRATEGY STATEMENT 2012/13

To remind the members of the training by Arlingclose Company on the above matter at 2.00pm on 29 January 2013, in Ystafell Glyder Fawr, Council Offices, Penrallt, Caernarfon.

12. INTERNAL AUDIT PLAN 2012/13

To submit the report of the Senior Audit and Risk Manager on the progress of the Internal Audit Plan 2012/13 (copy herewith – **green** paper)

AUDIT COMMITTEE 27-09-12

Present: Councillor Trevor Edwards (Chairman)
Councillor John Pughe Roberts (Vice-chairman)

Councillors: Anwen Davies, Eddie Dogan, Tom Ellis, Aled Ll. Evans, Sion W. Jones, Dilwyn Morgan, Michael Sol Owen and Peredur Jenkins (Cabinet Member – Resources)

Lay Member: Mr John Pollard

Also Present: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Audit and Risk Manager), William E. Jones (Senior Finance Manager), Ffion M. Evans (Finance Manager – Resources and Corporate), Caroline Roberts (Investment Manager), Hawis Jones (Performance and Improvement Efficiency Manager), Amanda Hughes (Local Manager, Wales Audit Office), Derwyn Owen (Engagement Leader, Wales Audit Office) and Gwyn Parry Williams (Members' Support and Scrutiny Officer).

Apologies: Councillors Selwyn Griffiths, John B. Hughes, Aeron Jones, Charles W. Jones, Dyfrig W. Jones, Angela Russell, Gethin G. Williams, R.J. Wright

1. **DECLARATION OF PERSONAL INTEREST**

No declarations of personal interest were received from any member present.

2. **MINUTES**

The Chairman signed the minutes of the meeting of this committee held on 12 July 2012, as a true record.

3. **FINAL ACCOUNTS 2011/12**

i) Statement of the Accounts

Submitted – by the Head of Finance Department, the revised statutory financial statements for the committee's approval. He noted that the reports of the Wales Audit Office which followed noted the main changes to the accounts.

In relation to the Council's funds and reserves, the Head of Finance Department referred to the fact that there were quite considerable sums and that currently he was in the process of reviewing them. He noted that it would be worth establishing a panel of members of this committee, along with the Cabinet Member – Resources and himself, who would act as head, to assess the relevant risks when reducing or retaining the various funds when preparing the 2013/14 budget.

RESOLVED that the following members serve on the panel -

Chairman and Vice-chairman of the Committee and Councillors Aled Evans, Aeron Jones, Michael Sol Owen and Mr John Pollard.

ii) Report of the Appointed Auditor on the Audit of Financial Statements

In accordance with the Annual Audit procedure, namely the Appointed Auditor's report for those charged with governance, the report of the Wales Audit Office (WAO) was submitted. The Engagement Leader – Wales Audit Office was present to submit the information.

It was reported that the Council was responsible for providing financial statements to present the financial situation as it stood on 31 March 2012 along with the income and expenditure in the year which ended at that time.

The Wales Audit Office was responsible for undertaking an audit and for reporting whether it was of the opinion that the reports presented the financial position of the Council accurately and fairly at the end of every year. The officer notified the Committee that the Appointed Auditor intended to issue an unqualified audit opinion on the Council's accounts for 2011/12.

In the Wales Audit Office's Report, the Engagement Leader WAO referred to one misstatement that had not been corrected, namely that the Council had not acknowledged its full obligations relating to capping and aftercare on the Cilgwyn waste disposal site and the cells which were full on the sites of Ffridd Rasus and Llwyn Isaf. In the auditor's opinion, the Council should make a provision of £2.477m in the accounts towards this work. However, it was noted that the Council had reserved resources within the reserve capital funds and within its capital budget in future to pay these costs.

The Engagement Leader drew attention to one relevant weakness in the internal controls, namely that the Council's income bank account reconciliation on 31 March 2012 included an unidentified balance item of £4,143. However, he noted that the account had now been reconciled.

The Engagement Leader referred to one concern regarding the qualitative aspects of accounting practices and the process of submitting financial reports under the Accounting Code of Practice and specifically the creditor balance. He noted that there had not been a detailed review of the £15.5m from the "other" entity balance to ensure that the distribution was appropriate. Following a review of the balance, it was noted that £5.6m had been distributed erroneously but this had now been corrected in the financial statements.

The Engagement Leader also noted that the Code of Practice required the Council to disclose details of associated party transactions within its accounts. In order to gather the relevant information, the Council had written to its members seeking details of associated party interests by 11 May 2012. At the end of the audit process, eight individuals who had been members of the Council during the 2011/12 financial year had still not responded.

In response to the above, the Head of Finance Department notified the Committee that he generally thanked the auditors for their work and welcomed the contents of the Wales Audit Office report, especially the intention to issue an unqualified audit report that the 2011/12 accounts were

accurate and fair. He noted that he had responded reasonably in his letters to the Appointed Auditor two of the aforementioned matters, namely reconciling the Council's income bank account on 31 March 2012 which had now been resolved and the Cilgwyn waste disposal site and he drew the committee's attention to the relevant paragraphs of the letter. The Head of Finance Department explained that the matter involving creditors had not been included in the letter and that it was a qualitative issue regarding the distribution between categories of creditors rather than the total of all creditors in the accounts.

With regard to the Cilgwyn site, the Senior Finance Manager explained that waste had been disposed on the site since the 60s and the former Gwyrfai Rural District Council had approved a planning application in 1973 to formally dispose of waste there. Technically, that Council, and later the former Arfon County Borough Council, had started making a provision for restoring and capping of the Cilgwyn site at that time. Later on, the sites of Cilgwyn and Penhesgyn in Anglesey were being run by the Môn Arfon Waste Company. This arrangement had ended in December 2008 and both Councils had decided to internalise the arrangement, namely that Anglesey County Council was responsible for the Penhesgyn site and Gwynedd Council was responsible for the Cilgwyn site. The officer noted that the company, when it was established, was responsible for restoring and capping the Penhesgyn site but the responsibility for the Cilgwyn site had remained with Arfon County Borough Council and following that with Gwynedd Council. When these responsibilities had returned to the Council after December 2008, the Council was required to face the cost. It was noted that £8.807m had been spent up until 31 March 2012, with a further £2.357m retained in the Capital Reserve Account at the end of the year because of slippage in the actual work programme. A further £800,000 would be kept in reserve as a provision, making a total of £11.964m.

The Head of Finance Department thanked Amanda Hughes and Derwyn Owen for their cooperation in the audit.

b) Gwynedd Pension Fund

As above, the Engagement Leader – Wales Audit Office reported that the Council was responsible for preparing financial statements to present the financial position of the Gwynedd Pension Fund as at 31 March 2012.

The Wales Audit Office was responsible for undertaking an audit and for reporting whether it was of the opinion that the reports presented accurately and fairly the financial position of the pension fund at the end of the year. The officer informed the Committee that the Appointed Auditor intended to issue an unqualified audit opinion on the accounts of Gwynedd Pension Fund for 2011/12.

The Engagement Leader noted that there had been no misstatements in the financial statements.

However, the Local Manager WAO referred to one relevant weakness in the internal controls, namely that the Council could not provide an accurate account to validate the change in value on the market that had been disclosed in the fund's account and despite significant additional work by officers, there remained an unexplainable difference of £100,000. She noted

that the Council had to put an independent process in place to validate the change in the value of investments that would give the Council more control over the accuracy of the statements.

In response to the above, the Head of Finance Department stated that he welcomed the contents of the Wales Audit Office report, especially the intention to issue an unqualified audit report that the pension fund accounts for 2011/12 were accurate and fair. He noted that he had responded to the aforementioned matters in his letter to the Appointed Auditor and he drew the committee's attention to relevant paragraphs in the letter.

Some of the members raised questions on the accounts and officers responded to them, including the cost and benefits of various methods of accounting the value of the pension fund's investments on the stock market.

iii) Letters of Representation

Following discussions on the 2011/12 final accounts, the Head of Finance Department submitted draft letters addressed to the Appointed Auditor from the Audit Committee. The "letters of representation" included statements regarding the Council's financial statements and the Pension Fund's financial statements for 2011/12. He explained that he had drafted the comments on behalf of "those charged with governance" in Gwynedd Council, namely the Audit Committee.

All relevant officers were thanked for their work on the accounts.

RESOLVED that the Audit Committee, with the power delegated by the Council to be "those charged with governance" in relation to approving the statutory financial statements and the relevant audit, approves the amended statutory financial statements, accepts the related reports by the Wales Audit Office, and authorises the Head of Finance Department and the Chairman of the Committee to sign the letters of representation and to submit them to the Appointed Auditor of the Welsh Audit Office.

4. TREASURY MANAGEMENT 2011/12

Submitted - the report of the Head of Finance Department on the Council's actual treasury management activity during 2011/12, compared with the strategy that had been established for that financial year in March 2011. The report provided details of the economic background, the borrowing requirements and debt management, investment activity and compliance with prudential indicators.

The Head noted that the Council's borrowing activity remained within the constraints originally set. The total interest received on deposits was £941,479 which was higher than the £699,850 in the budget. There were no new defaults by banks in which the Council deposited money.

RESOLVED to accept the report for information.

5. REGISTER OF EXTERNAL AUDIT REPORTS

Submitted – the report of the Head of Strategic and Improvement Department requesting the committee to approve the procedure of addressing external auditors' reports.

The Performance Improvement and Efficiency Manager provided details of the External Auditors' reports on the Council's services since 2008 which included annual reports, occasional reports and national reports.

She noted that the Local Government (Wales) Measure 2011 made it a requirement that every external audit report was brought before the Audit Committee and the committee would then approve the benefits of implementing the recommendations noted by the external auditors. This would enable the committee to monitor the implementation of the recommendations in the reports and then provide the Cabinet with a brief summary. The officer provided details of examples from external audit reports.

She recommended the following procedure which should be followed to respond to the above requirements -

- a) The Head of Strategic and Improvement Department to maintain a corporate register of external audit reports and to submit this register to the Audit Committee every six months.
- b) Following receipt of an external audit report, the relevant Cabinet Member to submit a report on the benefits of implementing the draft recommendations to the Audit Committee.
- c) The Audit Committee to approve the benefits of implementing the recommendations.
- ch) The relevant Head to ensure that the recommendations were included in their work plans, with the Cabinet Member responsible for ensuring the recommendations were undertaken.

Adopting this procedure would ensure that the scrutiny committees could concentrate on scrutinising the implementation of any recommendation resulting from audit reports.

RESOLVED to adopt the above procedure for coordinating the work and providing an overview of the external auditors' reports.

6 . HOUSING BENEFIT AND COUNCIL TAX BENEFIT SERVICE REVIEW 2012

Submitted – the report of the Local Manager WAO, noting that the aim of this audit was to answer the question *“Are the Council's arrangements for providing its Housing Benefit and Council Tax Benefit Services likely to lead to an improvement?”* She noted that the audit had concluded that the good progress made in relation to most aspects of the delivery of housing and council tax benefit services should help the Council manage the scale of change anticipated in the next few years.

She provided an outline of the findings, conclusions and proposals for improvement.

The Head of Finance Department noted that he accepted the findings of the WAO and that he had responded to these matters and he drew the committee's attention to them.

RESOLVED to accept the report and approve the response of the Finance Department to the WAO recommendations.

7. INTERNAL AUDIT TERMS OF REFERENCE

Submitted - the report of the Senior Audit and Risk Manager. CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 stated that it was a requirement for Terms of Reference to be prepared for Internal Audit. The Terms of Reference established what the Council expected from its Internal Audit service.

The Terms of Reference also explained how Internal Audit assisted the Head of Finance Department and the Audit Committee in undertaking their duties and outlined the shape and form of the method in which Internal Audit achieved this.

The officer noted that the Code of Practice also stated that the Terms of Reference should be reviewed regularly. No amendments had been made to it since 2009 although they had been kept under review since then. Although the vast majority of the 2009 Terms of Reference remained relevant, it was timely to make minor necessary amendments to correct misspellings, clarify the meaning of some sentences and to include a reference to the *Joint Protocol between External Audit and Internal Audit*.

RESOLVED to accept and note the contents of the Internal Audit Terms of Reference and to support the Internal Audit Section to fulfil its role.

8. INTERNAL AUDIT STRATEGY 2012-2015

Submitted – the report of the Senior Audit and Risk Manager presenting the Council's three year Internal Audit Strategy which had been approved by the committee on 13 February 2012.

He noted that section 7.1 of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 ("the Code of Practice") stated that the Head of Internal Audit was required to produce an audit strategy - it was a high-level statement of how the internal audit service would be delivered and developed in accordance with its terms of reference and how it linked to the organisation's objectives and priorities.

It was reported that the Strategy contained numerous headings regarding the provision of Internal Audit:

- The purpose of Internal Audit
- How Internal Audit lived the Council's values
- How we maintained standards
- Which audits had to be delivered annually
- How would further audits be chosen
- Collaborating with others
- Types of audits which would be held

- Provisions
- Reporting methods
- Available resources
- Measuring quality and continuous improvement
- Risks faced by Internal Audit

RESOLVED to note the content of the Internal Audit Strategy 2012-2015.

9. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 31 July 2012

Submitted – the report of the Senior Audit and Risk Manager outlining the Internal Audit Section’s work in the period between 1 April and 31 July 2012. In submitting the information on the work completed during the period, the officer referred to -

- Nine reports on audits of the action plan with the relevant opinion category shown.
- Four other reports (memoranda etc.)
- Five grant reviews
- One follow-up audit

Details of further work that Internal Audit had in the pipeline were reported upon. This included two draft reports which had been released and 26 audits which were ongoing.

Consideration was given to each report and during the discussion reference was made to the following matters -

Recruitment – Identity Checks

A member noted that this audit had received an opinion category “C” and he asked whether or not a further report would be submitted to the committee on the audits that had received this opinion category.

In response, the Senior Audit and Risk Manager informed the committee that the target for completing follow-up work to this audit was 31 December 2012.

RESOLVED to invite the Head of Human Resources Department to the next committee meeting to explain the situation.

Licensing Unit

It was noted that this audit had received an opinion category “C” and the Chairman suggested that the Head of Regulatory Department should be invited to the next meeting to explain the situation.

In response, the Senior Audit and Risk Manager informed the committee that the target for completing follow-up work for this audit was 31 March 2013.

RESOLVED to agree to invite the Head of Regulatory Department to the next committee meeting to explain the situation.

Other Reports

RESOLVED to send a letter to the Finance Department congratulating them on receiving an “A” opinion category following three audits, namely -

**Main Accounting System – A Review of Key Controls
Payroll – BACS Runs and
National Non-Domestic Rates System – Review of Key Controls**

RESOLVED to accept the reports on the Internal Audit Section’s work for the period between 1 April to 31 July 2012 and to support the recommendations already submitted to the managers of the relevant services for implementation.

10. INTERNAL AUDIT PLAN 2012/13

Submitted – the report of the Senior Audit and Risk Manager, providing an update of the current situation in terms of completing the 2012/13 internal audit plan.

He provided details of the situation as at 1 September 2012 along with the time spent on each audit to date. The following table was highlighted, which revealed the current status of the work in the operational plan -

Audit Status	Number
Planned	46
Working Papers Created	3
Field work started	16
Field Work Ended	3
Awaiting Review	3
Draft Report	3
Final Report	24
Total	98

He informed the Committee that the 2012/13 performance target had been to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2013. He noted that the actual achievement of Internal Audit at the end of quarter 1 was 15%. In order to achieve the end of quarter 2 target, a final report would have to be published or 11 other audits by 20 September 2012 (i.e. a total of 35 out of 98). He explained that this target had been achieved by the date of the committee and it was expected that three further final reports would be released by 30 September 2012.

In terms of amendments to the plan, the officer noted that it was intended to undertake the second part of the review of Security of Files and Data within Social Services during 2012/13. A review of the paper systems of the department had been undertaken during 2011/12 and it had been agreed that Internal Audit would review security of files and data on the new electronic system this year. However, information had been received that there had been a delay with this plan and, therefore, there would be no purpose in undertaking the audit until 2013/14.

RESOLVED to note the contents of the report as an update on progress against the 2012/13 audit plan.

The meeting commenced at 10.00am and concluded at 11.30am.

