



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, 18 RHAGFYR 2014

10.30am THURSDAY, 18 DECEMBER 2014

Nodwch amser cychwyn y cyfarfod/Please note meeting start time

Lleoliad / Location

SIAMBR HYWEL DDA/CHAMBER,
SWYDDFEYDD Y CYNGOR/COUNCIL OFFICES,
PENCADLYS,
CAERNARFON

**** Nodwch y lleoliad ogydd / Please note venue ****

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Dosbarthwyd/Distributed: 11-12-14

**PWYLLGOR ARCHWILIO
AUDIT COMMITTEE**

AELODAETH/MEMBERSHIP (19)

Plaid Cymru (8)

Y Cynghorwyr/Councillors

Edward Dogan
Chris Hughes
Gethin G. Williams

Huw Edwards
Dilwyn Morgan
Sedd Wag / Vacant Seat

Aled Ll. Evans
Michael Sol Owen

Annibynnol/Independent (5)

Y Cynghorwyr/Councillors

Trevor Edwards

Tom Ellis

John Brynmor Hughes

John Pughe Roberts

Angela Russell

Llais Gwynedd (3)

Y Cynghorwyr/Councillors

Anwen Davies

Aeron M. Jones

R.J. Wright

Llafur/Labour (1)

Y Cynghorydd/Councillor

Sion W. Jones

Aelod Unigol / Individual Member (1)

Y Cynghorydd/Councillor

Charles Wyn Jones

Aelod Lleyg/Lay Member

Mr John Pollard

Aelod Ex-officio/Ex-officio Member

Cadeirydd y Cyngor / Council Chairman

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 meeting of this committee, held on 25 September 2014, be signed as a true record. (copy herewith - **yellow** paper)

5. a) REVENUE BUDGET 2014/15 – SECOND QUARTER REVIEW (SEPTEMBER 2014)

b) REVENUE BUDGET 2014/15 – OVERSPEND ON OLDER PEOPLE'S SERVICES (ADULTS, HEALTH AND WELLBEING DEPARTMENT)

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

6. CAPITAL PROGRAMME 2014/15 – END OF SECOND QUARTER REVIEW (SEPTEMBER 2014)

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

7. EXTERNAL AUDIT REPORTS

To submit the report of the Head of Strategic and Improvement (copy herewith – **grey** paper)

8. FINANCIAL PLANNING ASSESSMENT

To submit the report of the external auditor (copy herewith – **pink** paper)

9. ANNUAL AUDIT LETTER

To submit the report of the external auditor (copy herewith – **blue** paper)

10. 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 14 November 2014
(copy herewith – **salmon** paper)

11. INTERNAL AUDIT OUTPUT

To submit the report of the Senior Audit and Risk Manager outlining the work of Internal Audit for the period between 15 September and 30 November 2014. (copy herewith – **lilac** paper)

12. INTERNAL AUDIT PLAN 2014/15

To submit the report of the Senior Audit and Risk Manager on the progress of the Internal Audit Plan 2014/15
(copy herewith – **yellow** paper)

13. TREASURY MANAGEMENT 2014/15 – MID-YEAR REVIEW

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

AUDIT COMMITTEE 25/9/14

Present: Councillor John Pughe Roberts (Chairman)
Councillor Robert J. Wright (Vice-chairman)

Councillors: Eddie Dogan, Huw Edwards, Trevor Edwards, Tom Ellis, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Angela Russell, Gethin Glyn Williams and Peredur Jenkins (Cabinet Member for Resources)

Lay Member: Mr John Pollard

Also in attendance: Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager – Audit and Risk), Amanda Hughes (Local Manager – Wales Audit Office), Caroline Lesley Roberts (Investment Manager), Ffion Madog Evans (Finance Manager – Resources and Corporate) and Bethan Adams (Member Support and Scrutiny Officer).

Apologies: Councillors Anwen Davies, Aled Ll. Evans, Dafydd Meurig, Dilwyn Morgan and Michael Sol Owen.

1. WELCOME

The Chairman welcomed the members, officers and Sharon Warnes, Lay Member on the Audit Committee of Anglesey County Council, who was observing the meeting.

2. DECLARATION OF PERSONAL INTEREST

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

3. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 15 July 2014 as a true record.

4. FINAL ACCOUNTS 2013/14

i) Statement of the Accounts

The Head of Finance Department submitted the revised statutory financial statements for approval by the committee. He noted that Appendix 3 in the reports that followed by the Wales Audit Office noted the main changes in the accounts since the pre-audit version had been submitted to the Committee meeting of 15 July.

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

a) The Council's Accounts

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

The Wales Audit Office was responsible for undertaking an audit and for reporting whether it was of the view that the reports presented the financial position of the Council accurately and fairly at the end of every year. She notified the Committee that the Appointed Auditor intended to issue an unqualified audit report on Gwynedd Council's accounts for 2013/14.

The following main points were made by the Local Manager for the Wales Audit Office:

- In respect of uncorrected statements, the WAO had identified that the waste sites provision in the accounts had been understated by £404,000.
- In respect of current assets, there was a need to assess whether the assets had been depreciated excessively, or whether it was a retention policy matter, and the Council should improve the detail in its assets register.
- The actuary had amended their information on two occasions and the Council was expected to undertake a review to satisfy itself of the reasonableness of the figures.
- As was noted last year, it was essential that the Council ensured that its payroll and pensions systems were fully reconciled, and that the details were kept current. She noted that the WAO were satisfied that there would be no material effect, but it could potentially have an effect.

In response to the above observations, the Head of Finance Department noted the following:

- £404,000 had been set aside for this purpose in another place, and there was no risk for the Council. He added that the situation will have been amended by next year.
- He thanked the WAO for their very detailed work this year in respect of assets, and noted the concern in relation to quality assurance, but the effect on the authority's total net value would be marginal, and it was intended to address these in more detail during 2014-15.
- An understanding had been reached with the actuary, and only one report would be received from now on from the actuary, including information in relation to the old Gwynedd County Council as part of the current Council.
- Substantial work was continuing to reconcile the payroll and pensions systems.

In response to a member's observations regarding the accounts of the GwE Joint-committee, it was noted that the GwE accounts would be submitted to the Joint-committee at its meeting on 29 September 2014, as it had the responsibility for governance on behalf of the six councils.

b) Gwynedd Pension Fund Accounts

The Local Manager for the Wales Audit Office reported that the Council was responsible for preparing financial statements to present the financial position of the Gwynedd Pension Fund as at 31 March 2014.

The WAO was responsible for undertaking an audit and for reporting whether it was of the view that the reports presented accurately and fairly the financial position of the Pension Fund at the end of the year. She notified the Committee that the Appointed Auditor intended to issue an unqualified audit opinion on the accounts of the Gwynedd Pension Fund for 2013/14.

An emphasis was placed on the need to work with the employers who were part of the Pension Fund to ensure their records were up to date.

In response to the above, the Head of Finance Department noted that he welcomed the content of the WAO's report and he thanked them for their cooperation.

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

RESOLVED that the Audit Committee, with the power delegated by the Council to be "those charged with governance" in relation to approving the statutory financial statements and the relevant audit, approves the amended statutory financial

statements, accepts the related reports by the Wales Audit Office, and authorises the Head of Finance Department and the Chairman of this meeting of the Committee to sign the “letters of representation” and to submit them to the Appointed Auditor of the Wales Audit Office.

5. TREASURY MANAGEMENT 2013/14

The background and context of the Investment Manager's report on the Council's actual treasury management activity during 2013/14, compared with the strategy that had been established for that financial year in February 2013, was laid out. The report provided details of the economic background, the borrowing requirement and debt management, investment activity and compliance with prudential indicators.

In response to a member's question regarding the Council's investments, the Head of Finance Department noted that a Notice of Motion by Councillor Owain Williams regarding investment in Israel following the latest situation in the Gaza Strip would be submitted to a meeting of the full Council on 9 October 2014 for consideration.

RESOLVED to accept the report for information.

6. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the above working group held on 5 September 2014 to consider two audits that had received a category C opinion during the period from 1 April 2014 to 30 June 2014, namely -

- a) Leasing Arrangements in Schools
- b) Plas Ogwen, Bethesda

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

It was noted that assurance had been received at the Working Group that the issues highlighted by the Internal Audit Section were receiving due attention and that steps were being taken.

In response to a member's question regarding the audit of Leasing Arrangements in Schools, the Senior Audit and Risk Manager noted that the Education Department intended to send correspondence to the schools noting the expectations there were of them, and noting the necessity for the schools to understand the risks involved. However, it had to be acknowledged that he accepted that the schools would be prioritising this in the context of matters such as educational standards and child protection.

In response to a member's observation regarding the audit of Plas Ogwen, Bethesda, the Senior Audit and Risk Manager noted that the Adults, Health and Well-being Department were producing a booklet for residential homes which highlighted good practice, and the Internal Audit Section offered observations on the proposed procedures.

A member noted her disappointment that the attendance level of members at the meetings of the working group was low, and she suggested establishing a system where if a member was unable to attend, another member of the Committee would attend in their place.

RESOLVED:

- (i) to accept the report;**
- (ii) to establish a system where if a member apologises from a meeting of the working group in good time, the Senior Audit and Risk Manager sends an e-mail**

to the other members of the Audit Committee asking for a volunteer to attend the meeting of the working group in their place.

7. INTERNAL AUDIT OUTPUT

The work of Internal Audit for the period up to 12 September 2014

Submitted – the report of the Senior Audit and Risk Manager outlining Internal Audit's work during the period between 1 July and 12 September 2014. In submitting the information on the work completed during the period, the officer referred to -

- 8 reports on audits of the action plan with the relevant opinion category shown
- 1 other report (memoranda etc.)
- 3 grant reviews
- 1 follow-up audit
- 1 responsive audit

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

Secondary Schools – Governance

A member noted that they should consider adding to the audit report that it was essential that Governors attended training, and consideration should be given to creating a mandatory courses policy. In response, the Head of Finance Department noted that the audit had already been released, and that it would not be appropriate for the Committee to amend the independent report by Internal Audit.

He added that the report could be considered at a meeting of the working group although the report had been awarded a 'B' opinion, and asked the relevant officers and the Cabinet Member for Education to attend the meeting.

Officers' Gifts and Hospitality

A member noted that ensuring compliance with the Gifts and Hospitality Policy was dependent on the individual's honesty, but there was a need to convey the message clearly that individuals must make declarations appropriately.

Inclement Weather Plan

Members noted their gratitude to the staff for their work during the inclement weather in February.

A member suggested that managers, during inclement weather, should consider contacting members of staff that were not working at the time as well as on-call members of staff. The member added that local members could also be of assistance during periods of inclement weather.

A member noted that the Council officers' use of social media to update officers and the public had been of great benefit during the period of inclement weather.

Communities First Programme – The New Scheme

A member noted the importance of conducting a review into this matter, as the Welsh Government could potentially reclaim some of the money if the quality of the evidence did not improve.

Homelessness

A member noted that it was essential for the staff in the hostels to attend the Council's 'Personal Safety' course.

RESOLVED

- (a) to accept the reports on the work of Internal Audit for the period 1 July 2014 until 12 September 2014 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.
- (b) that the Chair and Vice-chair of the committee, along with Councillors Huw Edwards, Trevor Edwards and Gethin Glyn Williams serve on the working group to consider the audits that have received a category 'C' opinion as well as the audit on 'Secondary Schools – Governance', and to extend an invitation to the Head of Education Department and the Cabinet Member for Education.

8. INTERNAL AUDIT PLAN 2014/15

Submitted – the report of the Senior Audit and Risk Manager, providing an update on the current situation in terms of completing the 2014/15 internal audit plan.

He provided details of the situation as at 12 September 2014 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	50
Working Papers Created	2
Field Work Started	13
Field Work Ended	1
Awaiting Review	8
Draft Report	2
Report Agreed	1
Final Report	20
Total	97
Cancelled	2

It was noted that the actual achievement of the Internal Audit Section until mid-September was lower than the target and that 14 audits would not have been released in order to meet the quarterly target of completing 34 out of 97 audits, namely 35%. It was added that there was a high number of responsive audits, with 99 days spent on them up until 12 September, and most of these audits continued to be in progress.

It was noted that all the service's staff were committed to completing the target for the year, and were aware of the expectations.

Attention was drawn to amendments to the Internal Audit Plan.

RESOLVED to note the contents of the report as an update of progress against the 2014/15 audit plan.

The meeting commenced at 10.30am and concluded at 12.20pm

REPORT TO THE CABINET
25 NOVEMBER 2014

Cabinet Member: COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

Subject: THE REVENUE BUDGET 2014/15 -
2nd QUARTER REVIEW (SEPTEMBER 2014)

Contact Officer: DAFYDD L EDWARDS, HEAD OF FINANCE

1. The decision sought / purpose of the report

The Cabinet is asked to:

- Receive the report on the second quarter review of the Revenue Budget (position as at 30 September 2014), and consider the latest financial situation regarding the budgets of each department / service, asking the Cabinet Members and relevant heads of department to take appropriate steps regarding the matters under their leadership/management.
 - Consider the attached report by the Corporate Director (and Statutory Director of Social Services) regarding the overspend position in the Older People field (Adults, Health and Wellbeing).
 - Approve £44k additional budget for the Highways and Municipal Department, to come from the Council's Corporate budgets.
 - Note the various reviews noted in the report and the steps to be taken by departments to manage their budgets.
-

2. Introduction / Background

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

The first quarter budget review report was submitted to the Cabinet on 15 July 2014. This report submitted today is much more detailed, being the most thorough review of budgets during 2014/15.

This quarterly report presents the latest review of the Council's revenue budget for 2014/15, and a summary of the position by each Department is outlined in **Appendix 1**. Apart from the position of the Adults, Health and Wellbeing Department (referred to specifically below) it is seen that the rest of the picture in its entirety shows management of departmental budgets.

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

2.1 Adults, Health and Wellbeing Department – £1,189k overspend

The Department is conducting a review of their services, as well as taking steps to try to reduce and limit the current expenditure level, where possible. We will report further on the results of these efforts in our third quarter review, but in the meantime it must be acknowledged that this situation will put significant financial pressure on the Council this year, and we will have to face the impact by 2015/16, and limit implications where possible.

The attached report is presented by the Corporate Director (and Statutory Director of Social Services) regarding the overspend position in the Older People field.

2.2 Education Department

There has been additional pressure in many fields, including Redundancy and Early Retirement, Integration of Pupils and Additional Learning Needs, but also that the Department, through the use of reserves, is taking measures to keep this under control.

2.3 Regulatory Department

Additional financial pressures have arisen in the field of Integrated Transport (public transport mainly), but it is intended to deal with the situation this year by using other sources of funding. I note that the process of reviewing and prioritising the transportation network in Gwynedd continues, and the results and relevant financial implications are expected to be available by the third quarter.

2.4 Consultancy Department

Although the Department is using reserves this year to keep the deficit down, this response is only temporary, and if the fundamental reasons (i.e. a reduction in opportunities to attract income) continue, it follows that they will have to face and resolve the situation for the future.

Next steps and timetable

Act on the recommendations submitted and present the following report to the Cabinet on 17 February 2015 on the 3rd quarter review.

Local member's views

Not relevant

Opinion of the Statutory Officers

Chief Executive:

Clearly, at a time of financial distress when the Council faces the necessity to make efficiency savings and cuts, we have firm management of our baseline revenue budget. Of course, in doing so, we must be aware of the pressure of demands on services. This is more apparent this year in the Adults, Health and Well-being Department, for which a specific report highlights the pressures on the service in terms of numbers and intensity, but also quite rightly identifies our relatively high expenditure in the field.

Of course, transformational schemes have been authorised in the Strategic Plan to address the most crucial areas in the medium term, but the short term problem remains. The only way to solve that is through appropriate control of day-to-day expenditure. Whilst we must try to achieve the real needs of those that receive our services, we must also keep an eye on the financial implications of the decisions and it must be remembered that every pound that is spent on a service that is not truly essential is one pound more that will have to be saved or cut in due course and deprive others from essential services.

Monitoring Officer:

Nothing to add from a propriety perspective.

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 Departments' net budget position.

Appendix 2 – Details of budgets and significant variances.

Revenue Budget 2014/15 - Summary of the Position by Department

	Quarter 2 Review			
	Gross Overspend / (Underspend) 2014/15	Transfer to/(from) Reserves or Balances	Use of Other Sources	Net Overspend / (Underspend)
	£ '000	£ '000	£ '000	£ '000
Adults, Health and Wellbeing	1,189	0	0	1,189
Children and Families	(167)	0	0	(167)
Education	528	0	(437)	91
Economy and Community	131	0	(87)	44
Highways and Municipal	120	(44)	0	76
Regulatory (Planning, Transportation and Public Protection)	372	0	(370)	2
Gwynedd Consultancy	181	0	(120)	61
Chief Executive	(65)	0	0	(65)
Human Resources	(31)	0	0	(31)
Finance	(35)	0	0	(35)
Strategic and Improvement	(76)	0	0	(76)
Corporate Budgets	(64)	0	44	(20)
Total Variances (net)	2,083	(44)	(970)	1,069

REVENUE BUDGET 2014/15 - SECOND QUARTER

Adults, Health and Wellbeing Department Summary Position	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Older People's Service	18,739	18,512	19,118	606	0	0	606
Learning Disability Services	13,249	13,278	13,538	260	0	0	260
Mental Health Services	3,318	3,335	3,542	207	0	0	207
Physical Disability Services	2,087	2,082	2,037	(45)	0	0	(45)
Other (Adults)	3,178	3,207	3,232	25	0	0	25
Provider Service	0	122	430	308	0	0	308
Housing Service	5,020	5,142	4,977	(165)	0	0	(165)
Customer Care and Registration Service	16	288	268	(20)	0	0	(20)
Adult Support Services	4,006	4,251	4,264	13	0	0	13
Total Variances	49,613	50,217	51,406	1,189	0	0	1,189

General

The department total reflects an increase of £102k in the overspend of £1,087k forecasted in the first quarter.

As reported, the Department is undertaking reviews of different services and taking steps to try to reduce and restrict the current level of spending, as is possible. Further reporting on the results of these efforts will be made in the third quarter.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: ADULTS, HEALTH AND WELLBEING****Adult Services****Area:- Older People's Service**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
18,739	18,512	19,118	606			606

An increase of £220k since the first quarter, and including mainly an overspend of £526k on Home Care due to the very substantial increase in the demand for this service. The Department is undertaking a review of the level of the current packages awarded. Also included is an overspend of £24k on Supported Accommodation and an overspend of £38k on Direct Payments.

Area:- Learning Disability Services

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
13,249	13,278	13,538	260			260

Although an overspend of £260k is forecasted, this position is a reduction of (£164k) from the overspend of £424k in the first quarter, mainly reflecting a reduction of three cases.

Area:- Mental Health Services

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
3,318	3,335	3,542	207			207

Again, a reduction in the level of the overspend, down (£56k) from the £263k reported in the first quarter. However, Residential and Nursing shows an overspend of £240k as a result of a net increase of three cases.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: ADULTS, HEALTH AND WELLBEING**

Area:-	Physical Disability Services	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		2,087	2,082	2,037	(45)			(45)

The underpend position mainly reflects a net reduction in the number of cases.

Area:-	Other (Adults)	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		3,178	3,207	3,232	25			25

A net overspend on various headings, mainly additional staffing costs.

Adults Total	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	40,571	40,414	41,467	1,053			1,053

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: ADULTS, HEALTH AND WELLBEING**

Area:-	Provider Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		0	122	430	308			308

An overspend of £117k was forecasted on this heading in the first quarter and which has since increased by £191k to £308k. Included in this is an overspend of £104k on Residential Care mainly due to higher staffing and includes the impact of a number of long term sickness cases, and which is the subject of a further review by the Service. Also included is an overspend of £233k on Community Care, which is an increase of £193k since the first quarter, due primarily to higher staffing and travelling costs. This field is also the subject of a review by the Service. Further reporting on the results of the review of Residential Care and Community Care will take place in the third quarter.

Area:-	Housing Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		5,020	5,142	4,977	(165)			(165)

An increase of (£128k) in the underspend of (£37k) forecasted in the first quarter, and including mainly an underspend of (£39k) on Private Sector Housing due to one-off staffing savings, an underspend of (£69k) on Homelessness and including an underspend of (£98k) on Temporary Accommodation, a staffing underspend of (£23k) in the Homelessness Unit and an overspend of £63k on Hostels following a reduction in the receipt of rental income.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: ADULTS, HEALTH AND WELLBEING**

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Customer Care and Registration Service	16	288	268	(20)			(20)

A number of variances under various headings and mainly reflecting one-off staff savings.

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Adult Support Services	4,006	4,251	4,264	13			13

REVENUE BUDGET 2014/15 - SECOND QUARTER

Children and Families Department Summary Position	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operational Service	1,705	1,672	1,789	117	0	0	117
Placement Service	7,696	7,685	7,333	(352)	0	0	(352)
Post-16 Service	970	970	1,089	119	0	0	119
Other	4,108	4,246	4,195	(51)	0	0	(51)
Total Variances	14,479	14,573	14,406	(167)	0	0	(167)

DEPARTMENT: CHILDREN AND FAMILIES**Operational Service**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,705	1,672	1,789	117			117

An overspend position of £117k due to temporary additional staffing costs arising from staff absences.

