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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, 20 CHWEFROR 2014

10.30am THURSDAY, 20 FEBRUARY 2014

Lleoliad / Location

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

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Dosbarthwyd/Distributed: 12-2-14

**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
Dafydd Meurig
Gethin G. Williams

Annibynnol/Independent (5)

Y Cynghorwyr/Councillors

Trevor Edwards

Tom Ellis

John Brynmor Hughes

Angela Russell

John Pughe Roberts

Llais Gwynedd (3)

Y Cynghorwyr/Councillors

Anwen Davies

R.J. Wright

Sedd Wag / Vacant Seat

Llafur/Labour (1)

Y Cynghorydd/Councillor

Sion W. Jones

Aelod Lleyg/Lay Member

Mr John Pollard

Aelod Ex-officio/Ex-officio Member

Is-Gadeirydd y Cyngor / Vice-Chairman of the Council

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 3 December 2013, be signed as a true record.

(copy herewith - **yellow** paper)

5. 2014/15 BUDGET AND 2014/15 – 2017/18 FINANCIAL STRATEGY

To submit the report of Dilwyn Williams, Corporate Director (copy herewith – **blue** paper)

6. TREASURY MANAGEMENT – TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2014/15

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

7. REPORT FROM THE CONTROL IMPROVEMENT WORKING GROUP

To submit the report of the Chair of the Committee outlining the feedback from the meeting of the Panel on 22 January 2014
(copy herewith – **green** paper)

8. REVENUE BUDGET 2013/14 – THIRD QUARTER REVIEW (DECEMBER 2013)

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

9. CAPITAL PROGRAMME 2013/14 – END OF THIRD QUARTER REVIEW (31 DECEMBER 2013)

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

10. 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 November 2013 and 31 January 2014. (copy herewith – **grey** paper)

11. INTERNAL AUDIT PLAN 2013/14

To submit the report of the Senior Audit and Risk Manager on the progress of the Internal Audit Plan 2013/14 (copy herewith – **lilac** paper)

12. DRAFT INTERNAL AUDIT PLAN 2014/15

To submit the Draft Internal Audit Plan for the year 1 April 2014 – 31 March 2015 (copy herewith – **yellow** paper)

13. SELF ASSESSMENT OF GOVERNANCE ARRANGEMENTS

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

14. REVIEWING THE COUNCIL'S CONSTITUTION

To submit the report of the Head of Democracy and Legal (copy herewith - **salmon** paper)

AUDIT COMMITTEE 3/12/13

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

Councillors: Anwen Davies, Eddie Dogan, Tom Ellis, John B. Hughes, Charles W. Jones, Dafydd Meurig, Dilwyn Morgan, Michael Sol Owen, Angela Russell, Gethin Williams, R.J. Wright and Peredur Jenkins (Cabinet Member for Resources)

Lay Member: Mr John Pollard

Also Present: Dafydd Edwards (Head of Finance Department), Hawis Jones (Performance Improvement and Efficiency Manager – for Item 5 only), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager – Audit and Risk), Caroline Lesley Roberts (Investment Manager – for Items 1-8) and Bethan Adams (Member Support and Scrutiny Officer).

Apologies: Councillor Aled Ll. Evans

1. DECLARATION OF PERSONAL INTEREST

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

2. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 26 September 2013, as a true record.

3. EXTERNAL AUDIT REPORTS

Submitted - the report of the Performance Improvement and Efficiency Manager. It was noted that one of the principal duties of the Audit Committee according to the Local Government (Wales) Measure 2011, was to review and assess the authority's arrangements for managing risks, internal controls and corporate governance. She elaborated and stated that there was a responsibility to ensure that arrangements and processes were in place to ensure that any recommendations included in external audit reports were implemented.

It was noted that a list of the external audit reports received by the Council were submitted to the Audit Committee every six months but it was intended from now on to concentrate on the main reports, namely:

- ESTYN Reports
- Care and Social Services Inspectorate Wales (CSSIW) Reports
- Annual Reports of the Wales Audit Office (WAO)

It was noted that the completed register of external audit reports would be available to the members by contacting the Head of Strategic and Improvement Department.

It was reported that the Scrutiny Forum would be considering the matter at its meeting on 13 December and would seek clarity regarding the role of the Audit Committee, the Scrutiny Forum and the scrutiny system to ensure that there was no duplication.

In response to a question regarding who would be scrutinising the other reports, it was noted that the departments and Cabinet Members would ensure action and that the reports would be available for the Scrutinisers should they wish to scrutinise them.

RESOLVED:

- i) **To approve the new arrangement of reporting and concentrate on the principal reports, namely:**
 - **ESTYN Reports**
 - **Care and Social Services Inspectorate Wales (CSSIW) Reports**
 - **Annual Reports of the Wales Audit Office (WAO)**
- ii) **To approve the proposal to discuss the best method of scrutinising and holding to account the main reports at the next meeting of the Scrutiny Chairs Forum on 13 December.**

4. REVENUE BUDGET 2013/14 - SECOND QUARTER REVIEW (SEPTEMBER 2013)

Submitted – the report of the Head of Finance Department, noting that in accordance with the requirements of the Local Government (Wales) Measure 2011, that it was expected for the Audit Committee to scrutinise budget monitoring reports when appropriate.

The Cabinet Member for Resources reported that second quarter budget review reports had been submitted to the Cabinet on 26 November 2013. The following decisions were submitted for the attention of the committee to scrutinise –

- “a) To note the latest projections of the 2013/14 budgetary position and commit as individual Cabinet Members, with the relevant heads of departments, to take appropriate steps regarding matters under their control, as there is strong doubt as to whether we will bail out the total overspend of any departments, and where appropriate it is expected that evidence is seen of managerial measures which reduce the overspend during the remainder of 2013/14.
- b) To release (£568k) of additional funding from the Reserves Budget to the Social Services Department in order to meet the cost of demographic changes.
- c) To release an element of the ‘Savings Ahead of Schedule’ budget in order to bridge some savings targets (the North Wales Procurement Unit and an element of e-Procurement) which are unlikely to be realised in full in 2013/14.”

It was noted that the budgets for which concern had been expressed were being addressed by the departments and the Cabinet Members, namely (£ below 2013/14 net overspend):

- Highways and Municipal Department – Waste £536k (and pressure on the 2014/15 budget)
- Provider and Leisure Department – Staff of Care Homes £290k and Leisure Sales £76k
- Education Department – Redundancy and Early Retirement in schools £259k

It was emphasised that it had been made clear to the departments and the Cabinet Members that it was not proposed to bail out departments for all the overspend at the end of the year as in previous years because of the challenging financial settlement for 2014/15 and it was expected that managerial measures were seen to be taken to reduce the overspend during the remainder of 2013/14.

It was reported that it had been originally projected in the budget that there would have been less Council Tax money collected because of the reductions scheme but as the Welsh Government had modified the scheme, an additional £520k had been received to what had been expected, along with an additional £221k from the investment made in the Heritable Bank.

The Head of Finance Department noted that more work had been undertaken to ascertain the reasons behind the overspend in the three fields where there were concerns since the report had been published.

In terms of the overspend of the Highways and Municipal Department in the field of Waste, it was reported that a report would be submitted to the Council Cabinet soon, examining the transformation of the method of collecting and disposing waste with more emphasis on recycling and that steps had already been taken to close the Ffridd Rasus site in Harlech as a waste disposal site. The Chairman noted that officers from the Highways and Municipal Department and the Cabinet Member for the Environment could be invited to the next meeting of the Controls Improvement Working Group regarding the matter.

With regard to the overspend in the Provider and Leisure Department, it was noted that employment issues were driving the overspend in the budget of workers in Homes and that Leisure sales were down because leisure centres were trying to promote healthy food in their cafes and it was proposed to increase income by means of better marketing.

It was noted that the Head of Finance Department, the Senior Manager - Audit and Risk and the Cabinet Member for Resources had made enquiries into the overspend in the Education Department under the heading of Redundancy and Early Retirement in Schools. It was explained that the relevant expenditure was appropriate for schools where there was a decrease in the number of pupils in order to balance the budget.

Members were given an opportunity to ask questions.

A member asked how many children were on the fostering list. In response, the Head of Finance Department noted that he would make enquiries and inform the member.

With regard to early retirements in the Education Department, a member noted that teachers retired early and then accepted posts in other schools and this prevented young people from having an opportunity. Furthermore, it was noted that classroom assistants were being used more and more rather than employing more teachers. Another member noted that members should discuss this with the Governors of their schools.

In response to an enquiry regarding the increase in the expenditure on services for older people because of demographic changes, the Head of Finance Department noted that budgetary provision was being made on the forecasted changes in demography but specific information regarding the numbers had been received recently. He elaborated that the specific information regarding demography assisted the department in evidencing the need for them to be bailed out for the additional cost. The Senior Finance Manager added that annual provision was in place to assist the department to keep up with the demographic changes.

A member enquired whether there was sufficient capacity within the Council to transform services in order to reduce the overspend in future. In response the Head of Finance Department noted that it was crucial for managers and staff to accept the idea of service transformation.

It was reported that the departments would receive target savings in February and it was expected for departments to think of ideas / plans to save money by the beginning of summer 2014 and to decide whether there was a sufficient resource within the Council for it to be achieved or whether an external resource was needed. It was added that the one-off resource of the Invest to Save fund would be available for departments to realise service transformation.

In response to an enquiry regarding what was the meaning of 'Other' on page 14 of Appendix 2, the Senior Finance Manager noted that the most significant variances were listed under specific headings and that several different budgets of the Education Department had been included together under the 'Other' heading because the variances between the expenditure level and the level of relevant budgets here were so small.

The Cabinet Member for Resources emphasised that difficult decisions had to be made to transform the way services were provided because the current arrangement was not sustainable in view of the financial challenge. He noted that there would be an opportunity for all Council members to participate in the process during the coming months.

In response to an observation regarding the overspend in the Maritime Service as a result of Hafan Pwllheli, the Head of Finance Department noted that a report would be submitted soon to the Council Cabinet examining the options in terms of the management of Hafan Pwllheli.

A member noted that consideration should be given to establishing a Trust for Pwllheli Harbour and Hafan Pwllheli and the Head of Finance Department confirmed that this would be amongst the options.

A member drew attention to the fact that Hafan Pwllheli was not losing money but rather it was not achieving the income target. In response, the Head of Finance Department noted that an expected income target had to be set for an asset in Council ownership.

In response to an enquiry regarding an overspend of £76,000 on the Telephone Service as a result of a failure to fully achieve the savings plan by the Customer Care Department, the Head of Finance Department explained that the overspend had been caused by a slippage in the timetable of the VoIP (Voice Over Internet Protocol) plan. He noted that an application for funding from the Invest to Save Fund to finance the plan would be submitted to the Council Cabinet.

A member thanked the Head of Finance Department and the staff of the Finance Department for their work in recouping 94% of the investment made in Heritable Bank thus far.

RESOLVED

- a) **To note the situation and the relevant risks in the context of the Council's budgets and its departments.**
- b) **To invite the Cabinet Member for the Environment and relevant officers from the Highways and Municipal Department to the next meeting of the Controls Improvement Working Group regarding the overspend in the field of waste.**

5. CAPITAL PROGRAMME 2013/14 – END OF SECOND QUARTER REVIEW (SEPTEMBER 2013)

Submitted – the report of the Head of Finance Department providing details of the revised programme and the relevant sources of finance.

The Cabinet Member for Resources reported that the report had been considered by the Cabinet on 26 November 2013 and submitted their decision for the attention of the committee -

“RESOLVED to accept the revised capital programme for 2013/14 – 2015/16 as submitted in part 1 of the report and to approve the relevant funding sources as outlined in part 2 of the report.”

It was noted that it was encouraging that the value of the capital programme for the current three years was over £121million, which was a substantial achievement in the current financial climate. There had been an increase of 3% in the expenditure level at the end of September this year compared with last year. It was noted that pressure was being placed on the departments to spend earlier in the year.

A member referred to the Safe Paths in the Community scheme – Ederm to Morfa Nefyn and noted that the work had commenced and he was grateful for the excellent and tidy work.

In response to a question regarding unsupported borrowing, the Head of Finance Department noted that in the past, the Council received an annual level from the Government for the amount of money that could be borrowed and repaid loans with fixed thresholds. By now, although there was a determined threshold, the process was more notional and the Council could exceed the threshold in accordance with the Prudential Code where a scheme was affordable or sustainable by repayment of monies by means of income or savings in the future.

RESOLVED to note the situation and accept the Cabinet's decision.

6. TREASURY MANAGEMENT 2013/14 – MID YEAR REVIEW

Submitted – the report of the Head of Finance Department on treasury management activity during the current financial year.

He noted that the CIPFA Code of Practice on Treasury Management recommended that members should be informed of Treasury Management activity at least twice a year. This mid year report ensured that the Council was embracing best practice.

It was noted that a seminar would be held for members in January with the consultants from the Arlingclose Company, when there would be an opportunity to enquire about the strategy for 2014/15 and receive guidance on how the Council could receive more interest on its investments.

The Head of Finance Department noted that interest rates were low and that investments were being made for longer periods where appropriate in order to receive more interest but in several cases the investment period had been reduced as outlined in Appendix A. The Investment Manager added that the average interest receipts for the last six months, was 0.78% which underlined the seriousness of the situation.

It was noted that the Council was trying to make the best of its investments bearing in mind the current economic climate.

RESOLVED to accept the report for information.

7. SELF ASSESSMENT OF GOVERNANCE ARRANGEMENTS

Submitted - the report of the Senior Manager - Audit and Risk. It was noted that that it had been highlighted in the presentation of the Wales Audit Office (WAO) in July to the Audit Committee that they were concerned that the Council's self assessment of its governance arrangements lacked corporate ownership and robust scrutiny and challenge.

It was reported that steps had been taken already to improve the governance arrangements and a Governance Arrangements Assessment Group had been established and had convened. It was noted that the members of the Group included the Corporate Director (Dilwyn Owen Williams), the Head of Democracy and Legal Department, the Senior Manager of the Corporate Commissioning Service, the Senior Manager – Delivery and Support and the Senior Manager – Audit and Risk.

It was noted that WAO was encouraging the Council to establish a rolling programme of reviews of the element within the governance framework.

It was reported that the Governance Group had decided that the first step would be to review the governance framework and that the Audit Committee should take a key role in the process.

The committee was informed that it was intended to hold a workshop with members of the Audit Committee in January to run through the core principles of good governance with facilitators present to assist and provide guidance.

The Senior Manager – Audit and Risk noted that there was an error in the English version of the report under paragraph 2.2 and the date of February should read 2014 rather than 2041.

RESOLVED:

- (i) to accept the report as an update on the development of the work programme of the Governance Arrangements Assessment Group;**
- (ii) to arrange a workshop during January 2014 in order to undertake a self assessment of the principles of good governance to be held in the Call Centre, Penrhyndeudraeth if possible.**

8. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the abovementioned working group held on 11 November 2013 to consider three audits that had received a category C opinion during the period between 1 July and 31 August 2013, namely -

- a) Health and Safety Risk Assessments
- b) Officers' Interests Policy
- c) Software Licences (Schools)

Senior Managers had been invited to attend the meeting to discuss the matters arising from the audits and the work completed since the audit reports had been published in order to strengthen the internal controls in question.

It was noted that assurance had been received in the working group that the issues highlighted by the Internal Audit Unit were receiving due attention and that steps were being taken.

With regard to the Software Licences (Schools) audit, a member noted that the working group had expressed its disappointment that only 21% of schools had responded to the request for information and it should be noted in future that a response was required.

In response to a question regarding Health and Safety Risk Assessments (Schools), the Senior Manager – Audit and Risk noted that the report was likely to appear before the committee in May.

A member noted that the working group facilitated collaboration and enabled messages to be transferred more effectively to the relevant officers.

RESOLVED to accept the report.

9. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 31 October 2013

Submitted – the report of the Senior Manager - Audit and Risk outlining the Internal Audit Section's work in the period between 1 September 2013 and 31 October 2013. In relation to the information on the work completed during the period, the officer referred to -

- 11 reports on audits of the operational plan with the relevant opinion category shown
- 1 other report (memoranda etc.)
- 4 grant reviews
- 2 follow-up audits

Further work which was being undertaken by the Internal Audit Section was reported upon which included 23 audits which were in progress.

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

Harbours

A member enquired, following recent audits of vehicles for the use of red diesel by VOSA, whether the Council had received a fine and what was the situation with grass cutting machines in terms of the use of white or red diesel. In response, the Head of Finance Department noted that he would make enquiries and inform the member.

RESOLVED to accept the reports on the Internal Audit Section's work for the period between 1 September and 31 October 2013 and to support the recommendations already submitted to the managers of the relevant services for implementation.

**RESOLVED that the following members serve on the working group to consider the audits that received opinion category 'C' along with the overspend in the field of waste in the Highways and Municipal Department -
The Chairman and Vice-chairman of the Committee along with Councillors John Brynmor Hughes, Michael Sol Owen, Gethin Glyn Williams, Bob Wright and Tom Ellis (if he is available).**

10. INTERNAL AUDIT PLAN 2013/14

Submitted – the report of the Senior Manager - Audit and Risk providing an update on the current situation in terms of completing the 2013/14 internal audit plan.

He provided details of the situation as at 15 November 2013 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	34
Field work Started	19
Field Work Ended	3
Awaiting a Review	6
Draft Report Issued	3
Final Report	40
Total	105
Cancelled	6

It was reported that in order to achieve the quarterly target of 60% (i.e. 63 out of 105), there was a requirement to close or release a final report for a further 23 audits by 31 December 2013. It was noted that it was expected that 12 reports with the status of 'Field Work Ended', 'Awaiting a Review' and 'Draft Report Issued' would be completed by then and it was aimed to release 11 further audits before the end of the quarter to achieve the target.

Attention was drawn to modifications to the Internal Audit Plan which was mainly because of changes in the Council's arrangements.

In response to an enquiry regarding the increase in the number of days to complete the audits on Health and Safety Risk Assessments (Schools), the Senior Manager – Audit and Risk noted that 15 days had been added to the completion of the audit work programme because a request had been received to examine more schools in the sample than had originally been intended.

RESOLVED to note the contents of the report as an update on progress against the 2013/14 audit plan.

The meeting commenced at 10.30am and concluded at 11.55am.

MEETING:	AUDIT COMMITTEE
DATE:	20 FEBRUARY 2014
TITLE:	2014/15 BUDGET AND THE FINANCIAL STRATEGY FOR 2014/15 - 2017/18
PURPOSE:	TO SUBMIT THE BUDGET WHICH THE CABINET INTENDS TO RECOMMEND TO THE COUNCIL FOR SCRUTINY BY THE AUDIT COMMITTEE IN RELATION TO ITS FINANCIAL PROPRIETY
ACTION REQUIRED:	TO SCRUTINISE THE INFORMATION BEFORE THE COUNCIL CONSIDERS THE RECOMMENDATION TO BE MADE BY THE CABINET.
CONTACT OFFICER:	DILWYN WILLIAMS, CORPORATE DIRECTOR.
CABINET MEMBER:	COUCILLOR PEREDUR JENKINS

At its meeting on the 18 February, the Cabinet will be considering the attached report and coming to a conclusion on the budget to be proposed to the Council for 2014/15 which will include a recommendation on the proposed Council Tax increase.

Bearing in mind that it is best practice to set the budget in the context of the longer term position it is also proposed that they will consult with the Council on the medium term financial plan which they propose for the coming period (2014/15 - 2017/18).

This continues the practice we have now been following for some years - a practice which is praised by the external auditors and which has paid dividends in terms of the circumstances we face and planning to deal with the situation.

The Cabinet will have given consideration to the attached report by the time the Audit Committee considers the matter and we will report on their conclusions.

The Audit Committee is given the opportunity to consider the financial propriety of the proposals so that its viewpoint can be reported to the Council at the same time as the Cabinet's recommendations are made.

REPORT TO CABINET
18 February 2014

Cabinet Member: Cllr Peredur Jenkins

Subject: 2014/15 Budget and 2014/15 – 2017/18 Financial Strategy

Contact Officer: Dilwyn Williams, Corporate Director

Decision sought

- 1 To recommend to the Council that a budget of £231,648,200 should be set for 2014/15 to be funded by £174,970,570 of Government Grant and an increase of 3.5% in the Council Tax which would generate Council Tax income of £54,973,640 with the remaining gap being funded by utilizing £1,703,990 of Council balances.
- 2 That we should establish a capital programme of £16.193m in 2014/15 and £17.974m in 2015/16 to be funded from sources noted in clause 10.7 of the appendix.
- 3 That we should also consult the Council on the proposals to deal with the financial problem with which we are faced for the next 4 years which is outlined in paragraphs 19-26 of this report and part 11 of the appendix.

Opinion of local member

Not a local matter

Introduction

1. The Council has to set a balanced budget for the year ahead (2014/15) ensuring that the expenditure balances with the income.
2. Historically, and in accordance with good practice, the Council has established its' annual budget within the context of the medium term financial strategy in order to ensure that the budget is prepared for the

situation ahead rather than meeting the requirements of one year at a time.

3. This has proven to be of benefit to us in the past as we have been able to find savings in a rational and sensible way rather than having to take rushed decisions, which often lead to the wrong decisions in terms of the benefits to our citizens.
4. It is a matter for the Cabinet to consider all of these issues and recommend an appropriate budget to the Council for 2014/15. There is also a role for the Audit Committee to consider the proposals which are to be recommended in order to consider whether they are financially appropriate.
5. In addition, in the light of the difficult financial environment in front of us, as we need to plan ahead for future years in order to seed ideas early enough to be able to meet the situation with which we are faced, the Cabinet will no doubt wish to consult the Council on what it proposes to do in order to cope with the situation.
6. The appendix attached to this report details all the relevant matters that need to be considered when establishing the 2014/15 budget along with those issues which impinge upon the establishment of a medium term strategy.

A) 2014/15 BUDGET

7. The proposals for 2014/15 can be summarised as follows -

	£m
2014/15 Expenditure Requirements	240.30
Less Government Grant Income	(174.97)
Less Council Tax (based on an increase of 3.5%)	(54.97)
Deficit -	10.36
Reduce specific budgets	(3.06)
Savings being delivered and available in 14/15	(5.52)
To be met from balances and savings found early	1.78
	-

8. In 2014/15 an assessment of our expenditure requirements suggests that we need to increase our expenditure to £240.30m.

9. This includes £1.4m to meet the costs of transfers into the settlement along with £1.5m to meet pressures on budgets. Full details are given in part 3 of the attached appendix.
10. There is also a need to provide for £558,000 of one off requirements to be funded by adding £128,750 of savings found early to the provision of £297,250 which is already in the budget to provide for one off requirements, and using £132,000 of balances to fund the remainder.
11. Within the proposed budget we will be complying with the Welsh Government's funding promise for schools but the secondary sector is under pressure due to the effects of demography and the fact that a number of grants given to them by Welsh Government are being reduced.
12. In order to assist the sector to have sufficient time to cope with lower budgets the Education Service intends to assist by giving schools a one off contribution of £160,000 in 2014/15 and I recommend that a further £250,000 should be added from balances to assist further. The proposed budget also implements a temporary protection scheme to assist any school which falls below 260 pupils in order to buy time to come to a more permanent solution. However this underlines the need to find a longer term sustainable solution for this problem. Details are given in part 4 of the appendix.
13. The grant that we receive from the Welsh Government will reduce 4.4% to £174.97m. which is a much larger reduction than anything seen since local government reorganisation in 1996.
14. Therefore, in order to meet the financial gap that this creates in 2014/15 it will be possible to reduce some budgets without impairing on present front line service budgets and it will be possible to call upon savings which are already being found of £5.52m.
15. We had originally anticipated that there would be £6.2m of savings available in 2014/15 but there is one scheme which will no longer deliver the anticipated savings when the original business case was prepared, and there is another £450,000 of savings which where the delivery profile has slipped into 2015/16. The deficit which the slippage creates can be covered by meeting it from savings found before they are required. Details in relation to these issues are given in part 6 of the appendix.

16. It is recommended that the remaining gap is funded by increasing the Council tax by 3.5% which will generate £1.86m and that we should use £1.33m of balances to fund the remaining gap.
17. There is a further question in part 8 of the appendix in relation to taking action in respect of low pay in the Council. The above recommendation in relation to the Council Tax does not take this into account.
18. Within the proposed budget the main risk is that we will not now have a contingency budget on which we can call and we will have to fall back on balances if we have an unexpected financial pressure.
19. In the light of the need to review every strategy (including the asset strategy) it is also proposed that we do not add to the capital programme approved by the Council last year, but that we should amend the programme to take account of unavoidable changes as shown in appendix 3 which will mean having a programme of £16.193m in 2014/15 and £17.974m in 2015/16. The programme continues to spend on capital schemes at a much greater level than the resource which we receive from Welsh Government to support our programme.

B) MEDIUM TERM STRATEGY

20. For the 4 year period 2014/15 – 2017/18 our analysis of the situation shows that we might be facing a financial gap of over £51m over the period with projections for grant reduction responsible for £20m of this sum.
21. If the Council was content to increase the Council Tax 3.5% per year on average over the next 4 years, along with the steps which we intend to take in 2014/15 and with savings already being found, this would mean that we would be faced with finding additional savings worth nearly £34m in the three years from 2015/16 onwards.

22. The position is summarized in the table given below -

£M	2014/15	2015/16	2016/17	2017/18	Total
Additional spending needs	6.4	7.7	10.2	6.7	31.0
Grant loss (increase)	6.7	4.4	3.5	6.1	20.7
Council Tax (*)	(2.7)	(1.8)	(1.9)	(2.0)	(8.4)
Planned deficit	10.4	10.3	11.8	10.8	43.3
Budgetary adjustments	(3.1)				(3.1)
Current Savings programme	(5.5)	(0.7)	(0.2)		(6.4)
Use of balances and early savings	(1.8)	1.8			-
To be found -	(-)	11.4	11.6	10.8	33.8

23. The implications for all other council services in having to find savings of £34m whilst protecting schools are so far reaching that we must keep all of our options open in order to allow us room to manouver when we see the effects of the savings which we will have to implement especially when we have to implement cuts.

24. In this respect therefore, it is recommended that we should work on the following range of possibilities -

Council Tax Policy	Consider increase in the Council Tax in the 3.5% - 5% range
Schools Budget	Consider setting a target for the schools budget based on what is practical
Commission on Public Service Governance and Delivery	Consider whether there will be any savings arising from reorganisation which we can depend upon and take into account
Efficiency Savings	Maximising the efficiency savings that can be achieved
Service Cuts	Figure remaining

25. We intend to address the need for more efficiency savings by establishing differential targets for each service based on an assessment of the opportunities which exist to find such savings. Cabinet Members and Heads of Service will then formulate schemes to deliver such efficiency savngs.

26. At the same time we intend to establish an inclusive programme in order to establish priorities so that we can ensure that any service cuts reflect the priorities of the people of Gwynedd.

27. We intend to address these needs now, but the necessary regimes will take time to put into effect. We do have some time to undertake the work due to the financial plans drawn up in the past, but we must be cautious that we do not lose any opportunities that present themselves in the meantime, and the Cabinet will take advantage of any opportunity which presents itself in the meantime to deliver savings.

Reasons for recommending the decision

28. The whole strategy tries to protect the services provided to the people of Gwynedd whilst keeping the Council Tax increase to the minimum which is consistent with that aim.
29. It also tries to ensure that any savings which we will have to deliver will be found from those areas which will have the least effect upon our citizens.
30. A Council Tax increase of 3.5% is recommended for 2014/15 in order to spread the variable annual effect of the financial squeeze consistently so that we do not have a low council tax increase in one year only to have to implement a massive hike in another year.
31. We foresee that there will be other councils in Wales which will increase council tax at a level greater than this and I certainly consider it to be the minimum we have to increase if we are to have any possibility of addressing the massive financial gap that we anticipate.

Relevant considerations

32. As noted above, it is possible to increase the Council Tax by a greater or lesser amount which will then affect the level of savings which we will have to find.
33. We cannot affect the grant which we receive from the Welsh Government (although officers and members are continually doing work to try and ensure fairness in the distribution formula) but in terms of the remaining parts of the equation we can change the spending amount but there are consequences to that of course.
34. It is a matter for the Council to consider the budget to be set for 2014/15 on the basis of the issues noted in the attached appendix and to consider whether they wish to change the level of spending and the Council tax

- level but for my part as the Cabinet Member I consider this to be the appropriate balance.
35. As part of a process of being inclusive, I am currently consulting the Council's members through a series of seminars over the days leading up to the meeting of the Cabinet and I will report orally on any observations received during that process so that the Cabinet may take them into account before making appropriate recommendations to the Council and it will then be a matter for the Council to adopt that budget or not.
-

Views of the Statutory Officers

Chief Executive:

Last Autumn the Council's financial prospects worsened suddenly by £8m when the Welsh Government confirmed a change to its original plans for Council grant in 2014/15. The Council had an appropriate strategy in place to deal with the original grant figures and decided not to rush into a new round of cuts to deal with the extra deficit. This was done in order to buy time for the Council to come up with new efficiency measures and to better understand potential cuts to services.

The downside of the strategy is that the Council's proposed budget in 2014/15 is probably the tightest budget since its formation in 1996. There will be no contingency budgets for unanticipated increases in permanent expenditure during the year; there is considerable use of balances which defer making difficult budgetary decisions and there are emerging budgetary pressures which are difficult to quantify at this stage.

This approach puts enormous pressure and accountability on the Cabinet to make efficiency savings and cuts during 2014/15 well in advance of April 2015 so that we are, once again, back on the front foot. In order to succeed the Cabinet will benefit from a focussed input from the Scrutiny Members. The Council faces a daunting financial challenge but, providing everyone performs their roles effectively and given our good track record, we can be confident of controlling the damage to Council services in Gwynedd.

Monitoring Officer:

Although it is for the Full Council to make the final decision on the budget it is important that the Cabinet provides a clear recommendation regarding its spending plans and draft budget and this report fulfils that requirement. Once the Council has agreed on the funding sources then it is the Cabinet who will be responsible for the expenditure and prioritisation within that budget, including realising any necessary savings. The financial strategy on the other hand is a matter for the Cabinet to decide but

in doing so it would be desirable for it to be inclusive and consult with the Council. I support the intention to do so.

Head of Finance:

These observations form the Chief Finance Officer's report on the "robustness of estimates" and "adequacy of financial reserves" in accordance with s.25 of the Local Government Act 2003. The Council must have regard to this, and associated risks identified by the Chief Finance Officer, when determining the annual budget and level of Council Tax.

When the members reach a decision on the use of balances in the budget setting cycle, it is essential to consider and assess the risks facing the Council. I am providing this opinion after considering the financial position, commitments and fundamental assumptions in the budget, such as inflation rates and interest, the change in the demand for services, estimates on the savings plans, etc.

I have been involved in relevant discussions as the Cabinet Member for Resources and the Corporate Director devised this financial strategy, and I can confirm the reasonableness of the forecasts submitted in this report regarding the Council's spending needs for 2014/15 and beyond, although some uncertainty and further strain is inevitable with pressure on our budget from several directions. However, I believe that the assumptions in the Corporate Director's report are fair and that those assumptions produce financial figures with a measured and acceptable level of risk.

In order to mitigate the risk associated with the financial strategy in 2013/14, Cabinet Members, Heads of Department, service managers and accountants responsible for the Council's budgets have generally acted with discipline and diligence to manage expenditure and secure income. Conscientious financial management will need to be reinforced in 2014/15, as our financial flexibility has diminished.