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	22 NOVEMBER 2012
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION – “RECRUITMENT - IDENTITY CHECKS”
PURPOSE OF REPORT	TO RECEIVE THE COMMENTS OF THE HEAD OF HUMAN RESOURCES IN ACCORDANCE WITH THE REQUEST OF THE COMMITTEE
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT & RISK
ACTION	TO RECEIVE THE REPORT AND COMMENT ON THE CONTENTS

I. INTRODUCTION

- 1.1 The result of Internal Audit work on the Council’s arrangements of performing identity checks during the recruitment process was reported to the Audit Committee on 22 September 2012. The report to the committee included the executive summary of the internal audit report, which had been placed in a ‘C’ opinion category.
- 1.2 The Committee resolved **to invite the Head of Human Resources Department to the next committee meeting to explain the situation.**
- 1.3 Since the Head of Human Resources is unable to attend this meeting, he has met with the Chair and Vice-Chair of the Committee (as well as the Head of Finance and the Senior Manager Audit & Risk) on 8 November in order to explain the latest developments in the area, and presented evidence to show the progress that has been made to implement the report’s recommendations.

2. BACKGROUND

- 2.1 The internal audit was undertaken as part of the 2012/13 audit plan, with the purpose of ensuring that suitable arrangements exist for testing the identity of new appointments to the Council and that the arrangements are adhered to.
- 2.2 The main findings of the audit were:

A sample was taken of personnel files of officers that were newly appointed during the 2011/12 financial year. Of the selected sample of 25 files were in the care of Support Services - Personnel Administration. It was found that only 10 of these files included evidence that identity tests have been carried out. In addition, the letters sent to applicants referred to the incorrect legislation - the Asylum and Immigration Act 1996 rather than the Immigration, Asylum and Nationality Act 2006.

For the remainder of the sample, clarification was received from the officials who had responsibility for the management and administration of personnel files within the services. These officers confirmed that copies of identity checks were not kept on personnel files and some expressed that they did not believe that these tests are conducted.

It appears from the audit that no clear guidelines have been established for managers and officers who administrate personnel files on the arrangements, responsibilities and the importance of implementing and testing identity. Due to lack of evidence and guidelines, the auditor considers the Council does not have appropriate controls in place for managing the risk of illegal appointments.

2.3 The report's action plan contained 5 recommendations:

Recommendation A01: Personnel letters should be updated to ensure they are current and reflect changes in legislation and ensure that this will be established across the Council.

Recommendation A02: Good practice guidance for managers in relation to "Recruitment, Selection and Appointment" arrangements which include the arrangements for verifying evidence of entitlement to work in the UK should be placed on the intranet.

Recommendation A03: The action that should be taken before appointing new officers, including steps to check identity, should be publicised, ie the need to verify identity, provide a certified photocopy, together with noting who has the responsibility and accountability for maintaining these procedures.

Recommendation A04: The "Recruitment, Selection and Appointment" guidance should stress the importance of undertaking the checks as well examples of valid documents and the expected verifications in accordance with the Immigration, Asylum and Nationality Act 2006.

Recommendation A05: It should be ensured that records of identity checks are kept on file in order to ensure compliance with the Immigration, Asylum and Nationality Act 2006.

2.4 It can be confirmed that the Head of Human Resources has presented amended documents to the Chair and Vice-Chair of the Committee that address recommendations A01 to A04. The next step is to distribute these documents among Council managers and supervisors with the expectation that all relevant officers will act upon them. In doing this, recommendation A05 will also be implemented.

2.5 Internal Audit's intention is to undertake a follow-up audit before the end of December 2012 in the usual manner in order to provide independent assurance to the Committee that the recommendations have been implemented as expected.

3. RECOMMENDATION

3.1 The Committee is requested to accept this report as an explanation of the response of the Head of Human Resources to the Internal Audit report "Recruitment - Identity Checks".

MEETING	Audit Committee
DATE	22 November, 2012
TITLE	The Regulatory Department's response to Internal Audit Reports
PURPOSE OF REPORT	To consider the response of the Regulatory Department to the recommendations of Internal Audit Reports
AUTHOR	Aled Davies, Head of Regulatory Department
ACTION	The Committee is requested to accept the summary report on the Regulatory Departments response to the recommended actions and comment on their contents.

1. RESPONSE TO THE RECOMMENDATIONS

- 1.1 In April 2012, following the retirement of the former Public Protection Manager (Licensing) and the allocation of his duties to two existing Public Protection managers, it became apparent that the administrative arrangements in place in the Licensing Section of the Public Protection Service were not fit for purpose.
- 1.2 The Internal Audit service were therefore called upon to carry out an audit of the Unit
- 1.3 The attached document details the actions to be taken by the Licensing Unit to respond to the recommendations of the Audit.

ACTION PLAN – LICENSING UNIT

NOVEMBER 2012

No	Recommendation	Responsible for action	Update
A01	Ensure that policy statements relevant to the Licensing Act 2003 and Gambling Act 2005 be dated with the date the policy was reviewed and published.	GMW	Dates of adoption, review and publication are confirmed, arrangements are in place to date the policies in accordance with the recommendation.
A02	Ensure that a statement of Gambling Policy is available on the Council's public website.		Arrangements to be made with the Information and Web Services Officer to ensure that the Gambling Policy Statement will be placed on the web before 31/12/12.
A03	Ensure that the Licensing Policy be submitted to the Environment Scrutiny Committee for detailed consideration and then delivered back to the full Council in accordance with the decision of the full Council on 16 December 2010.		Licensing Policy will be submitted to the Central Licensing Committee on 10 December 2012 to approve the changes before receiving the approval of the Policy Cabinet Member / Cabinet. Policy in its entirety will be reviewed in 2013.
A04	Ensure that the total fees and date of receipt are entered into the system "Civica".	Licensing Officers	Training issue: Guidance has been prepared and will be introduced by 1/1/2013.
A05	Where the payment received is more than one fee should be possible to see the cost of each item.		
A06	The revised fees must be approved by the Central Licensing Committee or the relevant Portfolio Leader.	GMW	Fee schedule will be amended in accordance with the recommendations during the usual fee review period and then approved by the Central Licensing Committee.
A07	The list should distinguish between the cost of a CRB check fees and fee for administering the application.		
A08	Should not be raising the VAT element on the administration fee CRB check.	Licensing Officers	Training issue: Guidance has been prepared and will be introduced by 1/1/2013.
A09	Licensing Officers should ensure that the fees are coded to the correct expenditure code in the ledger.		
A10	Licensing Officers should generate reports from the system Civica (Flare) on a regular basis, eg monthly.		

No	Recommendation	Responsible for action	Update
A11	Should review the reports and correct any error identified in order to ensure that Civica system (Flare) current.	Licensing Officers	Training issue: Guidance has been prepared and will be introduced by 1/1/2013.
A12	Reports should be used to remind the holders of licenses required to renew the license applies.		
A13	In order to comply with changes to the Licensing Act 2003, the Senior Income Officer should be asked to produce a monthly report of Premises Licences invoices unpaid.	SLB	Completed.
A14	The Public Protection Unit should develop a Register of Licensing which is open to the Public.	SLB	The publication of the register requires investment in the IT system. Prices have been received and the negotiation of terms continues.
A15	Ensure that the Licensing Register is available on the Council's website and includes applications for new licenses and any transfers of the licenses.		
A16	Because there are so many inconsistencies and errors in the invoices of Premises Licences that are due, the Senior Income Officer should be requested to create a report of current unpaid invoices to enable the Public Protection Unit to correct the report and to modify the Civica (Flare) system as necessary.	SLB	Completed.
A17	Establish a clear system within the Public Protection Unit to administer Premises Licences requiring suspension.	SLB	National guidelines have been published in the 'Section 182' October 2012. We have adopted this guidance.
A18	Ensure that the name of the licensee that appear on the invoice.	Licensing Officers	Training issue: Guidance has been prepared and will be introduced by 1/1/2013.
A19	The Public Protection Unit should use the Council's debtor system to monitor the licences which have been suspended and to verify when a payment has been received.	SLB	Licensing Officers have access to debtors system now. Training to be organized regarding how to create invoices by 1/1/2012.
A20	Public Protection Unit should raise invoices on the premises licenses need to be renewed during the year.		
A21	Should proceed with arrangements to send a reminder letter to holders of gambling licenses and of licences under the Lotteries Act.	SLB	Completed.

No	Recommendation	Responsible for action	Update
A22	The Operational Systems Manager should discuss with the Finance Unit (Environment Group) to rearrange the list Codes Expenditure for the current needs of the Public Protection Unit.	SLB	Completed. The new codes will be used from 1 April 2013.
A23	Ensure that there the date on which the money was collected abnd the relevant period be placed on the TR 34 Banking Receipts form.	Licensing Officers	Training issue: Guidance has been prepared and will be introduced by 1/1/2013.
A24	Money received should be paid into an account of the Council at least once a week.		
A25	If the Public Protection Unit is to ensure that all the cash it has in its possession is the subject of insurance cover, it should ensure that the money is kept in a locked safe if over £ 500.	GMW & SLB	The collection of cash payments from Markets are currently subject to action following a Risk Assessment. One of the recommendations following the Risk Assessment is that a safe be located in the offices for when cash is accepted as payment for licenses or payments of Markets. We will assess the feasibility of taking money which has been accumulated following the collection of the Saturday Market to the Post Office by the time of closing.
A26	In cases where it is necessary to collect money outside of normal Council working hours, ensure that any money which has accrued up to the closure of Post Office hours to be paid in order to reduce the risk to the relevant officer and to comply with insurance cover.	GMW	

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	22 NOVEMBER 2012
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 30 SEPTEMBER 2012
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 August 2012 to 30 September 2012.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 30 September 2012:

Description	Number
Reports on Audits from the Operational Plan	14
Other Reports (memoranda etc)	2
Grant Reviews	5

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 30 September 2012, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Appointment of Management Consultants, Education Department	Education		B	Appendix 1
Supply Appointments	Education	Schools	B	Appendix 2
Administration of Car Loans	Human Resources	Support Unit	B	Appendix 3
Barclaycard Credit Cards	Corporate		B	Appendix 4
Debtors System - Review of Key Controls	Finance	Financial	A	Appendix 5
Payroll System - Deductions of Tax and National Insurance	Finance	Pensions and Payroll	A	Appendix 6
Payroll System - Parameters and Algorithms	Finance	Pensions and Payroll	A	Appendix 7
Supervision of Duty Managers	Provider and Leisure	Cleaning and Caretaking	B	Appendix 8
Protection from Legionella	Customer Care	Council Land and Property	B	Appendix 9
Client Assets Management Unit - Internet Banking	Social Services		A	Appendix 10
Brokerage Service	Social Services	Business	B	Appendix 11
Workshops - Health and Safety Supervision	Highways and Municipal	Fleet	B	Appendix 12
Appointment of Engineering Contractors	Gwynedd Consultancy	Engineering and Building Control	B	Appendix 13
Bridges	Gwynedd Consultancy	Engineering and Building Control	B	Appendix 14

2.2.2 The opinion categories within the reports affirm the following:

- | | |
|--------------|--|
| Opinion "A" | Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to. |
| Opinion "B" | Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened. |
| Opinion "C" | Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. |
| Opinion "CH" | Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses / fraud resulting from these weaknesses were discovered. |

2.2.3 In addition to the above, the following audits were undertaken where a memorandum was produced, rather than a full report, and an opinion category was not given:

- **General IT Controls: Council Tax, Benefits and NNDR (Follow-up to WAO audit) (Finance).** The report *Accounts Audit - General IT Controls: Council Tax, Housing Benefits & Council Tax and National Non-Domestic Rates (NNDR)* published in August 2010, first came to the attention of Internal Audit in April 2012, via the Wales Audit Office, with a request to consider the recommendations and their implementation. It is understood that the original report had limited distribution. Four out of the seven recommendations were tested during this audit. The areas that are addressed by the other three recommendations, change management and service continuity, will be specifically addressed in audits from the Internal Audit Plan 2012/13 and therefore opinions on the outcomes of these recommendations will be expressed when reporting on the findings of these audits. Of the four recommendations that were tested, it was found that two had been implemented, one in the process of being achieved and one was not yet implemented.
- **Extra Care Housing (Social Services).** The Internal Audit Plan 2012/13 for Social Services includes the examination of the development of Extra Care Housing. It is seen that Cymdeithas Tai Clwyd and Gwynedd Council have identified shared objectives to provide accommodation in Extra Care Housing for older people. These houses include a variety of activities for the tenants and for non-residential persons. By September 2012 the Awel y Coleg Extra Care Housing has been built in Y Bala, and includes 23 units with two rooms, and 7 units with one room. We investigated the role of Gwynedd Council as part of this partnership with Cymdeithas Tai Clwyd and the duties attached to the agreement. Given the agreement that exists between Cymdeithas Tai Clwyd and Gwynedd Council, the conclusion is that there are no additional risks to the Council with this project beyond the normal risks involved with commissioning or providing care for older people.

2.3 Grants

2.3.1 The administrative procedures for the following grants were reviewed during the period:

- Appetite for Life Grant (*Education*)
- Community Focused Schools Childcare Allocation (*Education*)
- Wales Coastal Monitoring Centre Grant (*Regulatory*)
- National Framework for Animal Health and Welfare Grant (*Regulatory*)
- Local Transport Service Grant (*Regulatory*)

2.3.2 Although these grants have been reviewed by Internal Audit, this does not mean that external auditors from the Wales Audit Office or other agencies may undertake audits of these grants. However, it is expected that the work that Internal Audit has undertaken, and the assurance that can be stated with regards to the control environment, means that less audit work will be needed by these organisations. This, in turn, should mean a reduction in the fees that the Council will have to pay for an external audit.

2.4 Follow-up Audits

2.4.1 The list below shows the 'C' or 'CH' opinion category reports presented to the Audit Committee as appendices to the quarterly reports, where a report to the Committee regarding the follow-up remains outstanding. The list shows the target completion date for each of these follow-up audits:

Completion Target: Quarter ending 31 December 2012

Recruitment - Identity Checks
Joint Commissioning with BCULHB
IT Security in Schools

Completion Target: Quarter ending 31 March 2013

Licencing Unit
Information Security
Reducing Teacher Workload

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1 October 2012.

3.2 Draft reports released

- Social Services Performance Measures - Accuracy of Core Data (*Social Services*)
- Functions within the Capital Expenditure Monitoring Process (*Strategic and Improvement*)

3.3 Work in progress

- Post-16 Education Grant (*Education*)
- Trunk Road Agency - invoices between councils (*North and Mid Wales Trunk Road Agency*)
- Recording and Managing Leave (*Corporate*)
- Workforce Planning (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Site Manager Functions (*Corporate*)
- Arrangements for Dealing with Correspondence (*Corporate*)
- Discretionary Benefits (*Finance*)
- Income collection at offices (*Finance*)
- Benefits System - Review of Key Controls (*Finance*)
- Control of Unofficial Funds (*Provider and Leisure*)
- Youth Clubs (*Economy and Community*)
- Contract Management - Blaenau Ffestiniog Regeneration (*Economy and Community*)
- Social Services - Implementing Savings (*Social Services*)
- Accommodation for Young Persons leaving care (*Social Services*)
- Commissioning Framework Standard 7 (*Social Services*)
- Social Services Contracting Arrangements (*Social Services*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 August 2012 to 30 September 2012, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

**APPOINTMENT OF MANAGEMENT CONSULTANTS, EDUCATION
DEPARTMENT
Education**

Purpose of the Audit

To verify that consideration is given to the suitability of appointing management consultants by the Education Department rather than employing individuals on the payroll.

Scope of the Audit

Check a list of consultants that have been used by the Education Department and ensure that employment status checks have been made prior to appointment. Check also that appropriate procurement arrangements are in place for appointments.

Consultants were identified by extracting a report from the ledger identifying all invoices paid by the Education Department. The list was then examined to identify the names of individuals who potentially may be consultants, and had received over £5,000.

Main Findings

Only one case was seen where an individual had been appointed as a consultant. This person had retired from the Education Department. The relevant procurement processes had not been followed to appoint this person for the work. Although there is a rationale for appointing the individual, no work had been done to see whether another company or other relevant persons could have performed the work and therefore there was no means of ensuring best value for money for the Council. It is noted that personnel changes have occurred within the Department since the consultancy work was undertaken.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the arrangements for appointing Management Consultants by the Education Department as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **A record should be kept of the decision for appointing a self-employed consultant or placing them on the payroll.**
- **It must be ensured that the Council's Contract Procedure Rules are followed.**
- **Efforts should be made to try to pay invoices within 10 working days of receipt in accordance with the instructions of the Welsh Government.**

SUPPLY APPOINTMENTS

Education

Purpose of the Audit

Ensure that there are appropriate arrangements for the appointment of supply teachers that are accepted onto the approved list as well as ensuring that only teachers from the approved list are selected for supply work in schools.