Placement Service

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
7,696	7,685	7,333	(352)			(352)

An increase of (£279k) in the underspend of (£73k) forecasted in the first quarter, and including an underspend of (£54k) by the Placements Team mainly due to one-off staff savings, an underspend of (£172k) on Out-of-County Placements, an underspend of (£174k) on Fostering and Other Adoption due to an unforeseen reduction in the number of children in care, an overspend of £57k on Agency Fostering, due to the additional needs with two temporary placements.

Post-16 Service

Opening Budget	Revised Budget	Forecasted Position	Gross Overspend /	Use of other sources	Recommended Adjustments	Net Overspend /
£'000	£'000	£'000	£'000	£'000	£'000	£'000
970	970	1,089	119			119

An increase of £14k in the overspend forecasted in the first quarter, and including an overspend of £95k on Support Plans due to additional requirements, together with an overspend of £25k by the Post-16 Team.

Other

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
4,108	4,246	4,195	(51)			(51)

Including a net underspend position on a number of headings, including Service Management (£11k), Specialist Services (£11k) Youth Justice Service (£15k), and an underspend of (£23k) on Legal Costs.

REVENUE BUDGET 2014/15 - SECOND QUARTER

Education Department Summary Position	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	4,505	4,210	4,284	74	(71)	0	3
Redundancy and Early Retirement	342	342	593	251	(251)	0	0
Integration	458	317	560	243	0	0	243
Management	4,093	4,068	4,043	(25)	0	0	(25)
Additional Learning Needs Units	947	1,131	1,290	159	(115)	0	44
Inclusion Strategy	803	803	773	(30)	0	0	(30)
Large Classes Fund	318	318	268	(50)	0	0	(50)
Other	9,897	9,897	9,803	(94)	0	0	(94)
Delegated Schools	67,621	67,642	67,642	0	0	0	0
Total Variances	88,984	88,728	89,256	528	(437)	0	91

DEPARTMENT: EDUCATION

Area:-	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	4,505	4,210	4,284	74	(71)		3

Gross overspend of £74k due to a number of variances on numerous contracts, and it is proposed to use (£71k) from a reserve fund to reduce the net overspend to £3k.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: EDUCATION**

Area:-	Redundancy and Early Retirement	Opening Budget 2014/15 £'000	Revised Budget 2014/15 £'000	Forecasted Position 2014/15 £'000	Gross Overspend / (Underspend) £'000	Use of other sources £'000	Recommended Adjustments £'000	Net Overspend / (Underspend) £'000
		342	342	593	251	(251)		0

A gross £251k overspend position, which is an increase of £102k since the first quarter, and reflects the redundancy/early retirement costs in schools where there has been a reduction in the number of pupils. The Department intends to utilise a specific reserve fund to finance the overspend.

Area:-	Integration	Opening Budget 2014/15 £'000	Revised Budget 2014/15 £'000	Forecasted Position 2014/15 £'000	Gross Overspend / (Underspend) £'000	Use of other sources £'000	Recommended Adjustments £'000	Net Overspend / (Underspend) £'000
		458	317	560	243			243

This overspend position has arisen during the second quarter as a result of the new academic year starting in September. The Department is reviewing the circumstances that have led to this overspend position, and there will be further reporting on the results in the third quarter. The Department is considering using different resources towards this overspend, and a specific recommendation will be made in the third quarter.

Area:-	Management	Opening Budget 2014/15 £'000	Revised Budget 2014/15 £'000	Forecasted Position 2014/15 £'000	Gross Overspend / (Underspend) £'000	Use of other sources £'000	Recommended Adjustments £'000	Net Overspend / (Underspend) £'000
		4,093	4,068	4,043	(25)			(25)

Including a number of minor variances, but mainly one-off staff savings.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: EDUCATION**

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Additional Learning Needs Units (ALN)	947	1,131	1,290	159	(115)		44

One centre has closed and, as a consequence, together with minor variances on numerous other headings, various related financial obligations are forecasted leading to a gross overspend of £159k. It is proposed that (£115k) of reserve funds are used to reduce the net overspend to £44k.

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Inclusion Strategy	803	803	773	(30)			(30)

An underspend position, mainly reflecting one-off staff savings.

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Large Classes Fund	318	318	268	(50)			(50)

An underspend position which reflects a temporary reduction in the level of commitments.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: EDUCATION**Area:- **Other**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
9,897	9,897	9,803	(94)			(94)

Includes variances on numerous headings, particularly an underspend of (£9k) on Catering and Cleaning, an underspend of (£16k) on office arrangements, and an underspend of (£18k) on Further Education.

Area:- **Delegated Schools**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
67,621	67,642	67,642	0			0

Delegated budgets under the local management of the schools.

REVENUE BUDGET 2014/15 - SECOND QUARTER

Economy and Community Department Summary Position	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Support	126	135	189	54	(54)	0	0
Skills and Enterprise	41	41	7	(34)	0	0	(34)
Halls	169	206	226	20	(3)	0	17
Country Parks	68	68	108	40	0	0	40
Youth Service	1,121	1,196	1,173	(23)	0	0	(23)
Leisure Facilities	3,010	2,968	3,045	77	(27)	0	50
Museums	137	137	146	9	(3)	0	6
Others	8,031	8,240	8,228	(12)		0	(12)
Total Variances	12,703	12,991	13,122	131	(87)	0	44

DEPARTMENT: ECONOMY AND COMMUNITY

Area:-	Business Support	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		126	135	189	54	(54)		0

A number of variances resulting in a gross overspend of £54k mainly due to loss of rent income following the disposal of a number of industrial units. For now it is intended to use other sources in reserve to reduce the overspend and to make a specific recommendation on this later on in the year.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: ECONOMY AND COMMUNITY****Area:- Skills and Enterprise**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
41	41	7	(34)			(34)

An underspend position of (£34k) reflecting one-off staff savings.

Area:- Halls

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
169	206	226	20	(3)		17

An overspend position reflecting, in general, the effect of reduced income from Neuadd Buddug and Neuadd Dwyfor.

Area:- Country Parks

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
68	68	108	40			40

An overspend of £40k is forecasted, and this includes an overspend of £30k on Parc Padarn mainly due to a reduction in income from visitors and an overspend of £10k on Parc Glynllifon mainly due to a reduction in rental income from the units.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: ECONOMY AND COMMUNITY**

Area:-	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Youth Service	1,121	1,196	1,173	(23)			(23)

An underspend position due to one-off savings arising from savings schemes being achieved early.

Area:-	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leisure Facilities	3,010	2,968	3,045	77	(27)		50

The gross overspend position is consistent with that forecasted in the first quarter, mainly due to a loss of income of £50k from food sales in the centres together with higher staff costs of £27k. It is intended to use other sources in reserve to reduce the net overspend to £50k.

Area:-	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Museums	137	137	146	9	(3)		6

Gross overspend of £9k mainly due to additional staff costs and a reduction in income received. It is intended to use other sources in reserve to reduce the net overspend to £6k.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: ECONOMY AND COMMUNITY**

Area:-	Others	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		8,031	8,240	8,228	(12)			(12)

Includes numerous small variances on a number of headings.

REVENUE BUDGET 2014/15 - SECOND QUARTER

Highways and Municipal Department Summary Position(including Trunk Road Agency)	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Highways Service	11,034	10,976	10,931	(45)	0	0	(45)
Waste Disposal	2,346	2,344	2,367	23	0	0	23
Waste Treatment and Transfer Sites	1,424	1,502	1,523	21	0	0	21
Waste Collection and Recycling	4,008	3,877	3,958	81	0	(44)	37
Trade Waste	(46)	54	80	26	0	0	26
Other Waste	2,260	2,259	2,269	10	0	0	10
Other (Highways and Municipal)	5,223	5,203	5,207	4		0	4
Total Variances	26,249	26,215	26,335	120	0	(44)	76

In General

A net overspend position of £76k for now, and the Department intends to restrict spending on some headings so as to try and clear the overspend by the end of the year.

DEPARTMENT: HIGHWAYS AND MUNICIPAL

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Highways Service	11,034	10,976	10,931	(45)			(45)

An underspend position mainly reflecting one-off staff savings as a result of achieving some schemes earlier than planned.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: HIGHWAYS AND MUNICIPAL****Relating to Waste****Area:- Waste Disposal**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
2,346	2,344	2,367	23			23

Area:- Waste Treatment and Transfer Sites

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,424	1,502	1,523	21			21

A net overspend position consisting of a number of variances, mainly a reduction of £117k in income from sales of recycled material, an underspend of (£77k) on operating costs, an underspend (£39k) on Gwyrdd Penhesgyn waste treatment site (run jointly with Anglesey and Conwy Councils) and an overspend of £20k relating to this year's savings targets.

Area:- Waste Collection and Recycling

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
4,008	3,877	3,958	81		(44)	37

An increase of £37k in the overspend position of £44k forecasted in the first quarter and which includes a reduction of £44k in the Welsh Government's waste management grant together with a decrease in income from waste collection from holiday homes. Under such circumstances of reduced grants during the year, it is usual for the Cabinet to agree to compensate for this element.

Under the circumstances, it is recommended that the Cabinet agrees that an additional budget of £44k be given to the Department to come from the Council's Corporate budgets.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: HIGHWAYS AND MUNICIPAL**

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Trade Waste	(46)	54	80	26			26

An overspend position reflecting higher disposal costs than expected for the income level received.

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Other Waste	2,260	2,259	2,269	10			10

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Total Waste	9,992	10,036	10,197	161		(44)	117

Area:-		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Other (Highways and Municipal)	5,223	5,203	5,207	4			4

REVENUE BUDGET 2014/15 - SECOND QUARTER

Regulatory Department Summary Position	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Development Control	497	506	476	(30)	0	0	(30)
Car Parks	(730)	(797)	(825)	(28)	0	0	(28)
Integrated Transport	1,790	1,776	2,211	435	(370)	0	65
Others	9,705	10,117	10,112	(5)	0	0	(5)
Total Variances	11,262	11,602	11,974	372	(370)	0	2

DEPARTMENT: REGULATORY

Area:-	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Development Control	497	506	476	(30)			(30)

A number of small variances are included here but , on the whole, a net underspend position of (£30k) is forecasted due to additional income from planning applications.

Area:-	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Car Parks	(730)	(797)	(825)	(28)			(28)

Although the fee income target appears to be favourable this year, a net underspend position of (£28k) is forecasted due to one-off staff savings.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT: REGULATORY****Area:- Integrated Transport**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,790	1,776	2,211	435	(370)		65

A forecasted gross expenditure of £435k on this heading which is a reduction of (£25k) on the first quarter, originating from a number of causes, including a reduction of £223k in Local Transport Grant and higher expenditure of £209k as a result of appointing new contractors to operate the routes of an ex-contractor.

It is forecasted that the situation can be dealt with by the use of other sources held in reserve.

Area:- Others

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
9,705	10,117	10,112	(5)			(5)

REVENUE BUDGET 2014/15 - SECOND QUARTER

Consultancy Department Summary Position	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering	(305)	(217)	1	218	(120)	0	98
Building Service	161	154	117	(37)	0	0	(37)
Others	1,268	1,227	1,227	0	0	0	0
Total Variances	1,124	1,164	1,345	181	(120)	0	61

DEPARTMENT : CONSULTANCY

Area:-	Roads and Engineering	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		(305)	(217)	1	218	(120)		98

The overspend position is fairly consistent with the overspend of £215k forecasted in the first quarter, mainly due to reduction in fee income level. The Department continues to try to attract income from different sources together with attempting to restrict the level of expenditure and making arrangements to review and revise its staff structure according to the circumstances.

If the general gross position were to continue until year end, the Department intends to make use of (£120k) from the previous years underspend fund to alleviate the situation.

REVENUE BUDGET 2014/15 - SECOND QUARTER**DEPARTMENT : CONSULTANCY**

Area:-	Building Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		161	154	117	(37)			(37)

The net overspend position of £23k in the first quarter has now changed to an underspend of (£37k) achieved mainly through the use of staff savings being achieved before the target. Lower income fees are forecasted for 2015-16 and arrangements are in place to revise the current staffing structure to deal with the situation.

Area:-	Others	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		1,268	1,227	1,227	0			0

REVENUE BUDGET 2014/15 - SECOND QUARTER

Central Departments Summary Position	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team	676	537	472	(65)	0	0	(65)
Human Resources	121	146	115	(31)	0	0	(31)
Finance	1,403	1,172	1,137	(35)	0	0	(35)
Strategic and Improvement	757	619	543	(76)	0	0	(76)
Total Variances				(207)	0	0	(207)

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team							
Gross Expenditure Income	2,045						
	(1,369)						
Net Total	676	537	472	(65)			(65)

An underspend of (£65k) is forecasted for the time being, mainly due to staff savings arising from the latest relevant restructuring together with an underspend of (£10k) in the Communications Unit.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources							
Gross Expenditure	4,109						
Income	(3,988)						
Net Total	121	146	115	(31)			(31)

Although the net position shows an underspend of (£31k), the main items included are, an underspend of (£8k) on Management costs, higher staff costs of £8k in the Health and Safety Unit, an underspend of (£60k) in the Support Unit mainly due to one-off staff savings and a net overspend of £30k by the Print Unit.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance							
Gross Expenditure	11,304						
Income	(9,901)						
Net Total	1,403	1,172	1,137	(35)			(35)

A net underspend of (£35k) is forecasted, including an overspend of £98k on Tax Collection supplies and services, mainly software and court fees, an underspend of (£65k) in the Cashiers and Income Unit, mainly staff savings and an underspend of (£70k) in the Information Technology Unit mainly one-off staff savings.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategic and Improvement							
Gross Expenditure	9,895						
Income	(9,138)						
Net Total	757	619	543	(76)			(76)

For now, a net underspend position of (£76k) is forecasted, and comprise of a number of variances across the Departments, it includes an underspend of (£10k) on transport costs, an underspend of (£68k) on supplies and services and an overspend of £6k on premises costs.

REVENUE BUDGET 2014/15 - SECOND QUARTER

Corporate Budgets Summary Position (only additional elements are reported upon here)	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of other sources	Recommended Adjustments	Net Overspend / (Underspend)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Target Savings	0	0	0	259	0	0	259
Benefits	0	0	0	(104)	0	0	(104)
Net Interest Received	0	0	0	(31)	0	0	(31)
Council Tax	0	0	0	(148)	0	0	(148)
Other	0	0	0	(40)	0	0	(40)
Approve Additional Budget	0	0	0	0	0	44	44
Total Variances	0	0	0	(64)	0	44	(20)

CORPORATE BUDGETS**Corporate Target Savings**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	259			259

A net overspend position for this year, including slippage on some savings schemes but others being achieved in advance.

Benefits

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	(104)			(104)

Although there was an overspend position of £90k on this heading in 2013-14, it is forecasted that this year, in line with recent trends, an underspend of (£104k) is forecasted.

Net Interest Received

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	(31)			(31)

It is forecasted that an additional net interest of (£31k) will be received, which reflects the favourable position of the market as compared with that seen earlier in the year.

Council Tax

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	(148)			(148)

Up to now, it is forecasted that an additional (£148k) of Council Tax will be collected.

Other

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	(40)			(40)

One-off underspend position on a number of headings.

Approve Additional Budget

Opening Budget	Revised Budget	Forecasted Position	Gross Overspend /	Use of Other Sources	Recommended Adjustments	Net Overspend /
£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	0		44	44

Approve additional budget of £44k to Highways and Municipal following the loss of grant income.

REPORT TO THE CABINET

25 NOVEMBER 2014

Cabinet Member: COUNCILLOR R H WYN WILLIAMS, CABINET MEMBER - CARE

Subject: OVERSPEND IN OLDER PEOPLE SERVICES

Contact Officer: MORWENA EDWARDS, CORPORATE DIRECTOR

1. Purpose of the Report

- 1.1 To give further explanation to Cabinet members on the overspend in Older People Services and in particular home care services.
- 1.2 To consider the overspend in relation to the expected demographic changes and demand for older people services. This demographic induced demand includes the expectation of an increase in the number of older people requiring a service and also the level of need. This also of course includes all those living with dementia.
- 1.3 To set out for Cabinet members, for information, the action plan which is in place to respond to the overspend, which includes the immediate action required, and also to highlight the key transformational plans that are taking place which will be critical to respond to the increase in demand in the longer term.

2. Background

- 2.1 As is consistent with many authorities across Wales, Gwynedd is seeing an increase in demand for care services, and this probably as a result of an ageing population. We have been expecting this increase, and the Council has been allocating demographic funding to the Department for a number of years.

However, despite the transfer of this funding, over the last year there has been a clear overspend in older people services.

- 2.2 If we compare our expenditure against other similar authorities, we do see some differences, with home care being comparable, residential care also comparable, but our expenditure on nursing care significantly higher. We are currently looking into these findings in more depth as part of the 'end to end' adults work.

- 2.3 We need to also understand that the issues raised within this report and many of the points highlighted are already being addressed as part of the efficiency saving proposals and the transformational plans within the Strategic Plan. Therefore, work is already underway with all the areas highlighted, examples of the work being the “Ffordd Gwynedd” work / Vanguard, funding of CHC packages, review of double handling etc.

What we need to ensure is that these transformational changes are implemented without delay and that the right culture and capacity to deliver is in place.

- 2.4 It is critical that we ensure that our strategies, systems, structures all align with the vision we have for this area of work. In addition we must ensure that staff have the right skills for a new way of working and that the culture staff work in the right one to ensure success. The transformational changes underway in the department try and ensure that all these aspects are being looked at. An assessment of the additional requirements within the department to respond to the challenges is happening at the moment and will come to the attention of the Cabinet in the near future.

3. Considerations within the Older People Service

- 3.1 We can summarise the increase in demand for older people services into four categories:-

3.1.1 Older People who require short term intensive support to help them return to independence – we refer to this service as ‘reablement’

We have been providing re-ablement services for over 4 years and we have seen success against the performance measures with approximately 58% of those receiving re-ablement not returning to the service within the first year. In line with this success, approximately £1m savings was taken out of the older people budget, as part of efficiency savings. This figure was based on an assessment of what would have been the cost of the care to those individuals if they had not received the intensive support.

The argument being that the short term intensive support has avoided them being dependent on services for the longer term. Obviously, it is impossible to prove scientifically what care would have been required without re-ablement, this is a matter of opinion only.

It is apparent from the performance measures that we have that we have succeeded with the re-ablement services, but there is further evidence (John Bolton) which highlights to councils the need to question the validity of using our current "intake model" for re-ablement. It is John Bolton's view that too many "relatively healthy" individuals who would have been able to return home with no additional support and would not have required longer term services have received expensive short term intensive support from us.

We need to look into this matter further to assess if we need to target our reablement services from now on. I have commissioned Glenda Lloyd Evans to do further work on this issue with a view to report back to me by the end of November.

If we discover that it is beneficial and more cost effective to target reablement services for the future, we will inevitably see a worsening of our current performance measures. However, our investment with expensive reablement services would be more efficient and effective.

We also see a pattern emerging that individuals who previously received a reablement service at the outset are now returning years later requiring quite intensive support. For these individuals, receiving reablement again would give us a poor "return" on our investment and it is preferable for these individuals to go on to longer term support straight away. I believe we have evidence (case file audit Vanguard) to support the fact that we have individuals receiving reablement where it is clear that their chances of regaining independence is very low and that we have created a system that does not allow front line staff to exclude such individuals from this route.

To close therefore on reablement – even though at first glance this service looks to be successful, we need to reconsider the principles on which the service has been based, and to look to ensure that we do not give an expensive service free of charge to individuals that do not need it or that will not benefit from it. Also that we do give this service to individuals that are very unlikely to succeed to regain independence.

As noted above, work is underway to this end to establish what we need to do differently, but based on the above it is likely that the savings taken out to date may be too high.

3.1.2 People who require longer term support

Usually individuals who require longer term support have already received the reablement support.

We have been expecting the impact of the demographic increase for a number of years, but until now we have not really seen this played out in the expenditure, and this is probably due to the fact that the 'good health' of older people generally has hidden the demographic increase. However, I believe we are now finding that the oldest individuals are becoming frailer and that this is now emerging.

3.1.3 Older People with complex care needs

The complexity of care needs for older people is increasing and these are some of the factors:-

- People are living longer with complex health conditions and intensive physical disabilities
- Changes in the Health Trust have meant that there has been a shift of provision from acute beds to provision in the community. There has been a significant reduction in the number of acute beds in North Wales over the last few years. In the past, older people would have remained in hospital for a longer period, even though their clinical care would have ceased, but because they just were not strong enough to go home. Local Authorities are increasingly providing intensive packages of care, sometimes with two carers, to support people at home. We have already identified the need to review the number of "double handling" packages of care as part of our efficiency saving proposals.
- There is a huge pressure for local authorities generally to play their part in avoiding delayed discharges of care – DTOCs. There is a great deal of pressure on us to ensure that community support is available to support more and more people and to avoid any delay in getting patients out of hospital. I believe there may well be a link between our

increasing expenditure on home care and the fact that we are consistently a good performer with our DTOCs. We need to ask the question if we can continue with this trend without some investment in community support from health.

- The majority of older people now expect to be able to receive support in their own homes, rather than having to go into a residential home, and this regardless of the size of home care package required. In the past, a large proportion of these individuals would have chosen to go to a residential home. We are certainly responding to what people need and there is no question that this is the best option for them, but there is a cost to this with the most intensive care packages.