Further to an unprecedented challenging grant settlement from the Welsh Government for 2014/15 and in the generally difficult financial climate, there is no doubt that the Council will need a prudent level of balances for 2015/16 and beyond, in order that it can meet unavoidable redundancy costs and further bridging costs in the years ahead before its larger savings plans can be realised.

However, as our current level of balances (about £8m) are at a prudent level, and as Gwynedd has a savings strategy for the years ahead, with the promise from Cabinet members that they will adhere to plans to prioritise in 2014, I support the steps recommended, including using a reasonable portion of balances (around £1.8m) in order to bridge the gap in 2014/15 and to allow the Council time to implement an appropriate savings programme.

I am convinced that what is recommended here is prudent if the Council acts appropriately during 2014 in preparation for 2015/16 and beyond. However, this will mean a challenging and key role for the Cabinet, making a number of difficult decisions

whilst prioritising to achieve savings, as agreed in principle with the members whilst developing this Financial Strategy.

Attachments

2014/15 – 2017/18 Financial Strategy and 2014/15 Budget Report

**2014/15 BUDGET
and
2014/15 – 2017/18 FINANCIAL STRATEGY**

1 Background

- 1.1 This report notes the factors that influence the revenue budget required for 2014/15.
- 1.2 In addition, despite the fact that last year, we established a 4 year financial strategy, due to the fundamental changes seen in the financial climate, this report also recommends a new financial strategy for the period up to 2017/18 and notes the steps required to meet the challenge ahead.

A) 2013/14 Budget

2 Welsh Government Grant

- 2.1 The Welsh Government has announced the final settlement for 2014/15 together with indicative figures for the following year. The details are noted below in Table 1.

**Table 1
Revenue Support Grant 2014/15 & 2015/16**

£m	Wales	Gwynedd
2013/14	4,439,012	183,042 (*)
2014/15	4,264,466	174,971
Reduction	3.9%	4.4%
2015/16 (indicative)	4,198,518	172,346
Reduction	1.5%	1.5%

* £181.633m was the true grant figure for 2013/14 but the figure has been adjusted to take into account the transfers into the settlement in order to compare like with like.

- 2.2 It can be seen from the above table that Gwynedd Council faces losing over £8.071m grant next year which is a reduction of 4.4%, with the average reduction across Wales being 3.9%.
- 2.3 One of the reasons for the higher than average reduction is that the factors feeding the allocation formula keep going against us.
- 2.4 Specifically in 2014/15 Gwynedd has the lowest but one increase across Wales in the number of primary school pupils and it also had the highest but one reduction in the number of income support claimants under 65 year of age.

- 2.5 In addition, due to the way the formula works, as authorities across Wales in general spend less on average on transportation (compared with Education and Social Services) and as we receive a greater proportional share in the area of transportation, we suffer more as the expenditure figures are fed into the formula.
- 2.6 In the official published statements, the Government notes that the average reduction across Wales was 3.4% but this disregards the fact that £26m of Council Tax Reduction Scheme money which was previously paid as a grant in 2013/14 has been transferred into the settlement. In order to compare like with like therefore this figure should be included, which means that the reduction is closer to 3.9% .
- 2.7 We must also be careful not to read too much into the indicative figures for 2015/16.
- 2.8 We know from experience this year that it would be futile to put too much emphasis on this figure. The reduction could be greater, especially in the wake of the Chancellor's Autumn Statement, and any further policy changes within Welsh Government by this time next year.
- 2.9 One feature of the settlement is the substantial difference between the actual grant figure for this year [£181.633m for Gwynedd] and the figure used for comparison [£183.042m].
- 2.10 The difference of £1.409m comes about due to a number of grants which have been transferred to the settlement. It should be noted that the settlement also includes a third tranche of the resource provided by Welsh Government for borrowing to spend on our roads. More details are given in part 3.12 of the report.

3 Council Revenue Expenditure - 2014/15

- 3.1 Table 2 below shows the increase in the expenditure required for 2014/15.

Table 2 2
2014/15 Budget

	£'000
Base Budget 13/14	233,912
Salary Inflation	1,551
Other Inflation	1,191
Precepts	(21)
Increments	(94)
Pensions	264
Council Tax Reduction Scheme	203
Interest on Balances	236
Borrowing Costs	(404)
Demography	452
Miscellaneous	2
Income budget adjustments	92
Transfers into settlement	1,414
Pressures on services	1,498
Total requirement	<u>240,296</u>

3.2 **Base Budget 13/14** – Although £233.912m is the net 2013/14 expenditure figure it is important to note that the Council's true expenditure is £367m but this figure comes down to £234m as we receive a multitude of grants worth £79m and raise nearly £54m for services which we provide. As there is a trend for a number of these grants to be reduced there is also pressure on services to ensure that the corresponding expenditure reduces in order to balance the grant reduction, but this is not possible in every case without having a substantial effect on services provided to the people of Gwynedd.

3.3 **Salary Inflation** – This is the main assumption where the figure required for 2014/15 is unknown at present. Obviously there will be pressure from the unions to increase salaries bearing in mind that salaries have been constrained over the last few years. However, the Chancellor has noted that he wants to see public sector salary settlements restricted to 1% in the years ahead.

There is a provision for an increase of 1% therefore in the base budget. Should salaries increase more than that it would increase our requirement for savings in the years ahead.

3.4 **Other inflation** – This figure represents a provision for general inflation of 2.1% but making specific provision for items where the inflation rate is likely to be higher (e.g. Electricity and Gas).

This figure is lower than that added in previous years due to the fact that the increase experienced this year was less than that forecast when

preparing the budget which means that less provision is required for 2014/15.

In order to ensure that the payments made for services also contributes towards meeting the financial gap, every income budget has been increased by 2.5% which represents the inflation figure at the time the budget was prepared.

- 3.5 **Increments and Pensions** - The increments figure is the increase that results from giving staff salary increments, but this year, due to staff turnover, this figure represents a saving. Over the last 3 years the employer's contribution for staff pensions has increased 0.5% per year. However following the Pension Fund valuation the Fund Actuary has noted that there is no need to increase contributions for the next three years, and therefore there will be no increase in 2014/15.

However, in April 2014, the nature of the Local Government Pension Scheme will change which means that overtime payments will become pensionable. It has therefore been necessary to provide for higher employer contributions.

- 3.6 **Council Tax Reduction Scheme** - In the past, if the cost of Council Tax benefit increased (or decreased) the cost (or the saving) was reflected in the grant we received from the Department of Work and Pensions. Following transfer of the grant to the Welsh Government (and they in turn transferring that grant to the settlement), from now on, the Council will have to face any additional costs within the figure that we receive in the settlement.

Theoretically, there is £8.9m in the settlement to pay for the assistance given to taxpayers, but it is likely that this will not be sufficient to meet the true costs this year. On the basis of the latest projections it will be necessary to add about £203,000 to this budget in 2014/15. [The effect of inflation is already incorporated into the inflation figure noted above].

- 3.7 **Interest on Balances** - by now we had expected that interest rates would have started to rise but they continue to be extremely flat. As a result, rather than borrowing externally, we use internal borrowing which reduces the amounts we have to invest. Therefore, we will not be receiving as much interest in 2014/15 and this must be reflected in the budget.
- 3.8 **Borrowing costs** - we are benefiting from lower borrowing costs next year due to repayment of loans and the fact that we are not borrowing any new money as it is better for us to use the money tied up in our reserves (which attract low interest rates anyway) rather than borrowing at a higher cost to the Council.

3.9 **Demography** – We usually acknowledge the increasing number of elderly clients we would expect to provide for as a result of the ageing population, but as reported last year we have not had to do this for some years since the actual number has not risen. However, in 2013/14 it appears that the number of such clients has caught up with the demographic projections and we will have to add £858,000 to the budget to recognise this increase.

Against this increase however, we have seen a decrease in the number of children in our secondary schools which results in a budgetary reduction in that sector (£840,810). With an increase in pupil numbers in the primary sector (which results in a need to increase the budget by £434,860), there is a net saving of nearly £406,000 as a result of falling pupil numbers.

This reduces the total net demography figure to £452,000.

This substantial reduction in the secondary sector is of some concern to me and I return to this issue in part 4 below.

3.10 **Miscellaneous** – The figure shown here is a collection of miscellaneous minor items which need to be adjusted in the various budgets such as adjustments in the tonnages going to landfill; adjustments to the National Insurance thresholds; adjustments required to changing terms of external contracts undertaken by us; increase in the number of elected members who choose to be a part of the pension scheme and a raft of other minor items.

3.11 **Adjustments to Income Budgets** – The income budgets are reviewed annually to assess trends and it is now necessary to adjust the income budget for Hafan Pwllheli in order to reflect the fact that the actual income has decreased due to a decrease in use (which in itself might be due to the current economic climate). However there is a positive effect on some other income budgets to be set against this. The effect on specific budgets can be seen below [figures in brackets show an increasing income and figures without brackets show a decrease] –

- Hafan, Pwllheli : £180,000
- Land Searches : [£13,000];
- Cemeteries : [£10,000];
- Crematorium : [£25,000]
- Building Control : [£40,000].

3.12 **Transfers to the settlement** – As stated above a number of grants are being transferred to the settlement this year as follows -

- ***Council Tax Reduction Scheme (£803,000)*** – in order to ensure that the scheme continues to pay the Council Tax in full for those on low income.
- ***Grant for Administering the Council Tax Reduction Scheme (£179,000)*** – for paying the cost of staff in the Benefits Unit who administer this Scheme. This is the sum that was transferred into the settlement - the actual cost (and the previous grant) was much higher but a reduction in the grant has been introduced as part of the Government's austerity programme.
- ***Additional Council Tax support grant for Pensioners (£150,000)*** – there is currently a national scheme which gives additional support to pensioners who receive support with their Council Tax and this is funded from a Government grant. They have added this to the settlement for 2014/15 and have stated that it is a matter for councils whether they continue with it or not. This has been added to the budget for 2014/15 as it was too late in the day to consider abolishing it but it should be noted that this is an option for the years ahead.
- ***Public Conveniences Grant (£17,000)*** – this grant is being transferred to the settlement. At present it pays for payments given to businesses urging them to open their conveniences to the public.

On top of these transfers there is £265,000 in the settlement to pay for the third tranche of the road improvements borrowing plan. Although this is not actually a true transfer to the settlement it is a budget we must spend for specific purposes and therefore I have included it under this heading.

3.13 **Pressure on Services** - There are two main headings here namely

a) **Applications received from services for additional funds to meet the pressures on their Services (£1.471m).**

Every service is invited to identify any expenditure which is required for the Council to continue to ensure the continuation of basic services. This heading is not for new developments but rather for continuation of current basic services.

Details of the recommendations are given in Appendix 1.

Some of the issues needing consideration are reflected in this year's spending patterns. Others are a result of factors where there is a need to increase the budget in order to protect outcomes to the public or to meet statutory requirements. There is also an element of Central Government creating more pressure and expectations

and our having to deal with the consequential effects (on top of the reduction in our grant)

These items have been subject to challenge before being recommended. This figure is significantly lower than that which we have seen in the past.

Also in this report it is noted that one-off pressures worth £558,000 also need to be approved in order to ensure continuation of service. This can be funded from the £297,250 performance incentive grant money kept each year for the purposes of one off spending and an further additional £128,750 from savings which have been found early in 2013/14, with the remainder (£132,000) being funded from balances.

b) School Requirements (£27,580)

The background to this is noted in part 4 below.

4 Schools

- 4.1 The Welsh Government have noted that they have protected the Local Government Grant in order to ensure a lower reduction in school budgets compared with other services. The implication presumably is that we would have seen a reduction greater than 4.4% had they not given us this protection.
- 4.2 Our approach towards this to date has been to continue to plan on the basis of what the Council would wish to do for schools then measuring that against the Welsh Government's proposals and consider whether there is a need to adjust anything in order to comply with the promise.
- 4.3 This rule means that there is a need to ensure that this year, schools receive an increase of +0.45%. As noted last year, this raises the basic question as to how logical it is for the Council to continue to deliver the Welsh Government's wishes when we will have to cut other services to pay for it. We do not know of course what the effect would be of not complying in terms of Welsh Government response and the response of the schools themselves.
- 4.4 The figures in the budget shown above (which include ensuring that schools receive the necessary increase in their budgets to meet inflation etc) along with other actions noted in this section, mean that we will fulfil this requirement this year.
- 4.5 Therefore, unlike other services, for the third year in a row, overall the schools budget will not face having to find savings in 2014/15 other

than to face the usual adjustments that arise from the change in pupil numbers, with some schools benefiting and some losing out.

- 4.6 However in order to understand the overall context, it is important that the Cabinet is aware of what is happening with grants given to schools by the Welsh Government.
- 4.7 In 2014/15 Gwynedd schools will benefit nearly £900,000 due to increased deprivation grant that schools receive with about £520,000 going to the primary sector and about £374,000 going to the secondary sector. Of course the distribution to individual schools will depend on the number of children in individual schools eligible for free school meals and it must be used to improve results amongst children from less privileged backgrounds.
- 4.8 However against this increase, the secondary sector will face a reduction of about £500,000 in post 16 and 14-19 network grant.
- 4.9 With a reduction of £840,810 in the budget due to a decrease in the number of children noted in paragraph 3.9 above, and these grant reductions, the secondary sector is going to suffer substantially this year with the reduction approaching £1m.
- 4.10 In view of the unexpected grant reduction, the Schools Service is offering £160,000 on a one off basis from its own resources in order to assist the sector to acclimatise to this reduction in grant.
- 4.11 However, if we look at the demographic position on its own, the reduction in the number of pupils means that one school will fall below 260 pupils (which is the number whereby there are real doubts on the ability of a school to deliver the curriculum) and therefore it is suggested that we need a protection scheme for the secondary sector whereby the budget of secondary schools that fall under 260 pupils is protected until it is possible to find a longer term solution for schools of this size.
- 4.12 However, with two other schools nearing the figure of 260 pupils, this underlines the need to ensure a long term solution to the problem. Such a plan would cost £27,580 in 2014/15.
- 4.13 Taking into account the Council's priority in its Strategic Plan of improving children and young persons' educational standards, there is a question as to whether we should go further and consider the funding balance between the primary sector (which will see an increase of nearly £1m in its overall budget) and the secondary sector (which will see a similar reduction in its budget even after taking the above steps into account).

- 4.14 It may be the case that time does not allow us to consider such a policy now, but we must be alive to the fact that whilst the secondary sector will have planned for the demographic reduction, finding ways of dealing with the total reduction is not going to do anything to help the sector concentrate on educational attainment.
- 4.15 I recommend that we assist the sector to acclimatise to the reduction by giving them more time to cope with the situation and add to the sum that the education service itself plans to use to assist, by using balances to make a one off contribution of a further £250,000.

5 Summary of the position in 2014/15

- 5.1 It can therefore be seen from the above, that the Council's expenditure needs for 2014/15 are £240.30m (an increase of 2.1% not taking into account the transfers into the settlement) and we will be receiving a grant of £174.97m from the Welsh Government (a reduction of 4.4%).
- 5.2 On top of this, **without** any increase in the Council Tax, it is estimated that £53.11m will come from the Council Tax in 2014/15 (an increase of £835,170 from this year).
- 5.3 Members may remember that when we were preparing the 2013/14 budget we were under the impression that the Council Tax Reduction Scheme was to be amended so that everyone would have to pay at least 10% of the Council Tax and we were worried that this would have an adverse effect on how much Council Tax we could collect. We therefore brought the collection rate down from 99% to 97.5%.
- 5.4 However, late in the day, the Welsh Government decided to keep to a scheme that would continue to give a 100% relief to those on low income. As that scheme is to continue in 2014/15 we can increase the collection rate back to 99%. This will turn around the reduction in income implemented in the Council budget for 2013/14.
- 5.5 With expenditure requirements of £240.30m and a total Government Grant and Council Tax income of £228.08 we see that we will therefore be facing a deficit of £12.22m in 2014/15.

6 DEALING WITH THE GAP IN 2014/15

- 6.1 At its meeting on 5 December, the Council agreed with the principle of having a strategy that was based on setting a balanced budget for 2014/15 in order to buy the necessary time to draw up a considered and sensible savings programme to be implemented as soon as possible.

- 6.2 In order to establish a balanced budget, the first step that can be taken is to delete the current provision we have for salary increases higher than 1% which will save £1.61m within the budget. Of course this will increase the risk if the salary increase agreed for 2014/15 turns out to be greater. The Westminster Government has stated its intention to limit salary increases to 1% for an extended period but with the economy showing signs of getting stronger we must ask how long they can continue with this aspiration as the public sector workforce have seen the true value of their salaries falling over a number of years.
- 6.3 If the salaries increase more than the 1% allowed for in the budget, this risk can be managed by dealing with the situation if it arises and depending on balances to carry us over until we can adjust the budget in 2015/16.
- 6.4 However we should be aware that the Council will not then have a contingency budget for 2015/16 and balances will be the only means of protection against any other financial shocks.
- 6.5 The second step that can be taken is to delete the permanent budget we have for the Strategic Plan. This could restrict our ability to complete some elements of the Strategic Plan that require a permanent budget, but once again, if an issue which really needs a permanent budget is such a priority that other services should be cut to pay for it, this can be considered on a case by case basis during the year. This will save £0.87m.
- 6.6 In 2010/11 an element of the Council Tax increase was generated especially to protect us from having to make future savings in our budget, and therefore there is £0.38m in the budget that can be used to meet this gap.
- 6.7 There is also a free resource in the primary schools budget which hasn't yet been delegated, that could be made available to assist with the gap. In view of the fact that the primary sector is already seeing an increase in 2014/15 and the financial gap with which we are faced, it is suggested that we utilise this money which is worth £0.2m for the time being to try and close the gap until such time as the Council has had an opportunity to further consider its policy in this area.
- 6.8 We also have savings plans already being found for 2014/15 and we had originally forecast that this would amount to £6.2m.
- 6.9 The latest analysis shows that there will be problems in achieving one scheme.
- 6.10 **North Wales Procurement Unit Scheme** – A North Wales collaborative scheme which was successful in finding savings (a total of £3.1m) but

unfortunately, as those savings were found in areas where there were fewer opportunities for Gwynedd to take advantage compared with other authorities it will not be possible to deliver £257,910 of the earmarked sum for this scheme.

- 6.11 In addition however, it appears that there is a need to change the completion profile for some of the other schemes as there has been slippage in their delivery. An element of slippage is of course inevitable when finding so many savings. This analysis shows the need to move £450,000 worth of savings in 2014/15 to the following years and therefore, only £5.52m will be available to meet the gap in 2014/15.
- 6.12 This year however, we have delivered savings early to the value of more than £1m before they were required which means that there is a one off "fund" of savings available.
- 6.13 It is noted above that we intend to use £128,750 to fund one off bids and in view of the fact that we will have some savings delivered later, I suggest that we should use a further £450,000 from this fund to meet the gap.
- 6.14 Taking into account all the above therefore we will have met £9.03m of the gap of £12.22m that arises in 2014/15 leaving £3.19m left to be found.

7 THE COUNCIL TAX

- 7.1 In the light of this gap, the key decision required is the exact level of Council Tax to be raised for 2014/15.
- 7.2 In the projections made up to now in our medium term financial strategy, a figure of 3.5% has been assumed.
- 7.3 Of course the key to all of this is to strike an appropriate balance between the need to spend on services for the most vulnerable in our society and the appropriate increase to be levied on the residents of Gwynedd.
- 7.4 3.5% would produce £1.86m of income and this would equate to a Council Tax increase of £37.43 in a Band D property or a little under 72p a week. [The tax raised by the community councils and the Police Authority would of course be additional to this]. A little over 19% of households in Gwynedd receive some element of assistance towards their Council Tax, and 60% of properties in Gwynedd are in bands lower than band D.
- 7.5 Every 0.1% lower than 3.5% would increase the financial gap we would need to find by around £53,110 (and therefore 0.5% lower would

increase the financial gap by £531,150). The figures would be exactly the same for any increase above 3.5%.

- 7.6 The increase in Gwynedd's Council Tax together with the average increase across Wales since 2008/9 is shown below.

Year	Gwynedd	Wales
Total 08-14	24.7%	21.0%
2013/14	3.5%	3.1%
2012/13	3.5%	1.9%
2011/12	3.9%	3.1%
2010/11	3.9%	3.7%
2009/10	3.9%	3.9%
2008/9	3.8%	3.7%

- 7.7 We do not yet know what the average increase across Wales for 2014/15 will be but the latest information I have is that not many authorities will be increasing less than 3% with a substantial number considering an increase near the mid 3% and a number considering an increase higher than 4%.

- 7.8 The information the Director has obtained from conversations with officers from other authorities suggests that the estimated average across Wales will be about 3.9%.

- 7.9 The choice between taxation and retaining services is a difficult one and of course it is a matter for members to weigh up the appropriate balance they consider to be the right one.

- 7.10 In keeping to the projections made last year when establishing the present financial strategy, increasing the Council Tax by 3.5%, would leave a gap of £1.33m. The only way to find this would be by finding more savings.

- 7.11 These savings would not be available on 1st April and therefore we would need to depend on balances to bridge the period until the savings are available.

- 7.12 Meeting the gap entirely from Council Tax would mean an increase of 6% which is obviously above a reasonable threshold.

8 Pay Policy

- 8.1 Consideration is presently being given to the pay of staff on the lowest grades in order to start meeting the calls for those on lower grades to be given a living wage. The Cabinet will receive a report on this issue on

18 February.

- 8.2 The only way to fund this without adding to the savings that we are already facing would be to increase the Council Tax in order to pay for it.
- 8.3 If we intend to adopt such a policy it would be necessary to add 0.4% to the proposed increase specifically to pay for this policy.

9 BALANCES

- 9.1 It is forecast that we will have general balances of about £8m at the end of this financial year, representing about 2.2% gross revenue expenditure.
- 9.2 I have stated on more than one occasion that due to the turbulent financial environment we are facing in years ahead, that it is appropriate to keep sums in reserve in order to deal with any problems that could arise.
- 9.3 Nothing has happened in the meantime to change this opinion. In fact, as noted in paragraph 6.2 above, we will not now have any contingency budget and the risk has therefore increased. As a result, the need to ensure that we have appropriate balances in order to meet any financial shocks is more relevant.
- 9.4 However, in view of the funding gap which we face (even if we increase the Council Tax by 3.5%), and in order to give ourselves to consider where we should find this gap, it is recommended that we use £1.33m of balances until we can find the remaining necessary savings.
- 9.5 In addition to this £1.33m, the recommendation to assist the secondary education sector and pay for one off bids noted in paragraphs 3.13 and 4.15 above will mean that we are using a total of £1.7m from balances (along with £578,750 of the early savings fund) to underpin the 2014/15 budget.
- 9.6 We have a number of earmarked reserves that have been established by the Council to meet specific Council expenditure needs. These are of course part of the Council budget.
- 9.7 In order to ensure that every Council member is aware of them a copy of the relevant pages of the accounts are attached in Appendix 2.
- 9.8 It is of course important to continually review the level of these reserves and as I reported last year, the Head of Finance is conducting a review of these reserves.

- 9.9 The need to undertake the transformation of a number of services (including paying substantial redundancy costs) will certainly mean further one off expenditure requirements. In addition to this members will be aware of the contents of the Commissioners' Report on Governance and Delivery of Public Services published recently which suggests that there is a local government re-organisation on the horizon. This will also create a need to fund one off expenditure when preparing for such re-organisation.
- 9.10 On this basis, the Head of Finance is currently considering, rather than hold the usual review, he is investigating the potential for a reprioritisation within these reserves in order to use any released resources to meet the need for resources to transform and pay for redundancies along with any implications arising as a result of the Commission's report.

10 Capital

- 10.1 Whilst council revenue budgets face constraints, capital budgets are also under pressure.
- 10.2 Last year the Council established a capital programme for three years namely 2013/14; 2014/15 and 2015/16.
- 10.3 In the light of the revenue constraints we face and the fact that our Asset Strategy includes a significant element of prudential borrowing (which places pressures on the revenue budget to pay for the borrowing costs) the Council has decided that a review of the Asset Strategy should be undertaken.
- 10.4 For the time being therefore I recommend that we keep to the schemes set out last year without adding further schemes for 2016/17 in order to wait until the review has been completed.
- 10.5 It is forecast that this will be completed by May and the 2016/17 programme can be added then.
- 10.6 However, there is a need to adjust what was agreed last year in order to reflect some necessary changes that have arisen due to a change in the proposed profile for individual schemes. These are detailed in Appendix 3 which shows the changes required.
- 10.7 We will fund the programme as follows -

Table 3
Funding capital programme 2014/15 - 2015/16

£'000	2014/15	2015/16
Capital Requirements	16,193	17,974
To be funded through		
Capital provision in the settlement	6,630	6,630
School grants	724	5,503
Capital receipts	1,476	930
Contribution from revenue	1,988	2,860
Prudential borrowing	5,375	2,051
Total to be financed	16,193	17,974

10.8 One aspect of the financing proposals is the level of capital expenditure that continues to be funded compared with the specific support provided in the settlement. This shows the benefit of having a long term programme through the asset strategy which allows us to plan a long term programme and trying to maximise the benefit we can obtain from the available resources.

B) FOUR YEAR FINANCIAL STRATEGY 2014/15 - 2017/18

11 Plan to address the financial gap 2014/15 - 2017/18

11.1 For some years, in preparing its budget, Gwynedd Council has been planning ahead to prepare for what might be on the horizon. This has paid dividends, and in fact this is why we can buy a bit of time in order to decide where best to make savings in order to have the least impact on the people of Gwynedd. Not every Council is in a position to do this.

11.2 Gwynedd Council's practices have been used as a good example in a national report on financial planning published recently by the Welsh Audit Office.

11.3 In order to continue on this course, in addition to establishing a budget for 2014/15, an effort has also been made to project the financial situation for the following three years so that we set the 2014/15 position in its wider context and plan how we are going to meet the challenges ahead.

11.4 The strategy for the next 4 years gives a realistic picture of what could lie in store for us. Details of the projections used can be found in Appendix 4.

- 11.5 The grant figure we will receive from the Welsh Government is the most uncertain figure for 2016/17 onwards. Taking this year's experience into account there is also some doubt as to whether we can rely on the figure given for 2015/16. Since the grant represents about 80% of the Council's income, obviously this figure is key to the projections. We know from the Chancellor's statement and the statements made by Welsh Government Ministers that it will not be good news for Local Government in Wales and an attempt has been made to estimate the level of this grant on the basis of the public sector spending figures that are in the official Westminster Government public spending reports.
- 11.6 As we go further into the future there is more uncertainty regarding all the figures and we have therefore divided the strategy into two parts as set out below, with the first two years being more certain and the last two years representing planning targets.
- 11.7 The table below shows the results of the projections made, and notes the savings already planned or being delivered.

Table 4
Financial planning projections for the 4 years 2014/15 - 2017/18

£M	2014/15	2015/16	2016/17	2017/18	Total
Additional spending needs	6.4	7.7	10.2	6.7	31.0
Grant loss (increase)	6.7	4.4	3.5	6.1	20.7
Council Tax (*)	(2.7)	(1.8)	(1.9)	(2.0)	(8.4)
Planned deficit	10.4	10.3	11.8	10.8	43.3
Budgetary adjustments	(3.1)				(3.1)
Current Savings programme	(5.5)	(0.7)	(0.2)		(6.4)
Use of balances and early savings	(1.8)	1.8			-
To be found -	(-)	11.4	11.6	10.8	33.8

(*) based on an average yearly increase of 3.5%

- 11.8 It can be seen that we are projecting a funding gap of around £50m over the period, but with an assumed council tax increase of 3.5% and savings already being found, this will leave around £34m to be found. £14m of this funding gap arises due to the assumptions relating to the Government grant we will receive and is extremely sensitive to that figure.
- 11.9 Whilst there is of course a possibility that this reduction could be less (which would result in the gap being less) there is also a possibility that the reduction could be higher and therefore I think it is realistic for us to use a planned figure of £34m for the period ahead.
- 11.10 The projection also assumes an average increase of 3.5% Council Tax every year. It's a matter for the Council to decide on the Council Tax

increase every year but 3.5% is noted in the above projection in order to show the substantial gap that is left even after such an increase. If the Council wishes to see a higher or lower increase it will obviously affect the the financial gap stated.

11.11 In order to underline the seriousness of a £34m gap we must be alive to the fact that if we protected the whole of the schools budget, this would mean a reduction of 27% in the of every other service within the Council. I would invite members to look at the budget book and to choose any service and consider how they could reduce 27% costs from every other service. It will be a very difficult task.

11.12 Therefore, on the basis that we will need to find about £34m over the next four years, and in order to consider all the implications, we must come to a conclusion on –

- The probable increase in Council Tax for the years ahead. Are we going to keep to our strategy of increasing the Council Tax 3.5% or are we going to increase it further in view of the implications of finding such a large funding gap on our services?
- What element of this gap will we be asking schools to take on? With such a large gap it is unreasonable to consider that we can fully protect schools but we need to consider how much protection can be acheived.
- What amount of further efficiency savings will be able to find and be proactive to reduce demand for Council Services;
- Since any gap left after this will have to come from service cuts – how are we going to decide where these cuts fall.

11.13 What is obvious is that we have to ensure that we have maximised the sums obtained from efficiency savings and demand management activities and falling back on service cuts as a last resort. This is the way forward if we really want to ensure the least effect on the people of Gwynedd.

11.14 As the table below notes, even if we raised the Council Tax to 5% for the next four years, and we expected to get 6% from the schools budget, and assuming that we are able to discover £15m efficiency savings from reduced demand, this would continue to mean finding service cuts worth £9m.

Table 5
Projection of service cuts required in different scenarios

	Conservative efficiency	More ambitious efficiency	Leave all options open CT up to 5% Schools up to 6% Savings from the Commission
Council Tax	-	-	£2.5m
Schools	-	-	£4.3m
The Commission	-	-	£3.0m
Efficiencies	£15m	£20m	£15m
Cuts	£19m	£14m	£9.2m
	£34m	£34m	£34m

11.15 Taking a less optimistic attitude towards the Council Tax, the school budget and efficiency savings, it can be seen that the level of cuts would then increase to £19m which would be very difficult if not impossible to achieve considering the effect that this would have on the people of Gwynedd.

11.16 It is therefore recommended that all the options should be kept open until we see the effect and the implications of the decisions with which we will be faced to achieve savings. Working on any other basis will only place us in a position with which we may not be able to cope. This would mean working within the following framework -

Council Tax Policy	Consider increase in the Council Tax in the 3.5% - 5% range
Schools Budget	Consider setting a target for the schools budget based on what is practical
Commission on Public Service Governance and Delivery	Consider whether there will be any savings arising from reorganisation which we can depend upon and take into account
Efficiency Savings	Maximising the efficiency savings that can be achieved
Service Cuts	Figure remaining

11.17 Obviously whatever the final figures we achieve in the above equation, it will be necessary to try and maximise the sum that comes from efficiency savings and demand management.

11.18 We are currently considering all opportunities that are available to individual services in order to find further efficiency savings/demand

management savings and these figures will be used as a basis for efficiency savings/ demand management targets for the individual services to be approved in April.

- 11.19 Services will then be expected to establish schemes in order to achieve these targets and ensuring that the scrutiny process is part of the approvals process before they are presented to the Council Cabinet during 2014.
- 11.20 In achieving such savings, this will meet an element of the gap (but is unlikely to meet all of it).
- 11.21 As we will have to ensure that we have established our priorities if we are to implement service cuts, we will need an inclusive process to do so which will include all council members and considered engagement with the people of Gwynedd. I am currently discussing this matter with officers with a view to bringing forward a suitable regime in the early spring.
- 11.22 We should be glad that our previous forward planning activity has enabled us to ensure that we are not yet in a position of having to implement service cuts in our core budget – a position which is not necessarily replicated at some other authorities but we must face the fact that we will face an element of this in future, especially if the local government grant continues to reduce..
- 11.23 However, even if we do take advantage of the opportunity to plan carefully, bearing in mind that our priority is to look for efficiency savings ahead of service cuts, and bearing in mind that establishing and implementing such schemes takes more time than implementing service cuts, there is a danger that time will not allow us to deliver the above vision in its entirety.
- 11.24 It will therefore be necessary for the Cabinet to take advantage of any opportunity that arises in the meantime to achieve savings – including any opportunity that arises during the current year.