Scope of the Audit

Check that there is appropriate supporting documentation for the supply teachers who are on the approved list as well as verifying the administrative arrangements pertaining to the process.

Main Findings

Generally good internal control were found to exist within the Education Department's Contracts and Salaries Unit, but there are some areas where it could tighten controls. It is understood that a new officer has been appointed during the year to undertake the duties of ensuring that CRB declarations are received prior to the commencement of supply teachers and that references are received. This will therefore help to mitigate the risk of any improper person working on their own with children and young people.

One of the key recommendations in this report is the requirement to repeat CRB checks in accordance with good practice, every three years. This will help to ensure that only appropriate teachers continue to be on the Council's supply list. Again, it is understood that discussions are ongoing about this.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the administration of supply appointments as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **It should be ensured that two references are received for individuals seeking to be on the list of supply teachers.**
- **It should be ensured that CRB statement is received for any supply teacher in a school before they start work.**
- **CRB checks should be renewed periodically.**
- **Guidelines for the appointment of supply teachers should be created and circulated to the Heads of the Authority's Schools.**
- **Relevant officers should attend the Council's Data Protection course.**

ADMINISTRATION OF CAR LOANS

Human Resources

Purpose of the Audit

The purpose of the audit is to ensure that the administration of applications for car loans complies with the Council's Financial Procedure Rules and Car Loan Scheme Procedures, and that the Council receives adequate documentation with applications as well as establishing agreement with the individual. In addition, ensure that appropriate arrangements are in place for reclaiming the loan.

Scope of the Audit

Select a sample of car loan applications and check that only authorised applications are processed. Check that applications were processed in accordance with the rules and verify if adequate documentation was received with applications. Confirm that the arrangements for calculating and reclaiming loans are adequate and comply with the rules and ensure that a contract is established for each loan.

Main Findings

Overall it was found that robust arrangements are in place for the administration of car loans. A standard application form is used for applications; an application form had been submitted and completed fully for each car loan in the sample. In addition, the Council has a standard agreement that is established between the Council and the applicant for a loan.

For each loan in the sample, it was found that the calculation is correct and the loan interest rate is used appropriately, and that the amounts of repayments were accurate and deducted monthly from the salaries of officers.

It was noted, however, that two different versions of the Car Loan Scheme Procedures appear on the Intranet.

An electronic system is used by the Human Resources Department for processing and administration of car loan applications and accurate and complete documentation in accordance with the scheme was found in the majority of the sample selected. However, some cases were identified where adequate evidence and documentation were not on file by the Support Services within Human Resources to ensure that the car loan complies with the regulations.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the administration of car loans as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The intranet pages for Human Resources should be updated to ensure that only the current Car Loan Scheme Procedures appear.**
- **A checklist should be prepared of relevant documents that Support Services should receive with every application for a car loan, which is completed for each car loan application that is received.**

BARCLAYCARD CREDIT CARDS Corporate

Purpose of the Audit

The purpose of the audit was to ensure that appropriate controls exist for issuing credit cards to officers; any use of the cards complies with the Council's Financial Procedure Rules and that robust management procedures have been established.

Scope of the Audit

Review arrangements for issuing credit cards, and check that there is appropriate use of the cards and that there are appropriate arrangements for dealing with monthly statements by analysing the transactions for March 2012. Confirm that any expenditure made was valid and that there is adequate documentation to support all the transactions and that any expenditure has been coded correctly in the financial ledger. Review any policies / guidelines established to control the use of credit cards.

Main Findings

It was found that there is good control over credit cards within the Council, with a formal process having been established for officers applying for and receiving a credit card. It is necessary for credit card holders to sign a statement confirming that they accept the Council's Credit Card Regulations and that the safety of the credit card in their possession is their responsibility. In addition, there was evidence that the credit cards had been issued and approved by the Head of Finance in accordance with the Council's Financial Procedure Rules.

The Credit Cards Regulations document highlights what is expected for the management of credit cards, but they can be further strengthened by the inclusion of a clause stating the implications of misusing of the card, and how to ensure security on the card when ordering online. A number of credit card holders and administrators stated that they are having problems receiving a valid VAT receipt / invoice by some companies that had been paid by credit card. We found that every attempt is being made to try to obtain the relevant documentation.

The auditors' attention was drawn to a small number of transactions where spending appeared to be beyond the Council's policies. Since these transactions were not included in the sample for this audit, these issues will be addressed in a separate investigation.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the administration of Barclaycard credit cards as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The implications of misuse of the Council credit card should be added to the 'Credit Card Regulations', eg disciplinary proceedings.**
- **The Information Technology Service should be consulted so that a clause can be included in the 'Credit Card Regulations' detailing the security of credit card details when ordering online, eg SSL - Secure Socket Layer.**
- **To avoid duplication, Support Services should cease to complete an 'Official Order' but rather modify the 'Application to Use Credit Card' with the relevant additional information.**

DEBTORS SYSTEM - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts, will rely where possible on the work of Internal Audit (and others). As a result, the Joint Protocol between External Audit and Internal Audit, approved by the Audit Committee on 17 November 2011, states:

As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis

The debtors system is considered a "major financial system" in accordance with the Wales Audit Office's definition. The purpose of the audit is to ensure that the duty of raising customer invoices is designated to authorised officers and that the information that appears in the ledger is complete and correct, as well as ensuring that the income received is appropriately coded and that reconciliations are carried out on a regular basis. Also, ensure that appropriate arrangements are in place for recovery and write-offs with information provided to managers.

Scope of the Audit

Check which officers have the duty for raising and distributing invoices to customers by selecting a sample of invoices and verifying that the information appearing in the financial ledger is correct. Verify that any income the Council receives is posted in the ledger and that reconciliation is carried out regularly. Check if the recovery procedures are documented and that recovery monitoring takes place by checking if the write-off arrangements comply with the Financial Procedure Rules. Check that the monitoring of income against budgets take place.

Main Findings

The processes, procedures and segregation of duties were found to be in place for debt collection. Generally, the process of creating the debt is implemented by the relevant services, with recovery being implemented and co-ordinated by the Income Service. It was found that the Service has procedures in place to correspond with income debtors as well as the Legal Service and collection agencies. A sample of disputed debts from 2011/12 was reviewed and evidence was seen that the Income Service acts and records activity on both the operating system and in paper files. A sample of the debts had been written off during 2011/12 was reviewed and it was found that the actions have been taken and that authorisation for writing-off was in line with expectations.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in the Key Controls of the Debtors System as the controls in place can be relied upon and have been adhered to. However, one recommendation is offered:**
- **There should be a procedure of producing reports that highlight the debt in dispute periodically (eg monthly) as an attempt to ensure that no inappropriate items among them.**

PAYROLL SYSTEM - DEDUCTIONS OF TAX AND NATIONAL INSURANCE

Finance

Purpose of the Audit

The purpose of the audit is to ensure that tax and national insurance deductions paid by individuals through various payrolls are complete and accurate and that there are adequate procedures and controls over updating parameters and paying the deductions to third parties.

Scope of the Audit

Check the accuracy of system parameters and ensure that adequate separation of duties exists between the processes; select a sample of individuals and confirm that their tax and national insurance deductions are correct and ensure that the use of temporary tax and national insurance codes is within time limits and that the deductions are paid to a third party timely and correctly.

Main Findings

Measures were found to be in place by the Council to record the appropriate deductions for tax and national insurance. It was noted that the system is being used and supported by a supplier who is accredited by Her Majesty's Revenue and Customs.

It was noted that appropriate priority is given by the Payroll Service to ensure that national insurance rates and tax codes for staff are correct so that the deductions are appropriate. Deductions were reviewed for a sample of salaries across the of payrolls by comparing them to the expected amounts, and they were found to be correct. We found that appropriate processes and controls to ensure that the amounts transferred to Her Majesty's Revenue and Customs are correct and timely.

Audit Opinion

(A) The audit opinion is that assurance can be expressed in the financial propriety of deductions of tax and national insurance from the Payroll System as the controls in place can be relied upon and have been adhered to.

PAYROLL SYSTEM - PARAMETERS AND ALGORITHMS

Finance

Purpose of the Audit

The purpose of the audit is to ensure that the parameters of the Payroll System are updated appropriately and accurately to ensure the correct payment of salaries to employees of the Council, together with reviewing management arrangements over system algorithms including the processes to test and authorise any changes.

Scope of the Audit

The audit will include checking the accuracy of system parameters in order to ensure compliance with Her Majesty's Revenue and Customs requirements; confirm that adequate separation of duties exist between inputting processes and authorising amendments to parameters and algorithms as well as checking any relevant exception reports generated.

Main Findings

We found that the changes to statutory parameters, such as tax and National Insurance deductions, are incorporated within the year-end bulletin by the suppliers of the payroll system, which is accredited by Her Majesty's Revenue and Customs. It was noted that arrangements are in place within Payroll Services to check their accuracy.

Changes that apply only to Gwynedd Council, eg salary increases, are entered by Payroll Service management with a verification regime in place. Changes to the parameters are not identified in an exception report, however the limit on rights is a mitigation to ensure that there is control over adjustments to the parameters.

The main system parameters were reviewed by collecting printouts of applications and comparing them with information from independent sources, and were found to be correct. A random sample of salary payments was checked in order to ensure that the basic pay amounts, overtime and pension contributions matched what was expected. We found that every one in the sample was correct.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in the parameters and algorithms of the Payroll System as the controls in place can be relied upon and have been adhered to.

SUPERVISION OF DUTY MANAGERS

Provider and Leisure

Purpose of the Audit

Ensure that robust arrangements are in place for the supervision of Leisure Centre Duty Managers.

Scope of the Audit

Check that the Duty Managers undertake their duties and carry out their functions in line with expectations. A sample of four leisure centres was audited - the sample contained Arfon Leisure Centre Leisure Centre (Caernarfon), Glan Wnion Leisure Centre (Dolgellau), Plas Silyn Leisure Centre (Penygroes) and Glaslyn Leisure Centre (Porthmadog).

Main Findings

Examples of good practice were seen in the supervision and control of the Duty Managers. However, we found that some supervision issues require further attention, which are ensuring that guidelines / policies have been produced to assist the Duty Managers with their work, and ensuring that arrangements for monitoring of web use are in place by the Managers as this is an area of high risk.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in the supervision of Duty Managers as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Another copy of their job description should be sent to the Duty Managers who have not signed and returned their job description to Human Resources, and it should be ensured that these are signed and returned to Human Resources as confirmation that the managers accept and understand their content.**
- **Guidelines detailing Duty Managers' duties should be produced by the Department.**
- **The Centre Manager should sign and date the monitoring sheets to show that they have been checked. In addition, random checks should be conducted to ensure that the standard of work is acceptable. The date on which this is done should be noted, and the form signed as confirmation.**
- **Managers should ensure that Leisure Centre Managers receive reports of use of the web on a regular basis eg weekly, and check them to ensure that no abuses occur. The reports should then be dated and signed as confirmation that the checks have been carried out.**
- **There should be a robust system in place by the department to ensure that that Managers are evaluated annually.**

PROTECTION FROM LEGIONELLA

Customer Care

Purpose of the Audit

The purpose of the audit is to ensure that the Council has adequate procedures in place for managing the risk of legionella and legionnaires disease at its establishments, and ensure that they comply with relevant legislation and Health and Safety Executive guidelines.

Scope of the Audit

Review procedures and the legionella and legionnaires disease risk management programme and check if risk assessments comply with the requirements of the HSE. Check if any risks that are identified receive appropriate attention and check that qualified officers are involved in the risk management of legionella and legionnaires disease.

The audit will not include site management responsibilities because the topic is addressed in the audit "Site Manager Functions" that is part of the 2012-13 Internal Audit plan.

Main Findings

It was identified that the Council has acted on the recommendations made following an investigation by the Health and Safety Unit in 2009 into the legionella event at Bangor Swimming Pool.

Due to delays in the appointment of a Building Safety Surveyor in the Property Unit, there was a delay in the tender process to appoint a qualified company to complete legionella risk assessments in establishments. However, the legionella risk assessment plan within Council establishments is now in place and is continuing, with the target of completing the plan in accordance with the original plan, with high risk establishments having already received a legionella risk assessment.

It was seen that Council establishments receive a standard risk assessment which complies with relevant legislation and recommendations are made to correct any deficiencies identified.

The Council is now providing Safe Site Management training for site managers that is part of the corporate training package.

The legionella risk assessment provides a recommended control system for establishments to control the risk of legionella, with arrangements in place for the Property Unit to complete this framework on high-risk Council establishments on a monthly basis. However, there are no arrangements in place to introduce the recommended management regime to all establishments.

The auditor received a spreadsheet from the Regulatory Department of cooling towers and evaporative condensers that are present within the authority boundaries. This is required by The Notification of Cooling Towers and Evaporative Condensers Regulations 1992.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in the administration of arrangements to protect from Legionella as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The Surveyor Building Safety and Building Safety Manager should undertake the appraisal process and complete form H4 to ensure that their qualifications have been recorded on the Council's corporate training database.**
- **Certificates should be received annually from the insurance provider to verify that the insurance policy is adequate and in line with the requirements of the agreement.**

CLIENT ASSETS MANAGEMENT UNIT - INTERNET BANKING Social Services

Purpose of the Audit

The purpose of the audit is to review the measures and arrangements in relation to the internet banking system to ensure that the internal controls are robust.

Scope of the Audit

Review the security arrangements of the system in terms of technology, access and authorised activities. Ensure that the Client Asset Management Unit complies with guidelines and the bank's terms and conditions for using the internet banking system. To ensure that no unauthorised officer has access to the internet banking system and that a robust system is in place for authorising transfers. To ensure that a robust system for monitoring client accounts exist to ensure that the bank accounts are kept current.

Main Findings

Strong controls were found to be in place by the Client Asset Management Unit for the internet banking system. The use of the banking system was seen to be safe in terms of technology. Proper administrative arrangements were found for all user aspects of the electronic banking system; specific rights have been allocated for each user of the system. Measures are in place in the event of the failure of the internet banking system.

Audit Opinion

(A) The audit opinion is that assurance of propriety can be expressed in the Client Assets Management Unit's arrangements for internet banking as the controls in place can be relied upon and have been adhered to.

BROKERAGE SERVICE

Social Services

Purpose of the Audit

Ensure that controls are in place in the Brokerage Service to ensure the appropriateness of arrangements when choosing home care providers on behalf of the Authority.

Scope of the Audit

Check that the Brokerage Service complies with their guidelines / policies and check if users of the plan receive an acceptable standard of care.

Main Findings

Examples of good practice and controls were seen within the Brokerage Service. However, there are some issues within the service that require further attention, namely ensuring that service guidelines are approved, that clear arrangements are in place for relief in the event of absences, and a firm and clear process for closing cases. Because of this, appropriate measures should be taken to strengthen the arrangements within the area audited.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the Brokerage Service as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The Brokerage Team should present the guidelines to the Commissioning Manager for approval.**
- **A record should be kept that the Brokerage Officers have read and understood the Brokerage Service guidelines, once it has been approved.**
- **The Brokerage Service guidelines should clearly state the procedures to be followed in order to complete the duties of the officers if they were to be absent concurrently.**
- **Social workers should make every effort to use the traffic light system appropriately when sending requests to the Brokerage Service.**
- **Sending an e-mail to the Senior Management Service Provider should be considered in order to ensure that they present the appropriate information regularly to the Brokerage Service.**
- **It is suggested that e-mails are sent to Social Workers to remind them to notify the Brokerage Service when cases need to be closed.**
- **The process of closing cases should be added to the guidelines with information being circulated to the relevant officers.**

WORKSHOPS - HEALTH AND SAFETY SUPERVISION

Highways and Municipal

Purpose of the Audit

The purpose of the audit is to ensure that workers in the workshops of the Highways and Municipal Department comply with Health and Safety legislation and act in accordance with Council Policy and Guidelines.

Scope of the Audit

The audit encompasses visiting the Highways and Municipal Department workshops to verify their Health and Safety procedures and ensure that employees are aware of, and familiar with, the Health and Safety policy and procedures of the Council.