In addition, the introduction in April 2011 of the maximum weekly fee of £55 for home care has probably contributed to the number of individuals who chose to live at home, who would otherwise be paying for their own care in a residential home or at their own home. If some of these individuals were in residential care, they would be paying in full for their care.

3.1.4 Older People who require residential care

The number of individuals living in residential homes has remained relatively constant over the last few years. The expenditure on residential care is also constant, but has risen a little in the last quarter.

Gwynedd's expenditure on nursing care is comparatively higher than other authorities of a similar nature. We are not clear yet why we have a higher spend on nursing care but there is evidence that we have a high percentage of individuals going into nursing care straight from an acute bed. Perhaps there is a higher prevalence of the west discharging individuals to a nursing bed as beds are available. We are also seeing less use in recent years of community hospitals for that convalescence period.

- 3.2 **The most obvious problem in relation to the overspend is in the home care service.** As stated previously, we have taken out nearly £1m due to the success of reablement and a significant amount has also been taken out as a result of savings due to telecare.

We need to ask ourselves, why are we overspending in home care and one obvious question is are we giving home care services to more people?

From looking at the data from 2013 to 2014, we can see that the number of individuals in both years similar, but there is clearly a very different profile on the intensity of the home care packages commissioned.

The tables below give a breakdown of the “snap shot” of the intensity of the home care packages over the two years for older people over the age of 65.

Home Care Provision w/c 28 September 2013		
Hour Bands	Number of Clients	Number of Hours
<5	299	824
5-9	305	2167
10-15	276	4395
>=20	50	1420
Total Hours	930	8805

Home Care Provision w/c 27 September 2014		
Hour Bands	Number of Clients	Number of Hours
<5	285	768
5-9	269	1928
10-15	296	4465
>=20	84	2371
Total Hours	934	9533

The tables show:-

- The number of people receiving home care has remained quite static.
- The number of individuals receiving lower level support has reduced.
- There has been an increase in the number of individuals receiving intensive support – this is equivalent to 68% of weekly hours.
- We have seen an increase of 728 in weekly hours which is equivalent to an increase in expenditure of over £500,000 in a year.

4. General Conclusion

- 4.1 The Council spends more on older people services than others in the comparator family.
- 4.2 Transformational plans have already been submitted for consideration, and some are underway, which will reduce the expenditure on older people services by around £1.5m over the next 4/5 years.
- 4.3 It is reasonable to expect the expenditure to reduce in the longer term and the transformational plans do set out the areas that need attention to achieve this. I am not going to expand in this report on the details of these plans, but they are available if required.
- 4.4 We have felt for some time that the Health Trust is not contributing as we expect to some of our more intensive packages of care. It is important to remember that on the whole we are a good performer in relation to DTOCs here in Gwynedd. I do believe there is a link here between a higher spend on older people services and this good performance.
- 4.5 To complement the transformational changes underway, we also need to ensure that the immediate budget management arrangements on a daily basis are fit for purpose. I am not convinced yet that the budget management is as robust as it could be and improvements are being made. I will be working with the new senior managers within the structure to ensure that these issues receive their attention. Some of the changes we are putting in place to address the overspend are as follows:-
- Urgent discussion with the Acting Senior Manager of the service and Area Managers in order to agree any further interventions needed to change the current expenditure profile.
 - Workshop on the required changes has been arranged which will look to improve budget management skills of key workers.
 - Weekly analysis to be shared with me as Director showing that all staff are taking responsibility for the situation.

5. Recommendation

5.1 To accept the above explanation of the increase in intensity of care packages, and also to support the transformational plans in place as well as the plans to improve the budget management arrangements. There is likely to be some degree of overspend with this plan for the current year and guidance from the Head of Finance will be required on how to respond to this.

6. Reducing expenditure in older people is not easy as a large proportion of the expenditure relates to people in the system. We must ensure that we have the right processes and culture in place to respond to the short term financial problem as well as the more transformational requirements for the long term. Changes to the way the department works is underway as is more fundamental changes that may emerge from the Vanguard work.

TAFLEN BENDERFYNIAD CABINET Y CYNGOR/ COUNCIL CABINET DECISION NOTICE

Dyddiad/Date 20141125

PWNC / SUBJECT

Eitem/Item

6.1 Cyllideb Refeniw 2014/15 - Adolygiad 2il Chwarter

Revenue Budget 2014/15 – 2nd Quarter Review

6.2 Gorwariant ym maes Gwasanaethau Pobl Hŷn

Overspend in Older People Services

PENDERFYNIAD / DECISION

6.1

- Derbyn yr adroddiad ar adolygiad diwedd yr ail chwarter (sefyllfa 30 Medi 2014) o'r Gyllideb Refeniw,
- Nodi sefyllfa ariannol ddiweddaraf parthed cyllidebau pob adran / gwasanaeth, a chymryd camau priodol ynglŷn â materion o dan eu harweiniad/rheolaeth.
- Cymeradwyo cyllideb ychwanegol o £44k i'r Adran Priffyrdd a Bwrdeistrefol, i ddod o gyllidebau Corfforaethol y Cyngor.

6.2 Derbyn yr adroddiad gan y Cyfarwyddwr Corfforaethol (a Chyfarwyddwr Statudol Gwasanaethau Cymdeithasol) ynglŷn â'r sefyllfa gorwariant yn y maes Pobl

Hŷn (Oedolion, Iechyd a Llesiant)

- Derbyn yr esboniad o ran tuedd dwyster,
- Gofyn am adroddiad diwedd Chwarter 3 yn amlygu'r camau sydd ar y gweill yn y Gwasaneth i newid diwylliant l gyfundrefn trawsnewid a galluogi
- Derbyn cadarnhâd ar ddiwedd Chwarter 3 bod yr egwyddor o newid diwylliant wedi cael ei fabwysiadu gan reolwyr a swyddogion yr Adran Gofal.

6.1

- *To accept the report on the second quarter review (30 September position) of the Revenue Budget,*
- *To note the latest financial situation regarding the budgets of each department / service and take appropriate steps regarding the matters under their leadership/management.*
- *To approve £44k additional budget for the Highways and Municipal Department, to come from the Council's Corporate budgets.*

6.2 *To accept the report of the Corporate Director (and Statutory Director of Social Services) regarding the overspend situation in the Older People (Adults, Health and*

Wellbeing) service

- *To accept the explanation in terms of the trend in density,*
 - *To ask for a report at the end of Quarter 3 highlighting the Service's intended actions to change the culture to a transformational and enablement system.*
 - *To receive confirmation at the end of Quarter 3 that the principle of changing culture has been adopted by managers and officers within the Care Department.*
-

Rhesymau dros y penderfyniad / Reasons for the decision:-

6.1

Cyflwynwyd yr adroddiad chwarterol hwn ar yr adolygiad diweddaraf o gyllideb referniw y Cyngor am 2014/15. Ar wahân i sefyllfa'r Adran Oedolion, Iechyd a Llesiant, gwelwyd fod gweddill y darlun yn ei gyfanrwydd yn arddangos rheolaeth o'r cyllidebau adrannol.

- Adran Oedolion, Iechyd a Llesiant – gorwariant £1,189k

Mae'r Adran yn cynnal adolygiad o'u gwasanaethau, ynghyd â chymryd camau i geisio gostwng a chyfyngu'r lefel gwariant cyfredol, lle'n bosib. Adroddir ymhellach ar ganlyniadau'r ymdrechion yma yn yr adolygiad trydydd chwarter, ond yn y cyfamser rhaid cydnabod fod y sefyllfa yma am roi pwysau ariannol sylweddol ar y Cyngor eleni, a bydd rhaid wynebu'r effaith erbyn 2015/16, a chyfyngu ar yr oblygiadau lle'n bosib. Cyflwynwyd adroddiad cysylltiedig gan y Cyfarwyddwr Corfforaethol (a Chyfarwyddwr Statudol Gwasanaethau Cymdeithasol) ynglyn â'r sefyllfa gorwariant yn y maes Pobl Hŷn.

- Adran Addysg

Bu pwysau ychwanegol mewn sawl maes, gan gynnwys Diswyddo ac Ymddeol Cynnar, Integreiddio Disgyblion ac Anghenion Dysgu Ychwanegol, ond hefyd llwyddodd yr Adran, drwy ddefnydd o gronfeydd wrth gefn, weithredu i gadw hyn o dan reolaeth.

- Adran Rheoleiddio

Mae pwysau ariannol ychwanegol wedi codi yn y maes Cludiant Integredig (cludiant cyhoeddus yn bennaf), ond bwriedir ymdrin â'r sefyllfa eleni drwy ddefnyddio ffynonellau eraill o arian. Mae'r broses o adolygu a blaenoriaethu'r rhwydwaith cludiant yng Ngwynedd yn parhau, a disgwylir bydd y canlyniadau a'r oblygiadau ariannol perthnasol ar gael erbyn y trydydd chwarter.

- Adran Ymgynghoriaeth

Er bod yr Adran yn defnyddio adnoddau wrth gefn eleni i liniaru'r diffyg, ymateb dros dro yn unig ydi hyn, ac os ydi'r rhesymau sylfaenol (sef gostyngiad mewn cyfleon i ddenu incwm) yn parhau, mae'n dilyn bydd yn rhaid wynebu a datrys y sefyllfa ar gyfer y dyfodol.

6.2

Cyflwynwyd yr adroddiad am y Gorwariant yn yr Adran Oedolion, Iechyd a Llesiant er mwyn

- ceisio rhoi mwy o eglurhad i aelodau'r Cabinet ynglŷn â gorwariant yn y maes pobl hŷn ac yn arbennig ar wasanaethau gofal cartref.
- edrych ar y gorwariant hwn ynghyd destun y disgwyliadau demograffi a galw am wasanaethau pobl hŷn. Mae'r gofynion demograffi hyn yn cynnwys y disgwyliad am gynnydd yn y nifer o bobl hŷn ond hefyd yn y dwyster o angen ac mae hyn yn cynnwys wrth gwrs y nifer sydd yn byw gyda dementia.
- gosod allan, er gwybodaeth, i aelodau'r Cabinet y rhaglen waith sydd mewn lle ar gyfer ceisio ymateb i'r gorwariant o ran gweithredu unionsyth a hefyd i amlygu'r linc gyda'r cynlluniau trawsffurfiol sydd yn ceisio ymateb i'r cynnydd mewn galw, ond a fydd yn cael effaith mwy hir dymor.

Fel mewn nifer o gynghorau ar draws Gymru, mae Gwynedd yn gweld cynnydd yn y galw am wasanaethau gofal, a hynny efallai oherwydd bod y boblogaeth yn heneiddio.

Ymddengys, o gymharu gwariant ag awdurdodau eraill, bod gwariant ar ofal cartref yn gymharol, gwariant ar ofal preswyl yn gymharol, ond bod gwariant ar ofal nyrsio yn sylweddol uwch. Ceisir mynd i wraidd y tueddiadau hyn ar hyn o bryd fel rhan o'r gwaith 'end to end' oedolion.

6.1

Submitted - the quarterly report on the latest review of the Council's revenue budget for 2014/15. Apart from the position of the Adults, Health and Wellbeing Department, it was seen that the rest of the picture in its entirety showed management of departmental budgets.

- *Adults, Health and Wellbeing Department - £1,189k overspend*

The Department is undertaking a review of its services, along with taking action to seek to reduce and limit the current spending level, where possible. The results of these efforts will be reported on further in the third quarter review, but in the meantime it must be acknowledged that this situation will place the Council under significant financial pressure this year, and we will have to face the impact by 2015/16, and limit implications where possible. An associated report was submitted by the Corporate Director (and Statutory Director for Social Services) regarding the overspend position in the field of Older People.

- *Education Department*

There had been additional pressure in many fields, including Redundancy and Early Retirement, Integration of Pupils and Additional Learning Needs, but also the Department, through the use of reserves, succeeded in taking measures to keep this under control.

- *Regulatory Department*

Additional financial pressures have arisen in the field of Integrated Transport (public transport mainly), but it is intended to deal with the situation this year by using other sources of funding. The process of reviewing and prioritising the transport network in Gwynedd continues and the results and relevant financial implications are expected to be available by the third quarter.

- *Consultancy Department*
-

Although the Department is using reserves this year to keep the deficit down, this response is only temporary, and if the fundamental reasons (i.e. a reduction in opportunities to attract income) continue, it follows that they will have to face and resolve the situation for the future.

6.2

The report on the Overspend in the Adults, Health and Well-being Department was submitted in order to

- seek to give further explanation to Cabinet members on the overspend in Older People Services and in particular home care services.*
- consider this overspend in relation to the expected demographic changes and demand for older people services. This induced demand includes the expectation of an increase in the number of older people requiring a service and also the level of need. This also of course includes all those living with dementia.*
- set out for Cabinet members, for information, the action plan which is in place to respond to the overspend, which includes the immediate action required, and also to highlight the link with the key transformational plans that are taking place which will be critical to respond to the increase in demand in the longer term.*

As is consistent with many authorities across Wales, Gwynedd is seeing an increase in demand for care services, and this is probably as a result of an ageing population.

When comparing our expenditure against other similar authorities, it appears that spending on home care is comparable; residential care is also comparable but our expenditure on nursing care is significantly higher. We are currently looking into these findings in more depth as part of the 'end to end' adults work.

Sylwadau neu bwyntiau croes / Observations or opposing views:-

6.1

Yn dilyn cyflwyno'r adroddiad gan yr Aelod Cabinet Adnoddau, eglurwyd mai rhagolwg o sefyllfa'r flwyddyn gyfan sydd yma. Mewn ymateb i gwestiwn ynghylch y gwasanaeth Ymgynghoriaeth, eglurwyd nad oedd cyfyngu daearyddol ar fasnachu'r gwasanaeth ar hyn o bryd ond bod crebachu cyffredinol arariannu gwaith cyfalaf ledled Cymru a bod llai o gyfleon ar gael. Nodwyd yn ogystal bod angen sicrhau canlyniad buan i'r adolygiad cludiant cyhoeddus.

6.2

Yn dilyn cyflwyno'r adroddiad gan yr Aelod Cabinet Gofal, trafodwyd y ffaith ei bod yn anodd iawn cyfiawnhau gorwariant ond ei bod yn bwysig rhoi'r adroddiad mewn rhyw fath o gyddestun. Eglurwyd bod y gwasanaeth Gofal wedi llwyddo i ddarparu gwasanaethau dros y blynyddoedd heb lithro i or-wario ond bod y newidiadau demograffig diweddar a'r cynnydd mewn cyflyrrau dwys yn ddyrys iawn.

Trafodwyd y ffaith yn ogystal nad yw'r rheolaeth gyllidol wedi bod mor dynn ag y gallai fod a bod angen i bob swyddog o fewn y Gwasanaeth ysgwyddo'r cyfrifoldeb o sicrhau gwerth am arian. Prif fwrdd y drafodaeth oedd bod angen argyhoeddi rheolwyr o'u hatebolrwydd yn gyllidol a bod rheolwyr yn gwrandu ar aelodau staff rheng flaen er mwyn trafod sut y gellid gwneud arbedion tra'n parhau i gynnal gwasanaethau a diwallu angen trigolion Gwynedd.

6.1

Following the submission of the report by the Cabinet Member for Resources, it was explained that this was a forecast of the situation for the entire year. In response to a question regarding the Consultancy service, it was explained the service's business was not currently geographically constrained, but there was a general squeeze on capital funded work across Wales and there were fewer opportunities available. It was also noted that there was a need to secure a quick result to the public transport review.

6.2

Following the submission of the report by the Cabinet Member for Care, a discussion was held on the fact that it was very difficult to justify the overspend but that it was important to consider the report in its context. It was explained that the Care service had succeeded in providing services over the years without slipping into overspend but that the recent demographic changes and the increase in intensive conditions was very problematic.

A discussion was held on the fact that the financial control had not been as tight as it could have been and there was a need for every officer within the Service to bear the responsibility of securing value for money. The main subject of the discussion was that there was a need to convince managers of their financial accountability and that managers should listen to front line staff in order to discuss how savings could be achieved while continuing to maintain services and meet the needs of the residents of Gwynedd.

Barn y swyddogion statudol / The views of the statutory officers:-

1. Y Prif Weithredwr / Chief Executive:-

Mae'n amlwg, ar adeg o gyntaf ariannol pan mae'r Cyngor yn wynebu'r rheidrwydd i wneud arbedion effeithlonrwydd a thoriadau, bod ein rheolaeth o'n cyllideb refeniw sefydlog yn gadarn. Wrth gwrs, wrth wneud hynny, rhaid bod yn ymwybodol o bwysau galw ar wasanaethau. Eleni, mae hyn yn fwy amlwg ym maes Gwasanaeth Oedolion, Iechyd a Llesiant, lle y mae adroddiad penodol yn tynnu sylw at y pwysau ar y gwasanaeth o ran niferoedd a dwyster, ond hefyd yn nodi'n gwbl briodol y gwariant cymharol uchel yn y maes. Wrth gwrs, mae cynlluniau trawsnewidiol wedi eu hawdurdodi yn y Cynllun Strategol i fynd i'r afael â'r meysydd mwyaf allweddol yn y tymor canolig, ond erys y broblem tymor byr. Yr unig ffordd o ddatrys hynny yw trwy reolaeth priodol o'r gwariant o ddydd i ddydd. Tra bod yn rhaid ceisio cyflawni gwir anghenion y rhai a wasanaethir mae'n rhaid hefyd cadw golwg ar oblygiadau cyllidol y penderfyniadau a rhaid cofio bod pob punt sydd yn cael ei wario ar wasanaeth nad yw'n wir angenrheidiol yn bunt yn fwy y bydd yn rhaid ei arbed neu ei dorri maes o law ac amddifadu eraill rhag gwasanaethau angenrheidiol.

Clearly, at a time of financial distress when the Council faces the necessity to make efficiency savings and cuts, we have firm management of our baseline revenue budget. Of course, in doing so, we must be aware of the pressure of demands on services. This is more apparent this year in the Adults, Health and Well-being Department, for which a specific report highlights the pressures on the service in terms of numbers and intensity, but also quite rightly identifies our relatively high expenditure in the field. Of course, transformational schemes have been authorised in the Strategic Plan to address the most crucial areas in the medium term, but the short term problem remains. The only way to solve that is through appropriate control of day-to-day expenditure. Whilst we must try to achieve the real needs of those who receive our services, we must also keep an eye on the financial implications of the decisions and it must be remembered that every pound that is spent on a service that is not truly essential is one pound more that will have to be saved or cut in due course and deprive others from essential services.

2. Swyddog Monitro / Monitoring Officer:-

Dim sylwadau o safbwynt priodoldeb.
No observations from a propriety perspective.

3. Prif Swyddog Cyllid / Chief Finance Officer:-

Rwyf wedi cydweithio gyda'r Aelod Cabinet i baratoi'r adroddiad yma ac yn cadarnhau'r cynnwys.
I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

«

Barn yr aelod lleol / Views of the local member

Dim yn berthnasol
Not relevant.

MEETING: AUDIT COMMITTEE

DATE: 18 DECEMBER 2014

**TITLE: CAPITAL PROGRAMME 2014/15 - END OF SECOND
QUARTER REVIEW (30 SEPTEMBER 2014)**

**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. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit Committee is expected to scrutinise some financial matters including budget monitoring reports, as appropriate.
2. The attached report (capital programme's second quarter review) was presented to the Cabinet on 25 November for decisions regarding the revised programme and its financing. The Chairman of the Audit Committee attended the Cabinet meeting as an observer, and asked us to present the attached Cabinet report to the Audit Committee, to be scrutinised together with the relevant decisions.
3. The Audit Committee is asked to note the position and any risks regarding the Council's capital programme, scrutinise the Cabinet's decisions, and comment as necessary.
4. The Briwet Bridge scheme was identified as a risk, but as the issue was being scrutinised in the Communities Committee on 2 December, it was decided to avoid duplicating that scrutiny and to receive observations from members who were present. Should the Audit Committee wish to further scrutinise the financial risks regarding the Briwet Bridge scheme, then officers from the Regulatory Department and the relevant Cabinet Member could be invited to a meeting of the Audit Committee's Working Group.

Enclosures:

Capital Programme 2014/15 - second quarter review report (Cabinet 25/11/2014)
Decision notice (Cabinet 25/11/2014)

REPORT TO THE CABINET
25 NOVEMBER 2014

Cabinet Member: COUNCILLOR PEREDUR JENKINS - RESOURCE CABINET MEMBER

Subject: CAPITAL PROGRAMME 2014/15 – 2016/17
SECOND QUARTER REVIEW 2014/15

Contact Officer: DAFYDD L EDWARDS – HEAD OF FINANCE

The decision sought / Purpose of the report

To accept the report on the second quarter review (30 September 2014 position) of the capital programme, and approve the revised financing as shown in part 2.2 – 2.8 of the report, that is:

- an adjustment of £2,699,000 due to actual slippages from 2013/14
 - a decrease of £3,111,000 in unsupported borrowing
 - an increase of £2,134,000 in the use of grants and contributions
 - an increase of £425,000 in the use of capital receipts
 - an increase of £176,000 in the use of revenue contributions
 - a decrease of £351,000 in the use of the capital fund
 - an increase of £417,000 in the use of other reserves
-

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 £92m capital programme for the 3 years 2014/15 – 2016/17.