12 EQUALITY IMPACT ASSESSMENT

- 12.1 The budget outlined above endeavours to continue to achieve appropriate outcomes for all our citizens, but as our grant income is decreasing, and does not even meet inflation costs, we must find savings.
- 12.2 The greatest risk in terms of having a disproportionate effect upon those with protected characteristics is in the area of savings. The Equality and Human Rights Commission have already identified this

risk and have reminded local authorities of their duty to assess the effect of their Financial decisions.

12.3 We will continue to develop our arrangements for assessing the equality impact of our Financial decisions in conjunction with the Equality and Human Rights Commission and other local authorities, by sharing good practice and identifying effective steps which can be taken in future.

12.4 Our aim is to ensure that our financial decisions conform with the requirements of the Equality legislation, namely :-

- Get rid of illegal discrimination, harassment and victimisation and any other conduct prohibited by the Act.
- Promote equality of opportunity between people who share a relevant protected characteristic and those we do not.
- Encourage good relations between those who share a protected characteristic and those we do not.

In making our assessment we will try and identify how to make the best of any opportunity to improve equality in addition to trying to avoid or mitigate any negative effects to the best of our ability.

12.5 In planning our budgets consideration is given to equality on each level, by utilising data and evidence in relation to demography and trends at a strategic level, and in the same way (but more specifically) in coming to decisions on individual savings schemes. Data and evidence has already been collected for our Equality Strategic Plan and we will continue to build upon this information by analysing new data (such as the 2011 Census results), monitoring our services and engagement.

12.6 We have clear processes for finding any savings we may need which includes making a full assessment of savings which could have a detrimental impact in equality terms. We analyse each individual savings scheme noting if we consider that the department needs to conduct an impact assessment when developing the scheme. In accordance with the Equality and Human Rights Commission's request we will produce an annual report on this Process and publish it on our website.

12.7 However the budget does not just try and meet inflation costs, it also tries to ensure that unavoidable financial pressures being placed on services due for example to greater demands being placed upon them due to increasing numbers of clients and so on are recognised in the budgetary decisions.

12.8 Each Service has the right to submit a request for additional funding if it considers that this is required to ensure that the service continues and

these sums can be seen under the “Service Pressures” heading. The sums seen there are also a recognition that we must ensure sufficient funding to ensure that our financial arrangements do not have a detrimental impact on the level of service provided.

- 12.9 Full details are given in Appendix 1 and it can be seen that over £760,000 is going towards social care, and this is in addition to the £858,000 demography provision made to recognise the increased number of elderly clients.

13 Conclusions

- 13.1 This report sets out the factors that should be considered when establishing the budget for 2014/15 and a proposed strategy to cope with the Financial position facing the Council over the next 4 years.

2014/15 Budget

- 13.2 It is proposed that we need to recognise a revenue need to spend of £240.30m which includes a provision of £1.5m for pressures on services and includes provision for implementing a protection scheme for the secondary education sector in order to buy time for us to establish a more permanent solution.
- 13.3 Provision is also made for one off pressures on services of £558,000 by adding £128,750 of savings delivered early to the provision already in the budget along with £132,000 from balances.
- 13.4 After receiving grant of £174.97m from the Welsh Government and with Council Tax income of £53.11m (without any increase) this will leave a financial gap of £12.22m to be found in that year.
- 13.5 This funding gap can be found by a combination of reducing some budgetary headings £3.06m and using £5.52m of savings already being found, along with £0.45m of savings found early to recognise the fact that there has been some slippage in the savings programme, this will reduce the gap to £3.19m.
- 13.6 A 3.5% Council Tax increase is therefore recommended to produce £1.86m and bridging the remainder until we are able to find savings to meet it by using £1.33m from balances.
- 13.7 This will mean setting a net budget of £229,944,210 after using balances and other funds.
- 13.8 An analysis of the budget per service is given in Appendix 5.

- 13.9 It is also recommended that a capital programme of £16.193m should be established for 2014/15 together with £17.974m for 2015/16.

Longer Term Strategy

- 13.10 In relation to the position over the next 4 years, we should find the £34m funding gap projected for the period by keeping all options open (including the possibility of raising the Council tax by more than 3.5% and finding savings from the schools budget) and that we should find the majority of the gap by maximising efficiency savings and demand management we can deliver.
- 13.11 An inclusive system should be established in order to establish efficiency savings plans and prioritisation which needs to be made in order to establish where we should cut services.
- 13.12 In the meantime advantage must be taken of any opportunity to deliver savings even if it means not waiting for the regime in question so as not to lose the opportunity.

Bids to be approved for 2014/15

Reference	Reason for the bid	Outline of the Matter	Finance		Category recommended	Recommendations/Observations	Financial Recommendation	
			Permanent (£)	One off (£)			Permanent Recommendation	One off (£)
Social Services, Housing and Leisure Department								
GCTH1	Purchase of new Community Care Management System – a follow-up to RAISE	The contract with CareWorks for a care management system, namely Raise, is ending and a bid is being submitted for capital funding to procure a new system. The revenue bid funds the support required to input data in the new system, namely 1 x Programme Manager for 3 years £148,830; 1 x input support officer for 3 years £88,760; 2 x input support officers+G7 for a year £58,510. A total of 4 temporary posts. An additional contribution of £25k by Gwynedd to the Consortium (WSC) is also included towards project management costs for two years to manage the process.		321,000	Approve	Based on the uncertainty regarding the exact amount of the bid and the timetable, it is recommended to earmark the bid amount in a separate fund in order to fund the application and challenge the exact amount when definite information is available.		321,000
GCTH2	Business Manager and administrative support for the North West Wales Safeguarding Adults Board	The Gwynedd and Anglesey Safeguarding Adults Board includes senior officer representation from partner bodies such as Health and the Police. Much more work is required to stabilise the Board and enable it to provide clear guidance on developments and improvements within the field of safeguarding so that the Board can operate at the same status as the Gwynedd and Anglesey Safeguarding Children Board. Since safeguarding matters are led by local authorities, the work is a joint responsibility with Anglesey County Council according to the agreed formula of 60:40 - Gwynedd's contribution is £36,800 and Anglesey's contribution is £25,740. This is a bid to fund a post and administrative support.		38,600	Meet from within current resources	The Department is asked to secure support within the resources available.		
GCTH3	Transitional Care Packages 18+ Adults Service	A bid to fund the care of 13 young people who are almost 18 years old, or who have just turned 18 years old recently, and who need to have their care transferred to the Adults Service. The Children's Service currently funds their care until they are 18 years old. The aim is to collaborate with Gwynedd's Aftercare Services, the Education Department and the Betsi Cadwaladr University Health Board to plan arrangements to ensure that individuals will not continue to need care for college placements beyond 19 years old, and therefore reduce the need for costly out of county placements.	675,000		Approve	Following a review of packages within the Service, the bid amount has reduced to £270k.	405,000	
GCTH4	Operation Pallial	A temporary arrangement to fund a regional worker to lead on Operation Pallial will last longer than expected. The number of people requiring very intensive support has increased yet again. It is estimated that the cost of Gwynedd's contribution will be £10k.		10,000	Approve	The Department is obliged to fund it.		
GCTH5	Temporary closure of Bangor Swimming Pool	In order to carry out necessary maintenance work which includes disposing of asbestos, the Property Service has stated that Bangor Swimming Pool must be closed for six months to complete the work. The value of the project is £600k and a one-off bid is made for funding to compensate the Service for loss of income during the closure period, namely £40k.		40,000	Approve	Funding is obligatory.		40,000
Total for Social Services			675,000	409,600			405,000	361,000

Reference	Reason for the bid	Outline of the Matter	Finance		Category recommended	Recommendations/Observations	Permanent Recommendation	One off (£)
			Permanent (£)	One off (£)				
Strategic Safeguarding Panel								
PG1	Monitor the quality of safeguarding on a corporate level	The Strategic Safeguarding Panel was established in Gwynedd to ensure corporate ownership of the safeguarding agenda as a whole within the Council. Corporate safeguarding policy and guidance have now been produced and every department/service have produced their own policy/guidance. It was noted in the Panel's Action Plan that "there is a need to ensure an (independent) annual audit of the quality of procedures across the Council's departments and services by sampling safeguarding operational procedures" and reporting on the findings to the Strategic Panel with recommendations for further action. Additionally, as a result of the Winterbourne review (learning disability services specifically but it is relevant to other fields), the Action Plan notes that an independent expert must be employed "to ensure there are robust arrangements and procedures in place" for safeguarding adults "with a clear action plan". The amount includes a bid from the Education Department for £7,500.	22,500		Alternative funding method	Invoice departments for the work.		
PG2	Strategic Safeguarding Panel - Monitor the Quality of Residential Provision for children placed in Gwynedd	Again, in the Strategic Safeguarding Panel's action plan, it notes "the need to monitor the quality of the residential provision by external agencies / bodies / private agencies for children with additional needs or looked after children. These are residential provisions for children placed by another local authority, but Gwynedd has a responsibility to monitor their quality. The capacity to achieve this work is not currently available.	40,000		Refuse	The Business Unit is reprioritising work to address this requirement.		
PG3	Raise awareness of safeguarding policies and guidelines	In order to ensure corporate ownership of the safeguarding agenda as a whole, it is noted in the Strategic Safeguarding Panel's action plan that there is a need to raise awareness amongst staff, members and those working on behalf of the Council about the policies and guidelines. It was agreed that this should be done by producing relevant materials and arranging sessions for raising awareness.		10,000	Alternative Funding Method	Invoice departments for the work.		
Total for Strategic Safeguarding Panel			62,500	10,000				
Human Resources Department								
AD1	An Occupational Health Provision and a Health Surveillance Programme for Council staff	Since July 2009, the Occupational Health Unit has been employing an Occupational Health officer to carry out duties such as conducting basic health checks, implementing the health and well-being promotion programme, processing requests for retiring on the grounds of ill health and conducting basic consultations with staff. Recently, the Unit has been providing statutory health surveillance for specific cohorts amongst the Council's staff. This is a bid for funding to retain the post. In the past, this post was funded from reserves.	32,000		Alternative Funding Method	To be funded by the Department for a year and a request for the Department to prepare a business plan in the meantime.		
Total for Human Resources			32,000					
Regulatory Department								
Rh1	Grant cuts by the Government for Public Transport	Significant risk has been highlighted arising from the cut to the LTSG grant and from the system used by the Government to allocate subsidies to transport services. There has been a 25% cut for the year 2013-2014. There is potential for a further cut in 2014-2015 which will equate to an additional £224,000. LTSG Grant Deficit 2012/2013 = £62,350 LTSG Grant Deficit 2013/2014 = £152,961 Less BSOG grant = (£249,800) BSOG Commitments = £156,000 Estimated LTSG Grant Deficit 2014/2015 (a reduction of 25%) = £102,046 Net Deficit = £223,557 There has also been a cut to the fuel allowance for contractors which has affected the subsidy prices of some services. Further cuts in the grant received from the Government in 2015/16 and 2016/17 is a strong possibility but we cannot yet project the likely impact.	223,000		Refuse	The recommendation is based on the fact that a grant cut by the Government is what has led to this bid.		

Reference	Reason for the bid	Outline of the Matter	Finance		Category recommended	Recommendations/Observations	Permanent Recommendation	
			Permanent (£)	One off (£)			Permanent Recommendation	One off (£)
Rh2	Bus Service	There are changes worth £101,000 to current public transport journeys. There is an additional cost of £93,000 to the service following the rationalisation of area journeys, operational from 1 January 2014. £70,000 for three journeys that have not been awarded and the department is looking at many options, including abolishing the journeys completely.	264,000		Temporary funding	The recommendation is based on the fact that a grant cut for bus companies by the Government is what has led to this bid.		132,000
Total for Regulatory Department			487,000					132,000
Strategic and Improvement Department								
SG2	The performance management system for the whole Council is ending in June 2014.	Gwynedd Council is using the Ffynnon software system, which is provided and funded nationally, to manage performance. However, the agreement will expire at the end of June 2014 and the timetable for introducing the new national system, 'Pan', is slipping. Gwynedd makes considerable use of Ffynnon, therefore the risk to business continuity is high. There are a number of options under consideration, and one of those is to seek an agreement with Coactivia to extend the support for Ffynnon for a year. The bid would fund the extension but it is difficult to estimate the exact cost at present.		40,000	Alternative Funding Method	To be funded by the Department.		
Total for Strategic and Improvement				40,000				
Dept. Economy and Community								
Ec11	The Urdd Eisteddfod 2014	Gwynedd Council will be expected to ensure a presence on the Urdd Eisteddfod ground in Bala in 2014 and support activities. The E&C Department will try and target a number of grants and make use of sponsorship funding and funding programmes that are available to hold activities and competitions. But because the European funding period is ending in 2014, it is anticipated that there will be less grant money available for Bala. It is estimated that a budget will be needed for the cost of hiring a tent, transporting equipment and a contribution towards events.		25,000	Approve	Recommended to fund in accordance with the Council's priorities.		25,000
Total for Economy and Community Department				25,000				25,000
Finance Department								
C1	Ensure the continuity of the core service that administers benefits, as a result of a grant reduction and a transfer to the settlement	Benefits administration is funded directly by the DWP through the "Admin Subsidy" grant. £179,360 of it will transfer to the settlement by 2014/15. Also, there is a cut in the residual "Admin Subsidy", worth £130,307 namely £84,597 in 2014/15 and £45,710 in 2013/14.	130,310		Partly Fund temporarily	The Department will receive £179,000 as part of the transfer to the settlement, it is therefore recommended to fund the bid partially, namely £65,000 , as one-off bridging finance based on the lack of clarity regarding future arrangements in this field. However, the Department must fund £25k of the bid.		40,000
Total for Finance Department			130,310					40,000

Reference	Reason for the bid	Outline of the Matter	Finance		Category recommended	Recommendations/Observations	Permanent Recommendation	
			Permanent (£)	One off (£)			Permanent Recommendation	One off (£)
Highways and Municipal Department								
PB1	Waste	<p>(a) £205,000 – a reduction in the Sustainable Waste Management grant (£105k deficit 2013-14 & £100k estimated 2014-15)</p> <p>(b) £85,750 – further increase in landfill costs (have already obtained £222k through the budget process) because of a delay in the collection arrangement until October 2014</p> <p>(c) (£42,800) – savings of £31,490 with green waste and £11,310 IVC Penhesgyn</p> <p>(ch) £167,560 – a new category in 2013-14, namely dealing with sweepings that are treated through the "silt buster" procedure @ £50.50/t. It would go to landfill @ £80/t as well as disposal costs otherwise.</p> <p>(d) £93,260 – costs of dealing with timber. The department originally burnt the timber. Around £80k a year could be saved by returning to burning but it will affect the recycling targets as it would not be included in these.</p> <p>(dd) £49,140 – the costs of dealing with mattresses - £19k and carpets - £30,140 have increased because of the amount of tonnage.</p> <p>(e) £148,000 – part of the strategy, namely an increase in the food tonnage that is sent to GwyrAD £137,760 and way-leave - £10,240</p>	705,910		Approve	This bid is unavoidable to fund but the exact amount is dependent on the result of the waste review that is underway.	705,910	
PB2	Disposal Sites	<p>An increase is anticipated in the aftercare costs of Cilgwyn 2014-15 after capping the site. £40k will be required for the effluent treatment work together with the electricity to operate it.</p> <p>Also, a significant reduction was seen in the income generated from the site (royalties). The site could change following the capping but there is currently a deficit of £90k.</p> <p>It is anticipated that the effluent from Llwyn Isaf will be higher than the estimated £15k.</p>	145,000		Approve	This bid is unavoidable to fund but the exact amount is dependent on the result of the waste review that is underway.	145,000	
Total for Highways and Municipal			850,910				850,910	
Education Department								
Add 1	Taxis Overspend - £156,310.70 as a result of an increase in numbers. £58,400 overspend in the buses budget, again because of the numbers but re-tendering as well.	Taxis - anticipate an overspend on the current budget 2014/15 of £167,110.70	214,710		Approve	This bid is unavoidable to fund and it has already been agreed to hold a review of the Unit.	214,710	
Total for Education			214,710					
TOTAL			2,452,430	484,600			1,470,620	558,000

Additional Capital Bids

Reference	Reason for the bid	Outline of the Matter			Recommendations/Observations	Amount recommended
			Bid Amount	Category recommended		
Social Services, Housing and Leisure Department						
GC1	Purchase of new Community Care Management System – a follow-up to RAISE	The agreement for the RAISE system with CareWorks is ending in April 2016 and there is a need to invest in a new system. The bid includes the software licences, interface, data migration, training and project management costs of the supplier, and consulting on the new system following the tendering process. Since this process is underway, this is only an estimate of the actual costs.	572,500	Approve	It is recommended to earmark the amount in a separate fund in order to fund the bid when definite information is available.	572,500
Total			572,500			572,500
Human Resources Department						
AD1	A rolling programme of safety improvements inside school sites	This rolling programme was established to meet the requirements of a statutory notice by the HSE in 2004 to improve the traffic situation within the county's schools. For 2014/15 a programme of essential work worth £50k was identified within the boundaries of one school. The rest of the project is looking at options of increasing parking spaces in front of the school which will probably lead to further bids of £250k. A feasibility study at another school has identified the need to undertake work on the site in order to increase safety standards with respect to transport on the school grounds, which includes designating an area for car parking at the rear of the building. A bid for £40k is submitted for this. A bid of £20k is submitted for general work and for monitoring and maintaining the transport work programme at Gwynedd's schools.	110,000	Partly Approve	Recommend approving funds for essential work in one school, £50k. But request a specific report from the Head of Human Resources Department reviewing the risks and the relative expenditure in this field.	50,000
Total for Human Resources			110,000			50,000
Economy and Community Department						
Ec1	Cist Gwynedd	Gwynedd Council has been supporting the voluntary sector through this fund since 1996. The Welsh Office SDF used to be the original source of funding, but since 2001/02 the money has become part of the settlement. The annual budget is a total of £250,000, split into £110,000 revenue and £140,000 capital. The budget is managed under the successful brand of Cist Gwynedd. Cist Gwynedd includes a package of grants to support community and voluntary activities. The Voluntary Development Fund is funding specifically towards supporting capital projects by community and voluntary organisations and initiatives, which operate to serve the communities and residents of Gwynedd only.	140,000	Partly Approve	Recommend an amount of £70,000 with the Service's agreement.	70,000
Total for Economy and Community			140,000			70,000
TOTAL			822,500			692,500

Extract from the Final Accounts – Earmarked Reserves

The note below highlights the sums set aside from the General Fund in earmarked reserves in order to provide finance for liabilities which will be spent in future.

2012/13	Balance
	31
	March
	2013
	£'000
Renewals Reserves	1,716
Capital Reserves	14,286
Insurance Reserves	3,444
Services Fund	5,086
Objective 1 Fund	0
Convergence Programme Fund	1,602
Development Reserve	212
Redundancy Costs to Realise Savings Reserve	1,935
Central Training	336
Communication Centre Reserve	278
Schools Service Reserves	1,204
Economy and Community Reserves	113
Highways and Municipal Reserves	1,786
Waste Developments Reserve	426
Gwynedd Consultancy Reserves	290
Regulatory Reserves	791
Major Maintenance Work on County Roads Fund	0
Care - Other Reserves	127
Business Process Transformation Fund	244
Invest to Save Fund	1,497
Invest to Save Fund - Carbon Reduction Plan	1,521
Transforming Fund	7,105
Committed Revenue Grants Fund	168
Capital Reserve to Realise Savings	209
Contracts Tendering Fund	403
Housing Water and Sewerage Services Fund	1,337
Housing Environmental Warranty	480
Savings Programme Reserve	932
Information Technology Reserve	373
Restoration Fund	500
Preparatory Work for European Grant Funding Schemes	150
Various Other Reserves	1,343
Total	49,894

- (i) The Renewals Reserve is used by the Provider and Leisure Services, Highways and Municipal, Economy and Community and the Print Room to replace vehicles and equipment as required.
- (ii) The Capital Reserve represents resources already committed to finance part of the Council's Capital Programme.
- (iii) Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserve also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996).
- (iv) The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- (v) Objective 1 - Fund was created for additional capital or revenue costs which arise from the requirements to develop plans for Objective 1.
- (vi) Convergence Programme Fund – amounts reserved for the Councils' proportional contribution in relation to capital and revenue plans under the Convergence Programme.
- (vii) The Development Reserve relates to specific projects already determined by the Council such as Affordable Housing and E-Government.
- (viii) Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- (ix) Central Training – relates to the management training development programme.
- (x) Communication Centre Reserve – sums set aside towards developing the Communication Centre.
- (xi) Schools Service Reserves – includes sums set aside to respond to related financial problems with 'Integration' requirements, changeable demands in 'Out of County – Special Educational Needs', 'Supporting Schools' and the 'Schools Loans Scheme'.
- (xii) The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- (xiii) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – 'equalisation accounts' – and likely requirements from contracts.
- (xiv) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xv) Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure due to coastal protection works and possible employment requirements resulting from changes in the Consultancy Service's work programme.
- (xvi) Regulatory Reserves – include a number of balances relating to schemes operating mainly on a partnership basis, and where the scheme balances must be accounted

for separately, together with specific requirements relating to the Unitary Development Plan.

- (xvii) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xviii) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xix) Business Process Transformation Fund – A one-off fund to aid the business transformation process to realise savings for the Council.
- (xx) Invest to Save Fund – Provision for the investment in various plans to realise permanent financial savings, and further includes the requirements and resources of the Improving the Council Fund.
- (xxi) Invest to Save Fund – Carbon Reduction Plan – Partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings.
- (xxii) Transforming Fund – Provision for the change in the Council’s internal procedures to be more effective and more efficient.
- (xxiii) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- (xxiv) Capital Reserve to realise savings – Provision to support capital plans that will realise permanent financial revenue savings.
- (xxv) Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport contracts.
- (xxvi) Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old Council Housing Estates, which were not adopted by Welsh Water.
- (xxvii) Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Cartrefi Cymunedol Gwynedd, in connection with specific and special circumstances that relate to environmental plans on the land of old Council Housing Estates.
- (xxviii) Savings Programme Reserve – strategic financing provision to assist and give the Council some flexibility with regards to the essential savings programme in the future.
- (xxix) Information Technology Reserve – renewals fund in order to respond to future uneven expenditure patterns.
- (xxx) Restoration Fund – provision towards the cost of the restoration work following the flood damage in November 2012, to roads, bridges, etc.
- (xxxi) Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- (xxxii) Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

CAPITAL PROGRAMME FOR 2014/15 - 2016/17

£'000	2014/15	2015/16
Buildings Repairs & Maintenance (dealing with the backlog and avoiding future deterioration)	4,501	2,096
Fire and Asbestos work	626	
Schools organisation	2,738	11,229
Replacing temporary classrooms which have come to the end of their life.		1,058
Road Maintenance (Borrowing Scheme)	3,780	
Street Lighting	50	50
Safety Fences on roads	14	134
Dealing with flooding on roads	100	100
Plying Fields	35	35
Waste Strategy	430	-
Vehicle renewals	186	407
Transport feasibility schemes	100	100
Cycle routes	20	20
Information technology renewals	592	501
Electronic Documents and Records system	328	244
Housing Grants	2,000	2000
To be distributed	693	-
Total	16,193	17,974
Compared to previous total	15,748	20,346

1. Schools Organisation figure has changed as a result of re-profiling the schemes - no change in the overall total for the schemes.
2. Replacing temporary classrooms figure changed due to being able to undertake the work at a lower cost.
3. Roads Maintenance figure reflects the amount which the Government grant allows us to borrow.
4. Waste Strategy figure reduced due to the business case to change the way we dispose of waste, obviating the need to construct new cells at Ffridd Rasus.
5. The "to be distributed" figure reflects the capital bids approved in Appendix 1.

4 year assumptions 2014/15 - 2017/18

£m	2015/16	2016/17	2017/18	Total
Additions to the budget				
Pay inflation	3.1	3.3	3.3	Based on 2% p.a. from 15/16
Other inflation	1.5	1.5	1.5	Calculation based on CPI predictions and its effect on Council inflation
Payroll costs	0.3	0.3	0.3	Previous experience
Precepts	0.2	0.2	0.2	Best estimate
Borrowing costs	0.1	(0.3)	-	Specific calculation
Interest	-	(0.1)	(0.1)	Best estimate
Demography	0.4	0.3	0.3	Specific calculation
Pressures on services	2.1	5.0	1.2	£1m a year for general pressures + known significant other pressures
Total additions	7.7	10.2	6.7	
Government Grant reductions	4.4	3.5	6.1	-2.5% in 15/16; -2% in 16/17 a -3.5% in 17/18
Total gap after grant	12.1	13.7	12.8	

APPENDIX 5

Proposed budgets by service 2014/15

2014/15 Budget											
	Base	Inflation\	Precepts	Council Tax	Interest	Demography	Transfers	Presures	Savings	Base	
	Budget		Increments	Reduction	and	Income and	into the	on		Budget	
	2013/14		and Pensions	Scheme	borrowing	Miscellaneous	settlement	Services		2014/15	
DEPARTMENTS	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team	793	10	(11)	0	0	164	0	0	(3)	953	
Strategic and Improvement	4,364	52	14	0	0	14	0	0	(13)	4,431	
Finance	3,813	68	(5)	0	0	(5)	179	40	(46)	4,044	
Democracy and Legal	1,594	31	7	0	0	12	0	0	(9)	1,635	
Customer Care	7,329	120	(1)	0	0	26	0	0	(100)	7,374	
Human Resources	2,934	38	4	0	0	(26)	0	0	(43)	2,907	
Trunk Roads Agency	(87)	0	0	0	0	0	0	0	0	(87)	
Highways and Municipal	21,941	697	162	0	0	(60)	17	769	(227)	23,299	
Regulatory (Planning, Transport and PP)	6,895	142	8	0	0	(60)	0	(64)	(198)	6,723	
Gwynedd Consultancy	(63)	8	1	0	0	156	0	0	(24)	78	
Central Education	13,683	106	29	0	0	(25)	0	215	(509)	13,499	
Schools Budget	70,255	118	(93)	0	0	(464)	0	278	(245)	69,849	
Economy and Community	3,523	(4)	7	0	0	171	0	25	(216)	3,506	
Social Services	55,443	710	(1)	0	0	836	0	640	(995)	56,633	
Housing	1,543	25	2	0	0	(10)	0	0	(7)	1,553	
Leisure and Provider	1,898	158	47	0	0	19	0	(33)	(215)	1,874	
Total Departments	195,858	2,279	170	0	0	748	196	1,870	(2,850)	198,271	
Corporate and Capital items	37,569	463	(21)	203	(168)	(202)	1,218	140	(5,731)	33,471	
GROSS TOTAL =	233,427	2,742	149	203	(168)	546	1,414	2,010	(8,581)	231,742	
		0	0		0	0				0	
Balances and specific reserves	485	0	0	0	0	0	0	(129)	(450)	(94)	
NET TOTAL =	233,912	2,742	149	203	(168)	546	1,414	1,881	(9,031)	231,648	

MEETING	AUDIT COMMITTEE
DATE	20 FEBRUARY 2014
TITLE	TREASURY MANAGEMENT TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2014/15
AUTHOR	DAFYDD L EDWARDS – HEAD OF FINANCE
CABINET MEMBER	COUNCILLOR PEREDUR JENKINS

Introduction and Background

1. The Code of Practice for managing Treasury Management in Public Services published by CIPFA, requires the Council to prepare a Policy Statement and practice papers together with detailed schedules setting out the Council's approach to all treasury operations. The primary requirement of the Code is the approval by the Full Council of the Policy Statement, the practice papers and the schedules. These were approved by the Council (in respect of 2013/14) at its meeting of 28th February 2013.
2. The Welsh Assembly Government's Statutory Guidance on Local Government Investments ("The Guidance"), requires the Council, as part of its treasury management function to prepare an Annual Investment Strategy. The Guidance states that authorities can combine the Treasury Management Strategy Statement and the Annual Investment Strategy into one report. Gwynedd Council has adopted that suggestion, therefore the Annual Investment Strategy is included as section 5 of **Appendix A**.
3. The Council is required by the Code and the Guidance to approve an annual Treasury Management Strategy Statement, an Annual Investment Strategy and a Minimum Revenue Provision Strategy prior to the commencement of each financial year. The proposed strategy for 2014/15 is detailed herewith as **Appendix A** and **Appendix D**.
4. The counterparties list (**Appendix B**) shows the recommendations for January 2014. This will be updated when specific advice is received regarding the bodies within the new categories of investment, such as building societies that are below A- rating, are received.
5. As Administering Authority of the Gwynedd Pension Fund the Council also undertakes treasury management investment functions on its behalf by combining

the surplus cash held by the Council and the Pension Fund for daily investment purposes. The Pension Fund requests this annually as the returns received are improved and the risks reduced by combining the cash with the Council's funds. The Pensions Committee will approve the relevant elements of this Strategy Statement and request the continuation of the pooling arrangements for 2014/15 at its meeting on 17th March 2014.

6. In addition, the Local Government Act 2003 introduced a prudential framework for local authority's capital investment. The arrangements, which have been applicable from 1st April 2004 introduced a new system of governance for local authority capital expenditure, based largely on self regulation. The Prudential Code for Capital Finance in Local Authorities has been developed by CIPFA as a professional code of practice, with statutory backing, to support local authorities in taking decisions to spend capital. Key objectives are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. Local authorities, before the beginning of each financial year, are required to set certain prudential indicators for the forthcoming and following years. Following the recent review, CIPFA has now introduced a new prudential indicator, "Upper limits on the proportion of net debt to gross debt" to highlight where an authority may be borrowing in advance of its cash requirement. The indicators, which are based on the capital and revenue budget proposals contained elsewhere on the agenda, are shown here in **Appendix C**.
7. With effect from 31st March 2008, the Welsh Assembly Government introduced the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 [the "Amendment Regulations"]. These Regulations introduce certain amendments to those introduced in 2003 [the "Original Regulations"] as part of the implementation of the Prudential Borrowing regime. Amongst the changes introduced is the requirement for an Annual Minimum Revenue Provision (MRP) Policy Statement.
8. The Original Regulations set out a statutory basis and a complex formula for the calculation of MRP. The Amendment Regulations only require a charge that is 'prudent', and authorities are permitted more discretion in terms of the charge levied, albeit within certain parameters. **Appendix D** therefore also incorporates the Annual MRP Statement for 2014/15.
9. Members of the Audit Committee and the Cabinet Member for Resources were invited to a briefing meeting on 30 January 2014 with Arlingclose, the Council's Treasury Advisors, to discuss Treasury Management. Members were reminded of CIPFA's Code of Practice for Treasury Management as well as their roles and responsibilities as members for the Treasury Management function. The advisors highlighted the various current treasury risks, and spoke in detail about the credit and counterparty risks, interest rate risks and inflation risk. They also discussed the Council's debt portfolio, net borrowing position, and the prudential indicators.