Main Findings

Tests were undertaken on 18 internal controls. The tests showed that good internal controls were present in 10 of these areas. The main issue to note seen during the audit was that there was no evidence that the Fleet Unit nor Health and Safety Unit have arrangements in place to follow up any shortcomings highlighted in the tools / equipment when audited by external companies.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in the health and safety supervision arrangements of the workshops as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Ensure that the workers' courses / training are updated and kept current.**
- **Ensure that the fire extinguishers are visible and have easy access to them.**
- **Waste containers should be emptied regularly to ensure they do not over fill.**
- **If an accident has occurred as a result of an employee not following the approved steps in the risk assessment this should be brought to the attention of the employee.**
- **Arrangements should be in place to ensure that any defect in tools / equipment exposed in any report received as a result of an independent investigation receives prompt attention.**
- **Records of any tools / equipment that are old or broken and have been disposed by the workshops should be sent to the Fleet Manager.**
- **Employees who have been designated as First Aid officers should receive full training every 3 years with refresher training every year.**
- **It should be ensured that the Administrative Officers' register is kept current with the latest details of workers' training.**

APPOINTMENT OF ENGINEERING CONTRACTORS

Gwynedd Consultancy

Purpose of the Audit

Purpose of the audit is to ensure that the selection procedure of Gwynedd Consultancy for engineering contractors is effective and transparent.

Scope of the Audit

The report is compiled by looking at the purchasing arrangements for high-value contracts (over £50,000) and the arrangements for purchasing small works (works up to £50,000) ensuring that controls are in place for commissioning the work to contractors in accordance with the Council's Contract Procedure Rules.

Main Findings

Audit tests were undertaken on 16 internal controls. The tests showed that good internal controls were present in 10 of these areas. The main weaknesses found during the audit was that the Roads and Procurement Unit did not always comply with the Council's Contract Procedure Rules in appointing contractors for works between £5,000 and £49,999 and over £50,000.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in the arrangements for appointing engineering contractors as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Project Managers should contact the Business Development Manager when there is a requirement for inviting contractors to tender for work with an estimated price of £50,000 or less so that contractors are select from the approved list.**
- **Project Managers should notify the Business Development Manager of the details of the tenders received together with details of the successful tender.**
- **There should be evidence available to confirm that the Council's Contract Procedure Rules are followed when appointing contractors.**
- **There should be confirmation on the project file to show that all contractors have received a complete tender. This is one of the steps that is suggested to prevent fraud between individual officers and contractors.**
- **Contract Procedure Rules should be complied with when evaluating tenders received for projects with an estimated value of £ 50,000 or more.**
- **The Business Development Managers should design a key performance measure questionnaire that is suitable for maintaining the approved list of contractors.**
- **At the end of the project the Business Development Manager and relevant Project Manager should meet to discuss the contents of the key performance measure questionnaire on the performance of the contractor.**

BRIDGES

Gwynedd Consultancy

Purpose of the Audit

The purpose of the audit is to ensure that Gwynedd Consultancy has an Asset Register for the bridges on the road network and that the arrangement for the selection of contractors for maintenance of bridges is effective and transparent.

Scope of the Audit

The report is compiled by examining the procedures for managing and maintaining the asset register and how the Structures Unit purchases high value contracts (over £50,000) and the arrangements for purchasing small works (works up to £50,000), by ensuring that controls are in place for commissioning the work to contractors in accordance with the Council's Contract Procedure Rules.

Main Findings

Robust controls were found to be in place in the Structures Unit for bridges. An Asset Register was found to be in existence for bridges in Gwynedd; the register was seen to be comprehensive, but there is a need to ensure that it is current. An effective procedure was in place for the selection of contractors, but errors were found in this process. Because of this, appropriate steps should be taken to strengthen controls in place at present within the Structures Unit.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed with regards to Bridges as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **It should be ensured that all information about the bridges is transferred to the BridgeStation system as soon as possible to ensure that full information for each bridge will be included in the system.**
- **The Structures Unit should include adequate justification and explanation in the folders to explain why the contractor has been selected for the project.**
- **The Structures Unit should ensure that it receives quotations from contractors for all work that is selected outside the Framework; a quotation should be received for any work including emergency work.**
- **Currently there are no arrangements for the rotation of contractors. It would be good practice if the Structures Unit were to keep a record of how much work it has appointed for all contractors to ensure that no company receives inappropriate preference.**
- **A record should be kept in the projects folder on how contractors were selected to be invited to quote. In accordance with Contract Procedure Rules records should be kept of who awarded them the contract, and the reasons why (the lowest price or best value proposal to the Council and why), so that that best value and integrity of the process can be demonstrated.**

MEETING: **AUDIT COMMITTEE**

DATE: **22 NOVEMBER 2012**

TITLE: **REVENUE BUDGET 2012/13 –
SECOND QUARTER REVIEW (SEPTEMBER 2012)**

PURPOSE: **MONITORING REPORT ON THE LATEST FINANCIAL
POSITION**

ACTION: **RECEIVE THE INFORMATION, CONSIDER THE RISKS
ARISING FROM THE FORECAST EXPENDITURE AND
INCOME AGAINST THE BUDGET, AND SCRUTINISE THE
CABINET’S DECISIONS REGARDING MANAGING THE
BUDGETS OF THE COUNCIL AND ITS DEPARTMENTS.**

CONTACT OFFICER: **DAFYDD L EDWARDS, HEAD OF FINANCE**

CABINET MEMBER: **COUNCILLOR PEREDUR JENKINS**

1. In the wake of some of the requirements of the Local Government (Wales) Measure 2011, the Council has changed from “alternative arrangements,” namely the Council Board, to “executive arrangements” namely a Cabinet, since May 2012.
2. The Measure has also changed the Audit Committee’s emphasis to scrutinise some financial matters previously submitted to the Principal Scrutiny Committee, including quarterly budget monitoring reports and treasury management reports (borrowing and investment).
3. The Audit Committee members have trialed this approach in 2011/12, and in the same manner, this item and the two following items are submitted as new “Finance” items, rather than traditional “Audit” items.
4. The first quarter budget review reports were submitted to the Cabinet on 24 July 2012. This report submitted today is much more detailed, being the most thorough budget review during 2012/13.
5. Therefore, the Audit Committee’s Chairman has asked us to present the attached Cabinet report to the Audit Committee, to be scrutinised together with the relevant decisions of the Cabinet meeting of 20 November.
6. By the date of the Audit Committee meeting, the Chairman and Vice-Chairman of the Audit Committee will have attended the Cabinet meeting of 20 November as observers, and it is intended to present the Cabinet’s draft decisions “on the table” to the Audit Committee on 22 November.

7. RECOMMENDATION

The Audit Committee is requested to note the situation and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet’s draft decisions (presented “on the table” on 22 November) and comment as necessary.

REPORT TO THE CABINET
20 NOVEMBER 2012

Cabinet Member: COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

Subject: THE REVENUE BUDGET 2012/13 – 2nd QUARTER REVIEW
(SEPTEMBER 2012)

Contact Officer: DAFYDD L EDWARDS, HEAD OF FINANCE

The decision sought / purpose of the report

The second quarter review (position as at 30 September 2012) of the Revenue Budget is reported here, and the Cabinet is asked to consider the latest financial situation regarding the budgets of each department / service and to consider the recommendations submitted, before resolving on appropriate action to manage and adjust the revenue budgets of the Council and its departments for the current year.

Introduction / Background

It is the Cabinet's responsibility to take action, as necessary, in order to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets).

The first quarter budget review report was submitted to the Cabinet on 24 July 2012. This report submitted today is much more detailed, being the most thorough budget review during 2012/13.

This quarterly report presents the latest review of the Council's revenue budget for 2012/13, and a summary of the position by each Department is outlined in **Appendix 1**.

Appendix 2 shows further details relating to the main issues and the budget headings where significant variances are forecasted, along with specific recommendations where appropriate.

Next steps and timetable

Act on the recommendations submitted and present the report to the formal Cabinet on 19 February 2013 on the 3rd quarter review.

Local member's views

Not relevant

Opinion of the Statutory Officers**Chief Executive:**

Effective, live management of the Revenue Budget is key for the Council's financial health. I approve the recommendations.

Monitoring Officer:

Nothing to add regarding propriety.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendices

Appendix 1

Appendix 2

Revenue Budget 2012/13 Second Quarter Review

Summary of the position by Department

Changes and Adjustments Recommended:

	Total Gross Overspend / (Underspend) 2012/13	Transfer to/(from) Fund, or Specifically Earmarked	Transfer to / (from) General Balances	Over / (Under) Net Expenditure
	£	£	£	£
Housing and Social Services	381			381
Provider and Leisure	60			60
Education	58			58
Economy and Community	197			197
Highways and Municipal	155			155
Regulatory (Planning, Transportation and Public Protection)	(187)			(187)
Consultancy	520			520
Human Resources	(34)			(34)
Finance	(33)			(33)
Democracy and Legal	(16)			(16)
Customer Care	(28)			(28)
Strategic and Improvement	(90)			(90)
Corporate Management Team	(16)			(16)
Corporate	(1,467)	1,475		8
Totals (net) =	(500)	1,475	-	975

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Housing and Social Services Department Summary Position	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Central Services	4,011	4,323	4,267	(56)	50	(6)
Central Services Total	4,011	4,323	4,267	(56)	50	(6)
Operational Services	1,701	1,654	1,745	91	0	91
Resources Service	7,712	7,625	8,059	434	(250)	184
Other	4,568	4,575	4,636	61	0	61
Children and Families Service Total	13,981	13,854	14,440	586	(250)	336
Older People Services	19,075	19,164	18,945	(219)	200	(19)
Physical Disability Services	2,084	2,070	1,776	(294)	250	(44)
Learning Disability	11,105	11,081	11,286	205	(150)	55
Mental Health	3,243	3,215	3,358	143	(100)	43
Other	2,961	3,057	3,007	(50)	0	(50)
Adult Service Total	38,468	38,587	38,372	(215)	200	(15)
Homelessness	732	776	848	72	0	72
Other	4,497	4,541	4,535	(6)	0	(6)
Housing Service Total	5,229	5,317	5,383	66	0	66
Housing and Social Services Total	61,689	62,081	62,462	381	0	381

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HOUSING AND SOCIAL SERVICES****Central Services**Area:- **Central Services**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
4,011	4,323	4,267	(56)	50	(6)

Explanation:- An increase of (£36k) in the net underspend forecasted in the first quarter, consisting of various differences but mainly reflects one-off staff savings. Because of this favourable position, the Department wishes to transfer a budget on a one-off basis to alleviate the pressure on the Children and Families Service budget.

Recommendation:- Transfer a budget of (£50k) on a one-off basis to ease the overspend position anticipated in the Children and Families Service budgets.

Children and Families ServiceArea:- **Operational Services**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
1,701	1,654	1,745	91	0	91

Explanation:- An overspend is forecasted on this heading, mainly due to additional staff costs (field workers), as a result of receiving more cases.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HOUSING AND SOCIAL SERVICES****Children and Families Service**Area:- **Resources Service**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
7,712	7,625	8,059	434	(250)	184

Explanation:- A position which includes an overspend of £375k on Out-of-County Placements and £74k overspend on Fostering Services. Because of an underspend on some budget headings in the Central Services and the Adult Service, it would be appropriate to transfer the budget to alleviate the additional pressure on the Children Service budget.

Recommendation:- Transfer (£50k) of the underspend seen on the Central Services heading, and the underspend of (£200k) seen on the Older People heading on a one-off basis to ease the overspend position in the Resources Service.

Area:- **Other**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
4,568	4,575	4,636	61	0	61

Explanation:- A net overspend consisting of a number of differences, but mainly due to additional court fees of £34k following a substantial increase in the number of cases.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HOUSING AND SOCIAL SERVICES****Adult Service**Area:- **Older People Services**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
19,075	19,164	18,945	(219)	200	(19)

Explanation:- Includes an underspend of (£133k) on Residential and Nursing, mainly due to a reduction in placements and an increase in cases which pay for care; an overspend of £244k on Home Care, but also a demography provision of (£335k) to deal with expected growth.

Because of the favourable underspend position seen on this heading, it would be appropriate to transfer a budget on a one-off basis to meet some of the pressure on the Children and Families Service budget.

Recommendation:- Transfer a budget of £200k on a one-off basis to ease the overspend position in the Children and Families budgets.

Area:- **Physical Disability Services**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
2,084	2,070	1,776	(294)	250	(44)

Explanation:- A substantial increase of (£244k) in the underspend level since the first quarter, this is due to some heavy demand cases coming to an end, with the greatest effect on Residential and Nursing (£82k) and Home Care (£194k).

Because of the favourable underspend position on this heading, it would be appropriate to transfer a budget on a one-off basis to meet the extra pressure on the Learning Disability and Mental Health Services budgets.

Recommendation:- Transfer a budget of £250k on a one-off basis to ease the overspend position seen in the Learning Disability and Mental Health Services.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HOUSING AND SOCIAL SERVICES****Adult Service****Area:- Learning Disability**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
11,105	11,081	11,286	205	(150)	55

Explanation:- A substantial increase of £74k in the overspend since the first quarter due to extra demand for the service, especially the Day Services - £104k, Direct Payments - £58k, Independent Residential and Nursing Homes - £74k, but an underspend of (£67k) on Support Schemes. Because of the underspend position on the Physical Disability budget heading (above), it would be appropriate to transfer a budget to deal with the extra pressure on the Learning Disability budget.

Recommendation:- Transfer £150k of the underspend on the Physical Disability heading on a one-off basis to ease the overspend on the Learning Disability heading.

Area:- Mental Health

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
3,243	3,215	3,358	143	(100)	43

Explanation:- As a result of receiving a number of new cases, there is an overspend position on this heading, including an overspend of £75k on Residential and Nursing, and an overspend of £56k on the Adult Placement Scheme. Again, because of the underspend position on the Physical Disability budget (above), it would be appropriate to transfer a budget to deal with some of the extra pressure on the Mental Health budget.

Recommendation:- Transfer £100k of the underspend seen on the Physical Disability heading on a one-off basis to ease the overspend on the Mental Health budget.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HOUSING AND SOCIAL SERVICES****Adult Service**

Area:-

Other

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
2,961	3,057	3,007	(50)	0	(50)

Explanation:- A net underspend position which includes a number of differences, but mainly one-off staff turnover savings of (£34k).

Housing Service

Area:-

Homelessness

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
732	776	848	72	0	72

Explanation:- A net overspend position including an overspend of £96k on Temporary Accommodation, and although the number of cases has remained relatively stable, there has been a reduction in the number of social housing properties available, and as a result this has led to an increase in the use of 'Bed and Breakfast' provision at a higher cost. In addition, there is an overspend of £33k on Hostels, due to a reduction in income received, but an underspend of (£47k) on the House Leasing Scheme due to a decrease in costs.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HOUSING AND SOCIAL SERVICES****Housing Service**

Area:-

Other

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
4,497	4,541	4,535	(6)	0	(6)

Housing and Social Services

There is a total net overspend of £381k, a reduction of (£55k) since the first quarter review, where an overspend of £436k was forecasted. The Department continues to take steps with a view to avoid an overspend position at the end of the financial year, but should the current position continue, it is intended to use a contribution from previous departmental underspend and a provision from a specific reserve fund to deal with a possible overspend position. These sources will enable the Housing and Social Services Department to reduce its current predicted overspend to £83k.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Provider and Leisure Department Summary Position	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Central Services Total	0	(29)	(97)	(68)	0	(68)
Provider Service Total	29	(298)	(176)	122	0	122
Leisure Service Total	4,547	4,453	4,459	6	0	6
Provider and Leisure Total	4,576	4,126	4,186	60	0	60

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: PROVIDER AND LEISURE****Area:- Central Services**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
0	(29)	(97)	(68)	0	(68)

Explanation:- An underspend position reflecting the savings of (£49k) in the Head of Department's salary following the recent changes between the Provider and Leisure Department and the Housing and Social Services Department. Also, there has been a one-off staff turnover saving of (£29k) following the re-structuring within the Provider and Leisure Department.