Part 2: An explanation of the sources of financing the net increase of approximately £2.389m since the last review.

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

The remainder of the report is for information.

Part 3: Movements from 2014/15 to 2015/16

Part 4: First 6 months spending profile 2014/15.

Main Findings:

This year's capital programme is nearly £45m, and the current total for the three year programme is over £92m, which is still a significant achievement by the Council in the current financial climate.

The end of September expenditure level is 33% of the budget as compared to 35% over the same period (6 months) last year.

Reasons for recommending the decision

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

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

These recommendations aim to ensure definite sources of funding for the 2014/15 - 2016/17 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 specific 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 schemes, and report on the third quarter review to the relevant Cabinet meeting next February.

View of the Local Member

Not relevant.

Views of the Statutory Officers

Chief Executive:

It is clear from the report that the management of the Capital Programme is a complex issue with fluctuations in funding, slippage on individual schemes and other changes. The Finance Department is to be commended that none of those changes will lead to loss of resources. However, it is the responsibility of the individual spending departments to ensure that expenditure is in accordance with profiles. Each capital scheme, of course, achieves results for the people of Gwynedd and any slippage delays that process. Doubtless, the Cabinet will therefore confirm its commitment as a team and as individual cabinet members to try to ensure that expenditure is in line with profiles in order to realize the promised results and to ensure live management of capital resources.

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 2014/15 to 2016/17

1.1 The table below shows a comparison of the capital programme up to the end September 2014 against the position up to the end of June:

MOVEMENT FROM THE FIRST QUARTER TO THE SECOND QUARTER

	END OF JUNE REVIEW				END OF SEPTEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW	ADJUSTMENTS FOR SLIPPAGES	OTHER CHANGES
	2014/15	2015/16	2016/17	TOTAL	2014/15	2015/16	2016/17	TOTAL			
DEPARTMENT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	109	400	0	509	39	130	0	169	(340)	0	(340)
Education	7,833	15,185	12,915	35,933	6,259	17,005	12,915	36,179	246	246	0
Finance	810	761	0	1,571	986	866	0	1,852	281	9	272
Economy and Community	7,417	439	200	8,056	5,738	3,868	610	10,216	2,160	350	1,810
Housing	2,665	2,000	0	4,665	2,986	2,000	0	4,986	321	20	301
Adults, Health and Wellbeing	831	397	0	1,228	1,012	397	0	1,409	181	277	(96)
Children and Families	1,750	0	0	1,750	1,750	0	0	1,750	0	0	0
Highways and Municipal	9,011	3,822	1,672	14,505	7,545	2,844	989	11,378	(3,127)	21	(3,148)
Regulatory	17,280	3,458	58	20,796	18,100	5,340	58	23,498	2,702	1,776	926
Consultancy	616	18	0	634	581	18	0	599	(35)	0	(35)
TOTAL	48,322	26,480	14,845	89,647	44,996	32,468	14,572	92,036	2,389	2,699	(310)

2 CHANGES TO THE SOURCES OF FINANCE

2.1 There is an increase of £2.389m in the budget in respect of the three year capital programme since the first quarter position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF JUNE REVIEW			END OF SEPTEMBER REVIEW			INCREASE / (REDUCTION) SINCE THE LAST REVIEW	ADJUSTMENTS FOR SLIPPAGES	OTHER CHANGES
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17			
	£000	£000	£000	£'000	£'000	£000			
Supported Borrowing	6,630	6,630	6,543	6,630	6,630	6,543	0	0	0
Unsupported Borrowing	9,415	7,272	1,627	7,539	6,980	911	(2,884)	227	(3,111)
Grants and Contributions	19,650	5,728	5,461	18,910	10,217	5,861	4,149	2,015	2,134
Capital Receipts	1,839	930	0	2,090	1,203	0	524	99	425
Departmental & Corporate Revenue	2,865	2,378	0	3,288	2,526	0	571	395	176
Capital Fund	3,475	2,161	200	2,141	2,754	200	(741)	(390)	(351)
Renewals & Other Funds	4,448	1,381	1,014	4,398	2,158	1,057	770	353	417
TOTAL	48,322	26,480	14,845	44,996	32,468	14,572	2,389	2,699	(310)
3 YEAR TOTAL			89,647			92,036			

2.2 Actual Slippages from 2013/14

This year's opening budget included estimated slippage figures to 2014/15 which were based on 2013/14's third quarter projection position. As was reported to the Cabinet on 10th June the final position for 2013/14 included an increased actual level of slippage. These are detailed in the 'Adjustments for Slippages' column above. Again, as reported on the 10th June, the slippage has not resulted in a loss of funding to the Council. The rest of the 'other changes' above are explained as follows.

2.3 Unsupported Borrowing

Net decrease of (£3,111,000) in this method of financing due to:

- **Historical Leased Vehicles Renewal Programme (Highways and Municipal Department) – (£619,600) in 2014/15, (£1,775,370) in 2015/16 and (£716,100) in 2016/17**

The above figures represent the opening estimate and the original proposal to purchase vehicles rather than leasing them (it has been an annual practice to assess the cost/benefit options at the end of the year and decide on the appropriate financing method at that point). It has now been decided to review all the historical leased vehicles and to rationalise the programme significantly, and until the results of this review is known, the above funding is not currently required in the programme.

2.4 Grants and Contributions

Net increase of £2,134,000 in this method of financing, mainly due to:

- **Caernarfon Town and Waterfront Regeneration Scheme (Economy and Community Department) - £150,000 in 2014/15, £475,000 in 2015/16 and £375,000 in 2016/17**

A Government grant through the Vibrant and Viable Places Programme of £1million over 3 years has been received to regenerate the Caernarfon area (see the report to the Cabinet 2nd July 2013). The intention is to use this grant to enable external bodies to attract grants from other sources, including the Lottery Fund and new European Programmes, towards schemes such as redevelopment of Slate Quay (Caernarfon Harbour Trust), Ffestiniog Railway Station development (Snowdonia Railway) and the Galeri 2 scheme (the Galeri).

- **Sailing Academy Scheme (Economy and Community Department) - £584,840 in 2015/16**

This increase is funded through a further ERDF (European Regional Development Fund) grant by the Government following a re-profiling of the scheme.

- **Coastal Access Scheme (Regulatory Department) - £136,100 in 2014/15**

Confirmation was received of the 2014/15 grant figure from Natural Resources Wales towards work on the coastal footpath.

2.5 Capital Receipts

A net increase of £425,000 in this method of funding, mainly due to:

- **Empty Properties Loan Scheme and Housing Enforcement Matters (Adults, Health and Wellbeing Department) - £250,000 in 2014/15**

This is part of the Council's 3 year Strategic Plan and funded through the use of capital receipts from the old Mynwy scheme.

- **Meirionnydd Materials Reclaiming Centre Scheme (Highways and Municipal Department) - £62,000 in 2014/15 and £14,000 in 2015/16** (see also a departmental revenue contribution in 2.6 below)

Following complications over the location of the Centre a new estimate for the cost of this scheme was received, which now includes additional equipment.

2.6 Departmental and Corporate Revenue

A net increase of £176,000 in this method of funding, mainly due to:-

- **Meirionnydd Materials Reclaiming Centre Scheme (Highways and Municipal Department) - £73,000 in 2014/15** (see also a contribution from capital receipts in 2.5 above).
- **Pontllyfni to Aberdesach Cycle Track Scheme (Regulatory Department) - £72,920 in 2014/15**

A further contribution from the Department in order to fully complete the cycle track between Caernarfon and Aberdesach – most of the scheme was financed through TAITH grants, but there was a gap in the track between Glynllifon and Llanwnda which would have created an unacceptable risk in terms of road safety had the track not been completed.

The items above are financed from contributions from the relevant Department's current revenue account.

2.7 Capital Fund

A decrease of £351,000 in this method of funding due to a transfer from capital funding to finance revenue costs over three years which is in respect of an internal solution to integrate the Human Resources and Salaries systems and arrangements throughout the Council (Human Resources Department).

2.8 Renewals and Other Funds

A net increase of £417,000 in this method of funding, mainly due to:-

- **Waste and Recycling Bin Purchases (Highways and Municipal Department) – £133,680 in 2014/15**

An increase in expenditure due to more call for recycling bins in light of the waste strategy.

- **Voice Over Internet Protocol (VOIP) Scheme (Finance Department) - £109,020 in 2014/15**

In light of re-assessing the scheme, it was necessary for the Council to go out to the open market (instead of using the service provided by the Government) and the contract has now been awarded to BT/Avaya company. The increased costs reflect this change.

2.9 Recommendation

The Cabinet is asked to accept the revised capital programme for 2014/15 to 2016/17, and approve the relevant sources of financing (para. 2.2 to 2.8 above), that is:

- **an adjustment of £2,699,000 due to actual slippages from 2013/14**
- **a decrease of £3,111,000 in unsupported borrowing**
- **an increase of £2,134,000 in the use of grants and contributions,**
- **an increase of £425,000 in the use of capital receipts**
- **an increase of £176,000 in the use of revenue contributions**
- **a decrease of £351,000 in the use of the capital fund**
- **an increase of £417,000 in the use of other reserves**

3. CHANGE IN SCHEME EXPENDITURE PROFILES

- 3.1** The total level of re-profiling in the capital programme from 2014/15 to 2015/16 so far is £7,425,780. The figures in part 1 of the report reflects this, with the main items as follows-

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

- Oriel Gwynedd and Museum (Economy and Community Department) £896,720
- Groeslon School (Education Department) £894,660
- Council's Fleet Fund (Highways and Municipal Department) £461,670
- Schools' Temporary Buildings removal (Education Department / Property Unit) £531,000
- Re-location of Segontiw Day Service (Adults, Health and Wellbeing) - £301,260
- Information Technology Equipment Renewal (Finance) – £200,000.

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

- Briwet Bridge, Penrhyndeudraeth (Regulatory Department) £1,882,130
- Pwllheli Sailing Academy (Economy and Community Department) £1,494,720

- 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 current assets which have not been improved.

4. CAPITAL EXPENDITURE FIRST 6 MONTHS 2014/15

4.1 The table below analyses the actual departmental capital expenditure for the Council by the end of the second quarter (6 months), against the revised capital programme for 2014/15 (full year) -

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed September) 2014/15 £'000	ACTUAL EXPENDITURE FOR THE 6 MONTHS TO 30/09/2014 £'000
Human Resources	39	0
Education	6,259	1,571
Finance	986	296
Economy and Community	5,738	1,377
Housing	2,986	1,382
Adults, Health and Wellbeing	1,012	162
Children and Families	1,750	0
Highways and Municipal	7,545	2,854
Regulatory	18,100	7,130
Consultancy	581	114
TOTAL	44,996	14,886

Some departments appear to be spending significantly less than half their annual budget up to now, i.e. the Education Department (mainly due to the profiled spend on 21st Century Schools' schemes), the Economy and Community Department (mainly due to the delay with the Pwllheli Sailing Academy Scheme in Pwllheli), the Highways and Municipal Department (mainly due to the profiled spend on vehicles' renewals) and the Regulatory Department (mainly due to the profiled spend on Briwet Bridge). However the departments are confident that they will spend in line with the programme by the end of the second half of the year.

4.2 Nearly £14.9m has been spent in the first six months, which is 33% of the budget.

SUMMARY	END OF SEPTEMBER REVIEW 2014/15	END OF SEPTEMBER REVIEW 2013/14	DECREASE
Full year's budget	£45.0million	£49.2million	£4.2million
Expenditure for the first 6 months	£14.9million	£17.4million	£2.5million
Expenditure as a percentage of the budget	33%	35%	2%

4.3 Despite the re-profiling, the percentage that has been spent this year equates closely to the position this time last year.

TAFLEN BENDERFYNIAD CABINET Y CYNGOR/ COUNCIL CABINET DECISION NOTICE

Dyddiad/Date 20141125

PWNC / SUBJECT

Eitem/Item 7

**Rhaglen Gyfalaf 2014/15 - 2016/17 Adolygiad 2il Chwarter
2014/15 – 2016/17 Capital Programme – 2nd Quarter Review**

PENDERFYNIAD / DECISION

Derbyn yr adroddiad ar adolygiad diwedd yr ail chwarter (sefyllfa 30 Medi 2014) o'r rhaglen gyfalaf, a chymeradwyo'r ariannu addasedig, sef:

- addasiad £2,699,000 gwir lithriadau o 2013/14
- lleihad £3,111,000 mewn benthyca heb gefnogaeth
- cynnydd £2,134,000 mewn defnydd o grantiau a chyfraniadau
- cynnydd £425,000 mewn defnydd o dderbyniadau cyfalaf
- cynnydd £176,000 mewn defnydd o gyfraniadau refeniw
- lleihad £351,000 mewn defnydd o'r gronfa gyfalaf
- cynnydd £417,000 mewn defnydd o gronfeydd eraill

To accept the report on the second quarter review (30 September 2014 position) of the capital programme, and approve the revised financing, namely:

- *an adjustment of £2,699,000 due to actual slippages from 2013/14*
- *a decrease of £3,111,000 in unsupported borrowing*
- *an increase of £2,134,000 in the use of grants and contributions*
- *an increase of £425,000 in the use of capital receipts*
- *an increase of £176,000 in the use of revenue contributions*
- *a reduction of £351,000 in the use of the capital fund*
- *an increase of £417,000 in the use of other reserves.*

Rhesymau dros y penderfyniad / Reason for the decision:-

Fe welwyd bod gwerth y rhaglen gyfalaf eleni bron yn £45m, a chyfanswm y rhaglen tair blynedd gyfredol dros £92m, sy'n parhau i fod yn gyflawniad sylweddol gan y Cyngor yn yr hinsawdd ariannol bresennol. Mae'r lefel gwariant ar ddiwedd Medi eleni yn 33% o'r gyllideb o'i gymharu â'r un cyfnod (6 mis) y llynedd, sef 35%.

Rhaid sicrhau trefniadau ariannu priodol ar gyfer cynlluniau'r Cyngor i wario cyfalaf, a rhaid i'r Cabinet ffurfiol gymeradwyo'r rhaglen gyfalaf a'r ffynonellau ariannu. Mater o drefn yw ymgorffori ariannu trwy grant, ond hefyd mae angen delio gyda sefyllfaoedd lle bu newid rhwng blynyddoedd mewn proffil gwario a gwerth cyfraniadau a derbyniadau cyfalaf.

Argymhellwyd camau er mwyn sicrhau ffynonellau ariannu pendant am gynlluniau cyfalaf 2014/15 - 2016/17.

It was seen that the total value of this year's capital programme was nearly £45 million, and the total of the current three year programme was over £92million, which is still a significant achievement by the Council in the current financial climate. The end of September expenditure level is 33% of the budget as compared to 35% over the same period (6 months) last year.

It is necessary to ensure appropriate financing arrangements for the Council's capital spending plans, 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 steps were recommended to ensure definite sources of funding for the 2014/2015 – 2016/17 capital schemes.

Sylwadau neu bwyntiau croes / Observations or opposing views:-

Yn dilyn cyflwyno'r adroddiad gan yr Aelod Cabinet Adnoddau, penderfynwyd derbyn yr adroddiad.

Following the submission of the report by the Cabinet Member for Resources, it was resolved to accept the report.

Barn y swyddogion statudol / The views of the statutory officers:-

1. Y Prif Weithredwr / Chief Executive:-

Mae'n amlwg o'r adroddiad bod rheolaeth o'r Rhaglen Gyfalaf yn fater cymhleth wrth i arian ddod i mewn ac allan, ac wrth i gynlluniau unigol lithro a newid yn eu natur. Mae'r Adran Cyllid i'w ganmol nad yw unrhyw un o'r newidiadau hynny yn arwain at golli adnoddau. Fodd bynnag, cyfrifoldeb yr adrannau gwario unigol yw ceisio sicrhau bod gwariant yn digwydd yn unol â phroffiliau. Mae pob cynllun cyfalaf, wrth gwrs, yn gwireddu canlyniadau i bobl Gwynedd ac mae unrhyw lithriad arnynt yn oedi'r gwireddu hynny. Diau y bydd y Cabinet felly am gadarnhau ei ymrwymiad fel tîm ac yn aelodau cabinet unigol i geisio sicrhau gwariant yn unol â phroffiliau er mwyn gwireddu canlyniadau a addawyd a sicrhau rheolaeth byw o adnoddau cyfalaf.

It is clear from the report that the management of the Capital Programme is a complex issue with fluctuations in funding, slippage on individual schemes and other changes. The Finance Department is to be commended that none of those changes will lead to loss of resources. However, it is the responsibility of the individual spending departments to ensure that expenditure is in accordance with profiles. Each capital scheme, of course, achieves results for the people of Gwynedd and any slippage delays that process. Doubtless, the Cabinet will therefore confirm its commitment as a team and as individual cabinet members to try to ensure that expenditure is in line with profiles in order to realise the promised results and to ensure live management of capital resources.

2. Swyddog Monitro / Monitoring Officer:-

Dim sylwadau i'w hychwanegu o safbwynt priodoldeb.
No comments to add regarding propriety.

3. Prif Swyddog Cyllid / Chief Finance Officer:-

Rwyf wedi cydweithio gyda'r Aelod Cabinet i baratoi'r adroddiad yma ac yn cadarnhau'r cynnwys.

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

Barn yr aelod lleol / Views of the Local Member

Dim yn berthnasol

Not relevant.

MEETING: **AUDIT COMMITTEE**

DATE: **18 December 2014**

TITLE: **External Audit Reports**

PURPOSE / RECOMMENDATION: **To submit a summary of implementation steps established by the Services in response to external audit reports and their recommendations for consideration by the Audit Committee.**

AUTHOR: **Geraint George, Head of Strategic and Improvement Department**

CABINET MEMBER: **Councillor Dyfed Edwards**

1. INTRODUCTION

1.1. One of the primary duties of the Audit Committee as outlined in the Local Government (Wales) Measure 2011, is to **review and assess the authority's risk management, internal control and corporate governance arrangements**. The Statutory Guidelines published pursuant to the Measure states that the Committee needs to:

- *“report on the adequacy of the authority's risk management and internal control arrangements, and comment on their effectiveness, as well as following up on risks identified by auditors and requiring reports as to action taken in response;”* and
- *“the authority will need to ensure there is no unnecessary duplication between the audit committee and any overview and scrutiny committee in considering such reports”.*

1.2 At its meeting on 3 December 2013, the Audit Committee approved new arrangements of reporting in order to strengthen governance arrangements and scrutiny of the main reports avoiding any duplication or vagueness. The principal reports are:

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

1.3 There is a responsibility to ensure that arrangements and processes are in place to ensure that any recommendations included in external audit reports were implemented.

1.4 The Scrutiny Chairs Forum at its meeting on 24 January 2014, accepted the proposal for the relevant Scrutiny Committees to scrutinise the principal external audit reports.

- 1.5 In order to avoid duplication it was resolved to present to the Audit Committee a summary of the implementation steps established by the services in response to the external audit reports and their recommendations. A summary will be presented to the Audit Committee as the recommendations of the main reports or any other substantial recommendations come to our attention.

2. RECOMMENDATION

2.1 The Audit Committee is asked to

- i) consider the contents of the appendix and satisfy itself that there is sufficient evidence that the external auditors' recommendations receive adequate attention.
- ii) decide if it is to call any matter in for further consideration, either to the full Committee or the Control Improvement Work Group.

External Audit Reports 2014

1. Annual Improvement Report of the Audit Office

In May 2014 the Council's Annual Improvement Report was submitted by the Wales Audit Office to Cabinet Members, Heads of Department and Scrutiny Members.

The report was fair and positive. It did not include a new proposal or recommend any improvement.

2. Annual Performance Appraisal of the Care and Social Services Inspectorate for Wales 2013 - 2014

A review of Gwynedd Social Services' performance is undertaken annually by the Care and Social Services Inspectorate for Wales. The review report results from the inspection work and notes the fields that have improved and for fields for improvement in the Social Services Department of Gwynedd Council for the year in question.

The report has been circulated to relevant Officers and relevant Members. The report was submitted to the Services Scrutiny Committee on 11 December 2014 by Mark Robert and Vicky Poole, Care and Social Services Inspectorate for Wales.

It is intended that the report be submitted to the formal Cabinet in February 2015.

3. Report: Local Authorities Safeguarding Children Arrangements – Gwynedd Council

Gwynedd Council's Local Authorities Safeguarding Children Arrangements were inspected by the Wales Audit Office and a report was published in October 2014.

The report will be presented to the Services Scrutiny Committee with an action plan in order to respond to the following proposals.

C1 - Review the requirements under the Children Act 2004 for the Local Authorities' Designated Child Protection Officer in order to ensure that the Council complies in full with the legislation.

C2 - Ensure that safeguarding risks, and the steps to mitigate them, have been updated in the Corporate Risks Register.

C3 - Improve scrutiny on key elements of the Council's safeguarding arrangements e.g. regular reporting on performance regarding safe recruitment; attendance at

APPENDIX 1

safeguarding and its impact training; and the result of the annual school inspection programme.

C4 - Agree on a regular internal audit work programme to review the Council's safeguarding arrangements.

C5 - Provide training to all staff on the Council's Whistleblowing Policy.

4. ESTYN Inspection 11-15 March 2013

Following the ESTYN inspection of education services for children and young people on 11 – 15 March 2013, deeming that the authority's progress needed to be monitored by Estyn.