Recommendation

- 8. The Audit Committee is asked to recommend that the Full Council on 6 March should adopt the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15 (Appendix A), the Prudential Indicators (Appendix C), the Minimum Revenue Provision Statement (Appendix D) and the pooling arrangement with the Pension Fund for daily cash flow investment.**

Treasury Management Strategy Statement 2014/15

1. Introduction

- 1.1 In March 2011 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.
- 1.2 In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in April 2010 that requires the Authority to approve an investment strategy before the start of each financial year.
- 1.3 This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.
- 1.4 The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

2. External Context

2.1 Economic background

The Bank of England's Monetary Policy Committee (MPC) through its recent forward guidance is committed to keeping policy rates low for an extended period using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider whether or not to raise interest rates, subject to certain knock-outs. Unemployment was 7.7% in August 2013, but is not forecast to fall below the threshold until 2016, due to the UK's flexible workforce.

The flow of credit to households and businesses is slowly improving but is still below pre-crisis levels. The fall in consumer price inflation from the high of 5.2% in September 2011 to 2.7% in September 2013 will allow real wage increases (i.e. after inflation) to slowly turn positive and aid consumer spending.

Stronger growth data in 2013 (0.4% in Q1, 0.7% in Q2 and 0.8% in Q3) alongside a pick-up in property prices mainly stoked by government initiatives to boost mortgage lending have led markets to price in an earlier rise in rates than warranted under

Forward Guidance and the broader economic backdrop. However, with jobs growth picking up slowly, many employees working shorter hours than they would like and benefit cuts set to gather pace, growth is likely to only be gradual. Arlingclose forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable.

In the US expectations for the slowing in the pace of asset purchases ('tapering') by the Federal Reserve and the end of further asset purchases will remain predominant drivers of the financial markets. The Fed did not taper in September and has talked down potential tapering in the near term. It now looks more likely to occur in early 2014 which will be supportive of bond and equity markets in the interim.

2.2 **Credit outlook**

The credit risk of banking failures has diminished, but not dissipated altogether. Regulatory changes are afoot in the UK, US and Europe to move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. This is already manifest in relation to holders of subordinated debt issued by the Co-op which will suffer a haircut on its conversion bail-in to alternative securities and/or equity. There are also proposals for EU regulatory reforms to Money Market Funds which will, in all probability, result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.

2.3 **Interest rate forecast**

Arlingclose's forecast is for the Bank Rate to remain flat until late 2016, the risk to the upside (i.e. rates being higher) are weighted more heavily towards the end of the forecast horizon, as the table below shows. Gilt yields are expected to rise over the forecast period with medium- and long-dated gilts expected to rise by between 0.7% and 1.1%.

- 2.4 A more detailed economic and interest rate forecast provided by the Authority's treasury management advisor is attached at **Annex A**.
- 2.5 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.4%, and that no new long-term loans will be required.

3. Local Context

3.1 The Authority had £111.6m of borrowing and £52.2m of investments as at 31 December 2013. This is set out in further detail at *Annex B*. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.13 Actual £'000	31.3.14 Estimate £'000	31.3.15 Estimate £'000	31.3.16 Estimate £'000	31.3.17 Estimate £'000
Gross CFR	165,924	168,430	173,714	178,437	182,813
Less: Other long-term liabilities *	(29)	(15)	0	0	0
Borrowing CFR	165,895	168,415	173,714	178,437	182,813
Less: External borrowing **	(113,248)	(112,469)	(111,267)	(131,267)	(129,500)
Internal borrowing	52,647	55,946	62,447	47,170	53,313
Less: Usable reserves	(65,725)	(45,211)	(39,812)	(34,269)	(32,223)
Less: Working capital	(23,718)	(18,162)	(18,102)	(18,082)	(18,077)
Investments	(36,796)	(7,427)	4,533	(5,181)	3,013

* finance leases that form part of the Authority's debt

** shows only loans to which the Authority is committed and excludes optional refinancing

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding a minimum investment balance of £40m.

Table 1 shows that the Council may need to borrow up to £4.5million in 2014/15. This is based on projections for significant use of reserves during 2013/14 and 2014/15 and includes those capital schemes which are financed by borrowing. Some slippage is likely in both of these and therefore additional external borrowing has not been budgeted for in 2014/15. However, it is estimated that additional borrowing of £20million will be required in 2015/16, and this is included in the table above.

3.3 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2014/15.

4. Borrowing Strategy

- 4.1 The Authority currently holds £112 million of loans, a decrease of £1 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2014/15. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £190 million.
- 4.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 4.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 4.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2014/15 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.5 In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.
- 4.6 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board
 - UK local authorities
 - any institution approved for investments (see paragraph 5.3 below)
 - any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
 - special purpose companies created to enable joint local authority bond issues.

The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it may consider other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

4.7 The Authority holds £16.2m as a LOBO (Lender's Option Borrower's Option) loan where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. There is no option during 2014/15. Total borrowing via LOBO loans will be limited to £16.2m.

4.8 Short-term and variable rate loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

4.9 **Debt Rescheduling**

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

5. **Investment Strategy**

5.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £48 and £81 million, and similar levels are expected to be maintained in the forthcoming year. This includes the cash balances of Gwynedd Pension Fund which are pooled with the Council's funds for investment purposes. The Pension Fund requests this annually as the returns received are improved and the risks reduced by combining the cash with the Council's funds. The Pensions Committee will approve the relevant elements of this Strategy Statement and request the continuation of the pooling arrangements for 2014/15 at its meeting on 17th March 2014.

5.2 Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.3 The Authority may invest its surplus funds with any of the counterparties in table 2 below, subject to the cash and time limits shown.

Table 2: Approved Investment Counterparties

Counterparty	Cash limit	Time limit
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	5 years*
	AA+	5 years*
	AA	4 years*
	AA-	3 years*
	A+	2 years
	A	1 year
	A-	
The Authority's current account bank (Barclays Bank plc) if it fails to meet the above criteria	£1m	next day
UK Central Government (irrespective of credit rating)	unlimited	10 years**
UK Local Authorities (irrespective of credit rating)	£11m each	2 years
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher	£5m each	2 years
UK Building Societies without credit ratings	£1m each	1 year
Money market funds and other pooled funds	£6m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser	£5m each	3 months
	£1m each	1 year
	£100k each	5 years
Business loans to local companies***	£3m each	10 years

* but no longer than 2 years in fixed-term deposits and other illiquid instruments

** but no longer than 5 years in fixed-term deposits and other illiquid instruments

*** Advancement of these loans will be approved by the procedure detailed in paragraph 5.9 below. Evaluation of the Business Loans is not part of the advice or services from the Council's treasury advisor.

- 5.3 There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the *EU Bank Recovery and Resolution Directive* are implemented.

In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.

5.4 **Current Account Bank**

Following a competitive tender exercise held in 2010, the Authority's current accounts are held with Barclays Bank plc which is currently rated above the minimum A- rating in table 2. Should the credit ratings fall below A-, the Authority may continue to deposit surplus cash with Barclays Bank plc providing that investments that can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).

5.5 **Registered Providers**

Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The Authority will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

5.6 **Building Societies**

The Authority takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Authority's deposits would be paid out in preference to retail depositors. The Authority will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.

5.7 **Money Market Funds**

These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Authority. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

5.8 **Other Organisations**

The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

5.9 **Local Loans Fund**

The Council has set up a Local Loans Fund which will make loans to local businesses. These investments are included in the Non-Specific Investments table above and will be for a maximum period of 10 years. The total value of the fund for such investments is £3million. Applications for loans under this scheme will not be part of the usual credit assessment for treasury management investment purposes but will be assessed by appointed consultants and any decision to lend will be made by the Investment Panel for the scheme.

5.10 **Risk Assessment and Credit Ratings**

The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a A- rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.11 Other Information on the Security of Investments

The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.12 Specified Investments

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

- 5.12 **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; those that are defined as capital expenditure by legislation, such as shares in money market funds and other pooled funds; and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£30m
Total shares in money market funds	£35m
Total investments without credit ratings or rated below [A-]	£7m
Total investments in foreign countries rated below [AA+]	£7m
Total non-specified investments	£50m

- 5.13 **Investment Limits:** The Authority’s revenue reserves and Pension Fund cash available to cover investment losses are forecast to be £48 million on 31st March 2014. In order that no more than 23% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £11 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers’ nominee accounts (*e.g. King & Shaxson*), foreign countries and industry sectors as below:

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£11m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£11m per group
Any group of pooled funds under the same management	£11m per manger
Negotiable instruments held in a broker's nominee account	£11m per broker
Foreign countries	£11m per country
Registered Providers	£14m in total
Building Societies	£14m in total
Loans to small businesses	£7m in total
Money Market Funds	£35m in total

5.14 **Approved Instruments:** The Authority may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits and loans where the Authority may demand repayment at any time (with or without notice),
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £7 million in total,
- certificates of deposit,
- bonds, notes, bills, commercial paper and other marketable instruments, and
- shares in money market funds and other pooled funds.

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

5.15 **Liquidity management**

The Authority uses prudent cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed.

6. Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

6.1 Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target
Portfolio average credit score	6.0

6.2 Liquidity

The Authority intends to adopt a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a specific period, without additional borrowing. The baseline will be established during 2014/15 and the new measure will be introduced for 2015/16 onwards.

6.3 Interest Rate Exposures

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2014/15	2015/16	2016/17
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

- 6.4 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%
50 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

- 6.5 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2014/15	2015/16	2016/17
Limit on principal invested beyond year end	£30m	£20m	£10m

7. Other Items

- 7.1 There are a number of additional items that the Authority is obliged by CIPFA or WG to include in its Treasury Management Strategy.
- 7.2 **Policy on Use of Financial Derivatives:** In the absence of any legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.
- 7.3 **Investment Training:** The needs of the Authority's treasury management staff for training in investment management are assessed every year as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

7.4 **Investment Advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is monitored by the Head of Finance and the Investment Manager on a regular basis.

7.5 **Investment of Money Borrowed in Advance of Need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £195 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Annex A – Arlingclose Economic & Interest Rate Forecast December 2013

Underlying assumptions:

- Growth continues to strengthen with the second estimate for Q3 growth coming in at an unrevised 0.8%. The service sector remains the main driver of growth, boosted by a contribution from construction.
- The unemployment rate has fallen to 7.6%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI for November has fallen to 2.1%, a much more comfortable position for the MPC. Utility price increases are expected to keep CPI above the 2% target in 2014, before falling back again.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%.
- The reduction in uncertainty and easing of credit conditions have begun to unlock demand, much of which has fed through to the housing market. In response to concerns over a house price bubble, the Bank of England announced a curtailment of the Funding for Lending Scheme, which will henceforth concentrate on business lending only.
- The MPC will not hesitate to use macro prudential and regulatory tools to deal with emerging risks (such as curtailing the FLS). Absent risks to either price stability or financial stability, the MPC will only tighten policy when it is convinced about the sustained durability of economic growth.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. Tapering of asset purchases will begin in Q1 2014. The US political deadlock over the debt ceiling will need resolving in Q1 2014.
- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.
- China data has seen an improvement, easing markets fears. Chinese leaders have signalled possible monetary policy tightening.
- On-going regulatory reform and a focus on bail-in debt restructuring of is likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.

Forecast:

- Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. The MPC will not raise rates until there is a sustained period of strong growth. However, upside risks weight more heavily at the end of our forecast horizon.
- We continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
Arithmetic 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													
3-month LIBID rate													
Upside risk	0.20	0.25	0.30	0.35	0.40	0.50	0.55	0.60	0.65	0.70	0.75	0.90	0.95
Arithmetic Central Case	0.45	0.45	0.50	0.55	0.65	0.75	0.75	0.75	0.75	0.80	0.80	0.80	0.80
Downside risk			0.05	0.10	0.20	0.30	0.30	0.30	0.30	0.30	-0.35	-0.35	-0.35
1-yr LIBID rate													
Upside risk	0.35	0.30	0.35	0.40	0.45	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.80
Arithmetic Central Case	0.90	0.95	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arithmetic Central Case	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.85	1.95	2.10	2.30	2.50	2.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
10-yr gilt yield													
Upside risk	0.50	0.50	0.50	0.65	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arithmetic Central Case	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50	3.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
20-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arithmetic Central Case	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80
50-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arithmetic Central Case	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80

Annex B – Existing Investment & Debt Portfolio Position

	31.12.13 Actual Portfolio £m	31.12.13 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	95.4	6.11
LOBO Loans	16.2	4.23
Total Gross External Debt	111.6	5.84
Investments:		
Short-term investments	52.2	0.56
Total Investments	52.2	0.56
Net Debt	59.4	

COUNTERPARTIES CURRENTLY MEETING INVESTMENT CRITERIA

Country	Counterparty	Maximum Limit of Investments £m	Maximum Length of Loans
UK	DMADF, DMO	No Limit	No Limit
UK	UK Local Authorities	£30m (£30m)	2 years
UK	Santander UK Plc (Banco Santander Group)	£12m (£18m)	Up to 6 months 2-years
UK	Bank of Scotland (Lloyds Banking Group)	£12m (£18m)	Up to 6 months 2-years
UK	Lloyds TSB (Lloyds Banking Group)	£12m (£18m)	Up to 6 months 2-years
UK	Barclays Bank Plc	£12m (£18m)	Up to 1 year 2-years
UK	Close Brothers	£12m (£18m)	Up to 100 days 2-years
UK	Clydesdale Bank (National Australia Bank Group) **SUSPENDED 28/09/11**	£12m (£18m)	2-years
UK	Goldman Sachs International Bank	£10m	Up to 100 days
UK	HSBC Bank Plc	£12m (£18m)	Up to 1 year 2-years
UK	Leeds Building Society	£1m	Up to 100 days
UK	Nationwide Building Society	£12m (£18m)	Up to 1 year 2-years
UK	NatWest (RBS Group)	£12m (£18m)	Overnight Only 2-years
UK	Royal Bank of Scotland (RBS Group)	£12m (£18m)	Overnight Only 2-years
UK	Standard Chartered Bank	£12m (£18m)	Up to 1 year 2-years
Australia	Australia and NZ Banking Group	£12m (£18m)	Up to 1 year 2-years
Australia	Commonwealth Bank of Australia	£12m (£18m)	Up to 1 year 2-years
Australia	National Australia Bank Ltd (National Australia Bank Group)	£12m (£18m)	Up to 1 year 2-years
Australia	Westpac Banking Corp	£12m (£18m)	Up to 1 year 2-years
Canada	Bank of Montreal	£12m (£18m)	Up to 1 year 2-years
Canada	Bank of Nova Scotia	£12m (£18m)	Up to 1 year 2-years
Canada	Canadian Imperial Bank of Commerce	£12m (£18m)	Up to 1 year 2-years
Canada	Royal Bank of Canada	£12m (£18m)	Up to 1 year 2-years
Canada	Toronto-Dominion Bank	£12m (£18m)	Up to 1 year 2-years
Finland	Nordea Bank Finland	£12m (£18m)	Up to 1 year 2-years
Finland	Pohjola	£12m (£18m)	Up to 6 months 2-years
France	BNP Paribas **SUSPENDED 08/11/13**	£12m (£18m)	Up to 100 days 2-years
France	Credit Agricole CIB (Credit Agricole Group) **SUSPENDED 08/11/13**	£12m (£18m)	Up to 100 days 2-years
France	Credit Agricole SA (Credit Agricole Group) **SUSPENDED 08/11/13**	£12m (£18m)	Up to 100 days 2-years
France	Société Générale **SUSPENDED 08/11/13**	£12m (£18m)	Up to 100 days 2-years
Germany	Deutsche Bank AG	£12m (£18m)	Up to 1 year 2-years
Germany	Landesbank Hessen-Thurnigen (Helaba)	£10m	Up to 100 days
Netherlands	ING Bank NV	£12m (£18m)	Up to 100 days 2-years
Netherlands	Rabobank	£12m (£18m)	Up to 1 year 2-years
Netherlands	Bank Nederlandse Gemeenten	£12m (£18m)	Up to 1 year 2-years
Singapore	DBS Bank Ltd	£12m (£18m)	Up to 6 months 2-years
Singapore	Oversea-Chinese Banking Corporation (OCBC)	£12m (£18m)	Up to 6 months 2-years
Singapore	United Overseas Bank (UOB)	£12m (£18m)	Up to 6 months 2-years
Sweden	Svenska Handelsbanken	£12m (£18m)	Up to 1 year 2-years
Switzerland	Credit Suisse	£12m (£18m)	Up to 100 days 2-years
US	JP Morgan	£12m (£18m)	Up to 1 year 2-years

1. There is a limit of £18m on banks within the same banking group.
2. The time limits in the above list relate to term deposits. Negotiable/tradable instruments such as CD's are subject to a 5 year limit. Current recommended duration limits are considerably lower than this, but the limits outlined above provide flexibility to react to the possibility of continued stabilisation or improvement in credit and economic conditions in 2013/14.
3. This list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools. Alternatively, if a counterparty is downgraded, this list may be shortened.

Appendix C - Prudential Indicators 2014/15

1. Background

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

2. Estimates of Capital Expenditure

The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2013/14 Revised £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Total Capital Expenditure	41,223	35,610	25,574	22,379
Capital Receipts	702	1,192	1,680	230
Government Grants	19,193	12,774	8,111	8,022
Revenue	11,173	9,499	4,049	2,059
Supported Borrowing	4,166	4,122	4,122	4,122
Prudential borrowing	5,989	8,023	7,612	7,496
Total Financing	41,223	35,610	25,574	22,379

3. Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.14 Revised £'000	31.03.15 Estimate £'000	31.03.16 Estimate £'000	31.03.17 Estimate £'000
Total CFR	168,430	173,714	178,437	182,813

The CFR is forecast to rise by £14.383m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

- 4. Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.14 Revised £'000	31.03.15 Estimate £'000	31.03.16 Estimate £'000	31.03.17 Estimate £'000
Borrowing	112,469	111,267	131,267	129,500
Finance leases	15	0	0	0
Total Debt	168,988	171,984	181,318	182,660

Total debt is expected to remain below the CFR during the forecast period.

5. Operational Boundary for External Debt

The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2013/14 Revised £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Borrowing	175,000	175,000	175,000	175,000
Other long-term liabilities	0	0	0	0
Total Debt	175,000	175,000	175,000	175,000

6. Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2013/14 Revised £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Borrowing	195,000	195,000	195,000	195,000
Other long-term liabilities	0	0	0	0
Total Debt	195,000	195,000	195,000	195,000

7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/14 Revised %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
General Fund – assuming 3.5% increase in Council Tax for 14/15 and going forward	5.84	5.35	5.60	5.78
General Fund – assuming 3.9% increase in Council Tax for 14/15, and 3.5% increase going forward	5.84	5.34	5.59	5.78

8. Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
General Fund - increase in annual band D Council Tax	0	0	0

9. Adoption of the CIPFA Treasury Management Code

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* at its full Council meeting on 3rd March 2011.

Appendix D – Annual Minimum Revenue Provision Statement 2014/15

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Welsh Government's *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2010.

The broad aim of the WG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.

Capital expenditure incurred during 2014/15 will not be subject to a MRP charge until 2015/16.

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2014, the budget for MRP has been set at £6.86m.

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	20 FEBRUARY 2014
TITLE	REPORT OF THE CONTROL IMPROVEMENT WORKING GROUP
PURPOSE OF REPORT	TO REPORT ON THE MEETING HELD ON 22 JANUARY 2014
AUTHOR	TREVOR O EDWARDS, CHAIR OF THE AUDIT COMMITTEE
ACTION	TO RECEIVE THE REPORT AND CONSIDER THE RECOMMENDATIONS

1. INTRODUCTION

1.1. At its meeting on 3 December 2013, the Audit Committee:

RESOLVED that the following members serve on the working group to consider the audits that received opinion category 'C' along with the overspend in the field of waste in the Highways and Municipal Department -

The Chairman and Vice-chairman of the Committee along with Councillors John Brynmor Hughes, Michael Sol Owen, Gethin Glyn Williams, Bob Wright and Tom Ellis (if he is available).

2. WORKING GROUP MEETING

2.1. The Working Group meeting was held on 22 January in Ystafell Glyder Fach, with the Chair and Vice-Chair of the Committee, Councillors John Brynmor Hughes, Michael Sol Owen and Bob Wright and Dewi Morgan, Senior Manager Audit and Risk present.

2.2. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit Committee is expected to scrutinise the budget monitoring reports, where appropriate. So, as well as discussing internal audit reports that had received a 'C' opinion, attention was given by the the Working Group to revenue expenditure in the area of Waste, following the report of the Head of Finance to the Committee on 3 December that forecast a net overspend of £536k by the end of the financial year.

2.3. The executive summaries of 10 internal audit reports were presented to the Audit Committee meeting on 3 December 2013, which represented reports that had been released between 1 September 2013 and 31 October 2013. Four of these reports received a 'C' opinion:

TITLE	DEPARTMENT	SERVICE
Corporate Complaints Procedure	Corporate	
Ports	Economy and Community	Maritime and Country Parks
Direct Payments	Social Services, Housing and Leisure	Adults
Subsidised Travel Tickets - Payments to bus companies	Regulatory	Transportation and Street Care

- 2.4. The relevant Cabinet Member and Chief Officer attended to discuss the revenue budget overspend in Waste, and the relevant officers to discuss the four internal audit reports.
- 2.5. In addition, consideration was given to the Auditor General's consultation document on the Code of Audit Practice and Statement of Practice.

3. BUDGET REVIEW – OVERSPEND IN THE AREA OF WASTE

3.1. Introduction

- 3.1.1. The report of the Head of Finance on the second quarter review of the 2013/14 revenue budget was presented to the Audit Committee on 3 December 2013. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit Committee is expected to scrutinise the budget monitoring reports, where appropriate. This is consistent with the statutory roles of the Committee to review the authority's financial affairs and scrutinise them, and to review and assess the authority's arrangements for risk management, internal control and corporate governance.
- 3.1.2. The report noted that the review had highlighted a forecast net overspend of £536k on the Highways and Municipal Waste budget, and that there is pressure on the 2014/15 budget. In the context of this overspend, it was reported to the Audit Committee that a report is to be presented soon to the Council's Cabinet on transforming the method of waste collection and disposal with an increased emphasis on recycling, and that steps have already been taken to close the Ffridd Rasmus site in Harlech as a disposal site.
- 3.1.3. It was also reported to the Audit Committee that all Council departments and Cabinet Members have been given a clear message that there is no intention to compensate departments for all their overspend at the end of the year, as in previous years, due to the challenging financial settlement for 2014/15, and managerial steps are expected to reduce the overspend during the remainder of 2013/14.
- 3.1.4. Councillor Gareth Roberts, Cabinet Member for the Environment, and Gwyn Morris Jones, Head of Highways and Municipal Services, attended to discuss what is in place to deal with the financial situation in the area of Waste. William Jones, Senior Finance Manager was also present to introduce the item, support the Working Group and offer further guidance. An apology was received by the Head of Finance as he was not able to attend.
- 3.1.5. Reference was made to the comments of the whole Department in the 2nd quarter review that had been submitted to the Cabinet and the Audit Committee:

By now, it is forecasted that the net overspend of the Highways and Municipal Department will be £447k, a reduction of (£353k) from the first quarter. As noted in July, it has been customary for the Cabinet to approve additional budget for the Department in circumstances where there has been additional effluence costs, and reduction in royalties. In addition, it has been customary to assist the Department where there has been the loss of specific grants.

Under the circumstances, if the Cabinet wished to continue with this arrangement, it would mean the approval of £306k of additional budget for the Department, and would reduce the level of Departmental overspend to £141k. Again, following the usual procedure, a specific recommendation will be made on the matter later in the year.

Meanwhile, the Department is taking steps to try and reduce the forecasted overspend, and these steps will be reported upon further in the next quarterly review.

It is estimated that the permanent effect of all the variances above, together with changes in the related requirements is approximately £851k, indicating pressure on the 2014/15 budget.

- 3.1.6. That is, because of the financial situation, the expectation now is that the Council will no longer bail out departments - they need to fund the overspend out of their own budgets.

However, it was noted by the Senior Finance Manager that the Department has had to divert money that was supposed to fund the overspend because of the recent severe weather.

3.1.7. The Head of Highways and Municipal explained the main reasons for the higher than budgeted net expenditure by heading:

3.2. Waste Disposal

3.2.1. The public are recycling and composting less than forecast at the beginning of the year; the amount of waste being sent to landfill has not reduced as much as expected. This has caused a two-fold impact on the Council financially, as it has to pay more landfill tax as well as being fined by the Welsh Government for failing to achieve recycling targets. This results in paying over £100k more in landfill tax than anticipated.

3.2.2. Asked if some areas are worse than others in terms of waste sent to landfill, the Head's response was that that Dwyfor is better than Meirionnydd and Arfon, but this is to be expected as changes were introduced there first. Things have started to improve in Meirionnydd, but Arfon is slow in changing its practices. The Department is in the process of encouraging improvement, including the use of a questionnaire for the Public, and publishing new information booklets.

3.3. Transfer Sites

3.3.1. It was reported by the Head that the Department tends to be careful with contracts to sell products - they do not agree to long-term contracts as the price received for the product is so changeable (eg oil, paper, aluminum). It was noted that the Caeryglchu site in Caernarfon is self-sufficient, but the income is not as good as expected. A project to invest in PV solar panels on the roof of Caeryglchu is currently under consideration in order to reduce electricity costs, and discussions will be held with the third sector.

3.4. Waste Collection and Recycling

3.4.1. It was reported that the Council had received a reduction in Sustainable Waste Management Grant of £105k this year because of the financial squeeze. The Council was informed about the reduction in the grant after the start of financial year; the Department has forecast a decrease, but not as much as it experienced. The Senior Finance Manager said that any loss in grant makes circumstances difficult for the Council, but if the Council is informed of the reduction 2 or 3 months into the year, the situation is even worse as plans are already in place.

3.4.2. The Head of Highways and Municipal was keen to draw the attention of the Working Group to other issues under the heading:

- **Timber recycling costs.** Over 1,700 tons of wood is received annually, and the Welsh Government has stated that wood sent for burning at biomass sites can not be counted as having been recycled – burning is not "recycling ". This weight of timber means that the Council will be fined for failing its recycling target, which is set on the basis of weight. A member asked what if someone took the wood for free. The Head replied that there is a need for an audit trail to show where the material has gone before it can be counted in the recycling statistics, so the situation is not that simple.

- **Timber and rubble.** It was asked if the timber comes from small businesses such as builders. It was answered that rubble causes the same type of situation - although the sites are supposed to take household waste only, there is suspicion that commercial waste is also left there. When asked if the arrangements are sufficiently robust at the centres at present, the Head reported that arrangements have been established at the centres where employees take down the registration numbers of vehicles bringing waste there, but ultimately the concern is that if the Council were to prevent material suspected to be from builders, "flytipping " could worsen, and that is under control in Gwynedd at the moment.
- **Street Sweepings.** The Head said that the Council is researching into innovative work by a local company for dealing with street sweepings. The Council uses a machine from a local company that cleans street sweepings (e.g. leaves), making the material suitable for composting; this has been accepted by Natural Resources Wales . It was reported that the ability to compost this material is of tremendous benefit to recycling targets - the Council collects 1,500 tons of leaves each year. Untreated, these leaves would not be counted for composting as Natural Resources Wales would regard it as being polluted.

3.5. Waste Sites

- 3.5.1. According to the Head, this is the biggest area of overspend. Landfill has come to an end in Gwynedd, but there are significant costs resulting from effluent coming out of sites, especially Ffridd Rasus. This material is being transported in tankers to Deeside to be processed. To control costs, the contract to carry the material has recently been out to tender. Due to the nature of the work to treat the material significant costs are associated with it. In closing Ffridd Rasus earlier than planned, the site can be capped. Whilst this would not completely remove the effluent problem, it will lead to a significant reduction in costs. It was emphasised, however, that there will be some costs for several years – the site cannot be stated to be free of effluent for about 50 to 60 years.
- 3.5.2. The Senior Finance Manager noted that budgetary provision is in place to deal with the effluent, but the recent heavy rains have exacerbated the situation.
- 3.5.3. Also within the overspend is a reduction in income from royalties for collecting gases at the Cilgwyn site to produce electricity. The Council has been in receipt of income based on the amount of electricity that is generated, but the volume of gas that is collected has reduced, as it is expected to. The company that is using the site to generate electricity has changed the machine that was there to a smaller one. One member asked had not the the continuous increase in the price of electricity led to a better income? The Head replied that the Council receives a share of any increase in cubic rate, but much less electricity is being generated by now.

3.6. What can be done about the matter?

- 3.6.1. In the current year the Ffridd Rasus site has closed, with a company from Wrexham receiving Gwynedd's residual waste. This will not have a financial impact in the current year, but it will in the coming years. In addition to the revenue savings, there will also be a capital saving, as the 2 new cells that had been in the capital programme will no longer be needed. The Council in partnership to deal with food and garden waste, with the food waste of Gwynedd, Anglesey and Conwy coming to Gwynedd.
- 3.6.2. The Head was keen to stress that this situation can effect the Department as a whole, leading to holding back a little on the Highways work programme.

- 3.6.3. To compound matters, the recent severe weather has caused additional costs of approximately £ 150k to the Department.
- 3.6.4. As a next step, the Head will review the work units if necessary .
- 3.6.5. Bids have been submitted for 2014/15 to try to deal with the deficit in the grant, effluent etc, but the Head recognised that a bid would not be successful without being able to demonstrate a readiness for business transformation.
- 3.6.6. According to the Head, it is increasing the food waste that is composted that will make a difference, and bring the Council back towards the recycling target.

3.7. Where the Department be in future?

- 3.7.1. In the opinion of the Head of Highways and Municipal, the Department will have implemented changes in the area of waste. Savings have already been made, but not successfully enough to reach the ambitious targets that had been set. The Head noted that he had cut costs in 9 of the last 10 years. It was noted that if the bid is unsuccessful, the current collection arrangements will need to be reviewed further, and the opening hours of the collection centres considered.
- 3.7.2. The Head was of the view that there is a role for members to support officers. Working Group members noted that some of them have already attended workshops to raise awareness, and praised their quality.
- 3.7.3. It was noted that the Department's work programme this year has prioritised those areas that were damaged in the floods of November 2012, but this year there has been further damage.
- 3.7.4. Members asked about the possibility of the Welsh Government paying for the emergency work due to the severe weather. The Senior Finance Manager explained that additional funds are not expected. The Welsh Government has set a threshold of £472,000 that the Council must first spend on relevant activities; it will then receive support of 85% of any expenditure above that.
- 3.7.5. The Working Group was grateful for the comprehensive information submitted, and accepted that the Department will proceed to deal with this situation in spite of challenging circumstances.**

4. INTERNAL AUDIT REPORTS

4.1. Corporate Complaints Procedure

4.1.1. The main findings of the report were:

There are three stages in the current policy - informal complaint, formal complaint (the response of the service) and then an independent review (the Complaints Panel which includes the Monitoring Officer and one independent Chief Officer). However the Welsh Complaints Group has submitted proposals for common complaints policy to be used by Public Service Providers in Wales. A two-step procedure is recommended of step 1 - Informal Resolution and then Step 2 - a formal internal investigation on the principle of "Investigate once, Investigate well". The emphasis is therefore on resolution at stage 1.

Some elements are unclear in the current policy eg the procedure for complainants under 18 years of age, or for making a complaint on behalf of another individual. There is no reference in the policy that the same procedure will be used for these. Furthermore the time given for the acknowledgement of a complaint is not consistent with proposals of the Welsh Complaints Group. It is clear that the complaints procedure needs to be updated and could convey some points clearer.