Area:- Provider Service (Net position)

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
29	(298)	(176)	122	0	122

Explanation:- A net overspend position is forecasted which includes an overspend of £38k on Residential Care due to higher staff and operating costs, an overspend of £19k on Day Care due to higher operating costs, an overspend of £68k on Community Care, and reduced income within other headings. The Department is reviewing the relevant arrangements to ensure that they will be in a fairly neutral financial position by the end of the financial year.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: PROVIDER AND LEISURE**

Area:- Leisure Service

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
4,547	4,453	4,459	6	0	6

Explanation:- A net overspend position which includes a net overspend of £13k on Leisure Facilities due to a reduction in income for the time being and an underspend of (£7k) on Sports Development.

Provider and Leisure

The Department is trying to ensure that the latest forecasts of the net overspend will improve by the end of the financial year, but for the time being, if the current position continues, it is intended to use the previous departmental underspend fund to clear any overspend arising during the current year.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Summary Position Education Department	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Transport	4,682	4,436	4,498	62	0	62
Compulsory Redundancy/ Voluntary Early Retirement	303	281	178	(103)	0	(103)
Integration	363	354	264	(90)	0	(90)
Out of County Placements	250	250	308	58	0	58
Schools Improvement Service	472	472	572	100	0	100
Inclusion Strategy	0	449	380	(69)	0	(69)
Management/Development	3,648	3,718	3,749	31	0	31
Other	9,577	9,260	9,329	69	0	69
Devolved Schools	67,284	67,284	67,284	0	0	0
Education Total	86,579	86,504	86,562	58	0	58

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: EDUCATION**Area:- **Transport**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
4,682	4,436	4,498	62	0	62

Explanation:- A reduction of (£13k) in the overspend position forecasted previously, including £90k arising from the failure to achieve the income savings target in charging over-16 pupils for transport in full during the year, but an underspend of (£27k) on the provision of taxi transport arrangements.

Area:- **Compulsory Redundancy/
Voluntary Early Retirement**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
303	281	178	(103)	0	(103)

Explanation:- An underspend position at present on a heading that can be subject to considerable pressure. Usually, any relevant underspend is placed in a reserve fund for future demands. However, because of the pressure on this year's Education Department budget in general, the intention is to use the underspend to relieve the position somewhat.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: EDUCATION**Area:- **Integration**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
363	354	264	(90)	0	(90)

Explanation:- Following a review of operational procedures by the Department, an underspend position is expected this year, and possibly more savings may be achieved in the future. Again, as seen above, because of the pressure on this year's Department budget in general, it is intended to use the underspend to alleviate some of the overspend.

Area:- **Out of County Placements**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
250	250	308	58	0	58

Explanation:- A reduction of (£44k) in the overspend of £102k predicted in the first quarter review, due to a reduction in the number of Special Educational Needs pupils being referred. Should this position continue to the end of the financial year, it is intended to use a specific reserve fund to alleviate the position.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: EDUCATION**

Area:- **Schools Improvement Service**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
472	472	572	100	0	100

Explanation:- This is consistent with the position forecasted in the first quarter review, which is an overspend due to a slippage with the North Wales collaboration scheme. This year's deficit is being bridged by the Department with the underspend seen on other headings.

Area:- **Inclusion Strategy**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
0	449	380	(69)	0	(69)

Explanation:- An underspend position is forecasted mainly due to one-off staff savings, and a receipt of a relevant grant not previously anticipated.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: EDUCATION**

Area:-

Management /
Development

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
3,648	3,718	3,749	31	0	31

Explanation:- A net overspend position which includes additional external consultancy fees of £10k, and purchase of additional services from Cwmni Cynnal of £22k.

Area:-

Other

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
9,577	9,260	9,329	69	0	69

Explanation:- A net overspend position which includes additional Criminal Bureau costs of £30k due to the latest requirements being extended to carry out checks on more staff, higher costs on an external contract relevant to special education needs, and a minor underspend on some other headings.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: EDUCATION**Area:- **Devolved Schools**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
67,284	67,284	67,284	0	0	0

Explanation:- Control over these budgets has been delegated to the governing bodies.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Summary Position Department of Economy and Community	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Business Support	138	135	72	(63)	0	(63)
Marketing and Customer Care	670	680	728	48	0	48
Maritime	(84)	(51)	146	197	0	197
Other	5,157	5,198	5,213	15	0	15
Economy and Community Total	5,881	5,962	6,159	197	0	197

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: ECONOMY AND COMMUNITY**Area:- **Business Support**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
138	135	72	(63)	0	(63)

Explanation:- An underspend position including staff turnover savings of (£15k), savings of (£15k) achieved beforehand from the departmental savings target, additional income of (£13k) due to an increase in the number of tenants in Business Units and an underspend of (£15k) on grant packages.

Area:- **Marketing and Customer Care**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
670	680	728	48	0	48

Explanation:- An overspend position which has increased by £28k since the first quarter review, and includes a reduction in income of £20k in the Tourism Centres and higher costs of £28k in relation to local arrangements regarding the Olympic Flame.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: ECONOMY AND COMMUNITY**Area:- **Maritime**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
(84)	(51)	146	197	0	197

Explanation:- In the first quarter review an overspend position of £271k was forecasted. By now, the position has improved, mainly due to higher income of (£86k) in Hafan Pwllheli, a reduction in the Beaches income of £39k, and a further underspend on various headings amounting to (£29k).

It is intended to finance the net overspend by further restricting expenditure together with the use of £87k from the Department's underspend fund. In addition, the Cabinet decided in its meeting on 24 July 2012 while discussing the first quarter review, to ask the Head of Economy and Community to report further on "the direction to respond to the financial position of the Hafan", and I understand that this will be reported to the Cabinet before Christmas.

Area:- **Other**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
5,157	5,198	5,213	15	0	15

Explanation:- Net overspend on a number of budget headings.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Summary Position Highways and Municipal Service (including Trunk Road Agency)	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Waste Disposal	3,857	3,869	4,034	165	0	165
Disposal Sites	1,840	1,879	2,102	223	0	223
Transfer and Treatment Sites	951	929	788	(141)	0	(141)
Civic Amenities Sites	890	864	764	(100)	0	(100)
Waste Collection and Recycling	3,949	3,994	3,960	(34)	0	(34)
Trade Waste Collection	207	223	375	152	0	152
Total Relating to Waste	11,694	11,758	12,023	265	0	265
Open Spaces	825	805	753	(52)	0	(52)
Crematorium	(85)	(87)	(120)	(33)	0	(33)
Other	15,245	14,907	14,882	(25)	0	(25)
Highways and Municipal Total	27,679	27,383	27,538	155	0	155

Recommendation:- The Cabinet Member for Environment has been requested to report to the Cabinet on the waste position as a whole along with the relevant financial implications.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Relating to Waste****Area:- Waste Disposal**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
3,857	3,869	4,034	165	0	165

Explanation:- Higher costs of £121k as a result of depositing a higher amount of tonnage at landfill than the original target, together with higher costs of £44k in disposing timber and green waste.

Area:- Disposal Sites

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
1,840	1,879	2,102	223	0	223

Explanation:- Overspend of £223k is foreseen, which is an increase of £168k in the overspend position since the first quarter review, which includes employment costs and higher fleet costs of £123k to deal with the increase in waste at Ffridd Rasus, but also an underspend of (£29k) on property costs and supplies and services and an increase in trade waste income of (£61k). At Llwyn Isaf site, there is an overspend of £80k on leachate as a result of wet weather during the summer, together with an overspend of £28k on numerous headings, including extra way-leave and transport costs. In addition, there was a decrease in income of £77k from gas royalties in relation to the Cilgwyn site.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Relating to Waste**

Area:- **Transfer and
Treatment Sites**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
951	929	788	(141)	0	(141)

Explanation:- An underspend position mainly as a consequence to the delay in opening of GwyrAD, which is the food treatment site at Llwyn Isaf (£173k), but higher costs of £44k to Antur Waunfawr. Also, there is an underspend of (£38k) in operational costs at the Caerylchu centre, savings of (£11k) in costs following the delay in opening Coed Ffridd Aron transfer site on time, but extra costs of £37k as a result of insufficient capacity at Ffridd Rasus site for a period, which meant that waste had to be transferred out of the area.

Area:- **Civic Amenities Sites**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
890	864	764	(100)	0	(100)

Explanation:- An underspend is forecast on this heading for the year, because of the savings as a result of a two month delay in opening Blaenau Ffestiniog amenities site, together with one-off staff turnover savings in the service.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Relating to Waste**

Area:- Waste Collection and Recycling

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
3,949	3,994	3,960	(34)	0	(34)

Explanation:- Improvement of (£78k) from the overspend position of £44k that was anticipated in the first quarter review, which reflects an underspend of (£163k) on recycling collection as a result of the delay in introducing part of the service, but also higher net expenditure of £129k on various headings including higher operational costs and a reduction in grant income revenue.

Area:- Trade Waste Collection

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
207	223	375	152	0	152

Explanation:- An overspend is forecasted on this service, which includes higher costs of £76k on disposal and landfill, and reduction in income of £110k from traders. The Department continues to seek ways to reduce operational costs, through route rationalisation, and attracting new contracts.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Area:- Open Spaces**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
825	805	753	(52)	0	(52)

Explanation:- An underspend position that reflects the success in attracting additional income from internal and external contracts.

Area:- Crematorium

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
(85)	(87)	(120)	(33)	0	(33)

Explanation:- A position that reflects more income than was originally anticipated.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL**

Area:-	Other	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
		15,245	14,907	14,882	(25)	0	(25)

Explanation:- A net underspend on a number of minor budget headings.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Summary Position Regulatory (Planning, Transportation and Public Protection) Department	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Development Control	641	627	592	(35)	0	(35)
Car Parks	(1,026)	(1,000)	(902)	98	0	98
Public Transport	1,620	1,697	1,434	(263)	0	(263)
Other	10,050	9,902	9,915	13	0	13
Regulatory Total	11,285	11,226	11,039	(187)	0	(187)

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: REGULATORY**Area:- **Development Control**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
641	627	592	(35)	0	(35)

Explanation:- For now, an underspend position is forecasted, mainly due to higher fee income than the original target, especially relating to applications for large schemes.

Area:- **Car Parks**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
(1,026)	(1,000)	(902)	98	0	98

Explanation:- An increase of £19k in the net overspend position of £79k which was forecast in the first quarter review, including a reduction of income from parking fees, parking fines and season tickets of £306k, savings in operational costs of (£38k), and previous years' rent income revenue of (£170k).

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: REGULATORY**Area:- **Public Transport**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
1,620	1,697	1,434	(263)	0	(263)

Explanation:- An underspend position that includes the effect of the delay in the completion of the Unit's staff recruitment process, which created a one-off staff savings of (£69k), underspend on other operational expenditure headings, including the Information and Marketing service of (£81k), and also some of the Rationalisation of Routes target savings have been realised early (£113k).

Area:- **Other**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
10,050	9,902	9,915	13	0	13

Explanation:- Net overspend on a number of budget headings.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Summary Position Consultancy Department	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Consultancy	(526)	(452)	58	510	0	510
Other	1,140	1,080	1,090	10	0	10
Consultancy Total	614	628	1,148	520	0	520

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: CONSULTANCY**

Area:-	Consultancy	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
		(526)	(452)	58	510	0	510

Explanation:- The latest forecasts, namely the overspend position of £510k reflects a serious reduction in the fee income level that the Department has attracted up to now this year, and from the information available, the level which is estimated until the end of the current financial year. This is mainly due to a reduction in the level of work which was anticipated from the Assembly, roads improvement works by the Council, external works, for example, road works related to Wylfa 'B' scheme and extra essential statutory works, for example Water and Flood Act. The Department has already reviewed its Business Plan to reduce operational costs, including, the relevant staffing level to meet the current and anticipated work level, and trying to attract new contracts and commissions, which would bring extra fee income to the Department. This process, of course, introduces new challenges, and reflects the importance of seeking to balance the loss of staff with specialist skills, and then the ability to attract and perform new works. It is noted that the Department has a back up provision for redundancy costs and a previous underspend fund of £216k. Up to now, it appears that the relevant forecasts for the next financial year, 2013/14 does not look promising either.

Recommendation:- In the circumstances, it is recommended that the Head of Consultancy Department continues to review the position for this year, and also considers the forecasts for the next year, and the Environment Cabinet Member presents a detailed and comprehensive report to the 18 December Cabinet, on measures to rationalise the Department's ability to cope with the latest works prospects.

Area:-	Other	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
		1,140	1,080	1,090	10	0	10

Explanation:- Similar financial problems are not anticipated on Property and Building Regulations services budgets.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Summary Position Corporate	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Net Interest Received	(729)	(729)	(651)	78	0	78
Cross-departmental Savings Target	(1,409)	(1,409)	(1,126)	283	0	283
General Other	0	0	(353)	(353)	0	(353)
Provision in reserve for 2012/13 pay settlement	1,475	1,475	0	(1,475)	1,475	0
Corporate Total	(663)	(663)	(2,130)	(1,467)	1,475	8

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**CORPORATE BUDGETS**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
(729)	(729)	(651)	78	0	78

Area:- **Net Interest Received**

Explanation:- The latest forecasts reflect the reduction of £78k this year in net interest received, mainly because of the reduction in interest rates by the second half of the year compared to the rates which were received earlier.

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
(1,409)	(1,409)	(1,126)	283	0	283

Area:- **Cross-departmental Savings Target**

Explanation:- The current position reflects that the anticipated cross-departmental total savings realised of £395k is less than the target for this year, while (£112k) of other savings have been realised early, which reduces the net deficit to £283k.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**CORPORATE BUDGETS**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
		(353)	(353)	0	(353)

Area:- **General Other**

Explanation:- An underspend position on a number of headings is forecasted, including an underspend of (£42k) on non-domestic rates on the Council's own buildings, an underspend of (£51k) on the costs of insurance and risk management, and also a reduction in the call against part of the contingency provision element in respect of some specific heads of (£260k) .

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
1,475	1,475	0	(1,475)	1,475	0

Area:- **Provision in reserve for 2012/13 pay settlement**

Explanation:- A provision for a possible pay award was included in the budget for 2012/13. Further to national negotiations, it appears that there will be no offer to local government staff this year, and the provision can be released for other purposes by the Council.

Recommendation:- In the light of the financial challenge facing the Council and the investment needed to ensure a successful and proper transformation, it is recommended that the £1,475k is kept in reserve for the time being until the details of the relevant requirements become clearer towards the end of the financial year.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: HUMAN RESOURCES**

Area:-	Human Resources	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure	3,565					
	Income and Recharges	(3,375)					
	Net Total	190	193	159	(34)	0	(34)

Explanation:- An underspend position is predicted by the end of the year, including an underspend of (£24k) by achieving part of the 2013/14 savings target early, together with an underspend of (£10k) on a number of general headings such as catering and travelling costs.

DEPARTMENT: FINANCE

Area:-	Finance	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure	7,491					
	Income and Recharges	(6,394)					
	Net Total	1,097	980	947	(33)	0	(33)

Explanation:- A net underspend position of (£33k), including one-off staff savings of (£91k) due to turnover and maternity absences, higher costs of £45k on maintaining buildings, and an overspend of £10k on communication requirements to assist the public with the changes in the payment of benefits resulting from the "Welfare Reform" legislation.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: DEMOCRACY AND LEGAL**

		Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
Area:-	Democracy and Legal						
	Expenditure		6,169				
	Income and Recharges		(5,611)				
	Net Total	558	820	804	(16)	0	(16)

Explanation:- Following the rationalisation of the arrangements in the Print Unit, it was forecasted in the first quarter review that the deficiency would be £167k this year. However, by using some of the Print Unit Renewals Fund it is now predicted that the deficiency for the year will be reduced to £28k. In addition a general underspend of (£27k) is expected on supplies and services for the rest of the Department, (£11k) on staff turnover and additional fee income of (£8k) from the Registration Service.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: CUSTOMER CARE**

Area:-	Customer Care	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure	11,486					
	Income and Recharges	(9,456)					
	Net Total	2,030	2,017	1,989	(28)	0	(28)

Explanation:- A net underspend departmental position of (£28k), but consists of a number of variances, mainly an overspend of £45k by the Information Technology Unit, due to a failure to realise the savings target of £92k, an overspend of £42k on software and an underspend of (£93k) due to staff turnover savings. There is also an underspend of (£27k) on various headings in the Customer Care Unit, an underspend of (£28k) because of staff savings in the Information and Processing Unit, and an underspend of (£40k) by the Property Section mainly due to one-off staff savings, and an overspend of £20k by the Emergency Planning Unit by not achieving its savings target.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW**DEPARTMENT: STRATEGIC AND IMPROVEMENT**

Area:-	Strategic and Improvement	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure	5,991					
	Income and Recharges	(5,157)					
	Net Total	834	639	549	(90)	0	(90)

Explanation:- A net underspend position of (£90k), including an underspend of (£17k) by the Partnerships Unit (staff costs savings and an underspend on supplies), an underspend of (£71k) by the Delivery and Change Support Unit due to staff savings of (£49k) (partially due to achieving the 2013/14 savings target beforehand), an underspend of (£7k) on travelling costs, and an underspend of (£15k) on supplies and services.