Estyn's Post Inspection Implementation Plan was received and confirmed by the Cabinet on 17 September 2013.

A programme of monitoring visits was agreed through our contact inspectors, and the first of these visits was held on 12 and 13 March 2014. A team of two inspectors evaluated the progress made by the authority against one recommendation stemming from the inspection in order to consider the authority's current performance and to identify any further improvement needs. The letter received following this visit (May 2014) did not include further recommendations for improvement.

Another inspection was held on 23 – 25 June 2014 with a team of two inspectors who evaluated the progress against three recommendations stemming from the inspection. The following letter did not include further recommendations for improvement.

There was another visit by Estyn between 2 - 5 December and a letter is expected.

Estyn's Post Inspection Implementation Plan was considered by the Services Scrutiny Committee on 3 October 2013. Estyn Inspectors have also requested to attend the Services Scrutiny Committee meeting on 12 February 2015 in order to report back on the findings of their visit in December.



Financial Planning Assessment

Gwynedd Council

Audit year: 2014-15

Issued: December 2014

Document reference: 719A2014

Status of report

This document has been prepared for the internal use of Gwynedd Council as part of work performed in accordance with the statutory functions.

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This document was produced by Amanda Hughes, Alan Hughes and Nigel Griffiths.

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Summary report

Background to our report

1. Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services, and for ensuring authorities' ability to continue to deliver services to meet statutory obligations and the needs of local communities. It will help authorities take the right decisions for the short, medium and long term. Good financial management:

 - is essential to good corporate governance;
 - is about managing performance and achieving strategic objectives as much as it is about managing money;
 - underpins service quality and improvement;
 - is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - is a key management discipline.
2. Managing for the long term is not about predicting the future; it is about preparing for it. Planning involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and developing appropriate savings strategies.
3. An authority's strategic priorities and its financial health should be the basis for deciding what is practicable. Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning encourages an incremental and process-driven approach that can be too inflexible in a period of rapid external change.
4. Between August and November 2014, the Wales Audit Office examined authorities' financial position and how they are budgeting and delivering on required savings. This work considered whether authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that will enable them to continue to operate for the foreseeable future. The focus of the work was on the 2014-15 financial planning period. In order to inform views on the planning for and successful delivery of budgets, we also considered the track record for the previous financial years 2011-12 to 2013-14.

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5. The work focused on answering the following question: **Is the authority managing budget reductions effectively to ensure financial resilience?** In this report, we set out our conclusions on both the track record and future prospects:
- **Track record** – whether the authority successfully identified, planned for, and delivered the savings required in the period 2011-12 to 2013-14; and, if there was a shortfall, how was this addressed.
 - **Future prospects** – whether the authority has an effective corporate framework for financial planning, exercises effective financial management and control, has a robust framework for reviewing and challenging financial performance; and whether the authority has realistic plans to make the savings required for 2014-15 and is taking appropriate steps to deliver them.
6. In Gwynedd Council (the Authority), we have analysed a range of data, including the Authority's published accounts and its performance returns to the Welsh Government and the Local Government Data Unit. We also interviewed a small number of officers and reviewed reports and minutes that the Authority and its committees have considered. Our detailed conclusions are set out in [Appendix 1](#) and are based on the extent to which the Authority has put in place, and is operating, effective financial management and controls which are supporting it to secure a stable financial position that enables it to continue to operate going forward.
7. Our overall conclusion is that **the Authority has effective financial management arrangements with no immediate shortcomings**. We came to this conclusion because we found that:
- the Authority has a good track record of accurately identifying and meeting its annual budget shortfall; and
 - the Authority's future plans and arrangements to deliver 2014-15 savings plans are fit for purpose, are effectively managed and are likely to be achieved, but the medium-term outlook remains extremely challenging.

The Authority has effective financial management arrangements with no immediate shortcomings

The Authority has a good track record of accurately identifying and meeting its annual budget shortfall

8. Between 2011-12 and 2013-14, the Authority accurately identified its annual budget shortfall and successfully identified a range of savings to bridge the gap. Where delays arose in the identification and delivery of a small number of savings plans, appropriate remedial action was taken. They included increasing corporate efficiency savings targets and the use of balances to provide more time to identify additional schemes.
9. The Authority's budgetary control arrangements are underpinned by detailed guidance and monitoring arrangements at officer, member and executive level. Financial forecasting is well developed and is subject to regular review.

The Authority's plans and arrangements to deliver 2014-15 savings are fit for purpose, are effectively managed and are likely to be achieved but the medium-term outlook remains extremely challenging

10. The Authority has an effective corporate framework for financial planning and exercises effective financial management and control. It has a robust framework for reviewing and challenging financial performance and the Authority has developed a range of realistic savings plans and efficiencies in 2014-15.
11. In the medium term, the Authority anticipates needing to make additional savings of at least £34 million between 2014 and 2018. Whilst good progress has been made in identifying additional efficiency savings over these years, it remains a significant challenge. The Authority recognises the need to keep all its options open to fully develop a range of further savings, including identifying potential service reductions.

Proposals for improvement

12. There are no proposals for improvement, but the detailed results identify a number of potential opportunities for the Authority to consider in further strengthening its financial planning arrangements.

Appendix 1

Detailed results of our review

Key line of enquiry	Fieldwork findings	Conclusion
<p>Track record 2011-12 to 2013-14</p>	<p>The Authority accurately identified its annual budget shortfall between 2011-12 and 2013-14. It successfully identified a range of savings to meet the financial gap, and where slippage arose in the identification and delivery of a small number of savings plans, appropriate remedial action was taken. This included increasing corporate efficiency savings targets and the use of balances, providing more time to identify additional schemes.</p>	<p>The Authority has a good track record of accurately identifying and meeting its annual budget shortfall by identifying and delivering a range of savings.</p>
<p>Strategic financial planning</p>	<ul style="list-style-type: none"> • The Authority's Strategic Plan 2013-17 (the Strategic Plan) clearly and succinctly describes the Authority's priorities. The Strategic Plan does not link to the Financial Strategy to demonstrate how resource allocations align with its priorities. • The Authority has a corporate planning framework that supports delivery of the corporate visions, aims and improvement objectives, but its planning and performance monitoring/reporting arrangements are not consistently applied across services and departments. • The Authority regularly reviews its Financial Strategy and the assumptions made within it. As part of the process the Authority considers the appropriateness of its balances and reserves but it could better articulate its future plans for these within the strategy. The Authority could also look to develop a suite of key performance indicators within its Financial Strategy covering: <ul style="list-style-type: none"> Outcome measures. Scenario planning. Benchmarking. Resource plans for future periods in respect of balances and reserves. The Financial Strategy takes a comprehensive and reasonable account of a range of variable factors including the Authority's extrapolation of the Revenue Support Grant receivable from an analysis of the Chancellor's Autumn Statement spending figures, but there is scope to further develop the Financial Strategy to refer to the impact of legislative changes eg, welfare reforms ie, universal credit, bedroom tax. 	<p>The Authority's corporate framework for strategic financial planning is effective but could be strengthened by:</p> <ul style="list-style-type: none"> • clearly linking the Strategic Plan and the Financial Strategy to demonstrate the proportion of the Authority's revenue and capital expenditure that is supporting individual improvement objectives; • consistently applying planning and performance monitoring/reporting arrangements across services and departments; and • further developing the Financial Strategy to include key performance indicators.

Key line of enquiry	Fieldwork findings	Conclusion
Financial management and control	<ul style="list-style-type: none"> • The Authority has established clear policies on the management of its finances. • The Authority has effective budget setting and budget monitoring systems and it has developed a range of prudential indicators. Budgetary control arrangements are underpinned by detailed guidance and monitoring arrangements at officer, member and executive level. Financial forecasting is well developed and is subject to regular review. • The Authority has a good track record of spending to budget and proactively managing forecast overspends in-year. • The Authority has an effective Finance Department that is considered fit for purpose. • The Authority does not have a formal policy on the use of reserves, but the purpose and appropriateness of reserves are considered by officers and members. However, the Authority should be firmer in enforcing the planned use of departmental and other reserves. 	<p>The Authority's financial management and control arrangements are fit for purpose and it regularly measures, monitors, and reports on budget performance. The Authority should put a formal policy on the use of reserves and balances in place and strengthen its ability to enforce the agreed use of departmental and other reserves.</p>
Financial governance	<ul style="list-style-type: none"> • The Authority's Financial Procedural Rules provide a robust framework for reviewing and challenging financial performance, which is underpinned by clearly defined budget monitoring and control procedures. • Budget monitoring and control procedures are clearly defined and are properly communicated. Budget monitoring procedures define reporting lines and responsibilities and ensure that budget monitoring takes place. • The Authority has a good track record of accurately reporting budget performance and delivering savings. Quarterly budget monitoring reports are reported to Cabinet and the Audit Committee also received regular financial outturn reports. • The Authority has a good track record of largely delivering the agreed savings, but it was not possible to realise 17 per cent or £640,000 of savings in 2013-14 due to delays with some schemes. This was offset by service underspends, additional saving schemes and the use of 'contingency budgets'. 	<p>The Authority has a robust framework for reviewing and challenging financial performance, although there is scope for the reports to be complemented by key performance indicators.</p>

Key line of enquiry	Fieldwork findings	Conclusion
<p>Current savings plans 2014-15</p>	<ul style="list-style-type: none"> • The Authority anticipates a funding shortfall of around £34 million over the next four years, including a budget shortfall of £10.4 million in 2014-15, representing a 3.4 per cent reduction in Revenue Support Grant. • Efficiency savings plans have been developed for 2014-15 and subsequent years across all departments. Savings plans are specific and there is a clear description of where savings will be made. They are measurable and the Authority has assessed the impact of savings. Means for measuring and tracking savings have been established and performance is regularly reported to the Authority's Savings Panel. • The Authority is progressing with the development of a range of further savings options during 2014 and beyond. 	<p>The Authority's 2014-15 savings plans are fit for purpose, are being effectively managed and are likely to be achieved, but the medium-term outlook remains extremely challenging.</p>

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Date 28 November 2014

Pages 1 of 3

Dear Dyfed and Dilwyn

Annual Audit Letter – Gwynedd Council 2013-14

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. **On 30 September 2014, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions.** My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements reports on 25 September 2014.

My reports concluded that the Statement of Account were generally prepared to a good standard. I did identify that the Council could do further work to improve its accounting practices in relation to the maintenance of its non current asset register. In addition there was one material weakness in your internal controls which was relevant to the Council both directly and in its role as the administering authority for the Gwynedd Pension Fund. Membership data provided by some employers, for use in the pension fund systems, was not up to date and this could have a significant effect on both the triennial valuation and the annual IAS19 valuations provided by the actuary.

Since I referred to this in my 2012-13 annual audit letter, the Council had not progressed this issue as well as they had hoped and the quality of the membership data for some Employer Bodies remained an issue for 2013-14, albeit it did not impact on my opinion on the financial statements. Since then the Council has employed temporary resources to address the issue and is making good progress in reconciling membership data.

The Council is required to provide Whole of Government Accounts (WGA) under the HM Treasury's *Whole of Government Accounts (Designation of Bodies) Order*. The Council submitted its WGA return by the due date. We reviewed the return and identified no issues that we wish to draw to your attention.

It is also worth noting the Council lead on the preparation of the accounts for three Joint Committees (GwE, Special Educational Needs and the Joint Planning Policy Joint committee). On 30 September I issued unqualified opinions on the accounts confirming that they present a true and fair view of the respective Joint Committee's financial position and transactions. The key matters arising from the accounts audit were reported to the members of the respective Committees in my Audit of Financial Statements reports. I do not need to bring anything to your attention in this letter.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

I issued a certificate confirming that the audit of the accounts (for Gwynedd Council and Gwynedd Pension Fund) has been completed on 30 September 2013. I also issued a completion certificate for the Joint Committees on the same date.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2014-15 accounts or key financial systems

A more detailed report on my grant certification work will follow in Spring 2015 once this year's programme of certification work is complete.

The financial audit fee for 2013-14 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely



Derwyn Owen
For and on behalf of the Appointed Auditor

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 DECEMBER 2014
TITLE	REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP
PURPOSE OF THE REPORT	TO REPORT ON THE MEETING HELD ON 14 NOVEMBER 2014
AUTHOR	JOHN PUGHE ROBERTS, CHAIR OF THE AUDIT COMMITTEE
ACTION	TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS

1. INTRODUCTION

- 1.1 The executive summaries of 9 reports were submitted to the meeting of the Audit Committee on 25 September 2014, which were reports that were issued between 1 July 2014 and 12 September 2014. 3 of these reports had been given a 'C' opinion.
- 1.2 As well as these 3 reports, the Committee decided that the Working Group should also consider the Secondary Schools - Governance report, which had been given a 'B' opinion.

2 MEETING OF THE WORKING GROUP

- 2.1 A meeting of the Working Group was held on 14 November with the Chairman of the Committee and Councillors Trefor Edwards, Sion Jones, Tom Ellis and Gethin Glyn Williams, and Dewi Morgan, Senior Manager Revenues, Audit and Risk present.
- 2.2 The reports that the Working Group addressed were:

TITLE	DEPARTMENT	SERVICE	OPINION
Secondary Schools – Governance	Education	Schools	B
Staff Safety Register	Corporate		C
Officers' Gifts and Hospitality	Corporate		C
Communities First Programme – The New Scheme	Economy and Community	Community Regeneration	C

- 2.3 Officers attended to discuss the four reports.

2.4 Secondary Schools – Governance

2.4.1 The main findings of this audit were as follows:

The main findings of the audit is that there are good overall arrangements for the governance of Secondary Schools in the sample audited, but some controls need to be tightened somewhat. The DBS (Disclosure and Barring Service) checks of members of school governing bodies need to be updated regularly in the future and the Education Department should be notified in a timely manner of changes in the details of school governing bodies. In addition, governors need to update their Governors' Notice of Business Interests forms annually, and sign and date them.

2.4.2 Councillor Gareth Thomas, Cabinet Member for Education and Mai Bere, Assistant Education Quality Improvement Officer were welcomed to the meeting.

2.4.3 The Senior Manager Revenues, Audit and Risk explained that this report had been given a 'B' opinion, due to the fact that the arrangements were generally good across the schools, but that some matters had arisen that were specific to individual schools. However, the members of the Audit Committee, in its meeting in September, felt that the Working Group should have an opportunity to discuss the matter in more depth.

2.4.4 The Assistant Education Quality Improvement Officer noted that she had been working closely with the auditors while forming the brief of the audit to agree on what fields were most problematic and what schools should be included in the sample. It was decided not to include schools that had already received the "bronze award", which is an award for schools that are able to display the quality of their arrangements. Many of Gwynedd's schools have already received this award. Ultimately, a sample of 5 schools was agreed upon.

2.4.5 A copy of the Gwynedd Governors Handbook was distributed to members of the Working Group, noting that the handbook contained a lot of good practice. If schools followed the handbook, it was reported that their governance arrangements were very close to the mark. As well as the handbook, the clerks have attended mandatory courses. As the school's Annual Report is mandatory, it is essential that clerks and head teachers know what should be in it.

2.4.6 It was noted that clerks received a template for the minutes of the first meeting of the educational year. This shows what is needed, such as a DBS check and an interests register. A copy of the template was distributed to members of the Working Group.

2.4.7 The officer asked whether the minutes of all the Governing Boards' meetings went to the Education Department. It was noted that they did, and that they were filed there. They are then available if a matter arises in a specific school. It was asked whether the Department's officers checked the minutes as they arrived. The Cabinet Member emphasised that it was necessary to bear in mind the number of schools in Gwynedd, and that there are not enough staff resources in the Department to thoroughly check all of the minutes when they are received. However, a monthly check is held to ensure that the important documents have been received, e.g. development plan. It is the clerk's job to ensure that everything is done properly.

2.4.8 It was enquired whether it was necessary for the interests register to include everything in the governors' personal lives. The Assistant Education Quality Improvement Officer noted that information about matters that could affect a decision such as awarding contracts is expected.

2.4.9 Reference was made to recommendation A10, ***The clerk of the secondary schools' governing body should be notified that they should keep a list of the details of the members of the schools' governing body's DBS checks, by annually revising them and updating members' DBS checks that are over 3 years old.*** The report highlighted that one

governor had refused to apply for disclosure. However this individual has now done so as he had received a letter from the clerk notifying him that he would be suspended if he did not have disclosure. Assurance was given that there were arrangements within the Education Department to keep a record of each governor's DBS check.

- 2.4.10 Some members of the Working Group were eager to have a policy for mandatory training for clerks. The Assistant Education Quality Improvement Officer reported that detailed guidelines had been received by the Welsh Government stating exactly what the content of the mandatory course for clerks was. That has been included in legislation. The Cabinet Member for Education stated his opinion that there was no purpose in having a separate policy if the Act outlines what is needed.
- 2.4.11 Some members of the working group expressed concern about a lack of mandatory courses for governors, and that there was no reference to this in the Internal Audit report. The Senior Manager Revenues, Audit and Risk noted that this had been checked, and that the reason that no reference was made in the report was due to the fact no matter had arisen that needed to be addressed. The Assistant Education Quality Improvement Officer further noted that the mandatory courses for governors came into force in May 2013. For example, a Chair is expected to attend a chairing course within 6 months, and if the Chair fails to do so, he or she will receive a warning notice for another 6 months. If the Chair has not attended the training after that, he or she is not competent to undertake the work. Such circumstances as these would pose the risk that the Governing Body's decisions would be invalid.
- 2.4.12 There are currently three mandatory courses for governors; New Governors, Chairing and Data Management. It was agreed by the Working Group that checking the attendance of these courses was a field that an Internal Audit could look at in the future.
- 2.4.13 The Cabinet Member for Education and the Assistant Education Quality Improvement Officer were thanked for attending the meeting, and for providing the background to the field.**

2.5 Staff Safety Register

2.5.1 The main findings of the audit were as follows:

A sample of services which use the Register by virtue of their work was selected, and it was found that some have their own arrangements for reporting threatening or violent incidents or events. The main issue highlighted as a result of this, is that the "lists" do not correspond with the details on the Corporate Register, and include additional individuals to those identified on the Corporate Register. This is a concern because other staff may not receive any warnings if they encounter these individuals because they do not appear on the Corporate Register. It was also observed that not all services report violent incidents, and therefore not all violent incidents are known to the service to enable the Health and Safety Service to act.

It was also discovered that staff did not take advantage of the training available to them in respect of their personal safety. Managers should become more involved to ensure that staff make use of training available to ensure their safety and to protect their staff from threatening events. The numbers who attended were very low compared to the high number of staff who have high risk in relation to facing violence in their daily work

From the audit it was found that administration of the Register itself is very good and complies with legal requirements relating to notifying individuals that they have been included on the Register. However, despite the central arrangements being sound, there is concern that that lack of reporting by departments, and the fact that some departments have their own independent lists, undermines the corporate system. The register guidelines are comprehensive and clear, so that staff can follow the procedure of notifying about events and the steps to be followed. The only concern is that the information in the Register is not up to date, including the user, but it was explained that arrangements were in hand to update the list of users and to ensure that all information is accurate and current.

2.5.2 Geraint Owen, Human Resources Senior Manager and Catrin Love, Senior Health, Safety and Wellbeing Advisor were welcomed to the meeting.

2.5.3 The Senior Manager Revenues, Audit and Risk presented the background to the audit. Unfortunately, although the Council aims to give the best service to the public, some individuals behave in a threatening or abusive manner towards Council officers, and to this end a system has been developed to keep a register for staff safety purposes, which lists individuals that have behaved in a threatening or abusive manner against staff. The main conclusion of the internal audit was that the system that was centrally maintained worked well, but that some departments worked independently, and that the essential information was not shared as effectively as it could be.

2.5.4 A member asked if it is reasonable that a corporate system exists, considering that the departments are all so different. The Senior Advisor noted that there are currently 25 – 30 names on the list. The Council has a responsibility, if we know that a situation is dangerous, to share that information amongst staff. The Council would be negligent if it did not share this key information. The Senior Manager Revenues, Audit and Risk focused on the third paragraph of the main findings, which notes that the central arrangements are robust, but that there are concerns about the arrangements in some departments.

2.5.5 The Senior Advisor explained that Social Services kept their own register, and when a threat is serious enough, the Police will be called. It was noted that a threat had been so serious in the past that an individual had received a prison sentence on account of threats against staff.