The Council's frontline staff who deal with customers on a daily basis have little awareness about the content of the policy even though they were aware of the website and the electronic complaints submission form. The Model Complaints Policy provided by the Welsh Complaints Group state that frontline staff should be trained and encouraged to provide appropriate information on advice and advocacy support in phase 1 of the process. There is also no advisory documentation for customers in making or presenting complaints in public establishments such as the Siopau Gwynedd. After reviewing the policy, there should be arrangements for promoting the existence of the procedure.

4.1.2. Siôn Huws, Compliance and Language Manager (Democracy and Legal Department) was welcomed to the meeting to discuss the report.

4.1.3. The report was put in its context by the Manager. It was noted that it was the corporate system, which does not include Social Services (that has separate arrangements), that was addressed in this audit.

4.1.4. Currently there are 3 stages to the process of making a complaint. If a complainant is not happy with the outcome of one stage, the complaint will move to the next step :

- Step 1: Informal Complaint to the officer (there is no corporate "complaints unit" – responsibility for dealing with complaints rests with departments).
- Stage 2: Formal complaint with the relevant department investigating.
- Step 3: Complaints Panel, comprising of the Monitoring Officer and one other independent head of department.

4.1.5. It was noted that a National Complaints Policy was published in 2011, with the intention for the same model to be adopted by all local authorities in Wales. The Manager noted that the Council will adopt it as a new complaints procedure, aiming to establish it in April. Many of the issues that have arisen in the audit will be resolved in introducing the new system.

4.1.6. There are two stages in the national policy, the informal stage to try to address the issue on the spot, and if this is not successful there will be one opportunity to investigate

thoroughly following the principle of "Investigate once, investigate well". It is therefore important to investigate in the manner most proportionate to the nature of the complaint.

4.1.7. It was noted that there isn't a central system to record complaints at the moment, but that the Customer Care Department is leading the project to address this. This may involve creating a new post.

4.1.8. The Senior Manager Audit and Risk keen to stress how important staff training will be when the new Policy is introduced. The Compliance and Language Manager agreed and explained that the Welsh Government will develop an e-learning module having regard to :

- How does the system work?
- How to deal with the complainant ?

4.1.9. The Manager acknowledges that the project to introduce a new procedures has slipped, as has been highlighted in the report.

4.1.10. The Compliance Manager was asked if a complaint needs to be made in writing. It was explained that a formal complaint needs to be in writing. Under the new regime, a formal complaint need not be in writing. However, it should be sought in writing, either from the complainant themselves or by agreeing a written summary with them.

4.1.11. The Working Group accepts that the adoption of new Complaints Procedure will address a number of issues that had been highlighted in the report.

4.2. Ports

4.2.1. The main findings of the report were:

We found that invoices are processed correctly and had been calculated and coded correctly, but some had not been paid within a certain number of days in accordance with Council policy. Weaknesses were identified in the process for charging customers and the process of receiving and banking income. In addition, weaknesses were identified in health and safety aspect at the ports, with risk assessments and records of safety equipment checks not being kept up to date. A number of weaknesses were identified in the arrangements for selling red diesel to customers, and it was not possible for the auditor to reconcile the purchase, sales and stock of red diesel from records obtained during the audit.

4.2.2. Llyr B Jones (Senior Manager Economic and Community) and Barry Davies (Maritime and Country Parks Officer) attended the meeting.

4.2.3. It was explained that the Department has identified Ports as an area of high risk, and when drawing up the audit plan for this year, the Department was eager for Internal Audit to give priority to this area.

4.2.4. The audit report contains 34 recommendations. Consideration was given to these recommendations by headings in the report:

Paying Invoices

4.2.5. It was noted that logistical issues can sometimes cause problems when trying to meet corporate targets for the payment of invoices.

Receiving details and fees

4.2.6. Officers were asked what is the procedure that is followed if the owner does not pay for boat moorings. The first step is to try to get the owner to pay in full in advance. However, if the boat remains in harbour and anchorage has not been paid for then the cost of taking it from the water (and the associated risks) must be quantified against the income that is lost. The Senior Manager Audit and Risk stated that this is a good example of trying to balance conflicting risks.

4.2.7. The officers from Economy and Community said that the Finance Department sends a list of debtors to the Department which helps to ensure that individuals pay on time. It was noted that the public launch boats without permission in some locations.

Raising invoices

4.2.8. It was reported that the Service seeks to ensure that registration forms are returned to the Council by March, with the intention of administering them in April so that the income of the invoice goes against the correct financial year. The officials acknowledged that 2013 invoices were not raised until June, and are working with the Information Technology Unit to implement a procedure to process invoices electronically.

Receiving Money and Banking

4.2.9. The officers reported that they had instructed staff to bank money once a week.

Sales of Red Diesel

4.2.10. The rules regarding red diesel were discussed, and when it could be used. It can only be used legitimately to heat the boat, not to power the boat to go out to sea. As noted in the audit report, it is necessary for boat owners to state what % of the red diesel that is bought is to be used for heating and how much for maritime purposes. It is the responsibility of boat owners to give the Council the correct information.

4.2.11. The report also noted that the auditor had identified that the diesel in stock could not be reconciled with what was supposed to be there. The officers reported that some of the confusion stems from a failure by officials in the ports to transfer figures to the forms correctly. The Working Group agreed that it is critical to have information on paper in the ports, so that an audit trail is in place.

Health and Safety

4.2.12. There were 10 recommendations in the audit regarding this point. The Senior Manager Economy and Community questioned some of the responses that were given to the auditor by officials in the Ports. He found it difficult to comprehend that Harbourmasters had not received instructions regarding Health and Safety – past experience means that the service had gone through too much to not train staff on Health and Safety matters and to not take this area seriously.

Implementation of Recommendations

4.2.13. The officers noted that the service had placed the recommendations into 3 categories:

- Recommendations where staff need to be reminded
- Recommendations where there is a need to ensure that procedures are being followed
- Recommendations where new arrangements are needed to improve controls.

4.2.14. Since this report, the service has re-examined the structure of the service in order to give more support to the Maritime and Country Parks Manager. This has resulted in the redirection of resources.

4.2.15. The Working Group was grateful to the officers for their ready answers, and was satisfied that the Maritime Service have put arrangements in place to deal with the issues that had been raised in the audit report.

4.3. Subsidised Travel Tickets - Payments to bus companies

4.3.1. The main findings of this report were:

The main finding emerging from this audit is the inability to give assurance on the accuracy of the monthly payments to operators within Gwynedd, as part of a free travel scheme for people over 60 and disabled persons, because the charges are based on figures calculated in September 2009, and there is insufficient evidence to support them. It appears that a lack of checks on the monthly applications has led to incorrect payments in the past, especially where journeys cross local authority boundaries. However, it was found that the Transportation and Street Care Service has taken appropriate steps to identify the weaknesses and strengthen internal controls that are part of the process of verifying and paying claims.

4.3.2. Dawn Sinclair (Contracts Team Leader) and Ceri Hughes (Contracts Officer) attended on behalf of the Transportation and Street Care Service. It was noted that the officers accept the 4 recommendations.

4.3.3. The Senior Manager Audit and Risk gave a background to the audit, explaining that 3 factors were behind the decision to look into this area :

- The service will appear high in the list of audits to be conducted on the basis of risk assessment.
- There was an incident a few months ago which and attracted considerable attention at the time, where an officer has sent information about the prices of all the companies to one bus company by accident
- The department has asked the Audit looks at another specific aspect because of a problem that had arisen with the administration of subsidies to some companies.

4.3.4. It was noted that the Council has identified some steps that could be implemented, but as some of those arrangements were pan-Wales there would be a need to change arrangements across Wales. One of these issues was that subsidies are based on the prices in September 2009 - the audit has suggested that it would be timely to undertake another exercise to update these figures.

4.3.5. The Working Group were assured by the Senior Manager Audit and Risk that he was satisfied that the Transportation and Street Care Service takes the issues that have been highlighted in the report seriously, and had discovered a number of the issues requiring attention themselves.

4.4. Direct Payments

4.4.1. The main findings of this report were:

Some examples of good practice were found within the Direct Payment service in that all service users have a contract in place for the service. However, there is the need to have clear arrangements in place for the production and approval of policy and guidelines for the service. Also, there is a need to receive more information and detail about the expenditure of the service users, particularly employee costs. One case has arisen where the service user had not contributed personally towards the service as they should have in accordance with the Charging Policy. As a result, appropriate steps should be taken to strengthen the arrangements within the area examined.

4.4.2. Aled Evans (Senior Performance Management and Change Officer), Rhian Wyn Powell (Direct Payments Co ordinator) and Carys Archer (Contracts Manager) attended on behalf of Social Services.

4.4.3. It was noted that the principle of direct payments is to empower individuals and allow them to have a degree of autonomy in choosing their care. The principle in terms of the care provided is consistent with the old scheme, which is to assess a person and meet their needs.

4.4.4. It was noted that individuals can use direct payments to buy services from a supplier, or a person may be employed as a personal assistant. However, if a person is employed they must be paid a standard rate. In response to a question from a member, with regards to employing a family member, the rules have been relaxed somewhat but family members can only be employed in special circumstances.

4.4.5. Officers reported that monthly monitoring takes place, with the need for individuals to send in financial transactions for verification. It was also noted that a service independent of the Council provides support to individuals.

4.4.6. In terms of some of the main weaknesses identified the report, which were a lack of guidelines, the officers reported that guidelines and procedures have been modified last year, but that some of the users are not happy with them and prevented their implementation. It was reported that a Task and Finish Group has been established, with the Senior Performance Management and Change Officer leading it. A second engagement is intended, looking at good practice elsewhere, with communication and consultation with relevant individuals.

4.4.7. It was noted that this would take some months to complete.

4.4.8. The officers reported that the majority of individuals who receive direct payments understands that is it public money, given for care purposes, but that some recipients interpret the situation differently, arguing that they had more freedom when using it. It was reported to the Working Group that direct payments will be suspended if too much money has accumulated.

4.4.9. The officials agreed with the report's recommendations, noting that what they want to get out of it is a decision by the Council on the level to which it wants to go in terms of transparency and how flexible to be when the administrating of direct payments. It was also noted that a greater focus is needed in care plans.

4.4.10. Two recommendations were addressed specifically:

4.4.11. ***Recommendation A06: A monitoring exercise should be done during one month each year to ensure that the annual financial assessment has been received for each case. In cases where an assessment has not been received, the Charging Policy Unit should be***

contacted to ensure that this has been received on time. It was reported that this arrangement has now been established .

4.4.12. ***Recommendation A03: In order to ensure that the service user receives the required care / service there is a need to ensure that an annual assessment is completed and evidenced in the annual care plan.*** It was noted that this is essential, but outside the remit of Direct Payments. This is a matter for the broader Social Services, and there is room to improve performance in this area. It was noted that, if these are done correctly, a number of other issues that have arisen in the report will also be resolved.

4.4.13. The Senior Manager Audit and Risk was asked if he would be willing for an officer from Internal Audit to attend meetings of the Task and Finish Group an an advisory capacity. The Senior Manager had no objections to this.

4.4.14. Based on the discussion, the Working Group was satisfied that the steps are to be taken by Social Services to address the issues raised in the Internal Audit report, and that the Department accepts that this area needs attention.

5. CONSULTATION ON AN AUDIT CODE OF PRACTICE AND STATEMENT OF PRACTICE

- 5.1. In November 2013, the Auditor General for Wales published a consultation on a revised Code of Audit Practice and Statement of Practice relating to audit, assessment and inspection especially for improving local government. These changes are in response to new legal requirements, as well as the strategic priorities of the Auditor General for Wales and the Wales Audit Office over the next three years.
- 5.2. These new documents are a set of basic principles for those who work on behalf of the Auditor General. The Wales Audit Office undertakes all this work at Gwynedd Council at present.
- 5.3. The consultation document contained six questions for those interested; these questions, and Gwynedd Council's response to them, were:

Question	Answer (Y / N)	Explanatory Comments
Do you agree with the five principles that should be the basis of audit work, in our opinion?	Yes	
Do you agree with the contents of the proposed General Code that denotes the way that auditors should plan and undertake their work, prepare reports and take follow up steps?	Yes	It is essential that auditors have both Welsh and English language skills in order to accomplish their functions in terms of fieldwork and reporting
Do you agree with the contents of the Specific Code that further notes how auditors should undertake their specific functions, as part of a joined-up approach for undertaking audit work?	Yes	
Do you agree with the contents of the proposed Schedule 1 to this Code, that notes the way that other specific functions should be undertaken?		No comment.
Do you agree with the proposed method of auditing smaller bodies as noted in Schedule 2?	Yes	We agree with Schedule 2, but believe that currently a disproportionate attention is given to smaller bodies, such as joint committees, that are led by, or reside within, County councils.
Do you agree with the proposed method of undertaking assessment, audit and special inspection functions in relation to local government improvement as described in the draft Statement of Practice?	Yes	We cannot disagree with the principles in the Statement, which is to focus on the public, be independent, proportionate, accountable and sustainable. Perhaps 'appreciating differences' would be worth adding. It is difficult to see how they can justify that the contact inspector for Gwynedd Council, and others who deal with us, cannot speak Welsh. The Council regularly responds to requests for English versions of internal documents that only exist in Welsh. We are also aware that the Wales Audit Office use their resources in order to translate some documents that allows them to undertake their duties.

- 5.4. Consideration was given by the Working Group to a draft response on behalf of the Council before the consultation period ended on 31 January 2014. The Working Group was satisfied with the response that had been prepared in the name of the Head of Finance as shown in the table.

MEETING: AUDIT COMMITTEE

DATE: 20 FEBRUARY 2014

**TITLE: REVENUE BUDGET 2013/14 –
THIRD QUARTER REVIEW (DECEMBER 2013)**

**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. The second quarter budget review report was submitted to the Audit Committee on 3 December 2013, and there has been subsequent consideration in the Working Group on 22 January (see previous item).
2. The report submitted today, which is the third quarter budget review, is fairly consistent with that previously reported (see Appendix 1).
3. However, 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 18 February.
4. It is intended to present the Cabinet’s draft decisions “on the table” at the Audit Committee meeting on 20 February.
5. The Audit Committee is requested to note the position and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet’s draft decisions and comment as necessary.

REPORT TO THE CABINET
18 FEBRUARY 2014

Cabinet Member: COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

Subject: THE REVENUE BUDGET 2013/14 – 3rd QUARTER REVIEW
(2013/14 forecasts, on the basis of the position as at 31
December 2013)

Contact Officer: DAFYDD L EDWARDS, HEAD OF FINANCE

1. THE DECISION SOUGHT / PURPOSE OF THE REPORT

- 1.1 **Accept the information about the position of the 2013/14 budget** after the third quarter review, note the latest financial position of each department's budgets and take the following appropriate steps to manage and adjust the revenue budgets of the Council and its departments for the current year.
 - 1.2 **Social Services, Housing and Leisure (Provider and Leisure)** – To allocate £150k of additional budget to Social Services, Housing and Leisure on a one-off basis, as there is overspending on residential homes' staff due to an ongoing employment appeal process which is beyond the control of the Provider Service.
 - 1.3 **Highways and Municipal** – To allocate £311k of additional funding to the Highways and Municipal Department on a one-off basis. This allocation corresponds to the value of the loss of grant, effluence costs and the loss of electricity royalty income which has already been discussed at the Cabinet and the Audit Committee.
 - 1.4 **Corporate Budgets** – To release £461k underspend on Corporate Budgets in order to finance the above additional budget allocations on a one-off basis.
-

2. INTRODUCTION / BACKGROUND

- 2.1 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).
- 2.2 In **Appendix 1**, a summary is presented with forecasts of each Department's final revenue budget position for 2013/14 based on the third quarter review.

- 2.3 The second quarter budget review report was submitted to the Cabinet on 26 November 2013, and the changes on a departmental level between the forecasts presented in November and the latest forecasts presented in the report submitted today can be seen in Appendix 1.
- 2.4 While the forecasts appear to be generally consistent for the level of the departments, the financial position of some activities and services within departments has changed.
- 2.5 **Appendix 2** shows further details relating to the main issues and the budget headings where significant variances are forecasted, along with the specific recommendations above, in context.
- 2.6 It was reported in the Second Quarter Review in November 2013 that the departments' positions, in general, were stable this year, apart from the following budgets (the £ below is the **latest estimate** of net overspend in 2013/14):
- 2.7 **Social Services, Housing and Leisure (Provider and Leisure) – Residential Homes' Staff £285k** (page 7) **and Leisure Sales £98k** (page 7)
As the position of the residential homes' staff is beyond the management of the Provider Service, a contribution of £150k from corporate underspend is recommended.
- 2.8 **Highways and Municipal – Waste £664k** (page 24)
As there has been a commendable effort by the Highways and Municipal Department to meet the deficit and minimize the problems in Waste, a contribution of £311k from corporate underspend is recommended now.
- 2.9 **Education – Redundancy and Early Retirement in Schools £289k** (page 11)
The Education Department has provision in a specific reserve to meet this.
- 2.10 **Corporate Budgets** - Counterbalancing the concerns above, there is some flexibility on corporate budgets this year, primarily due to higher than originally estimated income on Council Tax (£810k) and repayment of the Heritable Bank investment (£221k).
- 2.11 Therefore, three recommendations are presented to respond to the situation (see the proposed decisions in 1.2 – 1.4 above).
- 2.12 However, as expressed by the Cabinet in its meeting on 26 November, 2013, in light of the challenging financial position, the Council will have much less flexibility in future to use corporate resources to bail out departments in circumstances similar to this, therefore, individual departments must now plan to live within their own means.

3. NEXT STEPS AND TIMETABLE

- 3.1 Act on the recommendations submitted and present a subsequent 'outturn' report to the formal Cabinet in June in order to agree on the final position for 2013/14 and any further transfers.

LOCAL MEMBER'S VIEWS

Not relevant

OPINION OF THE STATUTORY OFFICERS

Chief Executive:

Nothing to add to the content of the report other than to draw attention to the Head of Finance's warning that the Council's corporate capacity to assist departments with difficulties, as those which are identified in the report, will be substantially less in future.

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 – Summary of the Department's positions (£ over/under-spend)

Appendix 2 – Details of the main matters and differences (£)

Revenue Budget 2013/14 - Summary of the position by Department

	Third Quarter Review			<u>Comparative</u> <u>Figures</u>
	Gross Overspend / (Underspend) 2013/14 £ '000	Transfers to / (from) Reserves or Balances £ '000	Net Overspend / (Underspend) £ '000	Second Quarter Review Net Overspend / (Underspend) £ '000
Social Services, Housing and Leisure	510	(150)	360	450
Education	283	0	283	89
Economy and Community	33	0	33	74
Highways and Municipal	636	(311)	325	447
Regulatory (Planning, Transportation and Public Protection)	(16)	0	(16)	(35)
Gwynedd Consultancy	(97)	0	(97)	11
Human Resources	(3)	0	(3)	(7)
Finance	(16)	0	(16)	(23)
Democracy and Legal	28	0	28	38
Customer Care	(31)	0	(31)	(26)
Strategic and Improvement	(83)	0	(83)	(93)
Corporate Management Team	0	0	0	0
Corporate Budgets	(815)	461	(354)	(555)
Totals (net)	429	0	429	370

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE****Children and Families Service**Area:- **Operational Service**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,710	1,774	1,837	63		63	84

A reduction of (£21k) to the previous forecasted overspend, mainly due to one-off staff savings.

Area:- **Children Support Services**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
7,709	7,712	7,398	(314)		(314)	(193)

Since the second quarter there has been an increase of (£121k) in the forecasted underspend position, mainly due to further underspend of (£60k) on Out-of County Placements (up to (£206k) as a result of less pressure on the service), and an underspend of (£60k) on Fostering and Other Adoption (a movement of (£71k) to the overspend of £11k forecasted previously).

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE****Children and Families Service****Area:- Post-16 Service**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
960	959	1,070	111		111	108

A slight increase of £3k on the previous forecasted overspend due to a number of cases requiring a higher level of support than usual.

Area:- Other (Children and Families)

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
3,675	3,673	3,717	44		44	6

An increase of £38k in the overspend previously forecasted, mainly due to higher Specialised Services staff costs of £27k and higher expenditure of £10k (up from £53k) on other services, mainly court fees.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

Adult Services		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:- Older People's Services		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		18,602	18,843	18,999	156		156	156

The overspend position of £156k previously forecasted continues for the third quarter, but within this, there has been changes on a number of headings, particularly, a net underspend of £319k on Independent Residential and Nursing Homes (net increase of £131k) due to a number of new cases, a net underspend of (£164k) on Home Care (net increase of (£95k)), and an underspend of (£30k) on Aids and Adaptations arising from savings in purchase arrangements costs.

Area:- Physical Disabilities Services		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		1,967	1,967	1,965	(2)		(2)	(113)

Since the second quarter review, there has been a decrease of £111k in the forecasted underpend position, mainly due to the effect of new cases on Residential and Nursing (£36k increase), Support Accommodation (£39k increase) and Home Care (£26k increase).

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE****Adult Services**

Area:- **Learning Disability Services**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
12,822	12,979	13,179	200		200	121

An increase of £79k on the overspend forecasted in the second quarter. This includes a higher overspend of £77k on Day Services (the overspend now rising to £193k).

A bid of £405k has already been submitted to meet the permanent additional needs by 2014/15 but, the latest information reveals that the needs could be substantially higher in a full year.

Area:- **Mental Health Services**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
3,309	3,306	3,251	(55)		(55)	(52)

A slight increase of (£3k) on the previous underspend, including an overspend of £102k on Residential and Nursing (£16k increase), an underspend of (£88k) on Support Accommodation ((£10k) increase) and an underspend of (£65k) on Support and Other Schemes ((£24k) increase).

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Area:-	Other (Adult Services)	2,979	3,019	3,009	(10)		(10)	1

A fairly neutral net position on various budget headings.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

<u>Housing Service</u>		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:- Homelessness		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		729	733	743	10		10	(3)

A slight change of £13k in the net position, including an underspend of (£19k) on Temporary Accommodation, an overspend of £10k on the House Leasing Scheme and an overspend of £32k on Hostels arising from a reduction in rental income.

Area:- Other (Housing)		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		3,790	3,841	3,819	(22)		(22)	1

A fairly neutral net position on various budget headings.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

Area:-	Provider Service (net position)	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		0	105	430	325	(150)	175	302

An increase of £23k on the previous overspend, including an overspend of £285k on Residential Care, and in particular, a substantial increase in staff costs arising from employment appeal cases. The position will be reviewed at the year-end when it may be appropriate for the Cabinet to provide additional financial support.

Also under this heading, there is an underspend of (£36k) on Home Care, an overspend of £56k on Community Care and an overspend of £20k on Support Accommodation.

As the Social Services, Housing and Leisure Department's overspend position is partly due to the on-going employment appeals process, and is therefore outside the control of the Provider Service, **it is recommended** that an additional budget of £150k be released to Social Services, Housing and Leisure Department on a one-off basis, financed from the favourable position within the Corporate Budgets below.

Area:-	Leisure Service	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		4,472	4,379	4,492	113		113	92

An increase of £21k on the previous forecasted overspend bringing it up to £113k. This includes an overspend of £134k on Leisure Facilities and particularly, £45k resulting from the failure to realise the saving scheme, a deficit of £98k (an increase of £23k since the second quarter) from a combination of reduced income from food sales and a loss due to food waste, but additional income of (£34k) from leisure facilities fees. In addition, an underspend of (£21k) is forecasted on Sports Development.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: SOCIAL SERVICES, HOUSING AND LEISURE**

		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Area:-	Other (Provider and Leisure)	0	(16)	3	19		19	22

A fairly neutral net position on various budget headings.

		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Area:-	Central Services (Social Services, Provider and Leisure)	4,145	4,335	4,207	(128)		(128)	(82)

An increase of (£46k) on the previous underspend, mainly due to one-off staff savings and lower than expected expenditure on telecare equipment.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Social Services,Housing and Leisure Department Summary Position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children and Families Service -							
Operational Service	1,710	1,774	1,837	63	0	63	84
Children Support Services	7,709	7,712	7,398	(314)	0	(314)	(193)
Post-16 Service	960	959	1,070	111	0	111	108
Other (Children and Families)	3,675	3,673	3,717	44	0	44	6
Children and Families Service Total	14,054	14,118	14,022	(96)	0	(96)	5
Adult Service							
Older People's Services	18,602	18,843	18,999	156	0	156	156
Physical Disabilities Services	1,967	1,967	1,965	(2)	0	(2)	(113)
Learning Disability Services	12,822	12,979	13,179	200	0	200	121
Mental Health Services	3,309	3,306	3,251	(55)	0	(55)	(52)
Other (Adult Services)	2,979	3,019	3,009	(10)	0	(10)	1
Adult Service Total	39,679	40,114	40,403	289	0	289	113

(continued below)

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Social Services, Housing and Leisure Department Summary Position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Service							
Homelessness	729	733	743	10	0	10	(3)
Other (Housing)	3,790	3,841	3,819	(22)	0	(22)	1
Housing Service Total	4,519	4,574	4,562	(12)	0	(12)	(2)
Provider Service (net position)	0	105	430	325	(150)	175	302
Leisure Service	4,472	4,379	4,492	113	0	113	92
Other (Provider and Leisure)	0	(16)	3	19	0	19	22
Central Services (Social Services, Provider and Leisure)	4,145	4,335	4,207	(128)	0	(128)	(82)
Social Services, Housing and Leisure Department Total	66,869	67,609	68,119	510	(150)	360	450

In General - The Department is continuing with its measures to try and reduce the overspend levels shown above by the end of the financial year, including the use of the departmental fund and a specific corporate fund that was established originally to deal with overspend situations.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: EDUCATION****Area:- Transport**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
4,681	4,303	4,356	53		53	(24)

An overspend of £53k is forecasted on this heading, a change of £77k from the underspend of (£24k) forecasted in the second quarter. This is mainly due to higher expenditure of £51k on transport contracts, and a reduction of £25k in Post-16 Transport income. This position reflects a permanent pattern for the new year, and a bid for an additional budget has already been processed.

Area:- Redundancy / Early Retirement

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
303	303	592	289		289	259

An increase of £30k in the overspend level forecasted previously due to additional cases. It is intended to use a specific reserve fund to ease the situation this year. In the previous quarter, the Head of Education was requested to ensure appropriate arrangements to try to anticipate the financial implications of cases arising in 2014/15 and beyond, and it is understood that work is in progress to achieve this.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: EDUCATION**

Area:- **Intergration of ALN Pupils**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
189	188	188	0		0	(45)

A neutral position is forecasted on this heading for the time being, due to the expenditure being £45k higher than the underspend forecasted in the second quarter, and reflecting additional demands for the service in the current school year.

Area:- **Out-of-County**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,056	1,056	1,056	0		0	0

A fairly neutral position.

Area:- **Catering and Cleaning**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
408	407	461	54		54	10

An increase of £44k to the overspend level forecasted in the second quarter, mainly due to higher expenditure of £21k on the 'Free Breakfast' scheme, and additional School Catering staff costs of £28k due to sickness absences.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: EDUCATION**Area:- **Early Years Unit**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
773	773	723	(50)		(50)	(50)

The position continues to be consistent with that of the second quarter, which is an underspend of (£50k), due to reduced expenditure levels in 2013/14.

Area:- **Management Arrangements**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
4,003	4,036	3,945	(91)		(91)	(68)

The previous forecasted underspend of (£68k) has now increased to (£91k), mainly due to staff turnover savings.

Area:- **Additional Learning Needs Units**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,219	1,219	1,256	37		37	13

An increase of £24k in the forecasted overspend since they second quarter, mainly due to higher expenditure of £30k on Canolfan Brynffynon, higher expenditure of £17k on the Intensive Unit, and a reduction of (£24k) in the overspend on the project for relocating Coed Menai.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: EDUCATION****Area:- Inclusion Strategy**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
802	436	461	25		25	0

An overspend position of £25k consistent with that forecasted in the second quarter.

Area:- Other

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
7,216	7,532	7,498	(34)		(34)	(6)

An underspend position of (£34k) including an underspend on the Large Class Sizes-Key Period 2 budget as well as savings on the Welsh Joint Education Committee annual contract.

Area:- Delegated Schools

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
68,619	68,619	68,619	0		0	0

Delegated budgets under local school control.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Education Department Summary Position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	4,681	4,303	4,356	53	0	53	(24)
Redundancy / Early Retirement	303	303	592	289	0	289	259
Intergration of ALN Pupils	189	188	188	0	0	0	(45)
Out-of-County	1,056	1,056	1,056	0	0	0	0
Catering and Cleaning	408	407	461	54	0	54	10
Early Years Unit	773	773	723	(50)	0	(50)	(50)
Management Arrangements	4,003	4,036	3,945	(91)	0	(91)	(68)
Additional Learning Needs Units	1,219	1,219	1,256	37	0	37	13
Inclusion Strategy	802	436	461	25	0	25	0
Other	7,216	7,532	7,498	(34)	0	(34)	(6)
Delegated Schools	68,619	68,619	68,619	0	0	0	0
Education Department Total	89,269	88,872	89,155	283	0	283	89

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: ECONOMY AND COMMUNITY**Area:- **Maritime**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
(51)	(53)	76	129		129	195

While establishing the budget for 2013/14, the income target for Hafan Pwllheli was reduced by £109k. Also, the income target for Harbours was reduced by £45k. In the second quarter, an overspend of £195k was forecasted on this heading which has reduced by (£66k) by now to give an estimated net overspend of £129k. Included within this are, the income from Hafan being £231k short of the target, the income from Harbours being £17k short of target whereas the income from Beaches (£12k) and Doc Fictoria (£16k) are higher than the target, also, steps have been taken by the Department to reduce expenditure on various headings (£92k).
In drawing up the budget for 2014/15, there will be a further reduction in the Hafan income target.

Area:- **Business Support**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
121	81	17	(64)		(64)	(57)

An increase of (£7k) is forecasted in the underspend level since the second quarter, mainly due to savings being achieved earlier than scheduled.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: ECONOMY AND COMMUNITY****Area:- Skills and Enterprise**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
26	35	(5)	(40)		(40)	(40)

Position in accordance with that forecasted in the second quarter which is an underspend due to one-off staff turnover.

Area:- Youth Service

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,150	1,174	1,150	(24)		(24)	(20)

A slight increase of (£4k) in the forecasted underspend.

Area:- Other

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
5,178	5,343	5,375	32		32	(4)

An overspend position of £32k including £11k on Country Parks, £9k on Halls and £8k on Museums.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Economy and Community Department Summary Position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Maritime	(51)	(53)	76	129	0	129	195
Business Support	121	81	17	(64)	0	(64)	(57)
Skills and Enterprise	26	35	(5)	(40)	0	(40)	(40)
Youth Service	1,150	1,174	1,150	(24)	0	(24)	(20)
Other	5,178	5,343	5,375	32	0	32	(4)
Economy and Community Total	6,424	6,580	6,613	33	0	33	74

The Department is already considering different measures to clear the overspend position by the end of the financial year, including the use of various specific departmental reserve funds.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Relating to Waste****Area:- Waste Disposal**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
3,627	3,788	3,916	128		128	144

A slight reduction of (£16k) in the forecasted overspend level, mainly due to the failure to achieve a reduction in the volume of waste produced in accordance with the original programme, resulting in higher landfill tax costs. An early decision on the frequency of collection would contribute substantially in reducing the cost of this service in 2014/15.

Area:- Transfer and Treatment Sites

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,074	1,328	1,415	87		87	54

An increase of £33k to the forecasted overspend position for the second quarter, including an overspend arising from the failure to meet the target on food recycling together with the failure to achieve various income targets. The situation was alleviated to some extent by the use of the favourable position of other financial sources within the Department.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Relating to Waste**

Area:- Waste Collection and Recycling

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
4,221	3,583	3,796	213	(105)	108	153

The overspend position has increased by £60k since the second quarter and it includes an overspend of £195k on the costs of treating rubble materials, wood and green waste, a reduction of £105k in the Sustainable Waste Management Grant, a reduction of £68k in trade waste collection income but, also, an underspend of (£67k) in the costs of collection of recyclable materials, together with the use of the favourable position of other financial sources within the Department (£86k).