CORPORATE MANAGEMENT TEAM BUDGET

Area:-	Corporate Management Team	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure	763					
	Income and Recharges	(763)					
	Net Total	0	(11)	(27)	(16)	0	(16)

Explanation:- A marginal underspend position is forecast for the time being, due to an underspend of (£14k) on supplies and services.

REPORT TO THE CABINET
20 NOVEMBER 2012

Cabinet Member: COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

Subject: CAPITAL PROGRAMME 2012/13 - 2014/15

Contact Officer: DAFYDD L EDWARDS – HEAD OF FINANCE

The decision sought / purpose of the report

A report on the second quarter review (30 September 2012 position) of the capital programme, and the Cabinet of 20th November 2012 is asked to approve the revised funding.

Introduction / Summary

The main purpose of this report is to present the revised capital programme and recommend the relevant sources of finance. This report is in 4 parts:

Part 1: Analysis by Department of the £113m capital programme for the 3 years 2012/13 – 2014/15.

Part 2: An explanation of the sources of finance for the net increase of approximately £5.412m since the last review.

The Cabinet has the authorisation to adapt the capital programme, therefore, approval is sought in paragraph 2.9 for the programme (part 1) and financing (part 2).

The remainder of the report is for information:

Part 3: Movements from 2012/13 to 2013/14.

Part 4: Expenditure for the first 6 months 2011/12.

Main Findings:

Approval is sought for the increase of £5.4m in the three year capital programme, the expenditure re-profiling of £5.3m from 2012/13 to 2013/14.

The total value of this year's capital programme has increased to over £42million, and the total three year programme has increased to nearly £113million, which is a significant achievement by the Council in the current financial climate.

There was an increase of 4% in the level of expenditure at the end of September this year (2012/13) compared to the same period (6 months) last year.

There has also been a significant change in the funding package of one scheme, which is a prudent step on behalf of the Council in order to give security to the current capital programme, and will also release relevant funds in the future when they are received.

Reasons for recommending the decision

It is necessary to ensure appropriate financing arrangements for the Council's plans to spend on capital, and the formal Cabinet must approve the capital programme and its sources of funding.

Incorporating funding via grant is a point of order, but it is also necessary to deal with situations where there has been a change in expenditure profiles between years and the value of capital receipts and contributions.

These are recommendations to ensure definite sources of funding for the 2012/13 – 2014/15 capital schemes.

Relevant considerations

These are technical issues regarding the financing of schemes and relevant implications and debates have already been addressed when the individual schemes were adopted.

Delays on some schemes are reported on (part 3), and the relevant Scrutiny Committee could choose to assess the effect of the re-profiling on services which have to cope for longer with 'old' assets.

Next steps and timetable

To implement the recommendations to finance the program in order to complete the capital projects, and report on the third quarter review to the Cabinet meeting on 19 February 2013.

View of the Local Member

Not relevant.

Views of the Statutory Officers

Chief Executive:

I am pleased to see that the expenditure profile so far this year is looking better than last year, and there is now a clear responsibility on leaders of specific projects to ensure that this continues visibly during the rest of the year.

Monitoring Officer:

Nothing to add regarding propriety.

Chief Finance Officer:

I have collaborated with the Cabinet Member to prepare this report and endorse its contents.

Appendix

None

1 CAPITAL PROGRAMME 2012/13 TO 2014/15

1.1 The table below shows a comparison of the capital programme up to the end September against the situation at the end of June:

COMPARISON BETWEEN THE FIRST QUARTER AND THE SECOND QUARTER

	END OF JUNE REVIEW				END OF SEPTEMBER REVIEW				INCREASE / (DECREASE) SINCE THE LAST QUARTER
	2012/13	2013/14	2014/15	TOTAL	2012/13	2013/14	2014/15	TOTAL	
DEPARTMENT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	66	441	0	507	66	441	0	507	0
Education	7,529	9,538	1,744	18,811	6,207	11,960	1,780	19,947	1,136
Finance	59	0	0	59	0	59	0	59	0
Provider and Leisure	362	401	0	763	341	491	0	832	69
Democracy and Legal	0	0	0	0	0	0	0	0	0
Economy and Community	7,386	6,338	37	13,761	6,662	8,163	342	15,167	1,406
Customer Care – Property	7,379	6,900	4,995	19,274	8,917	6,560	4,995	20,472	1,198
Customer Care – Other	125	1,733	816	2,674	223	1,635	816	2,674	0
Housing and Social Services	3,245	2,295	2,000	7,540	3,137	2,440	2,000	7,577	37
Highways and Municipal	10,223	6,302	4,916	21,441	9,488	6,921	4,916	21,325	(116)
Regulatory	5,512	7,588	8,913	22,013	7,026	7,738	8,913	23,677	1,664
Strategic and Improvement	0	0	0	0	4	0	0	4	4
Housing – Revenue Account (Residual)	42	0	0	42	57	0	0	57	15
Consultancy	68	0	0	68	68	0	0	68	0
Corporate	1	78	276	355	0	78	276	354	(1)
TOTAL	41,997	41,614	23,697	107,308	42,196	46,486	24,038	112,720	5,412

2 CHANGES TO THE SOURCES OF FINANCE

2.1 The budget for the three year programme shows an increase of £5.412m since the first quarter position. The sources of financing for this are noted below:

SOURCE OF FINANCE	END OF JUNE REVIEW			END OF SEPTEMBER REVIEW			INCREASE/ (DECREASE) £000
	2012/13 £000	2013/14 £000	2014/15 £000	2012/13 £'000	2013/14 £'000	2014/15 £000	
Supported Borrowing	4,860	4,039	4,039	4,860	4,039	4,039	0
Unsupported Borrowing	5,630	10,179	4,414	5,794	11,279	4,450	1,300
Grants and Contributions	19,040	17,540	11,303	20,024	19,440	11,608	3,189
Capital Receipts	3,217	2,351	2,096	2,109	2,340	2,096	(1,119)
Departmental & Corporate Revenue	2,377	1,965	527	1,847	1,965	527	(530)
Capital Fund	5,388	5,079	1,318	3,424	6,901	1,318	(142)
Renewals & Other Funds	1,485	461	0	4,138	522	0	2,714
TOTAL	41,997	41,614	23,697	42,196	46,486	24,038	5,412
3 YEAR TOTAL			107,308			112,720	

2.2 Unsupported Borrowing

An increase of £1,300,000 in this source of funding is mainly due to the following:

- **O.M. Edwards' School (Education Department) - £500,000 in 2012/13 and £500,000 in 2013/14**, which is the necessary investment needed for improvements to the school in accordance with the decision of the full Council 01/03/12.
- **Carbon Management Schemes (Customer Care Department - Property Unit) - £287,050 in 2012/13**, which is being financed through a loan from Salix.

2.3 Grants and Contributions

A net increase of £3,189,000 in this source of funding is mainly due to the following:

- **Our Heritage Scheme (Economy and Community Department) £439,230 in 2012/13, £686,610 in 2013/14, and £105,060 in 2014/15 = Total Grant £1,230,900**

Confirmation of a substantial grant (£783,330) was received by CADW (CADW is the lead on the Heritage Tourism Project in Wales), a contribution of over £200,000 from the Government through the Môn Menai Program, and also a contribution of over £200,000 from the other Partners within the scheme (see Board report 13 December 2011).

- **Sustainable Travel Initiative Grant (Regulatory Department) £700,000 in 2012/13**

A grant was received from the Welsh Government through the Sustainable Travel Initiative Centre for several schemes in relation to 'lonydd las' (the cycling network), and relevant cycling and walking initiatives.

- **Lôn Las Ogwen Scheme (Regulatory Department) £529,050 in 2012/13**

This scheme is financed through a combination of grants from various sources, i.e. £250,000 from the Sustainable Travel Initiative, £229,050 from the Countryside Council and £50,000 from the North Wales Trunk Road Agency. These are supported through the medium of the Government Communities and Nature (CAN) project, in order to improve Lon Las Ogwen from Felin Coetmor to Bethesda.

- **Rights Of Way Improvement Plan (Regulatory Department) £118,620 in 2012/13**

This is a scheme to create and improve rights of way e.g. works to provide two foot bridges and gates in the Nantlle Valley, reopening a pathway following erosion in Dolybont, Dinas Mawddwy, etc. This is financed by a contribution from the Countryside Council.

- **Waste Schemes (Highways and Municipal Department) £250,000 in 2012/13**

Grants were received from the Government as an additional contribution towards the GwyriAD project procurement costs (£150,000), and a contribution towards the lagoon costs at the Llwyn Isaf landfill site, in order to develop the site to establish the GwyriAD project.

- **Hendre School Scheme (Education Department) contribution decrease £355,000 and Grant increase £307,000 in 2012/13**

The initial financing of this scheme included a contribution (£355,000) from a private developer secured under a Section 106 agreement on Tyddyn Pandy. The legal contract has now been agreed with the developer, and specifies that the contributions will be received via instalments, between 2018/19 and 2023/24. As this is beyond the lifetime of the proposed capital programme, it would be prudent to determine a more definitive source of finance in the interim.

It was necessary with some former schemes to provide financing in advance of being able to claim grant. Eventually this led to a situation where financing was available to be released afresh. As part of the revised financing package, it is possible to use £307,000 of this financing.

See also 2.5, 2.6, 2.7 and the table in 2.8 below, which summarises the relevant funding.

2.4 Capital Receipts

A net decrease of £1,119,000 in this source of funding is mainly due to the following:

- **Hendre School Scheme (Education Department) (£1,200,000) in 2012/13.**

To reduce the reliance on the capital receipt from the sale of the old school site, because, for commercial reasons, the remarketing of the site was postponed for the time being. It is prudent to modify the funding scheme in order to minimise the uncertainty and risk to the Council, because of the volatility in the value of land in the present climate.

2.5 Departmental and Corporate Revenue

A decrease of £530,000 in this source of funding is mainly due to the following:

- **Waste Schemes (Highways and Municipal Department) (£447,000) in 2012/13**

An exchange of the revenue contribution by using the Department's Fund (see 2.7 below which details the alternative source of financing).

2.6 Capital Fund

A net decrease of £142,000 in this source of funding is mainly due to the following:

- **Hendre School Scheme (Education Department) £350,000 in 2012/13**

As part of the revised financing package, it is possible to use £350,000 from the balances in this fund, which have arisen as a result of historical differences between the requirements of the original capital programme and the final necessary funding level by the Council.

- **Waste Schemes (Highways and Municipal Department) (£505,490) in 2012/13**

Adjustment in the slippage figure from 2011/12 to reflect the actual position.

2.7 Renewals and Other Funds

The net increase of £2,714,000 in this source of funding is mainly due to the following:

- **Hendre School Scheme (Education Department) £998,000 in 2012/13**
As part of the revised financing package, it is possible to exchange £998,000 of the funding from the Capital Schemes' Financing Requirement Fund that was established following the third quarter revenue review in 2011/12.
- **Carbon Management Schemes (Customer Care Department - Property Unit) £800,000 in 2012/13**
Use of the Fund that is associated with Carbon Management.
- **Waste Schemes (Highways and Municipal Department) £447,000 in 2012/13**
Reversal of the Departmental Revenue contribution (see 2.5 above) through the use of the Department Fund.
- **Bangor Crematorium Emissions Scheme (Highways and Municipal Department) £216,840 in 2012/13**
Use of the Bangor Crematorium Emission Fund.
- **Our Heritage Scheme (Economy and Community Department) £51,510 in 2012/13 and £48,050 in 2013/14**
Use of the Convergence Fund.
- **Lôn Las Ogwen Scheme (Regulatory Department) £80,000 in 2012/13**
Use of the Convergence Fund that is administered by the Economy and Community Department.

2.8 Hendre School Scheme

The table below summarises the relevant steps explained above –

Sources of funding:	Original Budget	Revised Funding
	£'000	£'000
Grants and Contributions (2.3)	355	307
Capital Receipts (2.4)	1,200	0
Capital Fund (2.6)	0	350
Funds (2.7)	0	998
Total	1,555	1,655

The table above analyses the revised funding for this scheme, with additional funding of £100,000 for the demolition costs of the old school and safeguarding the old site. It also follows, by using other sources available to the Council, when the receipts and contributions are received in the future, these will be available for the Council afresh.

2.9 Recommendation

The Cabinet is asked to accept the 2012/13 to 2014/15 revised programme and approve the relevant sources of finance (para. 2.2 to 2.8 above).

3 ANNUAL EXPENDITURE PROFILES

3.1 The total level of re-profiling in the capital programme from 2012/13 to 2013/14 so far is £5,330,260. The figures in part 1 of the report reflect this, with the main items as follows-

Schemes financed from the Council's resources:-

- Dolgellau Area School (Education Department) £883,320
- Bro Dysynni Area School (Education Department) £879,660
- Council Vehicles Fleet Fund (Highways and Municipal Department) £263,180
- IT Network (Customer Care Department) £164,000
- Shortage of space at Llanrug Primary School (Education Department) £135,860
- Vehicles Washing Machine (Highways and Municipal Department) £130,000

Schemes (partly) financed through specific grants:-

- Pwllheli Sailing Academy (Economy and Community Department) £2,786,450

3.2 The above re-profiling will not mean a loss in grant.

3.3 There is a variety of valid reasons behind the re-profiling in many cases, but the delay prior to implementing these schemes can mean that services have to cope longer with the current assets not improved.

4 CAPITAL EXPENDITURE FIRST 6 MONTHS 2012/13

4.1 The table below shows the Council's departments' actual capital expenditure by the end of the second quarter (6 months), against the revised capital programme for 2012/13 (whole year) –

SUMMARY	FULL YEAR CAPITAL PROGRAMME (reviewed September) 2012/13 £'000	ACTUAL EXPENDITURE IN THE 6 MONTHS UP TO 30/09/2012 £'000
Human Resources	66	18
Education	6,207	833
Finance	0	0
Provider and Leisure	341	135
Democracy and Legal	0	0
Economy and Community	6,662	1,990
Customer Care – Property	8,917	3,701
Customer Care – Other	223	110
Housing and Social Services	3,137	1,348
Highways and Municipal	9,488	3,120
Regulatory	7,026	2,134
Strategic and Improvement	4	0
Council Housing	57	1
Consultancy	68	9
Corporate	0	0
TOTAL	42,196	13,398

4.2 Almost £13.4m has been spent in the first six months, which is 32% of the budget.

SUMMARY	END OF SEPTEMBER REVIEW 2012/13	END OF SEPTEMBER REVIEW 2011/12	INCREASE
Full Year Budget	£42.2million	£41.0million	£1.2million
Expenditure for the first 6 months	£13.4million	£11.6million	£1.8million
Expenditure as a % of the budget	32%	28%	4%

4.3 Despite the substantial re-profiling, the proportion that has been spent this year is higher than last year's equivalent proportion.

MEETING: AUDIT COMMITTEE

DATE: 22 NOVEMBER 2012

**TITLE: TREASURY MANAGEMENT 2012/13 –
MID YEAR REVIEW**

**PURPOSE: CIPFA’s Code of Practice recommends that a report
on the Council’s actual Treasury Management during
the current financial year is produced.**

RECOMMENDATION: RECEIVE THE REPORT FOR INFORMATION

AUTHOR: DAFYDD L EDWARDS, HEAD OF FINANCE

EXECUTIVE SUMMARY

During the six month period between 1 April and 30 September 2012, the Council’s borrowing remained well within the limits originally set. There were no new defaults by banks in which the Council deposited money.

1. BACKGROUND

The Council’s Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management 2009, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA’s recommendations.