- 2.5.6 It was asked whether the information was shared with other agencies such as the Police or the Health Board. It was noted that the Council is currently concentrating on developing its own systems.
- 2.5.7 The Human Resources Senior Manager referred to Recommendations A04 and A05, which are, ***It is necessary to ensure that any independent systems within services are consistent with the information on the Corporate Register regarding abusive individuals/buildings*** and ***It is necessary to review any abusive individuals/buildings on the independent system to see whether they are current and of interest to the Corporate Register.*** In his opinion, these are the most important points of the report – the current situation is that departments have independent systems and the information is not being shared.
- 2.5.8 It was reported that a Panel has been established to keep an overview of the corporate arrangements, which meets monthly to discuss incidents. There are strict criteria for adding names to the register, and a report is expected by the department beforehand. The Panel membership includes the Senior Advisor (Chair), the Monitoring Officer, the Information Manager, and representatives from the main relevant departments such as Social Services (Adults and Children), Housing (Homelessness), Finance (Council Tax and Benefits), Public Protection and Siopau Gwynedd.
- 2.5.9 In accordance with the Data Protection Act every individual must be reviewed quarterly - there is no right to keep them on the list forever. If there is evidence that there is no further risk it is possible to remove the names from the list. Usually, an individual is notified that they are on the list, but it is necessary to be aware that such a letter could potentially worsen the situation, and therefore there are exceptions.
- 2.5.10 The Working Group was notified that there are two addresses on the list where officers have been bitten by dogs.
- 2.5.11 In terms of recommendation A01, ***It is necessary to remind Senior Managers/Managers of the importance of Officers' attendance at the Personal Safety training, especially those that work with a high risk of threat/attack,*** the Human Resources Senior Manager explained that several courses had already been held and more were arranged for the coming months.
- 2.5.12 Members felt strongly that it was necessary to strengthen the system and collaborate with other agencies. It was also asked whether there was an intention to share information with local councillors. It was noted that this would be discussed in the next meeting of the Panel.
- 2.5.13 The Human Resources Senior Manager and the Senior Health, Safety and Wellbeing Advisor were thanked for attending the meeting and for explaining the situation.**

2.6 Officers' Gifts and Hospitality

2.6.1 The main findings of the audit were as follows:

It was found that a system is in place for declaring offers of gifts and hospitality, and if the system is used fully and accurately, it provides a valuable and effective resource for enabling confirmation should the need arise that officers have acted ethically, defending the Officer and the Council's reputation.

The policy, along with the declaration form, is available on the intranet. However it was not easy to find. It was noted that the process is not tied to the form as a declaration by e-mail is acceptable.

It was found that all Managers who were queried as a result of the audit were aware of the existence of the policy. However, the auditors felt that the majority appreciate the risk associated with accepting a gift or hospitality, rather than appreciate the principle of the code of conduct. The content of the register was reviewed and it was found that only 74 declaration forms of an offer of a gift or hospitality had been presented since the start of the register in January 2008 was only 4 of these stated that the offer had been rejected. No declaration forms were found in the register by officers from three Departments. Two of these departments are ones which, because of the nature of their work, are likely to receive offers of gifts and hospitality.

While it is impossible to measure what is not included in the register, the auditors' opinion is that it is likely that a large number of offers of gifts or hospitality not being declared. It is not suggested that inappropriate behaviour occurs, and there is no evidence of misconduct, but it does suggest that a laissez-faire culture exists towards the principles of the policy within certain services. The auditors' opinion is that bequests is a subject that is too complex to be incorporated directly into the policy, and that there should be a single policy to deal with this specifically and directly.

2.6.2 Sion Huws, Senior Solicitor, was welcomed to the meeting.

2.6.3 The Senior Manager Revenues, Audit and Risk presented the background to the audit. It was explained that this report looked at corporate procedures, and although the Senior Solicitor had received an invitation to the Working Group due to the fact that he supervises the procedures, the weaknesses that have been highlighted permeate across the Council. It was noted that only 74 registrations had been recorded in the period since January 2008. Although this is not a sign of misconduct, it suggests that several managers ignore the corporate procedure.

2.6.4 The Senior Solicitor explained that a Policy and procedure was in place; the officers in the Legal Unit not only keep the register, they are also available to advise staff. However, this is as far as the responsibility of the central department goes. There are further responsibilities within the departments, and ultimately with the heads of department.

2.6.5 It was asked whether the Policy sets a specific sum for accepting gifts. It was explained that there was not such a figure, and that the Policy aims to keep a balance between being too general and too prescriptive - the officers and managers have a responsibility to use common sense.

2.6.6 In general, two different types of situations could arise – one where a gift is given as a token of thanks (e.g. to teachers or staff of residential homes), but there is a risk that there would be other situations where a decision would be expected. On every occasion, officers need to consider whether there it is possible that the gift has been given to influence a decision.

2.6.7 In light of a discussion with officers, it was noted that home care could be a field that incurred a risk, which could possibly need attention in the future. In residential homes, a

gifts register is kept but it was noted that bequests were complex matters that was outside the remit of this audit.

- 2.6.8 The Senior Solicitor suggested that noting offers that have been refused, as well as those that have been accepted, was also important as it could suggest a pattern of gifts given by specific contractors. He suggested that the Internal Audit could review the proposals periodically.
- 2.6.9 The Senior Manager Revenues, Audit and Risk emphasised that officers were putting themselves in danger by not registering offers of gifts and hospitality if allegations were made against them.
- 2.6.10 The Working Group asked for an analysis of offers per department. The Senior Solicitor noted that the Policy was the same for everyone, and that everyone who is offered a gift or hospitality needs to consider, "Does this person want anything from me?"
- 2.6.11 The Working Group was of the opinion that some departments incurred more of a risk than others, and needed specific attention by the Internal Audit. The Senior Manager Revenues, Audit and Risk agreed to consider this while forming the Internal Audit Plan 2015/16.
- 2.6.13 The Senior Solicitor was thanked for attending the meeting, and for providing a background to the situation.**

2.7 Communities First Programme – The New Scheme

2.7.1 The main findings of the audit were as follows:

Based on the audit work that has been completed, Internal Audit found a significant risk that the quality of documentation, evidence and controls in respect of the new Communities First Grant programme is insufficient to permit the external auditor to conduct 'light' review, and they will have to undertake a long, detailed examination, with the resulting additional fees and the consequences for the money that will therefore be available to achieve the objectives of the grant. Furthermore, unless there is improvement in the quality of the evidence, there is a significant risk of a grant claim being qualified, resulting in the Welsh Government claiming some of the money back. Supporting documentation for grant expenditure is not marked correctly each time so that they are retained for the appropriate period, and signed copies were not on file for each agreement between Communities First and other Council departments / 3rd parties.

- 2.7.2 Catrin Thomas, Senior Regeneration Manager, was welcomed to the meeting.
- 2.7.3 The Senior Manager Revenues, Audit and Risk presented the background to the Communities First activities. The Welsh Government provides the Council with a grant to hold regeneration activities in Wales' most deprived wards. Three areas in Gwynedd are included in the scheme – Marchog in Bangor, Peblig in Caernarfon and Nantlle.
- 2.7.4 It was reported that Internal Audit had held a review of the new scheme in agreement with the Economy and Community Department, to come to an early conclusion on how the new scheme worked. This would provide the opportunity to refine arrangements if needed, before the scheme had an external audit. It was noted that the audit had highlighted several necessary improvements.
- 2.7.5 In order to provide a context to the new and challenging situation, the Senior Regeneration Manager explained that the old scheme ran for 12 years, and the requirements of the new scheme are very different. There was a transition period of 18 months when Gwynedd was closing the four old schemes - including making the staff of the old schemes redundant – and establishing the new scheme. The Senior Regeneration Manager confirmed that an application had been made for Internal Audit to review the programme in its first months to implement an action plan.
- 2.7.6 The Welsh Government has submitted a new arrangement, and a Quality Officer has been appointed. Under the new system the Government has identified smaller clusters, and the relevant areas in Gwynedd – Marchog, Peblig and Nantlle – are one community; there is no permission to use ring fencing for any of these areas. The same system is in place for 7 applications across Wales. The entire scheme in Gwynedd is run directly by the Council, while under the old scheme some areas' plans were run by external bodies such as housing associations.
- 2.7.7 Considering some of the main points of the report, the members asked whether the local providers received money beforehand. The Senior Regeneration Manager noted that the Compact between the Council and the third sector noted that the Council would contribute money beforehand to bodies of this sector. That means that it is necessary to keep things on an even keel between the Compact and the conditions of the grant, and to manage the risks that could rise from paying contributions beforehand.
- 2.7.8 It was noted that a small number of bodies have failed to conform with the conditions of the grant in reality; a few large bodies had caused problems while administering the grant, rather than the small bodies, and this has now come to an end.
- 2.7.9 Under the arrangements of the New Scheme, only some of the money is given directly to the third sector. Most is spent directly by the Council (e.g. employing staff, activities). The Senior Regeneration Manager noted that the Welsh Government would no longer be giving

money directly to external bodies, following experiences of fraud in other areas (outside Gwynedd).

- 2.7.10 The Senior Regeneration Manager emphasised that an external body that arranges an activity cannot claim the total of their payment at once, and that the money is paid over a period of time. This assured members that certain arrangements were in place to mitigate the risk of fraud. Furthermore, it was also explained that the Gwynedd Grants Panel had been established, which decides on payments.
- 2.7.11 In terms of the Equality Policy, the Senior Regeneration Manager noted that a lack of policies was not the problem, but the fact that there were no conditions that required such policies, and therefore the Council did not receive them.
- 2.7.12 Enquiries were made about Recommendation A05, ***Applications should be submitted to the Welsh Government in accordance with the conditions of the grant.*** The Senior Regeneration Manager explained that the form had not been received from the Welsh Government on one occasion. This was an example of an occasion where the Government's administrative arrangements militated against the ability of Council officers to conform with the Government's own conditions.
- 2.7.13 The Senior Regeneration Manager was thanked for attending the meeting, and thanks were also extended by the Working Group to her and all of the officers and other officers that dealt with the situation.**

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 DECEMBER 2014
TITLE	OUTPUT OF INTERNAL AUDIT
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 30 NOVEMBER 2014
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES 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 15 September 2014 to 30 November 2014.

2. WORK COMPLETED DURING THE PERIOD

2.1 The following audit work was completed in the period to 30 November 2014:

Description	Number
Reports on Audits from the Operational Plan	13
Other Reports (memoranda etc)	1
Grant Reviews	2
Follow-up Audits	9
Responsive Audit	1

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

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 30 November 2014, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Sickness Arrangements - Referrals to Occupational Health	Corporate		B	Appendix 1
Payments System - Closure 2013-14	Finance	Financial	B	Appendix 2
Bank Reconciliation - Closure 2013-14	Finance	Accountancy	A	Appendix 3
CHAPS Payments	Finance	Accountancy	A	Appendix 4
Gwynedd Pension Fund - Closure 2013-14	Finance	Pensions and Payroll	A	Appendix 5
Payroll System - Closure 2013-14	Finance	Pensions and Payroll	A	Appendix 6
Leisure Centres	Economy and Community	Leisure	C	Appendix 7
Beaches	Economy and Community	Maritime and Country Parks	B	Appendix 8
Safety at Recycling Centres	Highways and Municipal	Waste Management and Streetscene	A	Appendix 9
Planning Service - Planning Decisions	Regulatory	Planning	B	Appendix 10
Joint Planning Policy Committee	Regulatory	Planning	A	Appendix 11
Food Hygiene, Health and Safety Inspection Programmes	Regulatory	Public Protection	C	Appendix 12
Gwynedd Consultancy Projects Risk Registers	Gwynedd Consultancy	Engineering and Building Control	B	Appendix 13

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:

- **Disclosure Arrangements - Awareness of the Whistleblowing Policy (Corporate).** The aim of the audit was to conduct a review of the awareness of Gwynedd Council staff about the Council’s Whistleblowing and Disclosure Policy as well as ascertaining the general views of Council staff towards the whistleblowing policy and procedures by using a dedicated questionnaire. A questionnaire had been distributed by Internal Audit to staff at the main offices of the Council in 2010, and the aim of the audit was to compare the results of two exercises to see if there has been progress in levels of staff awareness of the policy, and if they are more willing to “blow the whistle” since 2010. We will report fully on the results of the review to the Audit Committee in February 2015.

2.3 Grants

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

- Out of School Childcare Grant (*Children and Family Support*)
- Sustainable Waste Management Grant (*Highways and Municipal*)

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
Bryn Blodau, Llan Ffestiniog	Adults, Health and Wellbeing	Residential and Day	Acceptable
Overnight Arrangements at Council Homes	Adults, Health and Wellbeing	Residential and Day	Acceptable
Verification of Performance Measures	Corporate		Excellent
School Statistics and Censuses	Education		Excellent
Schools Effectiveness Grant and Pupil Deprivation Grant	Education	Pupils and Inclusion	Unsatisfactory
Subsidised Travel Tickets	Regulatory	Transport and Street Care	Unsatisfactory
Ports	Economy and Community	Maritime and Country Parks	Unsatisfactory
Corporate Complaints Procedure	Corporate		Acceptable
Follow-up to Reviews on Gwynedd Consultancy	Gwynedd Consultancy	Buildings and Environmental	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 30 June 2014

Direct Payments
Software Licences (Schools)

Completion Target: Quarter ending 31 December 2014

Leasing Arrangements in Schools
Laptop Security
Overtime Claims Procedures
Arrangements for Registering Births, Deaths and Marriages

Completion Target: Quarter ending 31 March 2015

Communities First (New Programme)
Staff Protection Register
Plas Ogwen
Country Parks

Completion Target: Quarter ending 30 June 2015

Officers Gifts and Hospitality
Leisure Centres
Food Hygiene, Health and Safety Inspection Programmes

2.5 Responsive AuditsStreet Naming

- 2.5.1 A responsive audit was undertaken on the Council's arrangements for naming new housing developments. This was after the Chair of the Audit Committee received allegations by a member of the public about weaknesses in the system, which meant that the name of a housing development built in 2010 has been changed abruptly in early 2014, and that the first that residents knew of the new name was on receipt of Council Tax bills in March 2014.
- 2.5.2 In conducting the review, it was seen that the matter has already been subject to the Council's complaints process. The Audit Committee needs to be aware that its role is not to intervene or re-run the complaints process, but rather identify any control weaknesses that have been highlighted, and what the Council should do, if anything, to address the risks that have arisen.
- 2.5.3 The specific risk in this case is that the Council has not fulfilled its statutory duties in relation to informing relevant stakeholders about the names of developments.
- 2.5.4 The auditor found that it is the developer's responsibility to apply for the official name for a new housing development, and for informing residents appropriately. The developer should contact the Street Naming Unit within the YGC, which would then consult with the Community Council for possible names. In the case in question, although residents have begun to move to the new development around 2010, it was in February 2012 that Gwynedd Council received a request from the developer for the name of the development. A name was suggested by the relevant Community Council in April 2012, and Gwynedd Council notified the developer of this in September 2012, a delay of 5 months. However, due to an oversight this letter was not sent to the Council Tax service until January 2014.
- 2.5.5 It is emphasized that Council Tax was paid on the property, but on the basis of the name on the planning application (ie with the name "land near ..."). Internal Audit is satisfied that this human error occurred in one case, and is not a sign of overall weakness. However, it was found that YGC has strengthened its arrangements in order to avoid this in the future.
- 2.5.6 In summary, therefore, the findings of Internal Audit was that there had been delays on the part of the developer until 2012 before applying to officially name the development, a delay which had been compounded – but not caused – by an error within the Council. Timely correspondence between YGC and Council Tax would have meant that the issue would have become apparent a year earlier.

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1 December 2014.

3.2 Draft reports released

- Debtors System - Review of Key Controls (*Finance*)
- Industrial and Technology Units (*Economy and Community*)
- Families First Grant (*Children and Family Support*)
- Collaboration - Road Safety Partnership (*Regulatory*)

3.3 Work in progress

- Pupil Deprivation Grant (*Education*)
- ICT in Secondary Schools (*Education*)
- The Succession Plan and Workforce Planning (*Corporate*)
- Mobile Phones (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Protocol for Member-Officer Relations (*Corporate*)
- Gwynedd Pension Fund - Review of Key Controls (*Finance*)
- Bank Reconciliation - Review of Key Controls (*Finance*)
- Treasury Management (*Finance*)
- Payroll System - Review of Key Controls (*Finance*)
- Council Tax System - Review of Key Controls (*Finance*)
- NNDR System - Review of Key Controls (*Finance*)
- IT - Backups and Service Continuity (*Finance*)
- Welsh Church Fund (*Economy and Community*)
- Gwynedd Museum and Gallery (*Economy and Community*)
- Yr Hafan, Pwllheli (*Economy and Community*)
- Follow-up - Country Parks (*Economy and Community*)
- Follow-up - Direct Payments (*Adults, Health and Wellbeing*)
- Follow-up - Leasing Arrangements in Schools (*Education*)
- Shift arrangements at Residential Homes (*Adults, Health and Wellbeing*)
- Collaboration with the Health Board (*Children and Family Support*)
- Children's Services - Commissioning of Care (*Children and Family Support*)
- Looked After Children - Education and Health Assessments (*Children and Family Support*)
- Fleet Management (*Highways and Municipal*)
- Briwet Bridge (*Regulatory*)
- Integrated Transport Unit (*Regulatory*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 15 September 2014 to 30 November 2014, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

SICKNESS ARRANGEMENTS - REFERRALS TO OCCUPATIONAL HEALTH Corporate

Purpose of the Audit

The purpose of the audit was to review the arrangements in place for the management of sickness absence across the Council as well as the arrangements for referral to the Occupational Health Service.

Scope of the Audit

The audit focussed on the measures that are in place for the recording, management and review of sickness absence of Council staff including arrangements for referral to the Occupational Health Service. The audit also encompassed ensuring that measures are in place to control and reduce the incidence of sickness absence. This audit did not include a review of the implementation of pay adjustments due to illness.

Main Findings

During the audit, illness reports were verified as well as records of cases referred to the Occupational Health Unit. It was found that the Occupational Health Unit has conducted several initiatives during the year to promote awareness of the Unit.

Elements of duplication were highlighted, with officers within services recording absences and then passing them on to the Support Unit to be inputted into the system and then on again to be inputted by the Payroll Unit for processing. A Posts System has been developed and consideration is being given for the implementation of the ability to record sickness absence once on the system, with the units / services inputting the data themselves. This would mean reducing the steps in the process and removing unnecessary duplication which will free up resources so that their focus can be diverted. This is consistent with the principles of Ffordd Gwynedd.

The Occupational Health Unit does not have an electronic system for the cases referred to them, all their records are on paper, with all cases referred to the Unit being recorded in a book. A system is in the process of being developed by the Information Technology Unit. A system that meets all their requirements would facilitate the administration of cases that are referred and enable the Unit to work more efficiently by reducing delays before the first appointment with the nurse as well as making the ability to monitor situations easier.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in Sickness Arrangements - Referrals to Occupational Health 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 Council's 'Management of Sickness Absence' policy should be kept up to date to be consistent with legislation as it applies to all Council staff.**
- **Information regarding referral to Occupational Health should be kept current to avoid any misunderstanding.**
- **A solution should be found to remove the need to enter sickness absence data twice to the modules in the Cyborg payroll system whether through Posts System or other means.**
- **All forms should be up to date and included on the intranet.**

PAYMENTS SYSTEM - CLOSURE 2013-14
Finance

Purpose of the Audit

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

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

The payments system is considered a "major financial system" in accordance with the Wales Audit Office's definition. The purpose of the audit was to ensure that appropriate arrangements are in place arrangements for shutting down the financial year, by confirming that appropriate reconciliations are being undertaken.

Scope of the Audit

To check that the reconciliations involved in the exercise of closing the previous year are carried out in a timely manner and that they are complete and accurate, as well as ensuring that appropriate provision for expenditure.

Main Findings

It was seen that appropriate arrangements are in place for closing down the financial year in the payment system. Appropriate reconciliations were undertaken, in a timely manner, and that they are complete and accurate, and that reserves were created correctly.

However, it was discovered that some of the invoices in the sample of invoices checked, that had been received between 1 April 2014 and 9 April 2014, and had been included on the batch heading sheet TR257 that was marked for 'New Year 2014 / 2015 ', were invoices for goods or services received before 31/03/2014. This is contrary to standard accounting rules and closing down guidelines for Officers and Managers issued by the Finance Department. The Head of Finance will contact the relevant Services directly.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Payments System - Closure 2013-14 as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Managers and Officers of all Council Services should ensure that invoices are marked with the correct year and in accordance with the Closing Down Guidance for Officers and Managers issued by the Finance Department, to enable the Payments Unit to allocate the expenditure to the correct the financial year in accordance with Accounting Standards.**

BANK RECONCILIATION - CLOSURE 2013-14**Finance**Purpose of the Audit

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

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

Bank reconciliation arrangements are considered a "major financial system" as defined in the Wales Audit Office, and therefore a review of closing down this system was undertaken. The purpose of the audit was to ensure that procedures are in place and have been documented for maintaining year-end bank reconciliation.

Scope of the Audit

To check year-end processes and procedures.

Main Findings

It was found that the relevant year-end reconciliations were completed in accordance with the expected procedure.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Bank Reconciliation - Closure 2013-14 as the controls in place can be relied upon and have been adhered to.**

CHAPS PAYMENTS

Finance

Purpose of the Audit

The purpose of the audit was to review the measures and procedures in relation to CHAPS payments.

Scope of the Audit

The audit focussed on the measures that are in place for making CHAPS payments including arrangements for authorising payments. The audit also included a review of a sample of CHAPS payments made during the last financial year to ensure that they are suitable.

Main Findings

It was discovered during the audit that there are specific arrangements in place for receiving and processing CHAPS payments, including controls to ensure that the payments are eligible and accurate. This procedure is documented in the 'CHAPS payments' guidelines.

There is no separate system in place for CHAPS payments, however all payments are recorded on a specific sheet and then the steps of auditing, inputting, implementation and authorisation are made by four different authorised officers. It is necessary that three different officers process CHAPS payments in accordance with the requirements of the Bank and the banking system.