As with the Waste Collection heading above, an early decision regarding the frequency of collection would contribute substantially to the reduction of waste collection costs in 2014/15.

Also, the loss of grant is addressed below at the end of the Highways and Municipal Department part of this report, together with a specific recommendation on related budgetary support.

Area:- Trade Waste Collection

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
10	334	293	(41)		(41)	(9)

An increase of (£33k) in the forecasted underspend as a result of the receipt of additional income.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Relating to Waste****Area:- Disposal Sites**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
2,821	2,580	2,851	271	(206)	65	201

An increase of £70k from the previous overspend position, due to higher operational costs of £56k and additional costs of £14k relating to the changes at Ffridd Rasmus.

At the three related sites, Ffridd Rasmus, Llwyn Isaf and Cilgwyn, the remaining overspend includes higher expenditure of £117k due to effluence and £89k loss of income on royalties.

This aspect is also referred to further at the end of the Highways and Municipal Department section of this report, together with a specific recommendation regarding relevant financial support.

Area:- Other (Waste)

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,105	1,426	1,432	6		6	(7)

A fairly neutral net position on various budget headings.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Area:- Highways and Lighting**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
10,171	10,264	10,250	(14)		(14)	(14)

The position is fairly neutral but, due to the adverse weather at the end of December and the beginning of January, the Department has delayed expenditure on the originally planned work programme in order to finance the additional cost of £150k of the work required to deal with the floods.

Area:- Bereavement Services

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
355	372	346	(26)		(26)	(70)

A reduction of £44k from the previous forecasted underspend, mainly due to a reduction in the number of cremations.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL**Area:- **Open Spaces**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
727	698	721	23		23	52

A reduction of (£29k) in the overspend level since the previous review, following the receipt of additional external income.

Area:- **Other**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
4,402	4,492	4,481	(11)		(11)	(57)

A fairly neutral net position on a number of various budget headings.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Highways and Municipal Service (including Trunk Road Agency) Summary Position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Waste Disposal	3,627	3,788	3,916	128	0	128	144
Transfer and Treatment Sites	1,074	1,328	1,415	87	0	87	54
Waste Collection and Recycling	4,221	3,583	3,796	213	(105)	108	153
Trade Waste Collection	10	334	293	(41)	0	(41)	(9)
Disposal Sites	2,821	2,580	2,851	271	(206)	65	201
Other (Waste)	1,105	1,426	1,432	6	0	6	(7)
Total Relating to Waste	12,858	13,039	13,703	664	(311)	353	536
Highways and Lighting	10,171	10,264	10,250	(14)	0	(14)	(14)
Bereavement Services	355	372	346	(26)	0	(26)	(70)
Open Spaces	727	698	721	23	0	23	52
Other	4,402	4,492	4,481	(11)	0	(11)	(57)
Total Highways and Municipal	28,513	28,865	29,501	636	(311)	325	447

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: HIGHWAYS AND MUNICIPAL**

In general - By now, the forecasted total net overspend for the Highways and Municipal Department is £636k , an increase of £189k since the second quarter position. The position has worsened due to the effect of the adverse weather and the December/January floods, despite the fact that the Department has stopped expenditure of £150k on the current work programme to deal with the additional restoration costs. Additionally, the Highways and Municipal Department has used a combination of internal works budgets and reserve funds to contribute £306k towards the overspend position under ' Relating to Waste'.

In the past, the Cabinet would recommend additional budgets to the Department in circumstances involving additional effluence costs, reduction in income from royalties and loss of grant.

In the meeting on 26 November 2013 the Cabinet stated that, due to the challenging financial situation, the Council would have less flexibility in future to use corporate resources to compensate the departments in such circumstances as these, and that evidence would be required to show the departmental control steps have that been taken to reduce the overspend for the remainder of 2013/14. After considering the steps already taken by the Department to reduce the level of overspend, the Cabinet would perhaps wish to recommend, for this year only, an additional one-off budget of £311k which corresponds to the value of the loss of grant, effluence costs and the loss of income from royalties.

Under the circumstances, **it is recommended** that an additional budget of £311k should be released to the Highways and Municipal Department on a one-off basis, which corresponds to the value of the grant lost, the cost of effluence and the loss of electricity royalty income, to be financed from the favourable position within the Corporate Budgets as seen below.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: REGULATORY****Area:- Development Control**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
533	524	493	(31)		(31)	11

An improvement of (£42k) to the overspend position of £11k forecasted in the second quarter, including higher staff costs of £48k due to long-term sickness, additional costs of £49k to digitalise planning files, but also an underspend of (£26k) on transport costs and additional fee income of (£113k).

Area:- Structure Maintenance

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,140	1,140	1,196	56		56	(2)

An overspend position as a result of additional work on county bridges.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: REGULATORY****Area:- Car Parks**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
(710)	(712)	(681)	31		31	3

An increase of £28k in the forecasted overspend position mainly due to a reduction of £41k in car park income, a reduction of £33k in parking enforcement fees, however an underspend of (£49k) in parking enforcement operating costs.

Area:- Public Transport

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,532	1,746	1,776	30		30	(4)

An overspend position of £30k, including higher bus contract costs of £122k, an underspend of (£58k) on staff costs, an underspend of (£9k) on general services and (£23k) additional one-off income.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: REGULATORY****Area:- Public Protection**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
2,107	2,083	2,015	(68)		(68)	(40)

An increase of (£28k) in the underspend position to (£68k) which includes staff savings of (£39k) due, in part, to achieving the 2014/15 saving scheme ahead of schedule, an underspend of (£6k) on supplies and services and transport costs and the receipt of additional income of (£23k).

Area:- Other

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
11,255	11,064	11,030	(34)		(34)	(3)

An underspend position of (£34k) including a net underspend of (£10k) on Enforcement, Transport and Street Maintenance and an underspend of (£23k) on Public Footpaths.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Regulatory (Planning, Transportation and Public Protection) Department Summary position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Development Control	533	524	493	(31)	0	(31)	11
Structure Maintenance	1,140	1,140	1,196	56	0	56	(2)
Car Parks	(710)	(712)	(681)	31	0	31	3
Public Transport	1,532	1,746	1,776	30	0	30	(4)
Public Protection	2,107	2,083	2,015	(68)	0	(68)	(40)
Other	11,255	11,064	11,030	(34)	0	(34)	(3)
Regulatory Department Total	15,857	15,845	15,829	(16)	0	(16)	(35)

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: CONSULTANCY**

Area:- **Consultancy Service
(Roads and
Engineering)**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
(200)	(313)	(270)	43		43	168

Following a difficult year in 2012/13, the situation is continuing to improve this year, with the overspend of £168k forecasted in the second quarter being reduced (£125k) to £43k, through a combination of underspending on staff costs, generating more fee income and an underspend on other operating costs.

Following a comprehensive review of the Department's financial arrangements and processes, a relevant operating scheme is in place to try to respond to a number of findings. Up to now, there has been good progress with a number of issues fully implemented and others still in the process of being implemented.

Area:- **Building Regulations
(including Dangerous
Structures)**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
316	330	325	(5)		(5)	(22)

A reduction of £17k since the previous underspend forecast, mainly due to a reduction in income fees received.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: CONSULTANCY**

Area:-	Building Unit	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		0	150	15	(135)		(135)	(135)

The latest forecasts are consistent with those reported upon in the second quarter. The underspend position (£135k) is due to the receipt of additional internal income fees.

Area:-	Other	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		799	891	891	0		0	0

A fairly neutral position on a number of various budget headings.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Consultancy Department Summary Position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Consultancy Service (Roads and Engineering)	(200)	(313)	(270)	43	0	43	168
Building Regulations (including Dangerous Structures)	316	330	325	(5)	0	(5)	(22)
Building Unit	0	150	15	(135)	0	(135)	(135)
Other	799	891	891	0	0	0	0
Consultancy Department Total	915	1,058	961	(97)	0	(97)	11

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: HUMAN RESOURCES**

		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Department:-	Human Resources							
	Expenditure		3,612					
	Income and Recharges		(3,439)					
	Net Total	173	161	158	(3)		(3)	(7)

A slight reduction of £4k in the net underspend previously forecasted. Although the position on the whole is fairly neutral, it includes a £43k overspend from additional contributions to establishments dealing with placements for disabled workers, an overspend of £8k on Health and Safety and, also, an underspend of (£34k) by the Support Service (due to one-off staff savings), (£15k) from achieving some saving schemes in advance and an underspend of (£7k) by the Operating Unit (Occupational Health) by generating additional income.

DEPARTMENT: FINANCE

		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Department:-	Finance							
	Expenditure		7,468					
	Income and Recharges		(6,315)					
	Net Total	1,153	1,192	1,176	(16)		(16)	(23)

A slight reduction of £7k in the net underspend previously forecasted. The position includes one-off staff savings of (£91k), additional one-off costs of £50k for software and licences for information technology systems and a reduction of £46k in the Subsidy (DWP grant) for Administering Housing Benefits and Council Tax Reductions.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: DEMOCRACY AND LEGAL**

	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Department:- Democracy and Legal							
Expenditure	3,197						
Income and Recharges	(2,584)						
Net Total	613	625	653	28		28	38

An improvement of (£10k) on the overspend position of £38k forecasted previously. The movement is due to a reduction of (£7k) in staff training costs, additional income of (£7k) from Land Charges and a slight overspend of £4k on a number of other headings.

DEPARTMENT: CUSTOMER CARE

	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Department:- Customer Care							
Expenditure	13,018						
Income and Recharges	(10,992)						
Net Total	2,026	2,103	2,072	(31)		(31)	(26)

A slight increase of (£5k) in the net underspend forecasted previously. The (£31k) net includes an underspend of (£152k) by the Information Technology Unit due to one-off staff savings together with their success in generating additional income, an underspend of (£17k) by the Information Unit due to one-off staff savings and an underspend of (£37k) by the Communications Unit due to staff savings.

Against this, there is an overspend of £80k on the Telephone Service due to the failure to achieve its savings scheme in full, an overspend of £29k by the Emergency Planning Unit, an overspend of £31k by the Library Service mainly due to income deficit, an overspend of £24k by the Property Unit and an overspend of £13k by Siopau Gwynedd.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**DEPARTMENT: STRATEGIC AND IMPROVEMENT**

		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Department:-	Strategic and Improvement	Expenditure	8,433					
		Income and Recharges	(7,710)					
		Net Total	723	890	807	(83)		(83)

An underspend position of (£83k) which is fairly consistent with that forecasted previously, and includes an underspend of (£25k) by the Research and Information Unit due to additional income received, an underspend of (£21k) by the Housing Policy Unit, an underspend of (£35k) by the Delivery and Change Management Service and an underspend of (£13k) by the Verifying Service mainly due to one-off staff savings.

CORPORATE MANAGEMENT TEAM BUDGET

		Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Department:-	Corporate Management Team	Expenditure	779					
		Income and Recharges	(779)					
		Net Total	0	69	69	0		0

A neutral position is forecasted this year.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Central Services Summary Position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Department:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	173	161	158	(3)	0	(3)	(7)
Finance	1,153	1,192	1,176	(16)	0	(16)	(23)
Democracy and Legal	613	625	653	28	0	28	38
Customer Care	2,026	2,103	2,072	(31)	0	(31)	(26)
Strategic and Improvement	723	890	807	(83)	0	(83)	(93)
Corporate Management Team	0	69	69	0	0	0	0
Total Central Services	4,688	5,040	4,935	(105)	0	(105)	(111)

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**CORPORATE BUDGETS****Area:- Net Interest Received**

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
			216		216	186

A further reduction of £30k in the level of net interest received in 2013/14, due to the general state of the investment market, with the interest rates level being exceptionally low. The income target has been adjusted accordingly when setting the budget for 2014/15.

Area:- Heritable Bank Investment ("Iceland")

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
			(221)		(221)	(221)

A repayment of (£221k) above our prudent assumption has been received in relation to the Heritable Bank investments (Iceland), which brings the percentage reclaimed up to now to 94%.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW**CORPORATE BUDGETS**

Area:- **Council Tax**
(only the additional element is reported upon here)

Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
			(810)	461	(349)	(520)

By now, the 'residual' council tax is forecasted to increase from (£520k) to (£810k). It should be remembered that this 'residue' is expected following the Welsh Government's decision in January 2013 to (partly) finance historical levels of support (up to 100%) for individuals to pay Council Tax. This came after Gwynedd Council's decision to reduce the related notional collection rate to 97.5% for 2013/14 (for 2014/15 the notional collection rate has been increased back to 99%).

The probable flexibility of (£810k) this year has taken into account the Council's element of the 2013/14 Council Tax Reduction Scheme which has, by now, reduced to £186k.

As referred to above under the Social Services, Housing and Leisure Department - Provider Service and the Highways and Municipal Department - General, **it is recommended** that an additional budget of £461k is released from this heading to finance the additional budget allocations to the two Departments on a one-off basis.

REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW

Corporate Summary Position	Opening Budget 2013/14	Revised Budget 2013/14	Forecasted Position 2013/14	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)	Quarter 2 Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Interest Received	0	0	0	216	0	216	186
Heritable Bank Investment ("Iceland")	0	0	0	(221)	0	(221)	(221)
Council Tax (only the additional element is reported upon here)	0	0	0	(810)	461	(349)	(520)
Corporate Total	0	0	0	(815)	461	(354)	(555)

MEETING: AUDIT COMMITTEE

DATE: 20 FEBRUARY 2014

TITLE: CAPITAL PROGRAMME 2013/14 - END OF THIRD QUARTER REVIEW (31 DECEMBER 2013)

PURPOSE: MONITORING REPORT ON THE EXPENDITURE AND FINANCING OF THE CAPITAL PROGRAMME

ACTION: Receive the information, consider the risks regarding the Capital Programme, and scrutinise the Cabinet's draft decisions

CONTACT OFFICER: DAFYDD L EDWARDS, HEAD OF FINANCE

CABINET MEMBER: COUNCILLOR PEREDUR JENKINS

- 1.** The attached report (capital programme's third quarter review) is presented to the Cabinet on 18 February for decisions regarding the revised programme and its financing.
- 2.** 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 18 February.
- 3.** It is intended to present the Cabinet's draft decisions "on the table" at the Audit Committee meeting on 20 February.
- 4.** The Audit Committee is asked to note the position and any risks regarding the Council's capital programme, scrutinise the Cabinet's draft decisions, and comment as necessary.

REPORT TO THE CABINET
18 FEBRUARY 2014

Cabinet Member: COUNCILLOR PEREDUR JENKINS - RESOURCE CABINET MEMBER

Subject: CAPITAL PROGRAMME 2013/14 – 2015/16

Contact Officer: DAFYDD L EDWARDS – HEAD OF FINANCE

The decision sought / Purpose of the report

To accept the report on the third quarter review (31 December 2013 position) of the capital programme, and approve the revised funding as shown in part 2.2 – 2.8 of the report.

Introduction / Summary

The main purpose of the report is to present the revised programme and to approve the relevant financing sources. The report is in 4 parts:

Part 1: Analysis by Department of the £114m capital programme for the 3 years 2013/14 – 2015/16.

Part 2: An explanation of the sources of finance for the net decrease of approximately £7.464m since the last review.

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

The remainder of the report is for information:

Part 3: Movements from 2013/14 to 2014/15.

Part 4: Expenditure for the first 9 months of 2013/14.

Main Findings:

It is evident in Part 1 that this year's capital programme is approximately £47m, and the total of the current three year programme is nearly £114m, which is a significant achievement by the Council in the current financial climate.

Technically, approval is sought to:

- decrease the three year programme by £7.5m (please note that this is largely because two main schools' schemes have moved outside the window of this report, and this is not a true decrease to the programme in the long-run),
- re-profile the expenditure of £6.4m from 2013/14 to 2014/15.

The above will not result in any loss in grant.

The expenditure level at the end of December (2013/14) compared to the same period (9 months) last year is fairly stable, i.e. 58% and 59% consecutively.

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 2013/14 – 2015/16 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 particular 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 programme in order to complete the capital programme, and report on the year end position to the relevant Cabinet meeting in June 2014.

View of the Local Member

Not relevant.

Views of the Statutory Officers

Chief Executive:

I note the level of expenditure on the capital budget at the end of Quarter 3 at 58% and also that the re-profiling is unlikely to cause any loss of grant. However, as the report notes, there are implications for services due to the fact that the timescale of some of those plans has changed. That could be subject to scrutiny in due course.

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.

Appendix

None

1 CAPITAL PROGRAMME 2013/14 TO 2015/16

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

COMPARISON BETWEEN THE SECOND QUARTER AND THE THIRD QUARTER

	END OF SEPTEMBER REVIEW				END OF DECEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE LAST QUARTER
	2013/14	2014/15	2015/16	TOTAL	2013/14	2014/15	2015/16	TOTAL	
DEPARTMENT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	45	459	0	504	45	459	0	504	0
Education	9,570	7,030	23,937	40,537	9,048	6,596	17,044	32,688	(7,849)
Finance	0	59	0	59	38	59	0	97	38
Democracy and Legal	0	0	0	0	0	0	0	0	0
Economy and Community	5,796	6,622	100	12,518	5,216	7,253	100	12,569	51
Customer Care – Property Unit	8,957	5,442	3,097	17,496	7,686	6,346	3,098	17,130	(366)
Customer Care – Other	747	1,380	797	2,924	380	1,747	797	2,924	0
Social Services, Housing and Leisure	3,324	2,406	2,000	7,730	3,513	2,679	2,000	8,192	462
Highways and Municipal	8,989	6,753	2,603	18,345	8,017	7,477	2,053	17,547	(798)
Regulatory	11,676	8,474	161	20,311	12,165	8,406	161	20,732	421
Strategic and Improvement	0	0	0	0	14	0	0	14	14
Council Housing (Residual)	32	0	0	32	24	8	0	32	0
Gwynedd Consultancy	29	16	18	63	592	16	18	626	563
Corporate	0	276	382	658	0	276	382	658	0
TOTAL	49,165	38,917	33,095	121,177	46,738	41,322	25,653	113,713	(7,464)

2. CHANGES TO THE SOURCES OF FINANCE

2.1 There is a net decrease of £7.464m in the budget for the three year programme since the second quarter position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF SEPTEMBER REVIEW			END OF DECEMBER REVIEW			INCREASE/ (DECREASE) £000
	2013/14 £000	2014/15 £000	2015/16 £000	2013/14 £'000	2014/15 £'000	2015/16 £000	
Supported Borrowing	4,166	4,166	4,166	4,166	4,166	4,166	0
Unsupported Borrowing	6,051	5,355	11,547	5,989	6,759	5,561	(4,644)
Grants and Contributions	23,124	20,698	11,103	23,840	19,139	10,197	(1,749)
Capital Receipts	1,526	1,291	1,680	1,337	1,759	1,680	279
Departmental & Corporate Revenue	4,704	722	3,160	4,588	863	2,610	(525)
Capital Fund	4,943	4,411	52	2,884	5,388	52	(1,082)
Renewals & Other Funds	4,651	2,274	1,387	3,934	3,248	1,387	257
TOTAL	49,165	38,917	33,095	46,738	41,322	25,653	(7,464)
3 YEAR TOTAL			121,177			113,713	

2.2 Unsupported Borrowing / Grant and Contributions - '21st Century' Schools Schemes (Education Department)

Following recent discussions the funding for some of the 21st Century Schools Schemes has been re-profiled again since the second quarter review as shown in the table below, mainly due to –

'21st Century' – the 21st Century Schools programme

- O.M.Edwards School, Llanuwchllyn and Bala area Schools – discussions have re-opened with Members in this area. The Government has attached some conditions to applications for this programme and the work to meet some of these conditions needs to be completed before work carries on. A report will be presented to the Cabinet next month to explain this necessary work and to set the outline work programme.
- Dolgellau area Schools – a report was presented to the Cabinet (December 2013) to explain a change in direction with this work and a decision was made in this meeting to apply for a plan for the whole area. Following this decision it was necessary to review the timing of the expenditure on this scheme.

Therefore, due to the re-profiling, there has been an effect on the timing of the necessary investment by the Council, which is mainly funded through unsupported borrowing. There has also been an effect on the timing of the grant from the Government. Please note that only the effect of 3 years is shown here, which is the lifespan of the current capital programme, but the schemes will continue into the 2018/19 financial year. See the table below for a summary of the adjustments to the current funding position as relevant to the Schools Scheme:

SOURCE OF FINANCE	2013/14 £'000	2014/15 £'000	2015/16 £'000	3 YEAR TOTAL £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	TOTAL £'000
Unsupported Borrowing	22	1,378	(5,985)	(4,585)	3,015	1,382	188	0
Grants and Contributions	0	(1,642)	(906)	(2,548)	1,368	1,180	0	0
TOTAL	22	(264)	(6,891)	(7,133)	4,383	2,562	188	0

These schemes are subject to approval of detailed business plans, and there therefore remains an element of financial risk. However, as the Government is keen for the Council to acknowledge its financial commitment to the schemes, we have included the funding for these schemes in the capital programme in part 1 above. If for some reason the business cases fail, the match funding will also have to be removed from the programme, and the situation considered further.

2.3 Unsupported Borrowing (remaining schemes)

In addition to the adjustment noted in 2.2 above there is a decrease of £59,000 in this source of funding mainly due to the fact that the temporary Schools' buildings projects have been achieved more efficiently than expected during the term of this programme.

2.4 Grants and Contributions (remaining schemes)

In addition to the adjustment noted in 2.2 above there is a net increase of £799,000 in this source of funding, mainly due to the following:

- **Land Drainage Scheme – Fridd Elin, Barmouth (Regulatory Department) - £330,000 in 2013/14**

A contribution was received of £250,000 from Welsh Water and £80,000 from the residents of the relevant housing estate towards necessary drainage work (see also 2.8 below).

- **General Housing Grants Schemes (Social Services, Housing and Leisure Department) - £180,570 in 2013/14**

An overspend of £180,570 on housing grants is funded through a grant of £125,000 from Mon Menai to be spent on empty properties' schemes, together with receipts/contributions from residents of £55,570 (see also 2.5 below).

- **Scheme to improve the Seiont II building (the old maritime museum) in Victoria Dock (Economy and Community Department) - £40,000 in 2013/14**

A grant of £40,000 received through Mon Menai from the Welsh Government for improvements to the Seiont II building in Victoria Dock to provide improved facilities to the marina (see also a contribution from reserves in 2.8 below).

2.5 Capital Receipts

A net increase of £279,000 in this source of funding, mainly due to the General Housing Grants Schemes (Social Services, Housing and Leisure Department) of £281,500 in 2013/14. An increase in expenditure is forecast on these schemes due to the number and nature of the referrals for disabled adaptation grants received from occupational therapists, and also an increase in the number of schemes included within the Blaenau Ffestiniog Renewal Area works package. The Department has a balance of £277,410 of historical capital receipts it can utilise to fund this additional expenditure, and it is expected that further capital receipts will be received in the current financial year to fund the rest.

In accordance with the Financial Procedure Rules the Department requires Cabinet approval to use capital receipts where the amount is in excess of £50,000 (which is included as part of the general recommendation in 2.9 below).

Please also note that the Asset Management Plan commits the Council to fund part of the capital programme through the use of corporate capital receipts. By now, there is some concern regarding the availability of the expected capital receipts, due to the condition of the property market in general. Up to now, there is uncertainty of the Council's ability to achieve up to £500,000 of capital receipts, and this will have to be taken into account when the ten year Asset Management Plan is reviewed.

2.6 Departmental and Corporate Revenue

A net decrease of £525,000 in this source of funding is mainly due to:

- **Waste Schemes – development of cells in Ffridd Rasus (Highways and Municipal Department) – (£358,000) in 2013/14 and (£550,000) in 2015/16**

A decrease of £908,000 in the use of corporate revenue to fund the development of waste cells as a result of a new business plan for Ffridd Rasus. New cells will no longer be developed, but the use of this funding is part of the business plan and therefore not available to the Council.

- **Transport Grant Scheme (Regulatory Department) - £208,580 in 2013/14**

Costs were incurred on this scheme because of compensation payments for land procurement. The Department has to fund this through a temporary contribution from revenue because a relevant property has failed to sell (which would generate capital receipts to this end).

- **Rural Schemes – flood damage (Regulatory Department) - £60,000 in 2013/14**

A contribution from the Regulatory Department's revenue underspend to assist with the restoration work following from the November 2012 flood damage to public footpaths and cycle tracks.

2.7 Capital Reserve

A decrease of £1,082,000 in this source of funding, due mainly to:

- **Scheme to build Two Units instead of Coed Menai School (Education Department) – (£200,000) in 2013/14 and (£600,000) in 2014/15**

This scheme has changed and therefore the above funding is no longer required. The original scheme also included capital receipts of £1,515,000 which have also been reconsidered, and which require reducing to £500,000, but not until after 2015/16. This will be considered as part of the Asset Management Plan review.

- **Occupational Skills Centre scheme and Dolgellau Energy Skill Centre scheme (Economy and Community Department) – (£250,000) in 2013/14**

As this scheme has been changed and is now funded directly from external grants, the Council's contribution is no longer required.

2.8 Renewals and Other Funds

The net increase of £257,000 in this source of funding is mainly due to the following:

- **Land Drainage Scheme – Ffridd Elin, Barmouth (Regulatory Department) - £232,650 in 2013/14**

Use of the Council's provision for this purpose (see also 2.4 above).

- **Office adaptations to relocate staff due to Oriel Gwynedd scheme (Economic and Community Department) £180,000 in 2013/14**
Use of the current reserve for the relevant work to relocate the staff due to the Oriel Gwynedd scheme in Bangor.
- **Scheme to adapt the Seiont II building (the old maritime museum), Victoria Dock (Economy and Community Department) - £60,000 in 2013/14 + £1,000 in 2014/15**
Use of the Improving Town reserve £41,000 and the Economy and Community Department reserve £20,000 (see also grant contribution in 2.4 above).
- **Carbon Management Schemes (Customer Care Department- Property Unit) (£304,680) in 2013/14**
A decrease in the use of the reserve relevant to Carbon Management because the expenditure forecast has now decreased against the original profile.

2.9 Recommendation

The Cabinet is asked to accept the 2013/14 to 2015/16 revised capital 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 2013/14 to 2014/15 so far is £6,375,100. The figures in part 1 of the report reflect this, with the main items as follows-

Schemes that are financed from the Council's resources:-

- Carbon Management Schemes (Customer Care Department- Property Unit) £798,940
- Brynrefail School – removal of 6 temporary classrooms (Education Department) £526,700
- Repairs and Maintenance Schemes for Council's buildings (Customer Care Department- Property Unit) £400,000
- Mortgage Deposit Scheme (Social Services, Housing and Leisure Department) £300,000
- Temporary units in schools (Education Department/ Customer Care Department- Property Unit) £289,000
- VOIP Project (voice over internet protocol) (Customer Care Department- Other) £287,090
- Asbestos and Fire Schemes (Customer Care Department- Property Unit) £200,000
- Scheme to demolish and secure Trefor Pier (Economy and Community Department) £160,000
- Improving traffic outside schools (Regulatory Department) £130,310

Schemes that are financed (partly) through specific grants:-

- Pwllheli Sailing Academy (Economy and Community Department) £1,817,800
- 'Our Heritage' schemes (Economy and Community Department) £395,050

- 3.2** The above re-profiling will not result in any 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 the services have to cope for longer with the current assets not improved.

4 CAPITAL EXPENDITURE FIRST 9 MONTHS 2013/14

4.1 The table below shows the actual departmental capital expenditure for the Council by the end of the third quarter (9 months), against the revised capital programme for 2013/14 (full year) -

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed December) 2013/14 £'000	ACTUAL EXPENDITURE FOR THE 9 MONTHS TO 31/12/2013 £'000
Human Resources	45	12
Education	9,048	6,629
Finance	38	0
Democracy and Legal	0	0
Economy and Community	5,216	1,487
Customer Care – Property Unit	7,686	6,510
Customer Care – Other	380	157
Social Services, Housing and Leisure	3,513	2,585
Highways and Municipal	8,017	5,444
Regulatory	12,165	4,303
Strategic and Improvement	14	14
Council Housing (Residual)	24	4
Gwynedd Consultancy	592	56
Corporate	0	0
TOTAL	46,738	27,201

Some departments appear to be spending less than expected from the budget up to now. As reported in Quarter 2, the Economy and Community Department (mainly due to the delay with the Pwllheli Sailing Academy Scheme) and the Regulatory Department (mainly due to the profiled spend on Briwet Bridge) are confident that they will spend in line with the programme by the end of the year.

4.2 Over £27.2m has been spent in the first nine months, which is 58% of the budget.

SUMMARY	END OF DECEMBER REVIEW 2013/14	END OF DECEMBER REVIEW 2012/13	INCREASE / (DECREASE)
Full year's budget	£46.7million	£40.9 million	£5.8 million
Expenditure for the first 6 months	£27.2million	£24.2 million	£3.0 million
Expenditure as a percentage of the budget	58%	59%	(1%)

4.3 Despite the re-profiling, the percentage that has been spent this year is similar to the equivalent percentage last year.

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	20 FEBRUARY 2014
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 31 JANUARY 2014
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 November 2013 to 31 January 2014.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 31 January 2014:

Description	Number
Reports on Audits from the Operational Plan	16
Other Reports (memoranda etc)	1
Grant Reviews	4
Follow-up Audits	3

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 31 January 2014, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Use of Cetus / CALMS	Human Resources	Training	C	Appendix 1
Data Protection - Clauses in Job Descriptions	Corporate		C	Appendix 2
Corporate Governance - Delegation Arrangements	Corporate		B	Appendix 3
Budgetary Control	Corporate		A	Appendix 4
Payroll - Maternity Pay	Finance	Pensions and Payroll	B	Appendix 5
Risk-Based Benefit Verification	Finance	Revenue	A	Appendix 6
Council Tax - Discounts and Exemptions	Finance	Revenue	B	Appendix 7
Local Regeneration Officers	Economy and Community	Community Regeneration	B	Appendix 8
Country Parks	Economy and Community	Maritime and country parks	C	Appendix 9
"Gwynedd Ni"	Customer Care	Libraries	A	Appendix 10
Laptop Security	Customer Care	Information Technology	C	Appendix 11
Children - Post-care Allowances	Social Services, Housing and Leisure	Children and Families	B	Appendix 12
Bryn Blodau, Llan Ffestiniog	Social Services, Housing and Leisure	Residential and Day	C	Appendix 13
Rechargeable Works	Highways and Municipal	Highways Works	A	Appendix 14
Trade Refuse	Highways and Municipal	Waste Management and Streetscene	B	Appendix 15
Development Control - Enforcement	Regulatory	Planning	B	Appendix 16

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:

- **Fleet Management - NWPP Parts Contract** (Highways and Municipal). In 2011, a procurement process administered by the North Wales Procurement Partnership to establish a Framework Agreement for vehicle parts for the 6 north Wales authorities. As part of the audit, we looked at a sample of invoices and reviewed the administrative arrangements for these invoices within the department since the new framework was implemented. It was found that the administration of invoices is very robust and seems more effective than the arrangements that were in place before the framework came into force. Although the variation in the components that are bought annually makes it difficult to compare like for like, on the basis of the sample it could be concluded that overall the new framework has produced a saving for the Council.