Treasury management is defined as: “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. ECONOMIC BACKGROUND

The world economy faced yet another soft patch. The UK and the Eurozone (with the exception of Germany) struggled to show discernible growth whilst the US economy grew slowly. UK GDP contracted by 0.3% in the first calendar quarter of 2012 and by 0.4% in second, reflecting the difficult economic conditions faced by businesses and consumers domestically and globally. Businesses were more inclined to take defensive strategies involving cost cutting rather than increasing capital spending. Financial conditions facing

households continued to be weak as wage growth remained subdued and was, for much of the period, outstripped by inflation. (Much of the fall in Q2 GDP could probably be attributed to the impact of the additional bank holiday for the Diamond Jubilee, and could be recovered in Q3.)

Inflation, which had remained stubbornly sticky throughout 2011, slowly began to fall. Annual CPI dipped below 3% for the first time in two and half years in May and fell to the lowest level since November 2009 in June, with a reading of 2.4%. It ticked up marginally to 2.5% by August. Although the recent rise in commodity prices has been worrying, the rise in oil and food prices – the latter mainly due to poor weather-related yields - are well below the spikes of 2010-11.

Some barometers of economic activity, however, provided a more buoyant and positive picture but tended to get overshadowed. Employment rose by 236,000 in the three months to July and the employment rate was at its highest since the three months to April 2009. The ILO unemployment rate fell 0.1% on the quarter to 8.1%. Whilst the effect of the Olympics undoubtedly played a part, despite its temporary nature, the underlying data pointed to a more resilient and optimistic outlook for the economy.

The lack of growth and the fall in inflation were persuasive enough for the Bank of England to sanction £50 billion asset purchases (QE) in July, taking total QE to £375 billion. The possibility of a rate cut from the current level of 0.5% was discussed at the Bank's Monetary Policy Committee meetings in June and July; however reference to it was subsequently dropped suggesting that this policy option had left the table for the immediate future. The government's Funding for Lending (FLS) initiative, intended to lower banks' funding costs, commenced in August. The Bank of England will assess its effects in easing the flow of credit before committing to further policy action.

Banks were embroiled in the scandal to manipulate LIBOR rates during the abnormal market conditions at the height of the 2007/2008 financial crisis. Barclays was fined a record £290 million, the FSA was also investigating HSBC, RBS, Citicorp and UBS; Lloyds was named in a lawsuit in the US. The big-four UK banks were also being investigated for mis-selling interest rate swaps to small businesses.

The US Federal Reserve extended quantitative easing through 'Operation Twist', in which it buys longer-dated bonds with the proceeds of shorter-dated US Treasuries. Poor employment data for August preceded the Fed further easing monetary policy at its September meeting; The Fed committed to purchasing \$40 billion of agency mortgage-backed securities each month until the outlook for the labour market improves "substantially." The Fed also pledged to keep interest rates low until mid-2015. In Greece, the formation of an alliance of pro-euro parties after a second round of parliamentary elections prevented an immediate and disorderly exit from the Euro. The Euro region suffered a renewed bout of stress when Italian and Spanish government borrowing costs rose sharply and Spain was also forced to officially seek a bailout for its domestic banks. The European Central Bank responded with the announcement in September of its Outright Monetary Transactions (OMT) facility which allows the ECB to buy unlimited amounts of 1-3 year sovereign

bonds provided the sovereign(s) first asks for such assistance and adheres to the strict conditionality attached to such purchases.

Gilt yields fell sharply raising the prospect that very short-dated yields could turn negative. 2-year yields fell to 0.06%, 5-year yields to 0.48% and 10-year yields to 1.45%. Despite the likelihood the DMO would revise up its gilt issuance for 2012/13, there were several gilt-supportive factors: the Bank of England's continued purchases of gilts under an extended QE programme; investors preferring the safer haven of UK government bonds to those of European sovereigns; the coalition's commitment to fiscal discipline by sticking to its "plan A" for deficit reduction; large scale purchases by banks to comply with the FSA's liquidity buffer requirements; and general risk aversion against a weak economic backdrop. PWLB borrowing rates fell commensurately (the Board maintained the +0.90% margin above the equivalent gilt yield for new borrowing).

Money market rates fell over the six month period by between 0.2% to 0.6% for 1-12 month maturities.

3. DEBT MANAGEMENT

	Balance on 01/04/2012 £000s	Debt Maturing £000s	Debt Repaid £000s	New Borrowing £000s	Balance on 30/09/2012 £000s	Increase/ Decrease in Borrowing
TOTAL BORROWING	113,865	860	124	NIL	112,811	-1054
Average Rate % / Life (yrs)	5.85% / 31.22 yrs	10.5%	9.71% / 1.16 yrs	___% / ___ yrs	5.86% / 31.00 yrs	-----

The PWLB remains an attractive source of borrowing for the Council as it offers flexibility and control. The large downward move in gilt yields in the second quarter resulted in PWLB rates falling across all maturities.

In August HM Treasury announced details of the "Certainty Rate" which will enable "eligible authorities" to access cheaper PWLB funding, with a 20 basis point reduction on the standard PWLB borrowing rate. Initially announced in the March 2012 Budget, HM Treasury have introduced this initiative to incentivise local authorities to provide robust forecasts on borrowing plans. This rate is expected to be introduced in November 2012.

The Council has completed the pro-forma projecting the Council's likely borrowing requirement over a three year period and returned it to the Welsh Government by the deadline of 17th September 2012.

For the Council the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding £10.7m of capital expenditure in 2012/13. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term and the Council expects it will need to borrow £5m for capital purposes by 2013/14.

No debt rescheduling took place during the period.

4. INVESTMENT ACTIVITY

The Welsh Government Guidance on Local Government Investments gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Investments

	Balance on 01/04/2012 £000s	Investments Made £000s	Investments Repaid £000s	Balance on 30/09/2012 £000s	Increase/ Decrease in Investments
Short Term Investments in Banks and Building Societies	47,630	221,865	(225,865)	43,630	(4,000)
Investments in Money Market Funds	0	35,000	(10,000)	25,000	25,000
Investments in other Local Authorities	5,000	5,000	(5,000)	5,000	0
TOTAL INVESTMENTS	52,630	233,865	(212,865)	73,630	21,000

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. New investments were made with the following institutions:

- Other Local Authorities;
- AAA-rated Money Market Funds;
- Certificates of Deposit (CDs) and Term Deposits with UK Banks and Building Societies systemically important to the UK banking system and with select non-UK Banks;
- T-Bills, UK Government Gilts and DMADF (Debt Management Office);
- Bonds issued by Multilateral Development Banks, such as the European Investment Bank and World Bank;
- Pooled funds (collective investment schemes) meeting the criteria in SI 2004 No 534 and subsequent amendments.

Counterparty credit quality was assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

Credit Risk

Counterparty Update

In June Moody's completed its review of banks with global capital market operations, downgrading the long-term ratings of all of them by between one to three notches. The banks on the Council's lending list which were affected by the ratings downgrades were Barclays, HSBC, Royal Bank of Scotland, as well as Royal Bank of Canada, JP Morgan Chase, BNP Paribas, Societe Générale, Credit Agricole/Credit Agricole CIB, Credit Suisse and Deutsche Bank. Separately, the agency also downgraded the ratings of Lloyds Bank, Bank of Scotland, National Westminster Bank and Santander UK plc. None of the

long-term ratings of the banks on the Council's lending list were downgraded to below the Council's minimum A-/A3 credit rating threshold.

Counterparty credit quality is demonstrated by the Credit Score Analysis summarised below. The credit scores are based on the Council's quarter-end investment position.

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2012	4.98	A+	4.93	A+
30/06/2012	5.19	A+	3.00	AA
30/09/2012	3.74	AA-	3.48	AA

Scoring:

- Value weighted average reflects the credit quality of investments according to the size of the deposit
- Time weighted average reflects the credit quality of investments according to the maturity of the deposit
- AAA = highest credit quality = 1
- D = lowest credit quality = 27
- Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Following the decision to shorten deposit durations with investment counterparties back in May this year, the Council has since extended duration (decision made in late July). The move to extend duration was as a result of monitoring economic and political developments in the UK, Europe and globally. The various risk metrics used to assess the creditworthiness of financial institutions had shown continued signs of stabilisation, and in some cases, considerable improvement.

At this time of extending duration limits with UK, Australian, Canadian and American banks, the Council also reintroduced the strongest banks in the stronger European sovereigns onto its approved lending list.

The Council has not had any investments with non-uk banks during the period 1 April to 30 September 2012.

The Council's counterparty list as at 30 September 2012 is attached for information in Appendix A.

Safe Custody Arrangements

The Council set up a custody account with King and Shaxson in August 2012. By opening a custody account with King and Shaxson, the Council now has the ability to use a number of approved investment instruments as outlined in the 2012/13 Treasury Strategy and diversify the investment portfolio. Investment instruments requiring a custodian facility include Treasury Bills, Certificates of Deposit, Gilts, Corporate Bonds and Supranational Bonds.

By establishing custody arrangements, the Council is better-placed to consider the use of alternative investment instruments in response to evolving credit conditions.

The Council invested in a Certificate of Deposit with Standard Chartered Bank in August 2012.

Budgeted Income and Outturn

The Council's budgeted investment income for the year has been estimated at £0.7m. The average cash balances representing the Council's reserves, working balances and the Pension Fund's surplus cash were £76.3m during the period.

The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2015/2016. Short-term money market rates have remained at very low levels. New investments were made at an average rate of 0.95%. The Council anticipates an investment outturn of £729,030 for the whole year.

Icelandic Bank Investment Update

The following has now been resolved in relation to Icelandic deposits:

- **Heritable** – It is expected that 88p/£ will be recovered overall. 75% has been recovered to date, and a further 7% is expected in 2012/13 and the remaining 6% is expected in April 2013.

5. COMPLIANCE WITH PRUDENTIAL INDICATORS

The Council can confirm that it has complied with its Prudential Indicators for 2012/13, which were set in March 2012 as part of the Council's Treasury Management Strategy Statement which can be accessed through the following link:

[http://www.gwynedd.gov.uk/ADNPwyllgorau/2012%20hyd%20at%20fis%20Mai/Cyngor%20Llawn/2012-0301/english/08_04_\(iii\)%20Treasury%20Management.pdf](http://www.gwynedd.gov.uk/ADNPwyllgorau/2012%20hyd%20at%20fis%20Mai/Cyngor%20Llawn/2012-0301/english/08_04_(iii)%20Treasury%20Management.pdf). Details can be found in Appendix B.

6. OUTLOOK FOR QUARTER 3 – QUARTER 4

At the time of writing this activity report in November 2012, economic growth remains elusive. Tight credit conditions and weak earnings growth are constraining consumer and corporate spending. The outlook is for official interest rates to remain low for an extended period, as shown below.

	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Official Bank Rate													
Upside risk				0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

7. SUMMARY

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first two quarters of 2012/13. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

GWYNEDD COUNCIL'S LIST OF AUTHORISED COUNTERPARTIES (as updated 30/09/12)

Term Deposits / Call Accounts

Country	Counterparty	Maximum Limit of Investments £m	Maximum Length of Loans
UK	DMADF, DMO	No limit	No limit
UK	UK Local Authorities	£25m	1 year
UK	Santander UK Plc (Banco Santander Group)	£20m	Overnight maximum 35 days
UK	Bank of Scotland (Lloyds Banking Group)	£20m	Overnight maximum 35 100 days
UK	Lloyds TSB (Lloyds Banking Group)	£20m	Overnight maximum 35 100 days
UK	Barclays Bank Plc	£20m	maximum 100 days
UK	Clydesdale (National Australia Bank Group) **SUSPENDED 28/09/11**	£20m	2-years
UK	HSBC Bank Plc	£20m	maximum 6 months 1 year
UK	Nationwide Building Society	£20m	maximum 100 days
UK	Nat West (RBS Group)	£20m	Overnight maximum 35 days
UK	Royal Bank of Scotland (RBS Group)	£20m	Overnight maximum 35 days
UK	Standard Chartered Bank	£20m	maximum 6 months 1 year
Australia	Australia and NZ Banking Group	£5m	maximum 6 months 1 year
Australia	Commonwealth Bank of Australia	£5m	maximum 6 months 1 year
Australia	National Australia Bank Ltd (National Australia Bank Group)	£5m	maximum 6 months 1 year
Australia	Westpac Banking Corp	£5m	maximum 6 months 1 year
Canada	Bank of Montreal	£5m	maximum 6 months 1 year
Canada	Bank of Nova Scotia	£5m	maximum 6 months 1 year
Canada	Canadian Imperial Bank of Commerce	£5m	maximum 6 months 1 year
Canada	Royal Bank of Canada	£5m	maximum 6 months 1 year
Canada	Toronto-Dominion Bank	£5m	maximum 6 months 1 year
Finland	Nordea Bank Finland	£5m	1-year maximum 100 days
France	BNP Paribas *SUSPENDED 13/09/11 *	£5m	1-year
France	Credit Agricole CIB (Credit Agricole Group) *SUSPENDED 13/09/11*	£5m	1-year
France	Credit Agricole SA * SUSPENDED 13/09/11*	£5m	1-year
France	Societe Generale *SUSPENDED 11/08/11*	£5m	1-year
Germany	Deutsche Bank AG	£5m	1-year maximum 100 days
Netherlands	ING Bank NV *SUSPENDED 01/12/11*	£5m	1-year
Netherlands	Rabobank	£5m	1-year maximum 100 days
Netherlands	Bank Nederlandse Gemeenten	£5m	1-year maximum 100 days
Sweden	Svenska Handelsbanken	£5m	1-year maximum 100 days
Switzerland	Credit Suisse *SUSPENDED 01/12/11*	£5m	1-year
US	JP Morgan	£5m	maximum 6 months

- 1) There is a limit of £20m on banks within the same banking group.
- 2) Investments in Non-UK banks will be restricted to a maximum limit of 40% of the portfolio, with a £10m country limit to a maximum of 30% of the portfolio per country.

Instrument	Country	Counterparty	Maximum Limit of Investments £m	Maximum Length of Loans
Gilts*	UK	DMO	No limit	6 years
AAA rated Money Market Funds	UK/Ireland/Luxembourg	Money Market Funds	£5m per name	Daily Liquidity
Other MMFs and CIS	UK	Collective Investment schemes	£5m per name	Daily Liquidity
Treasury Bills*	UK	DMO	No Limit	1 year
Local Authority Bills*	UK	UK Local Authorities	£10m	1 year
Bonds issued by multilateral development banks*	Europe / America	EIB, Council of Europe, Inter American Investment Bank	£5m	6 years
Bonds issued by financial institutions guaranteed by the UK government*	UK	Guaranteed financial institutions	£5m	6 years
Sterling denominated bonds by non-UK sovereign governments*	Non-UK	Non-UK Sovereign Governments	£5m	3 years
Business loans to local companies**	UK	As agreed by the Local Loans Fund Scheme	£1m	10 years

* Investment in these instruments will be on advice from the Council's treasury advisor.

** Advancement of these loans will be approved by the procedure detailed in Appendix Ch, Paragraph 6. Evaluation of the Business Loans is not part of the advice or services from the Council's treasury advisor.

Capital Financing Requirement

Estimates of the Council's cumulative maximum external borrowing requirement for 2012/13 to 2014/15 are shown in the table below:

	31/03/2012 Actual £000	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000
Capital Financing Requirement	152,241	155,904	160,361	166,915
Less: Existing Profile of Borrowing	(114,341)	(113,085)	(111,969)	(110,975)
Less: Other Long Term Liabilities	(29)	0	0	0
Cumulative Maximum External Borrowing Requirement	37,871	42,819	48,392	55,940

Usable Reserves

Estimates of the Council's level of Usable Reserves for 2012/13 to 2014/15 are as follows:

	31/03/2012 Actual £000	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000
Usable Reserves	68,920	63,456	57,023	55,374

Prudential Indicator Compliance**(a) Authorised Limit and Operational Boundary for External Debt**

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Council's Affordable Borrowing Limit was set at £190m for 2012/13.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2012/13 was set at £170m.

The Head of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £115m.