There are a number of different cases that arise and which justify the use of CHAPS payments and documentation was seen in each case to support the payments. There is a cost of £5 attached to all CHAPS payments, and the amount of £15 for payments made abroad. One case was seen where the employee had submitted a timesheet late, and a CHAPS payment had been made. It is set out in the 'Policy Statement on: advance of pay', that "submitting a late claim ... the Payroll Section will not consider making a special payment". This payment could have been paid by BACS.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in CHAPS Payments as the controls in place can be relied upon and have been adhered to. However, one recommendation is offered.

- **There should be adequate and acceptable justification for all CHAPS payment made.**

GWYNEDD PENSION FUND - CLOSURE 2013-14**Finance**Purpose of the Audit

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

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

Although the administration of the Gwynedd Pension Fund relies heavily on the Council's major financial systems, the administrative system of the Fund is considered a "significant financial system" in itself in accordance with the Wales Audit Office definition, and therefore a review of the key controls of this system was undertaken.

Scope of the Audit

To review the procedures that are in place to close the administration of the previous financial year as appropriate.

Main Findings

It was found that the expected arrangements are in place. The only weakness seen was one outside the control of the Pensions Unit as they rely on the employers to provide them with information about active and deferred members. Requests for this information have been made to the employers, but not all employers have responded.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Gwynedd Pension Fund - Closure 2013-14 as the controls in place can be relied upon and have been adhered to.**

PAYROLL SYSTEM - CLOSURE 2013-14**Finance**Purpose of the Audit

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

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

The payroll system is considered a "major financial system" as defined in the Wales Audit Office, and therefore a review of the key controls of this system is to be undertaken.

Scope of the Audit

The scope of the audit was to verify the year-end arrangements to ensure that the relevant information is sent to HM Revenues as Customs as well as ensuring that reconciliations are carried out to ensure that the information in the ledger is correct.

Main Findings

It was found that the relevant work of sending information to HM Revenue and Customs has been completed as well as the reconciliation, in line with expectations.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Payroll System - Closure 2013-14 as the controls in place can be relied upon and have been adhered to.**

LEISURE CENTRES Economy and Community

Purpose of the Audit

Ensure that arrangements are in place in the leisure centres to manage and mitigate risks appropriately, and in accordance with internal procedures of the Council and other relevant procedures.

Scope of the Audit

To visit a sample of 4 leisure centres to test the controls in place to mitigate a range of risks in the administration and management of the centres. The leisure centres audited were Dwyfor Leisure Centre, Glan Wnion Leisure Centre, Penllyn Leisure Centre and Bangor Swimming Pool.

Main Findings

Examples of good practice and robust controls were found to be in place in some of the Leisure Centres audited, in order to mitigate a range of risks in the administration and management of the centres. However, it was found that a number of the areas examined need further attention, especially in the areas of health and safety, banking of income and stock control. A number of weaknesses have been found and because of this appropriate steps should be taken to strengthen the arrangements in some of the areas examined. The Leisure Centre Service is in the process of reorganisation in order to strive to manage leisure centres and mitigate risks better in the future.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Leisure Centres as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. This conclusion was reached due to the substantial weaknesses discovered in the administration of one of the centres in the sample that was reviewed. The main recommendations of the report are as follows:

- **Leisure centre staff should complete a memorandum to explain the reason for any banking discrepancy over / under £3 that is identified, by signing and submitting the memorandum to the Manager of the leisure centre in future.**
- **Leisure centre staff should sign a money banking receipt from the security company when they are banking income with them on all occasions in the future.**
- **The leisure centre should keep vending machine stock level control and monitoring spreadsheets complete and up to date, recording all stock ordered and sold at the leisure centre on the spreadsheet.**
- **The leisure centre should conduct fire drills in accordance with its 'Fire Management Plan' in the future.**
- **The leisure centre risk assessments should be reviewed and updated in the near future, and the leisure centre should review and update risk assessments annually in the future.**
- **There should be better monitoring of the termination dates of the qualifications of officers at the leisure centre, and the leisure centre officers should attend relevant training to update their qualifications in a timely manner and in accordance with the requirements.**

BEACHES

Economy and Community

Purpose of the Audit

The purpose of the audit is to ensure that adequate arrangements are in place at the Council's beaches to manage the risks in the areas of collecting and banking income, maritime vessel registration, health and safety and the use of council vehicles.

Scope of the Audit

To verify the procedures and controls in place at a sample of beaches to mitigate a range of risks in the above areas.

Main Findings

It was found that robust arrangements are in place for collecting and banking income in some beaches, but arrangements can be tightened at others. Good arrangements were seen in some areas of health and safety at the beaches, but there is a need for the Maritime and Country Parks Service to ensure that reviews of risk assessments and safety equipment checks at the beaches are completed timely, and that shortcomings in safety equipment at the beaches are addressed in a timely manner.

Audit Opinion

- (B) The audit opinion is that partial assurance of financial propriety can be expressed at the beaches 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 daily income reconciliation arrangements that are in place at Morfa Bychan beach should be established at Abersoch and Machroes, highlighting the need for staff at the beach to reconcile income daily.**
 - **The TR34 forms and beaches' 'Statement of Reconciliation' forms should be completed fully in the future, with the 'Statement of Reconciliation' forms being signed and dated by the Beach Assistants when they transfer income.**
 - **The arrangements for power boat and watercraft launch pass receipts that are in place at Morfa Bychan beach should also be established at Abersoch, to allow differentiation of the income when it is referenced on the beach's TR34 forms.**
 - **Beach staff should be reminded of the importance of identifying the customer's name and the type of income that has been received on the receipts.**
 - **All risk assessments should be reviewed and updated annually, with the assessment date box on the risk assessments being completed. Checks on beaches' safety equipment should be completed in accordance with the timetable that has been set by the Maritime and Country Parks Service, with these checks being recorded on the 'Coastal and Parks Equipment Safety Monitoring Form', which is fortnightly in the summer and monthly during the winter.**
 - **Any defects to beach safety equipment should be addressed in a timely manner in the future.**

SAFETY AT RECYCLING CENTRES

Highways and Municipal

Purpose of the Audit

The purpose of the audit was to ensure that the health and safety procedures in the Council's recycling centres are adequate.

Scope of the Audit

The audit encompassed checking the health and safety arrangements at the Council's recycling centres, including ensuring that all centres complete appropriate risk assessments, that staff are properly trained, that there are adequate fire safety arrangements and that arrangements of overall safety are promoted in the centres.

Main Findings

The Council's Health and Safety Officers conduct timely internal audits on the recycling centres, which amongst others things encompass the health and safety arrangements. In addition, the centres are audited externally by BSI against standards ISO 14001 and BS OHSAS 18001.

In considering the arrangements already in place to examine the health and safety arrangements in the Council's recycling centres, rather than visiting centres to conduct direct audit testing, the arrangements of the Advisory Services within Human Resources were reviewed to obtain assurance that these independent checks on the internal controls are appropriate.

A meeting was conducted with the Council's Health and Safety officers to discuss the plan and audit programme, as well as risk management arrangements and event recording.

BSI's report, dated 21/07/14, expressed:

"The internal audit plan is in place and audits are conducted generally in line with the Schedule; it is planned to ensure each element of the standard is covered for each Service annually (not necessarily each location) "

When inspecting the audit reports, the BSI is of the opinion that they "demonstrated good trail evidence and have identified pertinent non-conformities."

As the current arrangements meet the requirements of BSI, Internal Audit has no recommendations.

Audit Opinion

(A) The audit opinion is that assurance of propriety can be expressed in safety arrangements at recycling centres as the controls in place can be relied upon and have been adhered to.

PLANNING SERVICE - PLANNING DECISIONS Regulatory

Purpose of the Audit

The purpose of the audit is to review the internal controls that exist for Development Control service with a particular emphasis on the time taken to agree an application in accordance with current work processes.

Scope of the Audit

To verify the arrangements within the Planning Services, to ensure that appropriate procedures are in place for receiving and processing planning applications in a timely manner. The audit focussed on large applications only, that represent 1% of all requests received in the department. A sample of 10 such applications was selected for audit.

Main Findings

We found some examples of good practice within the Planning Service, particularly in the process of receiving and validating an application, selection and informing consultees. However, there is a need for better arrangements for monitoring and recording responses from consultees and recording that recommendations have been communicated to the applicant where applicable. It was also seen that there is a need for more robust arrangements for recording discussions with regards to pre-application advice. However, the Senior Manager Planning and Environment confirmed that this arrangement is in the process of being formalised and that a new procedure, including a fee for the service, will be in place by April 2015.

In general, looking through the files, although there are some parts of the process that need to be tightened, it was found that the Service is responding as expected on the whole.

It was seen that consultation, the results of the consultation and the requirement for the applicant to provide plans or additional information to address specific planning issue were the main reason for delay in agreeing planning applications in the sample of 10 files. It was also seen that arranging Section 106 Agreements add significantly to the number of days to reach a decision because the department is dependent on the applicant's solicitors for completion.

Audit Opinion

- (B) The audit opinion is that partial assurance of propriety can be expressed in the Planning Decisions process as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:**
- **Correspondence to confirm pre-application advice should be sent to the applicant and a copy of it has been retained to ensure that there is no misinterpretation of the advice given and that the documentation is consistent throughout the application.**
 - **The applicant should receive notification of any additional information required as soon as possible.**
 - **Consideration should be given to the creation of a system to monitor responses by key consultees of the application to ensure that there is no delay in the decision on the application.**
 - **The addition of the timetable for sending the decision report to the flow chart should be considered, to ensure consistency.**

JOINT PLANNING POLICY COMMITTEE
Regulatory

Purpose of the Audit

The purpose of the audit is to ensure that proper budgetary controls and governance arrangements are attached to the running of the Joint Planning Policy Committee.

Scope of the Audit

The audit encompasses the appointment of members of the Committee and verifying the arrangements for governance, budgetary control and administration of the Joint Planning Policy Committee.

Main Findings

The main findings from the audit is that the Committee has good Corporate Governance arrangements. However, there are a handful of examples of acting in contravention of the Council's administrative procedures when ordering.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Joint Planning Policy Committee as the controls in place can be relied upon and have been adhered to. However, the auditor would like to offer the following recommendations:**
- **The Complaints Policy should be created by the time the Joint Local Development Plan is adopted.**
 - **An order for any work or external service should be raised in order to agree the price and to record the goods or service that are expected.**
 - **There should be a separation of duties between the officer who ordered goods or services and the officer certifying the invoice for payment in order to comply with the Council's Financial Procedure Rules 20.15 to 20.33, the section relating to "Ordering and Payment for work, goods and services".**

FOOD HYGIENE, HEALTH AND SAFETY INSPECTION PROGRAMMES Regulatory

Purpose of the Audit

A request was received from the Head of Regulatory to review Food, Health and Safety inspection programmes following an external report by the Food Standards Agency which has identified significant weaknesses. There is a need to ensure robust arrangements within the Public Protection Services to prepare and deliver Food, Health and Safety inspection programmes appropriately and in accordance with national standards and rules and requirements of the Food Standards Agency.

Scope of the Audit

To audit the Service's arrangements for preparing, assessing, implementing and recording the results of the Food, Health and Safety hygiene review programmes.

Main Findings

Significant progress has been made by the Department to try to ensure that they address deficiencies identified in the Food Standards Agency's audit report. It was seen that good practice has now been developed in a number of procedures within the service. Detailed new Food Inspections forms have been produced and piloted. New guidelines, the Food Procedure Notes, have also been developed for the service. These were in draft form at the time of the audit with a view to final approval and publication as soon as possible. However, there are some issues that have not been implemented by the service. It is seen that there are weaknesses in the internal monitoring system and in delegation arrangements should an officer be absent from work, and the Service should ensure that the relevant documents are presented in a final form as soon as possible.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in Food Hygiene, Health and Safety Inspection Programmes as the controls in place cannot be relied upon, but progress has been made in dealing with these management weaknesses. The main recommendations of the report are as follows:

- **The service plan for the Food Unit, which has reviewed the performance of the previous year, should be finally approved for 2014/2015 by an authorised officer.**
- **The current guidelines should receive final approval as a matter of priority.**
- **There should be robust arrangements in place to regularly review policies and guidelines eg annually, and approved by an authorised person. There is a need to ensure that any guidelines / policies that need to be replaced are removed from office and computer so that officials do not implement those that are obsolete.**
- **There is a need to ensure that all documents are included in the current file and reach the expectations of the Food Standards Agency.**
- **There database needs to be monitored regularly, i.e. monthly by the authorised officer, and any discrepancy / inaccuracy should be resolved immediately.**
- **The information on the FLARE system should be consistent with the information contained in the files and should be up to date. There is also a need to consider choosing one system to keep documents to reduce the risk of duplication.**

GWYNEDD CONSULTANCY PROJECTS RISK REGISTERS Gwynedd Consultancy

Purpose of the Audit

The purpose of the audit was to ensure that YGC's project risk management arrangements are appropriate.

Scope of the Audit

The audit encompasses checking the risk registers of individual projects, as well as reviewing YGC's internal audit arrangements for programming and delivery of audit work. A sample of 11 recent YGC projects was selected that reflect a cross-section of different types of work the Department has been undertaken, e.g. large and small projects, buildings, civil and coastal.

Main Findings

An email was sent to every project manager (there were 10 different project managers in the sample) requesting the risk register for the projects selected. From the responses received, it was seen that there is some misunderstanding of what constitutes a risk register, and a lack of awareness of the difference between risk registers (a register of risks specific to the project's success) and risk assessments (a register of health and safety risks). Only one risk register was presented by the project managers to the auditor while the rest were risk assessments (ie Health and Safety).

It is not necessary for each project, especially the smaller projects, to have a risk register, but lack of awareness of what constitutes a risk register suggests that it is not something that is generally done within the YGC. A risk register should not be maintained merely because it is mandatory within a policy document, but because it is seen as a useful tool to ensure project success. A risk register is not expected for every project, but one is expected where proportionate to the size of the project.

In accordance with the requirements of ISO 9001:2008 YGC officers undertake timely internal audit on the teams and systems of the Department. In addition, YGC, including their own internal audit arrangements, are examined externally by BSI against the requirements of the ISO 9001:2008, BS EN ISO 14001:2004 and BS OHSAS 18001:2007 standards.

Audit Opinion

- (B) **The audit opinion is that partial assurance can be stated in the propriety of YGC Project Risk Registers as it does not appear that there is sufficient use of risk registers within individual projects as a way of ensuring that the objectives are realised. *SOP-02 Project Management Standard Operating Procedure* offers some element of compensating controls, but the audit is of the opinion that stronger encouragement is needed to consider operational risks within projects. The audit includes one recommendation:**
- **Project managers should consider drawing up a risk register for all projects of a certain size, which is a document identifying the risks to the success of the project, in accordance with paragraph 3.1.6 of the *SOP-02 Project Management Standard Operating Procedure*.**

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 DECEMBER 2014
TITLE	INTERNAL AUDIT PLAN 2014/15
PURPOSE	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2014/15 INTERNAL AUDIT PLAN
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES & RISK
ACTION	FOR INFORMATION

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2014/15 internal audit plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2014/15 internal audit plan is included in the appendix with the status of the work as at 30 November 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	33
Working Papers Created	3
Field Work Started	13
Field Work Ended	1
Manager Review	7
Draft Report Issued	4
Final Report Issued	37
Total	<u>98</u>
Cancelled	3

2.2 The performance target for 2014/15 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2015. 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 the end of November was **37.8%** - out of **98** individual audits contained in the 2014/15 revised plan, **37** had been released in a finalised version.

2.4 Although some further reports will have been released before the end of December, it is not expected that 22 further audits will have been released in order to meet the quarterly target of completing 59 out of 98, which is 60%. It is therefore expected that the performance remains below the profile set.

- 2.5 As reported previously, the situation is under continuous review by the Senior Manager and Team Leaders, and the steps that need to be taken to remedy the situation of slippage for individual audits, and the whole plan, is receiving attention.
- 2.6 Despite this, the Committee must be aware that meeting the target by the end of the year seems increasingly challenging. In addition to this, Internal Audit's efficiency savings plan mean that the contracts of three temporary members of staff will not be renewed after 31 March 2015. As might be expected, these individuals are now looking for other jobs, and if they are successful in that regard before the end of the financial year, there is no intention of refilling the post. One of these three auditors has already left for another job outside the Council.
- 2.7 This will have a noticeable impact on our ability to complete the 2014/15 plan; the 2015/16 plan will reflect the resources available for that year.

3. AMENDMENTS TO THE PLAN

- 3.1 We have received a request for review of the ***Consortia School Attendance Grant***. It is expected that the review can be undertaken in one day - the resource for this work will be found by using one day that had originally been allocated for the ***Pupil Deprivation Grant***.
- 3.2 In addition, the review of the development of a special school in the Dwyfor Meirionnydd area - which has been denoted in the plan as ***New Hafod Lon School*** – will now take place in 2015/16, due to the development schedule and because Internal Audit has been asked to examine the ***Welsh Church Fund***.

4. RECOMMENDATION

- 4.1 The Committee is asked to note the contents of this report as an update on progress against the 2014/15 audit plan, offer comments thereon and accept the report.



Internal Audit Plan 2014/15

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-07/2015	Jobs System - security and accuracy	25.00	0.00	25.00	5.35	Planning
1-CORFF-08/2015ffon	Mobile Phones	30.00	0.00	30.00	17.72	Field Work Started
1-CORFF-08/2015tech	Use of Technology - Value for Money review	25.00	0.00	25.00	3.96	Planning
1-CORFF-09/2015hyff	Exemptions from the corporate training arrangements	15.00	0.00	15.00	3.74	Planning
1-CORFF-09/2015ol	The Succession Plan and Workforce Planning	15.00	0.00	15.00	4.97	Manager Review
1-CORFF-11/2015	Protection Arrangements	20.00	0.00	20.00	12.03	Planning
1-CORFF-12/2015	Disclosure Arrangements - Awareness of the Whistleblowing Policy	15.00	0.00	15.00	12.34	Final Report Issued
1-CORFF-14/2015cof	Staff Protection Register	10.00	0.00	10.00	3.07	Final Report Issued
1-CORFF-14/2015unig	Health and Safety - Lone Working	10.00	0.00	10.00	2.53	Planning
1-CORFF-18/2015	Review of State Aid	6.00	0.00	6.00	3.68	Planning
1-CPGV-01/2015a	Protocol for Member-Officer Relations	10.00	0.00	10.00	6.16	Manager Review
1-CPGV-01/2015ags	Contribution to preparation of the Annual Governance Statements	5.00	0.00	5.00	5.69	Final Report Issued
1-CPGV-01/2015f	Corporate Governance - Implementing Committee Decisions	15.00	0.00	15.00	0.38	Planning
1-CPGV-02/2015	Proactive Anti-Fraud and Anti-Corruption Work	40.00	0.00	40.00	4.97	Planning
2ADN-ADY-SAL/2015	Sickness Arrangements - Referrals to Occupational Health	20.00	0.00	20.00	21.09	Final Report Issued
AO-ARL-05/2015	NFI (National Fraud Initiative)	30.00	0.00	30.00	26.73	Field Work Started
BB-YSG-10/2015	Officers Gifts and Hospitality	20.00	0.00	20.00	18.85	Final Report Issued
Emergency Planning						
BC-PER-01/2015tyw	Inclement Weather Plan	10.00	0.00	10.00	11.15	Final Report Issued
EDUCATION						
Resources						
4-DAT-X-ADD/2015gad	Pupil Deprivation Grant	8.00	-1.00	7.00	8.78	Manager Review
4-DAT-X-ADD/2015ol16	Post-16 Provision in Schools Grant	15.00	0.00	15.00	1.80	Planning
4-DAT-X-ADD/2015pres	Consortia School Attendance Grant	0.00	1.00	1.00	0.07	Planning
4-DAT-X-ADD/2015syl	Foundation Stage Revenue Grant	8.00	0.00	8.00	7.55	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EADDA02/2015	ICT in Secondary Schools	20.00	0.00	20.00	5.41	Field Work Started
EADDA03/2015	Communication with Schools	10.00	0.00	10.00	0.93	Planning
EADDY-01/2015	Special Educational Needs Joint Committee	20.00	0.00	20.00	2.53	Planning
Across the department						
EADDA06/2015hlon	New Hafod Lon School	15.00	-15.00	0.00		Cancelled
Catering						
M-GMG-A04/2015	School Catering	20.00	0.00	20.00		Planning
GwE						
4-GWE/2015	GwE	20.00	0.00	20.00		Planning
Schools						
EADDAYC/2015a	Primary Schools - Workforce Modelling	20.00	0.00	20.00	1.12	Planning
EADDAYC/2015c	Secondary Schools - Governance	20.00	0.00	20.00	21.09	Final Report Issued
FINANCE						
Audit and Risk						
AM-YS-03/2015	Risk Management Arrangements	20.00	0.00	20.00		Planning
Financial						
AD-DY-01/2015kc	Debtors System - Review of Key Controls	8.00	0.00	8.00	15.23	Draft Report Issued
AE-TAL-01/2015kc	Payments System - Review of Key Controls	12.00	0.00	12.00	10.09	Planning
AE-TAL-01/2015kcx	Payments System - Closure 2013-14	5.00	0.00	5.00	12.16	Final Report Issued
Investment and Treasury Management						
AN-ACY-05/2015	Treasury Management	20.00	0.00	20.00	16.01	WP Created
Accountancy						
AN-ACY-01/2015	CHAPS Payments	10.00	0.00	10.00	10.88	Final Report Issued
AN-ACY-02/2015asd	Fixed Asset Register (Vehicles)	0.00	10.00	10.00	7.51	Planning
AN-ACY-02/2015kc	Main Accounting System - Review of Key Controls	10.00	0.00	10.00	15.07	Final Report Issued
AN-ACY-13/2015kc	Bank Reconciliation - Review of Key Controls	10.00	0.00	10.00	7.49	Field Work Started
AN-ACY-13/2015kcx	Bank Reconciliation - Closure 2013-14	5.00	5.00	10.00	10.59	Final Report Issued
Pensions and Payroll						
AL-CYF-01/2015kc	Payroll System - Review of Key Controls	15.00	0.00	15.00	7.96	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
AL-CYF-01/2015kcx	Payroll System - Closure 2013-14	5.00	0.00	5.00	6.18	Final Report Issued
AL-CYF-01/2015mj	Payroll - Multiple Jobs	25.00	0.00	25.00	2.57	WP Created
AP-PEN-01/2015kc	Gwynedd Pension Fund - Review of Key Controls	12.00	0.00	12.00	9.11	Field Work Started
AP-PEN-01/2015kcx	Gwynedd Pension Fund - Closure 2013-14	5.00	0.00	5.00	7.07	Final Report Issued
Revenue						
AB-BD-01/2015kc	Benefits System - Review of Key Controls	15.00	0.00	15.00	0.95	Planning
AB-BD-01/2015kcx	Benefits System - Closure 2013-14	5.00	0.00	5.00	5.00	Final Report Issued
AC-TR-01/2015ipo	Council Tax System - iPortal	10.00	0.00	10.00	1.16	Planning
AC-TR-01/2015kc	Council Tax System - Review of Key Controls	8.00	0.00	8.00	6.28	Field Work Started
AC-TR-01/2015kcx	Council Tax System - Closure 2013-14	5.00	0.00	5.00	4.99	Final Report Issued
AC-TR-11/2015kc	NNDR System - Review of Key Controls	8.00	0.00	8.00	7.05	Field Work Started
AC-TR-11/2015kcx	NNDR System - Closure 2013-14	2.00	0.00	2.00	2.18	Final Report Issued
Information Technology						
AW-TG-08/2015	IT - Backups and Service Continuity	10.00	0.00	10.00	2.43	WP Created
AW-TG-09/2015	Network Convergence	20.00	-15.00	5.00		Planning
AW-TG-12/2015	IT Systems	20.00	0.00	20.00		Planning
ECONOMY AND COMMUNITY						
Community Regeneration						
BE-POL-10/2015pot	Potential Scheme	25.00	0.00	25.00		Planning
EADDZ-01/2015	Welsh Church Fund	0.00	15.00	15.00	9.20	Manager Review
T-TAI-C04/2015	Communities First - The New Scheme	20.00	0.00	20.00	27.80	Final Report Issued
Record offices, museums and the arts						
EDIW-MU-03/2015	Gwynedd Museum and Gallery	15.00	0.00	15.00	12.68	Field Work Started
Leisure						
E-DGO-01/2015	Leisure Centres	30.00	0.00	30.00	44.16	Final Report Issued
Maritime and country parks						
EHAMM-01/2015	Yr Hafan, Pwllheli	10.00	0.00	10.00	9.15	Field Work Started
EHAMT-01/2015	Beaches	10.00	0.00	10.00	10.97	Final Report Issued
Major Projects						
DDAT-AH-01/2015	Sailing Academy	15.00	0.00	15.00	0.54	Planning