2.3 Grants

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

- Post-16 Education Grant (*Education*)
- Supporting People Grant 2012-13 (*Social Services, Housing and Leisure*)
- Regional Transport Service Grant (*Regulatory*)
- Sport Council Grants (*Social Services, Housing and Leisure*)

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 following table summarises the follow-up work completed during the period:

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Banking Arrangements at Leisure Centres	Social Services, Housing and Leisure	Leisure	Acceptable
Processing of Energy Supplier Data	Customer Care	Property	Acceptable
Recording and Managing Leave	Corporate		Acceptable

2.4.2 The conclusion of follow-up work is placed in one of four categories:

Excellent – all recommendations implemented as expected.

Acceptable – most recommendations, including the majority of “essential” recommendations, implemented as expected.

Unsatisfactory – several recommendations not implemented.

Unacceptable – most recommendations (including essential recommendations) not implemented, and no evidence of efforts to improve internal controls.

2.4.3 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 2013

Contract Terms - DBS Checks
Staff DBS Checks

Completion Target: Quarter ending 31 March 2014

Siopau Gwynedd
Change Control, IT Systems

Completion Target: Quarter ending 30 June 2014

Subsidised Travel Tickets
Direct Payments
Software Licences (Schools)
Officers' Interests Policy
Health and Safety Risk Assessments
Use of Cetus / CALMS
Data Protection - Clauses in Job Descriptions
Laptop Security

Completion Target: Quarter ending 30 September 2014

Ports
Corporate Complaints Procedure
Country Parks
Bryn Blodau

3 WORK IN PROGRESS

3.1 The following work was in progress as at 01 February 2014.

3.2 Draft reports released

- Health and Safety Risk Assessments in Schools (*Education*)
- SMAP Fund (*Strategic and Improvement*)
- Community Safety (*Strategic and Improvement*)

3.3 Work in progress

- Pupil Deprivation Grant (*Education*)
- Schools Effectiveness Grant (*Education*)
- GwE (*Education*)
- School Statistics and Censuses (*Education*)
- Partnership Working (*Corporate*)
- Verification of Performance Measures (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Payroll - Overtime (*Finance*)
- Bank Reconciliation - Review of Key Controls (*Finance*)
- Pensions - Contributions from employers (*Finance*)
- Payroll System - Review of Key Controls (*Finance*)
- Emergency Planning and Business Continuity (*Customer Care*)
- Youth Justice Service (*Social Services, Housing and Leisure*)
- Social Services - Security of Files and Data (*Social Services, Housing and Leisure*)
- Overnight Arrangements at Council Homes (*Social Services, Housing and Leisure*)
- Trading Standards (*Regulatory*)
- Payments to Taxi Firms (*Regulatory*)
- Member Training (*Strategic and Improvement*)
- Project Management Arrangements (*Strategic and Improvement*)
- Follow-up to Reviews on Gwynedd Consultancy (*Gwynedd Consultancy*)

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 November 2013 to 31 January 2014, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

USE OF CETIS / CALMS Human Resources

Purpose of the Audit

The purpose of the audit was to ensure that Council officers read, understand and accept the appropriate policies that are presented through the CALMS system. The content of the policies vary, with IT Security and Data Protection policies amongst those that have been included. This system, therefore, is a key control in the dissemination of policies and procedures to staff.

Scope of the Audit

Verify the statistics held by the Human Resources Department to ensure that the majority of relevant Council officers have accepted the policies and there are adequate reasons where this has not happened.

Main Findings

The main finding of this audit is the failure of the system to inform staff of new policies. Officers are informed that a new policy needs to be accepted by a "pop-up" that appears after switching their computer on. However, a "pop-up blocker" prevents these from appearing, so information about the new policies is not received. This is believed to be the reason why the response to the Child and Adults Protection Policy and Guidelines are so low (4.75% have accepted it). In addition, it is believed that policies need to be reviewed periodically to ensure that the information is current.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the Use of Cetus / CALMS as the controls in place cannot be relied upon, but losses or fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Consideration should be given to distributing a generic email to remind staff of the need to accept the policy online after completing tests.**
- **Discussion should be held with the IT section to establish if it is possible to ensure that staff receive the "pop-up" message on their computer when there is a new policy but that will not compromise security.**
- **The possibility of introducing consequences of not accepting the policy should be investigated.**
- **The information within the policies should be accurate. Arrangements should be made to review the policies periodically.**

DATA PROTECTION - CLAUSES IN JOB DESCRIPTIONS

Corporate

Purpose of the Audit

The purpose of the audit was to ensure that the following clause;

"Responsibility for managing information in accordance with the Council's information management standards and guidelines. Ensure that personal information is treated in compliance with Data Protection legislation."

has been included in the job descriptions of all staff regardless of their Council functions to reinforce the message that the responsibility is common to all.

Scope of the Audit

Select a sample of recent job adverts and check if the Data Protection clause is included as well as checking job descriptions of a cross section of officers appointed since April 2013 to confirm that the clause is included.

Main Findings

An email was sent to all Council managers in February 2013 expressing the need to include formally the information management clause in all job descriptions within the Service / Department as it is "another step to reinforce the message that the responsibility is common to all, regardless of the role."

The Council's job advertisements were checked from the website and it was discovered that the clause has been included in several of the job descriptions. We found that a pattern appears and that some services within the Council has advertised for many jobs but have not included the clause in the job descriptions.

The final job descriptions included in the personnel files of a sample of randomly selected employees were also checked. Most of these did not contain the clause either.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the arrangements for Data Protection - Clauses in Job Descriptions as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **The e-mail that expresses the need to add a clause to each job description from now on should be re-circulated to all managers / senior management of the Council.**
- **It should be ensured that the clause is included in the job description before it is advertised on the website.**
- **It should be ensured that every job description includes this clause and that it is signed and included in the employee's personnel file.**

CORPORATE GOVERNANCE - DELEGATION ARRANGEMENTS

Corporate

Purpose of the Audit

The purpose of the audit was to ensure that appropriate arrangements are in place for the delegation of functions to Members and officers of the Council as well as checking that the implementation is in accordance with the delegation arrangements. In addition, ensure that there is appropriate membership of relevant committees.

Scope of the Audit

A sample of decisions taken was checked as well as membership of relevant committees to ensure that they are in accordance with statutory requirements and any other requirements.

Main Findings

It was found that strong governance arrangements are in place for the most part, but one aspect needs to be improved. This is the arrangement for reviewing committee meeting times and locations so that it complies with the Statutory Guidance made under the Local Government (Wales) Measure 2011. This was identified as an action point by the Democracy Service.

In addition, it was observed that the membership requirements of the Chief Officers Appointments Committee have not been included within the Council's Constitution, although Section 3 of the Constitution states that they should be within Part 2.

Audit Opinion

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

- **Members' views should be sought in determining the times and places of meetings, i.e. if some of the meetings should be held during the evenings etc. Surveys should be conducted at least once every term.**
- **The membership requirements of the Chief Officers Appointment Committee should be included within the Constitution.**

BUDGETARY CONTROL

Corporate

Purpose of the Audit

The purpose of the audit was to ensure that appropriate arrangements and processes relating to budgets and budgetary control in place across the Council.

Scope of the Audit

Review relevant documents and records relating to revenue budgets for the financial year 2013/14, as well as checking accounts closure arrangements for the year 2012/13.

Main Findings

It was seen that on the whole that there is strong control in the process of budget management. However, there are a few places where the arrangements could be tightened a little. The main finding is the need to update the Council's Financial Procedure Rules so that they reflect the Cabinet executive arrangements as well as updating the content. It was noted that a Group has already been established to undertake this work.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Budgetary Control as the controls in place can be relied upon and have been adhered to. One recommendation is suggested.**
- **The appropriateness of the Finance Procedure Rules with regards to authorising virements should be considered.**

PAYROLL - MATERNITY PAY

Finance

Purpose of the Audit

The purpose of the audit was to ensure that maternity allowance payments are correct and in accordance with statutory requirements and the Council's official procedures.

Scope of the Audit

The review evaluated a sample of records and payments made during 2012/13.

Main Findings

We found that most of the cases reviewed during the audit have received maternity allowance payments in accordance with the regulations. However some inconsistencies were noted and those cases were referred to the attention of the staff of the Payroll Service during the fieldwork. The auditors believe that the number of such cases would be reduced in the future if steps are taken to transfer from a paper process to an electronic process for the calculations. This would add additional benefits of protecting data from loss as well as ensuring consistent arrangements.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Payroll - Maternity Pay 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 circumstances that led to the situation where neither the Human Resources Department nor Payroll Service were aware of a member of staff's maternity leave at the appropriate time should be reviewed, in order to ascertain if there are any lessons that can be learned to prevent similar cases in the future where the proper amounts that could not be paid at the right time.**
- **The introduction of electronic methods for conducting and calculating maternity payments should be evaluated.**

RISK-BASED BENEFIT VERIFICATION

Finance

Purpose of the Audit

The purpose of the audit was to ensure that the investment in the "Risk and Verification Portal" for the verification of benefit claims based on risk bears fruit in terms of:

- statistics for processing performance,
- freeing up resources to focus on high-risk cases by reducing processing checks on low-risk claims,
- ensure that the procedures adopted comply with the requirements of the Department of Work and Pensions' circular HB/CTB S11/2011.

Scope of the Audit

The audit included a review of the policy for risk-based checks and confirming that this is in accordance with the requirements of the Department of Work and Pensions. Check a sample of claims submitted since April 2013 and confirm that the relevant checks have been undertaken in accordance with the risk score and that no claim has been downgraded and that there was proper authorisation for increasing verification of low or medium risk claims. Also, check the training guidelines prepared together with confirmation that the investment in the software have helped improve performance statistics.

Main Findings

The Risk Based Verification Policy was established and approved in July 2012. It was found that the policy complied with the requirements of the Department of Work and Pensions. All staff have received training along with guidance and a leaflet on how to proceed. It was found that management reports are produced on a regular basis to identify any claims that have not received a risk score and those reports are given proper attention. On a randomly selected sample, it was found that appropriate checks have been carried out in large majority of cases. For the cases which appeared to have been over-checked, we received an explanation to support the rationale for the actions.

Ideally, investment in the module should have resulted in a net efficiency savings of £129,179 over three years. It is difficult to put a figure on the current savings, but the investment has certainly reflected positively in the performance results of Gwynedd Council in DWP statistics. In addition, it must be remembered that there has been an additional workload on the service due to the changes in legislation that has led to a high number of claims for discretionary housing payments. However, performance has been maintained without receiving any additional resources.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Risk-Based Benefit Verification as the controls in place can be relied upon and have been adhered to.**

COUNCIL TAX - DISCOUNTS AND EXEMPTIONS

Finance

Purpose of the Audit

The purpose of the audit was to ensure that appropriate controls are in place for permitting and reviewing Council Tax discounts and exemptions.

Scope of the Audit

The audit encompasses checking Council Tax discounts and exemptions by reviewing the evidence and support for their establishment, and assessing what supervisory and reviewing tasks are carried out to ensure their appropriateness.

Main Findings

It was seen that the Revenue Service has a specific system for processing Council Tax reductions or exemptions. The parameters are configured within the system to ensure that the period of the reductions or exemptions are in accordance with the maximum period that has been defined by the Council's policies or statutory guidance.

It was seen that the Revenue Service has various processes to review the status of the cases that have a tax exemption or reduction. As part of the fieldwork of this audit, cases were reviewed where an account has been awarded a reduction or exemption and it was found that the status review period had been reached and exceeded for a considerable number. It is understood that the Service is evaluating its review processes with consideration given to more efficient and effective methods. The auditors support the methods of comparing various data sources to identify inconsistencies and to targeted reviews more directly.

In the meantime, it would be appropriate to continue to send the review forms in cases where there is no alternative process in place. It would be appropriate for the Revenue Service to evaluate the review periods to ensure that the period between reviews is too long for some exceptions. To this end, it would be appropriate to assess the frequency of implementation of the process during the year and the length of time allowed as a parameter for the various exemptions. Some specific cases of exemptions and discounts were discussed with Service officers and it was agreed that these will be addressed further in order to ensure their appropriateness.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Council Tax discounts and exemptions 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 arrangements currently in place for establishing those Council Tax accounts that are to be reviewed should be evaluated.**
- **There should proceed to adopt data comparison practices as periodic processes and reducing the use of status declaration forms that are sent to individuals liable for Council Tax.**

LOCAL REGENERATION OFFICERS Economy and Community

Purpose of the Audit

The purpose of the audit was to ensure that the service of the Local Regeneration Team meet the Council's strategic expectations and the requirements of residents, and that there are adequate arrangements for the management and monitoring of resources and service performance.

Scope of the Audit

Verify that the service offered by the Local Regeneration Team meets the expected objectives in line with the Council's strategy, with the service targeted at the right parties and communities. Check that the Local Regeneration officers offer the service to the public in accordance with the duties of their jobs. Verify that adequate arrangements are in place for managing and monitoring the performance and costs of the service's resources.

Main Findings

It was seen that the Local Regeneration Team works with voluntary groups, social enterprises and partnerships to identify opportunities and implement regeneration projects in their area, with a number of projects receiving support in areas dispersed across the county. Instances were identified where the Local Regeneration Team could improve their monitoring and control arrangements in terms of resources, including reviewing the system for recording and approving annual leave and TOIL, and travel expenses. In addition, errors were identified in performance measures figures for 2012-13 and drawn to the attention of the to the Local Regeneration Team.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the arrangements of Local Regeneration Officers 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 criteria to be met before voluntary groups, social enterprises and partnerships can be selected to receive support should be documented in the form of guidelines and distributed to Regeneration Officers.**
- **A checklist should be prepared, listing what Regeneration Officers are expected to verify, and the criteria that voluntary groups, social enterprises and partnerships are expected to meet in order to receive their support. The Regeneration Officers should be asked to complete and date the checklists for the occasions where voluntary groups, social enterprises and partnerships receive their help with projects or not, if they did not meet the criteria.**

COUNTRY PARKS

Economy and Community

Purpose of the Audit

Ensure that appropriate arrangements are in place at the Country Parks, in order to manage and mitigate risks in accordance with the financial regulations of the Council and other relevant procedures.

Scope of the Audit

Visit Glynllifon and Padarn Country Parks and verify that appropriate arrangements are in place in the parks for the management of various risks. Audit of the main areas of expenditure and income as entered in the ledger (Cedar) for 2012/13 and 2013/14.

Main Findings

The main findings of the audit were issues relating to the lease of the shop at Glynllifon Country Park, and there was no clause in the lease with regards to key matters.

Current risk assessments did not exist in the Parks.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Country Parks as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **It should be ensured that the staff overtime forms are certified by the budget holder on each occasion.**
- **When income is received, a receipt should be completed from the TR32 book and that the receipt number is recorded on the TR34 'Receipts and Banking' sheet.**
- **Monies owed to the Council should be collected as soon as possible.**
- **When the shop is re-let an appropriate lease should be drawn up with a dedicated clause in it clarifying the issues raised.**
- **There should periodic checks that the money collected from the security company and stated on the reports had been paid into the relevant income account.**
- **The correct rate of VAT should be charged on electricity recharges in accordance with HM Revenue and Customs.**

"GWYNEDD NI"

Customer Care

Purpose of the Audit

The purpose of the audit was to ensure that appropriate controls are in place for the Gwynedd Ni service.

Scope of the Audit

The scope of the audit included a review of Gwynedd Ni's methods for organising and delivering their services and presentations, ensuring that they are aligned with the objectives of the Council as well as good practice. In addition, a review of the appropriateness of the expenditure of Gwynedd Ni was undertaken.

Main Findings

During the audit it was seen that Gwynedd Ni has established a variety of appropriate contact methods for children and families to access information and have adopted a variety of methods to promote their use. It was noted that there is scope to add to the ways in place to widen engagement with clients. Gwynedd Ni was found to be striving to maintain contact with various agencies to ensure that the information they provide to their clients is accurate and relevant, and plans were seen to formalise the accounts of the material collected by the clients in order to evaluate the most relevant topics and to ensure that sufficient material relating to those subjects is available.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in "Gwynedd Ni" as the controls in place can be relied upon and have been adhered to. There is one recommendation:

- **There should be an aim for links to Gwynedd Ni web sites to appear to pupils when they use a web browser in schools.**

LAPTOP SECURITY

Customer Care

Purpose of the Audit

The purpose of the audit was to review the controls in place for the protection of laptop computers that are used for Council business and the data that is stored on them.

Scope of the Audit

The audit included a review of the Council's IT inventory and arrangements for maintaining it together and the measures and policies in place for the protection of laptop computers and data on them including providing guidance to their users.

Main Findings

There is a need to establish an arrangement that improves control over the laptops that are issued by the IT Service. It would be appropriate for this arrangement to be the initial step for setting up a corporate procedure for the management of all assets which the Council has provided for staff to perform their duties.

Over the years, the IT Service has not been in a position to be able to update their records of users and location of laptops and there are now a number that can not be accounted for. It is not possible to state whether this has led to a compromise of data security because the contents of the discs of these devices cannot be established. However, it is certainly not appropriate for the situation to continue. It is reasonable to suggest that there is a strong likelihood that the deficiencies in establishing responsibility for managing laptops after they are issued to users by the IT Service will result in financial losses where the devices cannot be accounted for, but there has been no conclusive evidence of that in during the fieldwork conducted for this audit.

There is a need to designate official responsibilities for the laptops that are issued to consumers and the consequent duties and accountability needs to be made clear.

Consumers need to be made fully aware of the expectations of them in relation to the use of laptops from a security perspective.

The standard images that are installed on laptops by the IT Service currently ensures that the discs are encrypted and there are other security controls such as firewall and anti-virus software. This reduces security risks in relation to these laptops.

At the time of this audit, there is a continuing process of transferring each client device to an operating system that will continue to be supported and patched in accordance with the requirements of appropriate safety standards. Following achievement of this process it would be appropriate to establish a system that would prevent successful links to data and network resources to any client device that is not running the appropriate operating system.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in laptop security as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- The responsibilities for managing laptop computers issued by the IT Service should be officially designated and it should make clear what the expectations are relating to these responsibilities. This should be done in a way that would allow merging this list with other databases in the Council of various assets that have been issued to staff.**

CHILDREN - POST-CARE ALLOWANCES

Social Services, Housing and Leisure

Purpose of the Audit

The purpose of the audit is to ensure that adequate internal controls exist within the Council in the administration of the post-16 children budget.

Scope of the Audit

The audit covered checking a sample of post-16 allowances paid in the financial years 2012-13 and 2013-14, and ensure that those who have receive assistance are eligible to do so.

Main Findings

The main findings arising from the audit is that assurance can be provided that those leaving care in Gwynedd receive the support expected from the Council, but that some of the internal controls within the Service need to be tightened.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Children - Post-care Allowances 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 document 'Summary of Financial Support for Individuals Leaving Care' should be updated.**
- **A current record should be kept of one-off spending, without VAT, in order to see the amount of spending that has been made per individual.**
- **The net amounts and the VAT element should be noted on the yellow coding slips when paying VAT invoices.**
- **Where practicable, an official order should be raised before goods or service are received.**

BRYN BLODAU, LLAN FFESTINIOG
Social Services, Housing and Leisure

Purpose of the Audit

Ensure that financial and security arrangements and at Bryn Blodau Home are appropriate and in accordance with the Council's Financial Procedure Rules.

Scope of the Audit

Audit the main areas of expenditure and income according to the 2012-13 and 2013-14 ledger along with the control arrangements of the Home.

Main Findings

It was found that examples of good practice are in place in some of the arrangements of the Home. However, it seems that there are examples of acting in contravention of the Council's administrative procedures and as a result in contravention of the Financial Procedure Rules. This was checked in different areas of the home such as financial arrangements, the appropriate process for ordering, receiving and paying for goods and services, arrangements for resident's pocket money and arrangements for the residents' amenity fund. Additional weaknesses were found in the arrangements for approving annual leave and these need to be reviewed as soon as possible. Because of this, appropriate measures should be taken to strengthen the arrangements within the area examined.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Bryn Blodau, Llan Ffestiniog as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Every effort should be made to avoid overspend on the managed budget. The relevant officer in each department should be aware of and careful of expenditure.**
- **An official order should be raised beforehand for all work, goods and services and when a verbal order is made due to urgency, a written official confirmation order should be sent the same day or the following working day.**
- **The residents' money cards should be completed accurately and in detail. The records should be signed by two officers or one officer and one resident. The balance of the previous card should be carried over to a new card in order to keep an accurate record.**
- **All parts of residents' care plans should be updated regularly.**

RECHARGEABLE WORKS

Highways and Municipal

Purpose of the Audit

The purpose of the audit is to review the arrangements of Highways and Municipal in claiming money for Rechargeable Works.

Scope of the Audit

The audit was completed by examining a sample of Rechargeable Work events / services in five areas - Arfon (B205), Dwyfor (B206), Meirionnydd (B207), Roads Lighting Unit (B208), Lighting Works (BG51) and A55 Anglesey Work (BF53), following through records in the Income / Debtors Unit and the Highways and Municipal Department. The records from financial year 2012/2013 were audited.

Main Findings

When looking at the arrangements for Rechargeable Works it was seen that strong arrangements of good practice are demonstrated at the Department with recovery arrangements that are in accordance with the Council's Financial Procedure Rules. We looked at arrangements in place to inform the Highway Work Unit when work costs need to be recovered and verified the arrangements for raising invoices accurately and promptly. It was seen that the arrangements are of a high standard. However, two improvements on good practice are suggested, which is to take photographs as additional evidence for the record sheet for each event and for the Legal Unit to delegate debt recovery work to a specific officer as soon as possible. Despite this, it was seen that there are arrangements in place for the effective recovery of costs.

Audit Opinion

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

TRADE REFUSE

Highways and Municipal

Purpose of the Audit

The purpose of the audit is to ensure that adequate internal controls are in place in the management and administration of the Council's Trade Refuse service.

Scope of the Audit

The audit will encompass checking a sample of contracts and invoices and the collection of income, the database and the collection lists, as well as the Council's arrangements to encourage businesses to use the service.

Main Findings

The main findings arising from the audit is that the new database of commercial waste is not being used to its full potential at the moment. By including a module within the database that can calculate the recycling discount as well as using the list prices to calculate the amounts to be invoiced, the risk of errors can be reduced and time would be saved for the Service.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Trade Refuse 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 potential of the Council's website should be maximised by including full and current information about the trade refuse collection.**
- **The information contained in the database should be used to invite businesses that have not renewed their trade refuse collection contract with the Council in the past to consider rejoining the service.**
- **Fees that are charged should be consistent with those advertised on the price list.**
- **The possibility of entering the list price to the database should be explored, including additional collections, as the database can calculate the amounts to be invoiced automatically based on the information that has been placed within the 'Collection Details' tab.**
- **It should be ensured that a business that is in debt to Gwynedd Council does not receive a trade refuse collection service on credit .**
- **Awareness should be raised of the existence and content of the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy as well as the Council's Whistleblowing Policy.**

DEVELOPMENT CONTROL - ENFORCEMENT Regulatory

Purpose of the Audit

The purpose of the audit was to ensure that the arrangements of the Planning Enforcement Unit for monitoring and enforcing conditions of planning applications that have been agreed or not are adequate, as well as ensuring that there is an adequate regime of identifying developments without planning permission.

Scope of the Audit

The audit checks the procedures within the Planning Enforcement Unit for monitoring compliance with the decisions of the Planning Committee, ensuring an efficient balance between being reactive and proactive.

An internal audit of the Planning Service was undertaken in the 1st quarter of 2013-14, which covered collaborations between the Planning Services, the Contact Centre and Siop Gwynedd. The purpose of the Planning Service audit was to ensure that appropriate procedures in place for receiving and processing planning applications, and dealing with enforcement complaints and planning queries. As part of the audit, a sample of enforcement complaints was reviewed to ensure that effective internal controls are in place for developments without planning permission, including that complaints are recorded, acknowledged, investigated and visited promptly and that robust arrangements are in place for taking action in cases where enforcement action is warranted. The audit was of the opinion that the arrangement of handling enforcement complaints is generally adequate.

Because of the audit conducted earlier in 2013-14, the scope of the 'Development Control - Enforcement' audit excludes the 'reactive' administrative procedures for monitoring developments. The audit instead verifies the resources that are assigned within the Planning Enforcement Unit to monitor compliance with the decisions of the Planning Committee, ensuring an efficient balance between being reactive and proactive.

Main Findings

In considering the arrangements in progress in the Planning Enforcement Strategy work programme, the arrangements of the Planning Service were seen to adequately monitor developments, taking into account the resources available and the recognition that it is not practical to monitor proactively all developments.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in Development Control - Enforcement as there are aspects where some procedures can be strengthened, but plans are in hand to be put in place. There are no recommendations to this report, therefore, as the steps that have been identified by the Service, once achieved, will strengthen the control issues that have been identified.

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	20 FEBRUARY 2014
TITLE	INTERNAL AUDIT PLAN 2013/14
PURPOSE	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2013/14 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 2013/14 internal audit plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2013/14 internal audit plan is included in the appendix with the status of the work as at 31 January 2014 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	16
Field Work Started	20
Manager Review	6
Draft Report Issued	2
Final Report Issued	60
Audit Closed	1
Total	<u>105</u>
Cancelled	7

2.2 The performance target for 2013/14 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2014. 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 31 January was **58.1%** - out of **105** individual audits contained in the 2013/14 revised plan, **60** had been released in a finalised version, and **1** had been closed.

2.4 Work is continuing on the remainder of the audits, in an attempt to achieve the target of 95% by the end of the financial year.

3. AMENDMENTS TO THE PLAN

- 3.1 The audit plan is kept under constant review. In addition to amendments that have been reported to previous meetings of the Audit Committee, the following modifications have been made to the Audit Plan during the period up to 31 January 2014.
- 3.2 The tables below summarise these adjustments, as well as presenting reasons for the changes.

Table 1: Audits that have been removed from the plan:

Title	Reason	Effect (Days)
Regional Collaboration Project – Care Commissioning Hub (<i>Social Services, Housing and Leisure</i>)	Removed from the plan in order to incorporate other work on the Council's internal provision of residential homes.	-20

Table 2: Audits that have been added to the plan:

Title	Reason	Effect (Days)
Overnight Arrangements and Council Homes (<i>Social Services, Housing and Leisure</i>)	Added to the plan following discussions with Senior Managers within the Provider Service. This is an area of high risk where compliance with statutory requirements is needed as well as care of an acceptable standard. The purpose of the audit is to verify that procedures are in place in order to ensure that the arrangements that have been introduced are being followed.	+20

4. RECOMMENDATION

- 4.1 The Committee is asked to note the contents of this report as an update on progress against the 2013/14 audit plan and offer comments thereon, approve the amendments, and accept the report.