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2012/13 %
Upper Limit for Fixed Rate Exposure	100%
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	50%
Compliance with Limits:	Yes

Interest Rate Exposures	Existing level at 31/03/12 %	2012/13 Approved %	Actual at 30/09/12 %
Fixed			
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100
Upper Limit for Fixed Interest Rate Exposure on Investments	(100)	(100)	(66)
Net Fixed Exposure	0	0	34
Variable			
Upper Limit for Variable Interest Rate Exposure on Debt	0	50	0
Upper Limit for Variable Interest Rate Exposure on Investments	0	(50)	(34)
Net Variable Exposure	0	0	(34)

(c) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/12	% Fixed Rate Borrowing as at 30/09/12	Compliance with Set Limits?
Under 12 months	25%	0%	938,562	0.97	Yes
12 months and within 24 months	25%	0%	1,373,452	1.42	Yes
24 months and within 5 years	50%	0%	4,108,953	4.25	Yes
5 years and within 10 years	75%	0%	4,581,868	4.75	Yes
10 years and above	100%	0%	85,608,589	88.61	Yes

(d) Gross and Net Debt

The purpose of this treasury indicator is to highlight a situation where the Authority is planning to borrow in advance of need.

Upper Limit on Net Debt compared to Gross Debt	2011/12 Actual £m	2012/13 Estimate £m	Compliance with Set Limits?
Outstanding Borrowing (at nominal value)	114	113	Yes
Other Long-term Liabilities (at nominal value)	0	0	Yes
Gross Debt	114	113	Yes
Less: Investments	47	36	Yes
Net Debt	67	77	Yes

(e) Net Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Authority had no difficulty meeting this requirement so far in 2012/13, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

(f) Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

The limit for 2012/13 was set at £40m.

The Council's policy response since the onset of the credit crunch in 2007 has been to keep investment maturities to a maximum of 12 months. No investments were made for a period greater than 364 days during this period.

(g) Credit Risk

This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk:

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2012/13 Treasury Management Strategy Statement:

- long-term ratings of A- or equivalent;
- long-term ratings of AA+ or equivalent for non-UK sovereigns.

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	22 NOVEMBER 2012
TITLE	INTERNAL AUDIT PLAN 2012/13
PURPOSE	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2012/13 INTERNAL AUDIT PLAN
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT & RISK
ACTION	FOR INFORMATION

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2012/13 internal audit plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2012/13 internal audit plan is included in the appendix with the status of the work as at 2 November 2012 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

Audit Status	Number
Planned	34
Working Papers Created	2
Field Work Started	14
Field Work Ended	8
Final Report Issued	40
Total	<u>98</u>
Cancelled	3

2.2 The performance target for 2012/13 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2013. The quarterly profile of this indicator is as follows:

End of quarter 1	15%
End of quarter 2	35%
End of quarter 3	60%
End of quarter 4	95%

2.3 As seen from the table above, Internal Audit's actual achievement up to 2 November 2012 was **40.8%** - out of **98** individual audits contained in the 2012/13 revised plan, **40** had been released in a finalised version. In order to meet the profile, the final reports of a further **19** audits will need to be released by the end of December (that is, **59** out of **98**). It is expected that this will be achieved.

3. AMENDMENTS TO THE PLAN

- 3.1 A review of Network Convergence during the year was intended. During preparation of the audit plan, the expectation was that the Convergence scheme would be realised during 2012/13. However, for reasons beyond the control of the Council there has been a delay in the project, and therefore the audit will be conducted during 2013/14 (if appropriate). Twenty days had been allocated for this audit; this time will now be utilised to review the use of Social Media.
- 3.2 The module within the home carer management system, CACI, for paying salaries has not yet been developed, so there is little purpose in conducting the Home Carer Wages - Cyborg/CACI Interface audit during 2012/13. The time that had been earmarked for this audit will be used to review the Council's use of honoraria.

4. RECOMMENDATION

- 4.1 The Committee is asked to note the contents of this report as an update on progress against the 2012/13 audit plan, offer comments thereon and accept the report.



Internal Audit Plan 2012/13

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-03/2013	Arrangements for Dealing with Correspondence	30.00	0.00	30.00	28.34	Field Work Ended
1-CORFF-08/2013ynni	Energy Use	20.00	0.00	20.00	1.82	Planning
1-CORFF-09/2013gw	Workforce Planning	20.00	0.00	20.00	13.65	Field Work Started
1-CORFF-14/2013	Site Manager Functions	20.00	0.00	20.00	23.63	Field Work Ended
1-CPGV-01/2013	Contribution to preparation of the Annual Governance Statement	10.00	0.00	10.00	5.62	Final Report Issued
1-CTRT-02/2013	Undertaking Company Financial Assessment - NMWTRA Framework PQQ2	5.00	0.00	5.00	4.70	Final Report Issued
1-CTRT-03/2013tai	Former Housing Stock - Retention Monies	5.00	0.00	5.00	1.73	Planning
1-GRANT-AMG/2013cmac	Grant - Wales Coastal Monitoring Centre	10.00	0.00	10.00	7.97	Final Report Issued
1-GRANT-AMG/2013fial	Grant - National Framework for Animal Health and Welfare	10.00	0.00	10.00	9.77	Final Report Issued
2ADN-ADY-GWY/2013	Recording and Managing Leave	25.00	0.00	25.00	25.84	Field Work Ended
AE-TAL-04/2013tr	Promptness of Payments - Efficiency of Invoice Tracking	10.00	0.00	10.00	13.31	Field Work Ended
AN-ACY-03/2013II	Local Budgets	10.00	0.00	10.00		Planning
AO-ARL-01/2013	Barclaycard Credit Cards	14.00	0.00	14.00	16.66	Final Report Issued
AO-ARL-05/2013	NFI (National Fraud Initiative)	25.00	0.00	25.00	27.53	Field Work Started
BC-PER-07/2013	Recruitment - Identity Checks	15.00	0.00	15.00	14.20	Final Report Issued
BE-POL-07/2013	Outcome Agreement	20.00	0.00	20.00	5.16	WP Created
EDUCATION						
Resources						
4-DAT-X-ADD/2013ases	Welsh Government Development Programme Extension for Thinking and Assessment for Learning Grant	6.00	0.00	6.00	6.09	Final Report Issued
4-DAT-X-ADD/2013bao	Appetite for Life Grant	10.00	0.00	10.00	17.97	Final Report Issued
4-DAT-X-ADD/2013brec	Primary Schools Free Breakfast Initiative Grant	8.00	0.00	8.00	8.99	Final Report Issued
4-DAT-X-ADD/2013ffg	Community Focused Schools Childcare Allocation	10.00	0.00	10.00	13.09	Final Report Issued
4-DAT-X-ADD/2013ks23	Foundation Stage 2011-12 Revenue Grant	5.00	0.00	5.00	6.45	Final Report Issued
4-DAT-X-ELWa/2013	Post-16 Education Grant	1.00	0.00	1.00	0.54	Field Work Started
EADDA23/2013	School Milk Service	10.00	0.00	10.00	9.40	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EADDA26/2013	Management of secondary school building maintenance - VFM	10.00	0.00	10.00	1.33	Planning
Across the department						
EADDA33/2013	Appointment of Management Consultants, Education Department	10.00	0.00	10.00	11.21	Final Report Issued
Schools						
EADDA16/2013	Supply Appointments	15.00	0.00	15.00	23.75	Final Report Issued
EADDAYC/2013a	Primary Schools - Dismissals due to redundancy	22.00	0.00	22.00		Planning
EADDAYC/2013b	Primary Schools - Information Security	22.00	0.00	22.00	10.52	Field Work Started
EADDAYC/2013c	Primary Schools - Teacher Allowances and Conditions of Service for Heads	20.00	0.00	20.00		Planning
HUMAN RESOURCES						
Support Unit						
BC-PER-05/2013	Administration of Car Loans	10.00	0.00	10.00	16.38	Final Report Issued
NORTH AND MID WALES TRUNK ROAD AGENCY						
3-AMG-ACGC/2013	Trunk Road Agency - invoices between councils	15.00	0.00	15.00	5.36	WP Created
FINANCE						
Audit and Risk						
AM-YS-03/2013	Corporate Risk Management	10.00	0.00	10.00		Planning
Financial						
AD-DY-01/2013kc	Debtors System - Review of Key Controls	10.00	0.00	10.00	14.38	Final Report Issued
AE-TAL-01/2013e	eProcurement System	20.00	0.00	20.00		Planning
AE-TAL-01/2013kc	Payments System - Review of Key Controls	10.00	0.00	10.00		Planning
Accountancy						
AN-ACY-02/2013kc	Main Accounting System - Review of Key Controls	10.00	0.00	10.00	10.19	Final Report Issued
AN-ACY-02/2013pr	Main Accounting System - Upgrade Project	15.00	0.00	15.00	6.39	Field Work Ended
Pensions and Payroll						
AL-CYF-01/2013bacs	Payroll - BACS runs	5.00	0.00	5.00	5.57	Final Report Issued
AL-CYF-01/2013er	Payroll System Exception Reports	5.00	0.00	5.00	5.43	Final Report Issued
AL-CYF-01/2013hon	Use of Honoraria	10.00	0.00	10.00	5.28	Field Work Ended
AL-CYF-01/2013kc	Payroll System - Review of Key Controls	10.00	0.00	10.00		Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
AL-CYF-01/2013par	Payroll System - Parameters and Algorithms	15.00	0.00	15.00	11.77	Final Report Issued
AL-CYF-07/2013	Payroll System - Deductions of Tax and National Insurance	15.00	0.00	15.00	10.73	Final Report Issued
AL-CYF-14/2013caci	Home Carer Wages - Cyborg - CACI Interface	10.00	-10.00	0.00		Cancelled
Revenue						
AA-AR-01/2013paye	Paye.net System	10.00	0.00	10.00	0.31	Planning
AA-AR-03/2013	Income collection at offices	10.00	0.00	10.00	14.72	Field Work Ended
AB-BD-01/2013dis	Discretionary Benefits	15.00	0.00	15.00	6.46	Field Work Started
AB-BD-01/2013kc	Benefits System - Review of Key Controls	10.00	0.00	10.00	7.70	Field Work Started
AC-TR-01/2013kc	Council Tax System - Review of Key Controls	10.00	0.00	10.00		Planning
AC-TR-01/2013sac	General IT Controls: Council Tax, Benefits and NNDR (Follow-up to WAO audit)	10.00	0.00	10.00	4.43	Final Report Issued
AC-TR-11/2013kc	NNDR System - Review of Key Controls	5.00	0.00	5.00	8.42	Final Report Issued
PROVIDER AND LEISURE						
Business and Administration Support						
M-GMG-GW01/2013	Data and Information Quality Assurance	20.00	0.00	20.00	2.87	Planning
Cleaning and Caretaking						
M-GMG-J02/2013	Supervision of Duty Managers	15.00	0.00	15.00	17.00	Final Report Issued
Residential and Day						
GDARP-D07/2013	Supported Housing - Imprest Accounts and Income	20.00	0.00	20.00	21.79	Final Report Issued
GDARP-D08/2013	Learning Disabilities Rationalisation of Provision Project	10.00	0.00	10.00	2.97	Planning
ECONOMY AND COMMUNITY						
Community Regeneration						
1-CTRT-04/2013c	Contract Management - Blaenau Ffestiniog Regeneration	10.00	0.00	10.00	9.96	Field Work Started
BE-POL-10/2013gen	Genesis Scheme	15.00	0.00	15.00	4.99	Field Work Started
BE-POL-10/2013pre	Young Apprentices Employment Route Project	15.00	0.00	15.00	0.64	Planning
BE-POL-10/2013tiw	New Work Connections Scheme	10.00	0.00	10.00	12.85	Final Report Issued
T-TAI-C04/2013	Communities First	20.00	0.00	20.00	0.41	Planning
Youth						
EADDI01/2013clwb	Youth Clubs	20.00	0.00	20.00	28.85	Field Work Started
Major Projects						

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
1-CTRT-04/2013a	Contract Management - Sailing Academy	10.00	0.00	10.00	0.36	Planning
Skills and enterprise						
DDAT-AD06/2013	"Llwyddo'n Lleol"	20.00	0.00	20.00		Planning
DDAT-AD06/2013pot	"Potential" Project	10.00	0.00	10.00	9.55	Final Report Issued
Strategy and development Programmes						
4-DAT-X-GRANT/2013r	Youth Club Grants - Revenue Grant	5.00	0.00	5.00	5.82	Final Report Issued

CUSTOMER CARE

Information Technology						
AW-TG-01/2013	Social Media	0.00	20.00	20.00	2.28	Planning
AW-TG-04/2013	Change Control	15.00	0.00	15.00	1.26	Planning
AW-TG-06/2013a	Thin Client	10.00	0.00	10.00	0.20	Planning
AW-TG-08/2013	Backups and Service Continuity	10.00	0.00	10.00	1.91	Planning
AW-TG-09/2013	Network Convergence	20.00	-20.00	0.00		Cancelled
Council Land and Property						
1-CTRT-04/2013b	Contract Management - Bro Dysynni Area School	10.00	0.00	10.00		Planning
BA-EID-02/2013	Asset Management Plan	20.00	0.00	20.00		Planning
BA-EID-02/2013leg	Protection from Legionella	20.00	0.00	20.00	22.53	Final Report Issued

SOCIAL SERVICES

Across the department						
5-GOF-GCY-PART/2013a	Occupational Therapy Service Partnership	10.00	0.00	10.00		Planning
5-GOF-GCY-PART/2013c	Extra Care Housing	20.00	0.00	20.00	9.73	Final Report Issued
5-GOF-PaPh-1/2013	Social Services Performance Measures - Accuracy of Core Data	25.00	15.00	40.00	46.62	Final Report Issued
5-GOF-X-CYLL/2013	Social Services - Implementing Savings	20.00	0.00	20.00	15.86	Field Work Started
5-GOF-X-CYMD/2013	First Steps Improvement Package Grant	5.00	0.00	5.00	3.89	Final Report Issued
GCC-01/2013	Commissioning Framework Standard 7	0.00	5.00	5.00	5.87	Field Work Started
GCC-05/2013	Joint Commissioning with BCULHB	25.00	0.00	25.00		Planning
GRH-GW01/2013ff	Social Services - Security of Files and Data	20.00	-20.00	0.00		Cancelled
GRH-GW02/2013	Client Assets Management Unit - Internet Banking	10.00	0.00	10.00	6.28	Final Report Issued
GTG-SYS01/2013	Care Systems Support Unit	10.00	0.00	10.00	1.86	Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Business						
5-GOF-BUS/2013all	Social Services Contracting Arrangements	40.00	0.00	40.00	22.20	Field Work Started
GGWAS-D02/2013	Brokerage Service	15.00	0.00	15.00	17.93	Final Report Issued
Children and Families						
GGWAS-P05/2013lley	Accommodation for Young Persons leaving care	15.00	0.00	15.00	3.89	Field Work Started
HIGHWAYS AND MUNICIPAL						
Fleet						
PGW-TR-02/2013	Workshops - Health and Safety Supervision	10.00	0.00	10.00	14.64	Final Report Issued
Municipal Works						
PBW-07/2013	Street Cleaning	15.00	0.00	15.00	7.01	Field Work Started
Highways Works						
PPR-A55-01/2013	Works - A55 Contract	25.00	0.00	25.00	24.73	Field Work Ended
Waste Management and Streetscene						
PBW-03/2013	GwyriAD Scheme	20.00	0.00	20.00	6.09	Planning
REGULATORY						
Public Protection						
BB-YSG-11/2013	Licencing Unit	12.00	0.00	12.00	20.61	Final Report Issued
Transportation and Street Care						
1-GRANT-AMG/2013gtc	Grant - Local Transport Service	10.00	0.00	10.00	7.97	Final Report Issued
3-PROJ-TRAF/2013briw	Pont Briwet Project	10.00	0.00	10.00	3.82	Planning
3-PROJ-TRAF/2013trac	TraCC Partnership	15.00	0.00	15.00		Planning
DDAT-CC-01/2013cy	Community Transport	20.00	0.00	20.00		Planning
STRATEGIC AND IMPROVEMENT						
Democracy						
BB-YSG-18/2013ex	Equipment with Former Members	15.00	0.00	15.00	3.74	Planning
BB-YSG-18/2013tg	Members' IT arrangements	15.00	0.00	15.00	2.26	Planning
Performance and Scrutiny						
1-CORFF-05/2013a	Achievement of Savings Projects	15.00	0.00	15.00		Planning
GWYNEDD CONSULTANCY						

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Engineering and Building Control						
3-YMG-CTR/2013fa	Comparison of Final Accounts with Original Tender	10.00	0.00	10.00	9.59	Final Report Issued
3-YMG-CTR/2013pen	Appointment of Engineering Contractors	20.00	0.00	20.00	21.32	Final Report Issued
3-YMG-CTR/2013pont	Bridges	10.00	0.00	10.00	12.65	Final Report Issued