Internal Audit Plan 2013/14

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-09/2014hyff	Exemptions from the corporate training arrangements	15.00	-15.00	0.00	6.31	Cancelled
1-CORFF-09/2014sys	Support for "Systems Thinking" Reviews	15.00	0.00	15.00	5.38	Planning
1-CORFF-14/2014	Health and Safety Risk Assessments	25.00	0.00	25.00	25.26	Final Report Issued
1-CORFF-15/2014gi	Health Improvement Strategic Project	20.00	0.00	20.00		Planning
1-CORFF-17/2014	Partnership Working	35.00	0.00	35.00	28.65	Field Work Started
1-CPGV-01/2014a	Corporate Complaints Procedure	15.00	0.00	15.00	16.50	Final Report Issued
1-CPGV-01/2014ags	Contribution to preparation of the Annual Governance Statements	15.00	0.00	15.00	9.43	Final Report Issued
1-CPGV-01/2014b	Local Code of Governance	10.00	0.00	10.00	3.99	Planning
1-CPGV-01/2014c	Corporate Governance - Delegation Arrangements	20.00	0.00	20.00	11.39	Final Report Issued
1-CPGV-01/2014d	Officers' Interests Policy	10.00	0.00	10.00	11.09	Final Report Issued
1-CPGV-02/2014	Proactive Anti-Fraud and Anti-Corruption Work	40.00	0.00	40.00	9.61	Field Work Started
2-ADN-CGC-DPA/2014	Data Protection - Clauses in Job Descriptions	10.00	0.00	10.00	10.49	Final Report Issued
AN-ACY-03/2014	Budgetary Control	25.00	0.00	25.00	29.95	Final Report Issued
AO-ARL-05/2014	NFI (National Fraud Initiative)	30.00	0.00	30.00	14.28	Field Work Started
BE-POL-07/2014	Verification of Performance Measures	25.00	0.00	25.00	26.07	Manager Review
EDUCATION						
Resources						
4-DAT-X-ADD/2014bao	Appetite for Life Grant	0.00	10.00	10.00	8.87	Final Report Issued
4-DAT-X-ADD/2014brec	Primary Schools Free Breakfast Initiative Grant	7.00	0.00	7.00	7.21	Final Report Issued
4-DAT-X-ADD/2014ffe	Schools Effectiveness Grant	7.00	0.00	7.00	9.41	Manager Review
4-DAT-X-ADD/2014ffg	Out of School Childcare Grant	10.00	0.00	10.00	10.42	Final Report Issued
4-DAT-X-ADD/2014gap	Pupil Deprivation Grant	10.00	0.00	10.00	12.92	Manager Review
4-DAT-X-ADD/2014ks23	Foundation Stage 2012-13 Revenue Grant	5.00	0.00	5.00	6.43	Final Report Issued
4-DAT-X-ELWa/2014	Post-16 Education Grant	1.00	0.00	1.00	0.95	Final Report Issued
EADDA29/2014	Health and Safety Risk Assessments in Schools	15.00	15.00	30.00	30.94	Final Report Issued
EADDU01/2014	Administration of Student Grants and Loans	20.00	0.00	20.00	4.47	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
GwE						
4-GWE/2014	GwE	25.00	0.00	25.00	6.37	Field Work Started
Schools						
EADDA15/2014	School Statistics and Censuses	10.00	0.00	10.00	21.08	Manager Review
EADDA35/2014	Leasing Arrangements in Schools	10.00	0.00	10.00	1.88	Field Work Started
EADDA35/2014b	Education - Budget Review	0.00	5.00	5.00	4.16	Closed
EADDAYC/2014a	Secondary Schools - Budgetary Control	20.00	0.00	20.00	22.72	Final Report Issued
EADDAYC/2014b	Secondary Schools - Information Security	20.00	0.00	20.00	25.53	Final Report Issued
EADDAYC/2014c	Primary Schools - Teacher Allowances and Conditions of Service for Heads	20.00	-20.00	0.00	1.76	Cancelled
HUMAN RESOURCES						
Training						
BE-POL-01/2014	Use of Cetus - CALMS	10.00	0.00	10.00	4.65	Final Report Issued
FINANCE						
Financial						
AD-DY-01/2014kc	Debtors System - Review of Key Controls	10.00	0.00	10.00	13.24	Final Report Issued
AE-TAL-01/2014e	eProcurement System	20.00	0.00	20.00	5.08	Field Work Started
AE-TAL-01/2014kc	Payments System - Review of Key Controls	10.00	0.00	10.00	6.66	Field Work Started
Accountancy						
AN-ACY-02/2014kc	Main Accounting System - Review of Key Controls	10.00	0.00	10.00	8.91	Final Report Issued
AN-ACY-13/2014kc	Bank Reconciliation - Review of Key Controls	10.00	0.00	10.00	5.69	Field Work Started
Pensions and Payroll						
AL-CYF-01/2014kc	Payroll System - Review of Key Controls	10.00	0.00	10.00	9.58	Field Work Started
AL-CYF-01/2014ma	Payroll - Maternity Pay	10.00	0.00	10.00	13.09	Final Report Issued
AL-CYF-01/2014ot	Payroll - Overtime	10.00	10.00	20.00	21.54	Field Work Started
AL-CYF-05/2014bl	Payroll - Advances	6.00	0.00	6.00	7.66	Final Report Issued
AP-PEN-01/2014kc	Gwynedd Pension Fund - Review of Key Controls	15.00	0.00	15.00	0.41	Planning
AP-PEN-07/2014	Pensions - Contributions from employers	25.00	0.00	25.00	10.86	Field Work Started
Revenue						
AB-BD-01/2014	Risk-Based Benefit Verification	20.00	0.00	20.00	19.65	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
AB-BD-01/2014kc	Benefits System - Review of Key Controls	10.00	0.00	10.00	1.81	Planning
AB-BD-08/2014	School Uniform Grant	10.00	0.00	10.00	11.05	Final Report Issued
AC-TR-01/2014dis	Council Tax - Discounts and Exemptions	20.00	0.00	20.00	23.61	Final Report Issued
AC-TR-01/2014kc	Council Tax System - Review of Key Controls	10.00	0.00	10.00		Planning
AC-TR-11/2014	NNDR Refunds	10.00	0.00	10.00	7.90	Final Report Issued
AC-TR-11/2014kc	NNDR System - Review of Key Controls	10.00	0.00	10.00	7.50	Final Report Issued
DEMOCRACY AND LEGAL						
Registration						
BB-YSG-17/2014	Arrangements for Registering Births, Deaths and Marriages	20.00	0.00	20.00	1.76	Planning
Monitoring Officer						
1-CPGV-03/2014	Members' Gifts and Hospitality	20.00	0.00	20.00	16.37	Final Report Issued
ECONOMY AND COMMUNITY						
Community Regeneration						
BE-POL-10/2014bro	Local Regeneration Officers	10.00	0.00	10.00	13.87	Final Report Issued
T-TAI-C04/2014est	Communities First - Extension to the Old Scheme	10.00	0.00	10.00	9.58	Final Report Issued
Record offices, museums and the arts						
EDIW-TS-01/2014	Neuadd Buddug, Y Bala	4.00	0.00	4.00	4.26	Final Report Issued
Maritime and country parks						
EHAMM-02/2014	Ports	20.00	10.00	30.00	31.28	Final Report Issued
EHAMZ-01/2014	Country Parks	15.00	0.00	15.00	16.69	Final Report Issued
Major Projects						
1-CTRT-04/2014a	Contract Management - Sailing Academy	15.00	0.00	15.00		Planning
DDAT-AH-01/2014	Sailing Academy Establishment Arrangements	10.00	-10.00	0.00		Cancelled
Strategy and development Programmes						
4-DAT-X-GRANT/2014r	Youth Club Grants - Revenue Grant	5.00	0.00	5.00	5.05	Final Report Issued
DDAT-AD-05/2014	Wales Rural Development Plan Projects	12.00	0.00	12.00	2.72	Planning
Tourism, marketing and customer care						
DDAT-MT-01/2014	"Our Heritage" Project	22.00	0.00	22.00	2.91	Planning
DDAT-MT-02/2014cc	Tourist Information Centres	15.00	10.00	25.00	23.63	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CUSTOMER CARE						
Emergency Planning						
BC-PER-01/2014	Emergency Planning and Business Continuity	15.00	0.00	15.00	13.76	Field Work Started
Customer Contact						
BD-PW-08/2014	Siop Gwynedd	10.00	0.00	10.00	12.14	Final Report Issued
Libraries						
EDIW-LL-07/2014	"Gwynedd Ni"	10.00	0.00	10.00	8.69	Final Report Issued
Information Technology						
AW-TG-06/2014	Logging and Monitoring	8.00	0.00	8.00	9.45	Final Report Issued
AW-TG-09/2014	Network Convergence	20.00	-20.00	0.00		Cancelled
AW-TG-12/2014	Laptop Security	10.00	0.00	10.00	9.61	Final Report Issued
AW-TG-17/2014cor	Software Licences (Corporate)	15.00	0.00	15.00	8.45	Final Report Issued
AW-TG-17/2014ysg	Software Licences (Schools)	15.00	0.00	15.00	10.08	Final Report Issued
Council Land and Property						
BA-EID-02/2014	Asset Management Plan	30.00	0.00	30.00	7.26	Planning
BA-EID-02/2014off	Council Properties - Firefighting Equipment	10.00	0.00	10.00	9.89	Final Report Issued
SOCIAL SERVICES, HOUSING AND LEISURE						
Across the department						
GCC-03/2014	Third Sector - Grants, Commissioning and Contracts	25.00	0.00	25.00		Planning
GDAPR-GC05/2014	Support Workers Travel Costs	15.00	0.00	15.00	28.61	Final Report Issued
GRH-GW01/2014ff	Social Services - Security of Files and Data	20.00	0.00	20.00	9.86	Field Work Started
GRH-GW01/2014rba	Results-Based Accountability	7.00	0.00	7.00	6.19	Final Report Issued
Business						
5-GOF-BUS/2014hub	Regional Collaboration Project – Care Commissioning Hub	20.00	-20.00	0.00		Cancelled
Supporting People						
GDAPR-SP01/2014	Supporting People	20.00	0.00	20.00	19.63	Final Report Issued
GDAPR-SP01/2014gr	Supporting People Grant 2012-13	0.00	10.00	10.00	3.45	Final Report Issued
Homelessness and Supported Housing						
T-TAI-D01/2014les	Public Sector Housing Leasing Scheme	15.00	0.00	15.00		Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Leisure						
E-DGO-01/2014	Banking Arrangements in the Leisure Centres	20.00	0.00	20.00	24.97	Final Report Issued
EHAMV-01/2014	Sport Council Grants	15.00	0.00	15.00	16.33	Final Report Issued
Adults						
GCC-07/2014	Direct Payments	15.00	0.00	15.00	20.39	Final Report Issued
GGWAS-H07/2014tel	Telecare	20.00	0.00	20.00		Planning
GGWAS-OED1/2014gal	Enablement Schemes	20.00	0.00	20.00	26.51	Final Report Issued
Children and Families						
GGWAS-P02/2014	Youth Justice Service	10.00	0.00	10.00	7.52	Manager Review
GGWAS-P05/2014lwf	Children - Post-care Allowances	15.00	0.00	15.00	14.82	Final Report Issued
Residential and Day						
5-GOF-CART/2014	Overnight Arrangements and Council Homes	0.00	20.00	20.00	13.55	Field Work Started
5-GOF-CART1355/2014	Bryn Blodau, Llan Ffestiniog	0.00	20.00	20.00	29.43	Final Report Issued
Private Sector Housing						
T-TAI-G06/2014	Older - Disabled Persons - Adaptations to Homes	20.00	0.00	20.00	18.79	Final Report Issued
T-TAI-G10/2014	Empty Houses back into use Project	12.00	0.00	12.00	11.66	Final Report Issued
HIGHWAYS AND MUNICIPAL						
Fleet						
PPR-GW03/2014	Fleet Management - NWPP Parts Contract	10.00	0.00	10.00	7.74	Final Report Issued
Highways Works						
PPR-WK01/2014	Rechargeable Works	20.00	0.00	20.00	22.16	Final Report Issued
Waste Management and Streetscene						
3-AMG-GORF/2014gang	Community Gangs	10.00	0.00	10.00	0.58	Field Work Started
PBW-05/2014	Trade Refuse	30.00	0.00	30.00	23.66	Final Report Issued
REGULATORY						
Environment						
DDAT-CC-01/2014txi	Payments to Taxi Firms	20.00	0.00	20.00	10.88	Field Work Started
Planning						
DCYN-RD-01/2014cyn	The Planning Service	25.00	0.00	25.00	38.46	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
DCYN-RD-01/2014gor	Development Control - Enforcement	15.00	0.00	15.00	10.29	Final Report Issued
Public Protection						
T-YC-IA01/2014	Trading Standards	20.00	0.00	20.00	7.25	Field Work Started
Transportation and Street Care						
3-RHE-01/2014	Enforcement and Transport	10.00	0.00	10.00	4.82	Planning
3-RHE1-X-GRANT/2014g	Regional Transport Service Grant	0.00	10.00	10.00	16.07	Final Report Issued
DDAT-CC-01/2014	Subsidised Travel Tickets - Payments to bus companies	25.00	0.00	25.00	25.04	Final Report Issued
STRATEGIC AND IMPROVEMENT						
Procurement and Efficiency						
BE-POL-08/2014	Procurement Strategy	40.00	0.00	40.00	0.96	Planning
Strategic Direction						
BE-POL-11/2014	SMAP Fund	15.00	0.00	15.00	15.96	Draft Report Issued
BE-POL-13/2014	Community Safety	15.00	0.00	15.00	12.55	Draft Report Issued
Democracy						
BB-YSG-18/2014	Member Training	20.00	0.00	20.00	12.16	Manager Review
BB-YSG-19/2014	Exempt Papers and Confidentiality	15.00	0.00	15.00	12.99	Final Report Issued
Performance and Scrutiny						
1-CORFF-05/2014	Project Management Arrangements	26.00	0.00	26.00	9.81	Field Work Started
1-CORFF-05/2014cm	Channel Migration Project	20.00	-20.00	0.00		Cancelled
1-CORFF-05/2014tp	Total Place Project	15.00	-15.00	0.00		Cancelled
GWYNEDD CONSULTANCY						
Buildings and Environmental						
PYM01/2014	Follow-up to Reviews on Gwynedd Consultancy	20.00	0.00	20.00	2.76	Field Work Started

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	20 FEBRUARY 2014
TITLE	DRAFT INTERNAL AUDIT PLAN 2014/15
PURPOSE OF REPORT	TO PRESENT THE DRAFT INTERNAL AUDIT PLAN FOR THE YEAR 1 APRIL 2014 - 31 MARCH 2015
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO APPROVE THE PLAN CONTAINED IN THE APPENDIX

1. INTRODUCTION

- 1.1 The draft work plan for Internal Audit for the financial year 2014/15 (in the Appendix) is presented to the Audit Committee for comment and approval.
- 1.2 This report explains the factors that were considered and the technical process used to produce the plan that is presented to the Committee.

2. INTERNAL AUDIT STRATEGY

- 2.1 The 2012-2015 Internal Audit Strategy was adopted by the Audit Committee in February 2012. This strategy forms the basis of Internal Audit work for the period in question, and it explains how Internal Audit work will offer assurance on the internal controls that are in place at Gwynedd Council.
- 2.2 Internal Audit work programme has been planned and prepared in accordance with the steps outlined in the Strategy; the Strategy also explains how it will assist the Council to improve, for the benefit of the citizen. In addition, it outlines the resources that are expected to be available for it, and states the predictions in terms of working with others.

3. RESOURCES AVAILABLE

- 3.1 On the basis of analysis of the staffing resources available, including reasonable allowances for “unproductive” work such as holidays, illness, management and meetings, it is forecast that a resource requirement of approximately 1,506 audit days will be available to complete the audit plan. This is after considering the following provisions:
 - Provision for advising on controls and propriety 55 days
 - Provision for responsive work 120 days
 - Provision for follow-up 65 days
- 3.2 The days shown are a reflection of that which has proven necessary in practice in recent years.

4. OPERATIONAL AUDIT PLAN

- 4.1 The Strategy gives a detailed description of the steps that are to be followed in creating an annual operational audit plan.
- 4.1.1 Internal Audit Standards expect that Internal Audit will give consideration to the risk management arrangements already in place in the Council in formulating its work programme, and where these arrangements are not strong enough, that Internal Audit undertakes its own risk analysis.
- 4.1.2 Consideration was given to the corporate, departmental and cross-departmental risk registers in preparing this draft plan. Priority given to those high risks which, according to the relevant department, are being controlled. This allows Internal Audit to give an independent opinion on the adequacy these internal controls.
- 4.1.3 After considering the risk registers, consideration was given to matters that must be included in the plan each year:
- A review of the key controls of the Council's major financial systems (in accordance with an agreement with Wales Audit Office)
 - Corporate Governance issues for the Annual Governance Statement, based on the contents of the Local Code of Governance
 - Audits that are required due to funding conditions
 - Areas of constant Control Weaknesses that have been identified
 - Theme-based reviews at Council establishments.
- 4.2 The draft audit plan for 2014/15 that is the result of this work is included in the Appendix. A brief explanation of the reason for including each audit in the draft plan is noted.
- 4.3 Discussions with the heads of department and relevant managers are envisaged before this work commences. Where appropriate, their suggestions will be incorporated into the final plan.

4. RECOMMENDATION

- 4.1 The committee is requested to approve the draft audit plan for the period 1 April 2014 to 31 March 2015, subject to amendments following further consultation with officers.



Draft Internal Audit Plan 2014/15

<u>Audit Title</u>	<u>Why is this in the draft plan?</u>	<u>Days</u>
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Education

Special Educational Needs Joint Committee	A review if needed of the administrative arrangements and of the effectiveness of the governance arrangements	20
Communication with Schools	Effective engagement with schools is critical for guidance, advice and guidance to be effective	10
GwE	Needs a further review, to build on the work of 2013/14	20
ICT in Secondary Schools	Every part of the iT network needs to be reviewed in turn, to ensure robustness of the entire system.	20

Capital Schemes

New Hafod Lon School	A capital contract that is a substantial financial investment	15
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Grants

Pupil Deprivation Grant	A substantial grant. A review could reduce external audit fees	8
Post-16 Provision in Schools Grant	An expectation in the Funding Conditions	15
Out of School Childcare Grant	An expectation in the Funding Conditions	8
Flying Start Revenue grant	A substantial grant. A review could reduce external audit fees	10
Foundation Stage Revenue Grant	An expectation in the Funding Conditions	8

Schools

Catering	Some schools have established their own arrangements - need to check compliance with standards.	20
Primary Schools - Workforce Modelling	A review of arrangements, following discussions with senior managers from the Education Department	20
Secondary Schools - Governance	An audit of governance in primary school was conducted in 2013/14, therefore arrangements in secondary schools will be reviewed in 2014/15	20

Human Resources

Health and Safety - Lone Working	This can present significant risks to some staff. There is a need to verify that all departments take this matter seriously.	10
Jobs System - security and accuracy	This is a new system that has been developed. Due to the nature of the information that is held on it, there should be an independent check of its administrative arrangements.	25
Sickness arrangements - referral to Occupational Health	This is identified as an important step in ensuring consistency and staff support.	20

Audit Title**Why is this in the draft plan?****Days****Corporate**

Staff Protection Register	Need to ensure consistency, the safety of staff and compliance with data protection legislation	10
Severe Weather Plan	This plan has been noted in the Cross-departmental Risk Register as mitigating a high risk. There is a need to ensure that it remains updated and practicable.	10
Use of Technology - Value for Money review	A review to find if the Council is making the best use of the technology available to it to make efficiency savings	25
Mobile Phones	Weaknesses were identified the last time this was reviewed; this is an area of high risk	30
Proactive Anti-Fraud and Anti-Corruption Work	Work that needs to be undertaken to address the risk of fraud and corruption	40
NFI (National Fraud Initiative)	The Council partakes in this scheme, that is run by the external auditors	30
Exemptions from the corporate training arrangements	Training and staff development is key for the Council to achieve its objectives, and assurance is needed that there is a reasonable basis to exclude staff	15

Code of Governance

Contribution to preparation of the Annual Governance Statements	This is contained within the plan every year	5
Succession Plan and Workforce Planning	This is a key part of the Council's work in preparing for the future	15
Corporate Governance - Implementing Committee Decisions	This has been identified by members of the Audit Committee as a key part of the review of governance arrangements	15
Protocol for Member-Officer Relations	Part of a cyclical programme to review elements of the Local Code of Governance	10
Officers Gifts and Hospitality	This is a key control in establishing a culture of propriety	20

Finance

Treasury Management	An important financial area that has not been reviewed by Internal Audit for some time	20
CHAPS Payments	An audit to review security and value for money of this method of payment	10
Risk Management Arrangements	A key element in the Council's governance arrangements	20

Major Financial Systems

Gwynedd Pension Fund - Review of Key Controls	Joint working Protocol with WAO	15
Gwynedd Pension Fund - Closure 2013-14	Joint working Protocol with WAO	5
Payroll - Multiple Jobs	The need to administer correctly those employees who have more than one post is an important control	25
Bank Reconciliation - Review of Key Controls	Joint working Protocol with WAO	10

<u>Audit Title</u>	<u>Why is this in the draft plan?</u>	<u>Days</u>
Bank Reconciliation - Closure 2013-14	Joint working Protocol with WAO	5
Main Accounting System - Review of Key Controls	Joint working Protocol with WAO	10
Benefits System - Review of Key Controls	Joint working Protocol with WAO	15
Benefits System - Closure 2013-14	Joint working Protocol with WAO	5
Debtors System - Review of Key Controls	Joint working Protocol with WAO	10
Payroll System - Review of Key Controls	Joint working Protocol with WAO	15
Payroll System - Closure 2013-14	Joint working Protocol with WAO	5
Payments System - Review of Key Controls	Joint working Protocol with WAO	15
Payments System - Closure 2013-14	Joint working Protocol with WAO	5
Council Tax System - Closure 2013-14	Joint working Protocol with WAO	5
Council Tax System - iPortal	A new development that will widen access to the Council Tax System. The controls over this need to be reviewed.	10
NNDR System - Review of Key Controls	Joint working Protocol with WAO	10

Economy and Community

Communities First - The New Scheme	The is a new scheme that replaces the old "Communities First". This could be an area of high risk.	20
Potential Scheme	Has been the subject of substantial investment and a European Grant	25
Low Carbon Energy Collaboration Projects	Collaboration projects offer opportunities, but also significant risks	15
Beaches	There are a number of risks that need to be controlled.	10
Industrial and Technology Units	This area has not been reviewed for several years	20
Yr Hafan, Pwllheli	An establishment review that is periodically required	10

Capital Schemes

Sailing Academy	A substantial capital contract that is largely funded through grants, and therefore is a high risk	15
Gwynedd Museum and Gallery	A substantial capital contract that is largely funded through grants, and therefore is a high risk	15

Grants

Youth Service Revenue Grant	An expectation in the Funding Conditions	8
Youth Service Training Grant	An expectation in the Funding Conditions	8

Customer Care

Network Convergence	This has been in the audit plan for several years, but the project has slipped	20
Galw Gwynedd	A review of arrangements in the contact centre, following some work in 2013/14	15
IT Systems	Further assessments will confirm which specific audits will be conducted in this area	20

<u>Audit Title</u>	<u>Why is this in the draft plan?</u>	<u>Days</u>
IT - Backups and Service Continuity	This area was audited in 2012/13, but there is a need to ensure resilience following recent developments	10

Adults, Health and Wellbeing

Leisure Centres	These are an area of high financial, health and safety and business risk .	30
Council Residential Homes - Financial Arrangements	Periodic audits of arrangements at the residential homes are required.	15
Council Residential Homes - Security Arrangements	Periodic audits of arrangements at the residential homes are required.	15
Independent Living Fund	This has shown in that past that in can be an area of high risks.	15
Collaboration with the Health Board	A high risk on the service's risk register	30
Public Sector Housing Leasing Scheme	Slipped from the 2013/14 plan. A scheme that seeks to address homelessness.	15
Adult Placement Scheme	This was the subject of an audit some years ago. A further audit would be timely.	15
Homelessness	An area of comparitavely hugh risk, that has not been audited since the "Systems Review" on the service	25
Case Management, Learning Disability	Following past audits there were plans to introduce new arrangements. This is an audit to see if this has happened.	25
Home Care Management System	This system was introduced some years ago to transform working arrangements. This review will be an opportunity to gain assurance on its effectiveness.	20
Private Sector Housing - Renewal Loans	A new scheme to offer loans instead of grants. This presents new risks that need to be reviewed.	20
Telecare	Slipped from the 2013/14 plan. An important development for the provision of care, that also involves external partners.	20

Capital Schemes

Social Services Information System	A capital contract that is a substantial financial investment. Large risks if the project fails	20
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Grants

Supporting People	A large grant with a regional strategic direction	15
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Children and Family Support

Children's Services - Commissioning of Care	A review is suggested on the robustness of arrangements in this important area	16
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Highways and Municipal

Waste Disposal Contracts	These are essential in transforming the way with which wate is dealt.	15
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<u>Audit Title</u>	<u>Why is this in the draft plan?</u>	<u>Days</u>
Depots and Workshops - Stock Control	Periodic audits are expected for these areas of risk.	10
Safety at Recycling Centres	Centres that are very popular with the public, but have a high inherent risk due to the nature of machinery, traffic etc.	20
Playgrounds	The Department has identified this as an area of high risk. A programme of work to ensure safety should be in place.	15
Fleet Management	An area of several risks, that have not been reviewed recently by Internal Audit.	20

Grants

Sustainable Waste Management Grant	A substantial grant. A review could reduce external audit fees	25
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Regulatory

Collaboration - Road Safety Partnership	There are inherent risks with collaboration projects	10
Traffic Orders	An area where weaknesses have been found in the past	20
Parking Enforcement	An area of high public profile for which independent assurance of propriety would be beneficial	20
Public Footpaths and Recreational Routes	An area of risks to the public.	15
Joint Planning Policy Committee	A review if needed of the administrative arrangements and of the effectiveness of the governance arrangements	10
Integrated Transport Unit	An area of high risk that warrants regular Internal Audit reviews	25

Capital Schemes

Briwet Bridge	A substantial capital contract that is largely funded through grants, and therefore is a high risk	15
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Strategic and Improvement

Procurement Strategy	This strategy is of key importance for the Council	40
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Grants

Families First Grant	A substantial grant. A review could reduce external audit fees	10
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YGC

Gwynedd Consultancy Projects Risk Registers	Due to the nature of the work of YGC, individual project risk registers are essential.	10
Follow-up to Reviews on Gwynedd Consultancy	Has slipped from the 2013/14 plan. A verification that recommendations in the review by Finance officers have received proper attention.	30

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GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	20 FEBRUARY 2014
TITLE	SELF ASSESSMENT OF GOVERNANCE ARRANGEMENTS
PURPOSE OF REPORT	TO REPORT TO THE AUDIT COMMITTEE ON THE RESULT OF THE GOVERNANCE WORKSHOP HELD ON 29 JANUARY, AND PRESENT A WORK PROGRAMME FOR THE NEXT 3 MONTHS
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	FOR INFORMATION TO AGREE THE GOVERNANCE ISSUES THAT REQUIRE FURTHER ATTENTION, AND DIRECT THE GOVERNANCE ASSESSMENT WORKING GROUP TO DRAW UP A WORK PROGRAMME THAT HAS BEEN PRIORITISED

1. BACKGROUND

- 1.1 One of the statutory duties of the Audit Committee according to the Local Government (Wales) Measure 2011, is to "**review and assess the authority's arrangements for risk management , internal control and corporate governance**".
- 1.2 At its meeting on 3 December 2013 the Audit Committee was given an update on the work programme of the Governance Arrangements Assessment Group. The main gist of this report was to support the view expressed by the Wales Audit Office in its Annual Improvement Letter of the need to reinforce the role of the Audit Committee, to enable the Committee to challenge the Council's governance arrangements more effectively, and thus better achieve its statutory duty.
- 1.3 As a result of the report, the Audit Committee decided to organise a workshop in January 2014 to conduct a self-assessment of good governance principles. The Workshop was held at the Contact Centre, Penrhyndeudraeth on 29 January.
- 1.4 Seven members of the Committee attended the workshop, including the Chair and Vice Chair. Support was provided to members by the Monitoring Officer, the Senior Manager for Corporate Commissioning Services and Senior Manager Audit & Risk.

2. THE PRINCIPLES OF GOOD GOVERNANCE

- 2.1 The Committee was reminded in December that the Accounts and Audit Regulations (Wales) 2005 (as amended by the Accounts and Audit Regulations (Wales) 2010), CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom, and the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* (2007) and its Addendum (2012), together impose a statutory requirement on the Council to conduct a review at least once in a year of the effectiveness of its system of governance, and to include a statement on governance with its statement of accounts.

2.2 Gwynedd Council has adopted a Local Code of Governance, based on the 6 CIPFA / SOLACE principles of good governance, which are:

Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community, creating and implementing a vision for the local area (including citizens and service users)

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Core Principle 3: Promoting the authority's values and demonstrating the values of good governance by upholding high standards of conduct and behaviour.

Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.

Core Principle 5: Developing the capacity and capability of members and officers to be effective.

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

2.3 In order to broaden ownership and responsibility for reviewing the governance arrangements and their effectiveness, and put in place a programme to achieve this, the Workshop on 29 January was an opportunity for members of the Audit Committee to express their views on what they think are the Key Governance Issues that Gwynedd Council is facing.

2.4 The Governance Arrangements Assessment Group has also considered the main governance issues, and the next stage in the work programme will be to combine the two lists to create a work programme. This work programme will be included in the Annual Governance Statement.

2.5 This report has also been submitted to the Corporate Management Team, and has been challenged by it.

3. MAIN GOVERNANCE ISSUES

The Opinion of the Workshop

3.1 The aim and objectives of the workshop were:

- to increase members' understanding of what governance arrangements are
- to provide initial priorities for things that need attention
- to provide an initial programme for action for the next 1 / 2 years
- understand any implications of the work on revising the Constitution.

3.2 A presentation was given to the Workshop to explain what is meant by "good governance" . In its simplest form, this can be interpreted as "How we do things".

3.3 Members were given the opportunity to consider and discuss:

- What is good governance, why it matters and risks of governance failures. It was emphasised that it is about the "how" rather than the "what".

- What does this mean, and what kind of activities are considered as being part of "governance", and what is not?
- Initial ideas on "governance" issues that are of concern to them about the Council's arrangements.
- The Local Code of Governance and the principles contained therein, and setting out the "issues of concern" under those principles.
- Identify if there are areas of governance or concern that are not being addressed in the existing code
- If the Code (amended as necessary) is a basis to move forward.

3.4 These are the matters that need attention in the opinion of members of the Audit Committee, in order of priority:

Principle 4: Making good and transparent decisions and scrutiny

- Improve clarity about the role of the Scrutiny Committees, including consideration of whether the Scrutiny function has a role before the Cabinet makes decisions on issues
- Ensuring that the Audit Committee itself carries out its functions completely
- Improve the system of recording decisions, including committee minutes, to drive activity and establish accountability by tracking decisions and provide clear actions

Principle 1: Purpose, Vision and Outcomes

- The need for clarity and guidance in preparing for reorganisation

Principle 5 - Capacity and Capability of Officers and Members

- The need to ensure capacity to address the changes that are now before us, particularly the financial challenge and reorganisation

Principle 6 - Engagement

- Members were prepared not to look for specific additional steps if assurance is provided that the work programme of the Engagement Strategy addresses this area

The Opinion of the Governance Arrangements Assessment Group

3.5 After the members noted the key governance issues that they had identified, it was explained to them that the Governance Arrangements Assessment Group, at its meeting on 20 January 2014, had identified the following governance issues as a priority:

- The Council's arrangements for challenging performance
- The input of members, and the arrangements for engaging with members
- Engaging with the public
- Slowness in the Council's arrangements, as a result of a lack of risk balance / a tendency for the Council to complicate matters / overly bureaucratic processes
- Lack of clarity about the Council's vision
- The operation of the new Executive and working as a team
- Collaboration and Partnerships
- Address the lack of empowerment for officers to make decisions
- Strengthen and clarify the role of the Audit Committee

- 3.6 There is clearly considerable consistency in the messages of the workshop and the Governance Arrangements Assessment Group. This is a message in itself and confirms the substance of the comments of both groups to some extent. The performance agenda was more prominent in the discussions of the Governance Arrangements Working Group but the issue was attached to many of the comments at the workshop. Added to the extensive comments in the Williams Report on the performance challenge for local authorities, it appears that this offers itself for prompt attention.

4. NEXT STEPS

- 4.1 The Assessment Group Governance Arrangements will meet again on 8 April. It will then consider the Key Issues that have been identified by the group itself, as well as the workshop, in order to prepare a work program for the next 2 years. That work programme will be submitted in draft to the Corporate Management Team during the second half of April and then to the Audit Committee on 6 May, as part of the arrangements for the production of the Annual Governance Statement.

5. RECOMMENDATION

- 5.1 The Audit Committee is requested to consider if there are any further governance issues that need to be added to the matters noted above.
- 5.2 The Audit Committee is requested to direct the Governance Arrangements Working Group to draw up a programme that collects evidence to support the perceptions of the authority's main governance issues, and report back to the Audit Committee after prioritising them.

MEETING	AUDIT COMMITTEE
DATE	20, FEBRUARY, 2014
TITLE	REVIEWING THE COUNCIL'S CONSTITUTION.
PURPOSE OF THE REPORT	REPORT TO THE COMMITTEE ON THE WORK OF THE WORKING GROUP.
AUTHOR	COUNCILLOR MICHAEL SOL OWEN, CHAIRMAN OF THE WORKING GROUP.
LIAISON OFFICER	DILYS PHILLIPS, MONITORING OFFICER.

1. The Working Group was established to undertake the detailed work of reviewing the Council's Constitution and 7 members of the Committee were appointed, namely Councillors: Michael Sol Owen; Trefor Edwards; John Pughe Roberts; Gethin Glyn Williams; Dafydd Meurig; Dilwyn Morgan; Robert Wright.
2. The Working Group has met twice on the 3rd December and 16th January and two other meetings have been programmed, namely on the 20th February and 18th March.
3. The purpose of establishing a Working Group was to review the Council's Constitution with the intention of approving a new constitutional document to be submitted to full Council for adoption at its annual meeting on the 1st May. The Constitution in its new form is standard to all Councils in Wales. It has been drafted by the organisation which represents Monitoring Officers in Wales with the support of the Welsh Local Government Association and Welsh Government. The standard Constitution was drawn up because the law in Wales, as it pertains to local authorities, differs substantially from the law in England due to the decisions of Welsh Government, as well as the fact that all councils in Wales by now operate the Leader and Cabinet model.
4. At its first meeting the Working Group adopted a methodology which meant that it looked closely at four parts of the Constitution at each meeting, consulting on any changes to them with the relevant stakeholders (e.g. Leader and Cabinet, Democratic Services Committee, Forum of Chairs of Scrutiny Committees, etc.)

5. Attached for the Committee's information is the timetable which shows the different parts of the Constitution which are receiving the Working Group's attention and the bodies which will be consulted.
6. Wherever possible the Working Group has kept to the Council's present governance arrangements and only a few significant changes will be recommended although the format of the Constitution is substantially different to the present one. Where there are significant changes to the present arrangements, there will be a need to inform members of these before the Council on the 1st May, and the Working Group will be considering the process for this at its next meeting.
7. As there isn't another meeting of the Committee before the full Council, and as can be seen, there is still quite a lot of work to be accomplished, the Committee is requested to authorise the Working Group to present its report directly to the Council for attention.

RECOMMENDATION.

8. The Committee is requested to :-
 - (a) accept the report and note the work of the Group;
 - (b) authorise the Working Group to present a report on the amended Constitution to the Council on the 1st May.

APPENDIX

PART	TITLE	CONSULTEE	DATE
4	The Council	Democratic Services Committee	March 18
5	The Executive	Cabinet	January 16
6	The Leader	Cabinet	January 16
7	Scrutiny Committees	Forum of Chairs of Scrutiny Committee	January 16
9	Regulatory	Planning and Licencing Committees	March 18
12	Finance	Head of Finance	February 20
13	Delegated Decisions	Management Team Cabinet	February 20
14	Access to Information	Democratic Services Committee	March 18
15	Policy and Budget	Forum of Chairs of Scrutiny Committee	January 16
16	Financial Rules	Head of Finance	February 20
19	Planning Code of Practice	Planning Committee	March 18
21	Protocol Member-Officer	Standards Committee	February 20