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Strategy and development Programmes						
4-DAT-X-GRANT/2015h	Youth Service - Training Grant	8.00	0.00	8.00	6.69	Final Report Issued
4-DAT-X-GRANT/2015r	Youth Service - Revenue Grant	8.00	0.00	8.00	7.70	Final Report Issued
Tourism, marketing and customer care						
DDAT-BS-02/2015	Industrial and Technology Units	20.00	0.00	20.00	21.98	Draft Report Issued
ADULTS, HEALTH AND WELLBEING						
Across the department						
GTG-SYS01/2015	Social Services Information System	20.00	0.00	20.00		Planning
Supporting People						
GDAPR-SP01/2015	Supporting People	15.00	-15.00	0.00	0.74	Cancelled
Customer Contact						
BD-PW-02/2015	Galw Gwynedd	20.00	0.00	20.00	9.24	Planning
Homelessness and Supported Housing						
T-TAI-D01/2015	Homelessness	25.00	0.00	25.00	24.47	Final Report Issued
T-TAI-G11/2015	Extra Care Housing	10.00	-10.00	0.00	4.66	Cancelled
Adults						
GGWAS-C01/2015	Independent Living Fund	15.00	0.00	15.00	2.13	Planning
GGWAS-H07/2015tel	Telecare	20.00	0.00	20.00	5.29	Planning
Residential and Day						
5-GOF-CART/2015c	Shift arrangements at Residential Homes	10.00	0.00	10.00	13.18	Manager Review
5-GOF-CART1333/2015	Plas Maesincla, Caernarfon	12.00	0.00	12.00	13.85	Final Report Issued
5-GOF-CART1339/2015	Plas Ogwen, Bethesda	12.00	0.00	12.00	15.71	Final Report Issued
GDAPR-H01/2015	Personal Monies of Home Residents	25.00	0.00	25.00	9.51	Planning
CHILDREN AND FAMILY SUPPORT						
Children and Families						
5-GOF-X-PL/2015ddg	Flying Start Revenue grant	10.00	0.00	10.00	10.91	Planning
5-GOF-X-PL/2015tay	Out of School Childcare Grant	8.00	0.00	8.00	7.95	Final Report Issued
BE-POL-11/2015tyg	Families First Grant	10.00	0.00	10.00	12.67	Draft Report Issued
GCC-05/2015	Collaboration with the Health Board	30.00	0.00	30.00	29.02	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
GGWAS-P06/2015	Children's Services - Commissioning of Care	16.00	0.00	16.00	15.37	Field Work Ended
GGWAS-PLANT8/2015	Looked After Children - Education and Health Assessments	15.00	0.00	15.00	21.36	Field Work Started

HIGHWAYS AND MUNICIPAL

Fleet

PGW-TR-02/2015	Depots and Workshops - Stock Control	10.00	0.00	10.00	0.14	Planning
PPR-GW03/2015	Fleet Management	20.00	0.00	20.00	6.69	Manager Review

Municipal Works

M-GMG-C01/2015	Playgrounds	15.00	0.00	15.00	8.90	Final Report Issued
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Waste Management and Streetscene

PBW-03/2015cyt	Waste Disposal Contracts	15.00	0.00	15.00	15.84	Final Report Issued
PBW-03/2015gr	Sustainable Waste Management Grant	25.00	-15.00	10.00	11.38	Final Report Issued
PBW-10/2015saf	Safety at Recycling Centres	20.00	0.00	20.00	6.97	Final Report Issued

REGULATORY

Environment

3-AMG-GWLAD/2015llw	Public Footpaths and Recreational Routes	15.00	0.00	15.00	14.89	Final Report Issued
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Planning

BE-POL-19/2015	Joint Planning Policy Committee	10.00	0.00	10.00	13.39	Final Report Issued
DCYN-RD-01/2015pen	Planning Service - Planning Decisions	10.00	15.00	25.00	31.14	Final Report Issued

Public Protection

2ADN-GGYC-GYC/2015bw	Food Hygiene, Health and Safety Inspection Programmes	0.00	25.00	25.00	30.61	Final Report Issued
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Transportation and Street Care

3-AMG-FFYRDD/2015	Traffic Orders	20.00	0.00	20.00	19.68	Final Report Issued
3-PROJ-TRAF/2015briw	Briwet Bridge	15.00	0.00	15.00	11.66	Manager Review
DDAT-CC-01/2015	Integrated Transport Unit	25.00	0.00	25.00	3.26	Field Work Started
PPE-P-01/2015	Parking Enforcement	20.00	0.00	20.00	0.71	Planning
PPR-RS-03/2015	Collaboration - Road Safety Partnership	10.00	0.00	10.00	8.82	Draft Report Issued

STRATEGIC AND IMPROVEMENT

Procurement and Efficiency

BE-POL-08/2015	Procurement Strategy	40.00	0.00	40.00		Planning
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Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
GWYNEDD CONSULTANCY						
Buildings and Environmental						
PYM01/2015	Follow-up to Reviews on Gwynedd Consultancy	30.00	0.00	30.00	20.81	Final Report Issued
Engineering and Building Control						
3-YMG-CTRTR/2015rr	Gwynedd Consultancy Projects Risk Registers	10.00	0.00	10.00	9.78	Final Report Issued

MEETING: **AUDIT COMMITTEE**

DATE: **18 DECEMBER 2014**

TITLE: **TREASURY MANAGEMENT 2014/15 – MID YEAR REVIEW**

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

RECOMMENDATION: **RECEIVE THE REPORT FOR INFORMATION**

AUTHOR: **DAFYDD L EDWARDS, HEAD OF FINANCE**

EXECUTIVE SUMMARY

During the six month period between 1 April and 30 September 2014, the Council’s borrowing remained well within the limits originally set. There were no new defaults by banks in which the Council deposited money.

1. BACKGROUND

The Chartered Institute of Public Finance and Accountancy’s Treasury Management Code (CIPFA’s TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

The Council’s Treasury Management Strategy for 2014/15 was approved by full Council on 6th March 2014 which can be accessed on –

<https://www.gwynedd.gov.uk/en/Council/Councillors-and-committees/Meetings,-minutes-and-agendas/Meetings,-minutes-and-agendas.aspx?pwyllogor=/2013-14/Cyngor Llawm Full Council/2014-03-06>

The Council 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. This report covers treasury activity and the associated monitoring and control of risk.

2. EXTERNAL CONTEXT

Growth and Inflation: The recent strong performance of the UK economy continued with output growing at 0.8% in Q1 2014 and at 0.9% in Q2. The services sector once again grew strongly. On the back of strong consumption growth, business investment appeared to be recovering quickly, albeit from a low base. The annual CPI inflation rate fell to 1.5% year-on-year in August.

Revisions to the GDP methodology, now compliant with the European System of Accounting 2010, mean that growth is now estimated to be 2.7% above its pre-recession peak in Q1 2008, rather than just 0.2% higher. The general theme being that the recession was not as deep and the recovery was earlier than initially estimated. In anticipation of these revisions, the MPC has forecast growth at 3.4% in 2014.

Unemployment: The labour market continued to improve, with strong employment gains and the headline unemployment rate falling to 6.2%. However, earnings growth remained very weak, rising just 0.6% for the three months May-July 2014 when compared to the same period a year earlier. The growth in employment was masked by a large number of zero-hour contracts and involuntary part-time working.

UK Monetary Policy: The MPC made no change to the Bank Rate of 0.5% and maintained asset purchases at £375bn. However, there was a marked shift in tone from the Bank of England's Governor and other MPC members. In his Mansion House speech in June Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting. Following some mixed messages from Governor Carney later in the summer, the minutes of the August and September MPC meetings revealed a split vote with regards to the Bank Rate. Ian McCafferty and Martin Weale voted to increase Bank Rate by 0.25%, arguing economic circumstances were sufficient to justify an immediate rise. The MPC emphasised that when Bank Rate did begin to rise, it was expected to do so only gradually and would likely remain below average historical levels for some time to come.

In the Bank of England's August Inflation Report the Bank forecast growth to be around 3.5% in 2014, easing back thereafter to around its pre-crisis historical average rate. Inflation was forecast to remain at, or slightly below, 2% before reaching the target at the end of the two-year forecast period.

The Bank's Financial Policy Committee also announced a range of measures to cool the UK's housing market to avert the potential of spiralling house prices derailing a sustainable economic recovery. Key recommendations included lenders stress-testing mortgage applicants can cope with a 3% rise in interest rates; putting a 15% cap on the number of mortgages at more than 4.5 times the borrower's income; and a separate Treasury pledge banning anyone applying for a loan through the Help to Buy scheme borrowing more than 4.5 times their income. The Prudential Regulation Authority also announced that it intends to consult on capital requirements for mortgages.

Eurozone inflation continued to fall towards zero (HICP inflation registered just 0.3% in September), and there was mounting evidence that the already feeble recovery was losing pace. The unemployment rate remained stubbornly high at 11.5%. The European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05%. The rate it pays on commercial bank balances held with it was also cut further into negative territory from -0.1% to -0.2% and the Marginal Lending Facility rate cut further to 0.3%. The ECB also announced a programme of acquiring Asset Backed Securities (ABS) from banks in an effort to encourage lending which was viewed as being one step away from full blown Quantitative Easing (QE) adopted by the US, UK and Japanese central banks. The minutes of the Bank of England's MPC meeting in September noted that "*weakness in the euro area had been the most significant development during the month*" and that, if it led once again to uncertainty about the sustainability of euro-area public and external debt, it could damage confidence and disrupt financial markets

There was no change from the US Federal Reserve as the central bank kept policy on its current track with a reduction in asset purchases by \$10 billion per month. Asset purchases are expected to end by October 2014, expectations therefore turned towards the timing of rate increases. The US economy rebounded strongly in Q2 with annualised growth of 4.6%.

Market reaction: Gilt yields have continued to decline and hit a financial year low at the end of August, before ticking upwards in the run up to the Scottish referendum. What has driven yields lower is a combination of factors but the primary drivers have been the escalation of geo-political risk within the Middle East and Ukraine alongside the slide towards deflation within the Eurozone (EZ).

Local Context

At 31/3/2014 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £173.3m, while usable reserves and working capital which are the underlying resources available for investment were £68m.

At 31/3/2014, the Council had £114.9m of borrowing and £27.1m of investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.

Borrowing Strategy

At 30/9/2014 the Council held £111.3m of loans, (a decrease of £0.9m on 31/3/2014), as part of its strategy for funding previous years' capital programmes.

The Council's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

Affordability and the “cost of carry” remained important influences on the Council’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained lower than long-term rates, and are likely to remain lower at least over the forthcoming two years, it was more cost effective in the short-term to use internal resources instead of borrowing.

The benefits of internal borrowing were 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 assists the Council with this ‘cost of carry’ and breakeven analysis.

Borrowing Activity in 2014/15

	Balance on 01/04/2014 £'000	Maturing Debt £'000	New Borrowing £'000	Balance on 30/09/2014 £'000	Avg Rate % and Avg Life (yrs)
Capital Financing Requirement (CFR)	173,309				
Short Term Borrowing ¹	1,155	(1,174)	45	26	0.00
Long Term Borrowing	111,027	0	268	111,295	5.78
TOTAL BORROWING	112,182	(1,174)	312	111,321	5.78
Other Long Term Liabilities	2,484			2,484	6.17
TOTAL EXTERNAL DEBT	114,667	(1,174)	312	113,805	5.79
Increase/ (Decrease) in Borrowing £'000				(862)	

PWLB Certainty Rate and Project Rate Update: The Council qualified for borrowing at the ‘Certainty Rate’ (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2013. In August the Council submitted its application to the Welsh Government along with the 2014/15 Capital Estimates Return to access this reduced rate for a further 12 month period from 01 November 2014.

LOBOs: The Council holds £16.2m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The next set date is in 2018.

Debt Rescheduling: The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council’s portfolio and therefore unattractive for debt rescheduling activity. As a consequence, no rescheduling activity was undertaken.

¹ Loans with maturities less than 1 year.

Changes in the debt portfolio over the quarter have achieved a reduction in the level of borrowing, as well as a reduction in credit risk, by repaying loans from investment balances.

Investment Activity

The Council holds significant invested funds, representing income received in advance of expenditure, plus balances and reserves held.

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

Investment Activity in 2014/15

Investments	Balance on 01/04/14 £'000	Investments Made £'000	Maturities/ Investments Sold £'000	Balance on 30/09/14 £'000	Average Rate (%)
Short term Investments (call accounts, deposits) Banks and Building Societies with ratings of A- or higher	47,825	144,405	(136,630)	55,600	0.70
Money Market Funds	0	41,781	(33,426)	8,355	0.44
Covered Bond	0	1,000	0	1,000	2.09
TOTAL INVESTMENTS	47,825	187,186	(170,056)	64,955	
Increase in Investments £'000				17,130	

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy, as set out in the Treasury Management Strategy Statement for 2014/15.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2014	5.69	A	5.80	A
30/06/2014	5.19	A+	5.12	A+
30/09/2014	5.01	A+	3.21	AA

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

-D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Investments were made with banks and building societies and included call accounts, fixed-rate term deposits and certificates of deposit, Money Market Funds, and a Covered Bond.

Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish within its two-year rating horizon for investment-grade entities, in April Standard & Poor's revised the Outlook of Barclays, Deutsche Bank, Credit Suisse and ING Bank from Stable to Negative (note, this is not the same as a rating review negative). In May, Moody's also changed the outlook from stable to negative for 82 European banks and from positive to stable for two European banks. The institutions affected on the Council's lending list are Nationwide Building Society, Pohjola Bank, Svenska Handelsbanken, Landesbank Hessen-Thuringen, Bank Nederlandse Gemeenten and Nordea Bank.

In August Moody's changed its outlook for the UK banking system from stable to negative, citing the reduction of government support for systemic banks as the reason. Although the agency believes that the stand-alone financial strength of UK institutions is improving they believed that this is more than offset by the potential bail-in risk now faced by investors. Similarly, in August S&P revised the outlooks for major Canadian banks to negative following the government's announcement of a potential bail-in policy framework.

There was strong likelihood that the UK, alongside Germany and Austria, would accelerate the adoption of the BRRD and that the implementation of bail-in resolutions would be fast-tracked in these countries to 1st January 2015, a full year ahead of other EU nations.

Banks in the UK and EU face banks face stress tests this autumn, which may result in some institutions having to additionally bolster their capital buffers. The extent to which this might be required, and the form they will have to take, casts uncertainty over capital requirements in the system.

Budgeted Income and Outturn

The average cash balances were £65.7m during the period. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels. New deposits were made at an average rate of 0.85%. Investments in Money Market Funds generated an average rate of 0.44%.

The Council's budgeted investment income for the year is estimated at £0.3m. The Council anticipates an investment outturn of £0.35m for the whole year.

Update on Investments with Icelandic Banks

The Council has now recovered 94% of its investments in Heritable Bank. It is likely that further distributions will be received, although the administrators have not made an official estimate of final recoveries yet.

CIPFA issued further guidance on the accounting treatment surrounding these transactions in September 2013 when LAAP 82 (update 8) was issued. CIPFA has no plans to issue any additional updates.

Compliance with Prudential Indicators

The Council confirms compliance with its Prudential Indicators for 2014/15, which were set in March 2014 as part of the Council's Treasury Management Strategy Statement.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators:

Interest Rate Exposures: This indicator is set to control the Council'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%
Actual	100%		
Upper limit on variable interest rate exposure	50%	50%	50%
Actual	0%		

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

	Upper	Lower	Actual
Under 12 months	25%	0%	0.19%
12 months and within 24 months	25%	0%	1.78%
24 months and within 5 years	50%	0%	18.58%
5 years and within 10 years	75%	0%	5.75%
10 years and within 20 years	100%	0%	35.28%
20 years and within 30 years	100%	0%	13.88%
30 years and within 40 years	100%	0%	0%
40 years and above	100%	0%	24.55%

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.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested for periods longer than 364 days are:

	2014/15	2015/16	2016/17
Limit on principal invested beyond year end	£30m	£20m	£10m
Actual	£1m	£1m	£1m

Security: The Council 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	Actual
Portfolio average credit score	6.0	4.06

Investment Training

During the period officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

Outlook for Q3 and Q4 2014/15

The stronger economic growth seen in the UK over the past six months is likely to use up spare capacity more quickly than previously assumed. Arlingclose has brought forward the timing for the first rise in Bank Rate to Q3 2015.

In addition to two MPC members having voted for an interest rate rise in August and September, the rhetoric from Committee members has in general become more hawkish. However, Arlingclose expect that the lack of inflationary pressure will allow policymakers to hold off monetary tightening for longer than the market currently expects. The near-term risk is that the Bank Rate could rise sooner than anticipated, which is captured in the 'upside risk' range of Arlingclose's forecast table below.

The focus is now on the rate of increase and the medium-term peak. Arlingclose's expectations are that rates will rise slowly and to a lower level than in the past.

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Official Bank Rate											
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00

Prudential Indicators 2014/15

The Local Government Act 2003 requires the Council to have regard to CIPFA'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 Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows:

Capital Expenditure and Financing	2013/14 Actual £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Total Expenditure	45.0	45.0	32.4	14.6
Capital Receipts	1.4	2.1	1.2	0
Government Grants	22.4	21.4	12.7	8.4
Reserves	5.6	6.5	4.9	1.3
Revenue	4.9	3.3	2.5	0
Borrowing	10.7	11.7	11.1	4.9
Total Financing	45.0	45.0	32.4	14.6

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

Capital Financing Requirement	31/03/14 Actual £m	31/03/15 Estimate £m	31/03/16 Estimate £m	31/03/17 Estimate £m
Total	173.3	177.7	181.4	178.9

The CFR is forecast to rise by £5.6m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

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 Council 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 Actual £m	30/09/14 Actual £m	31/03/15 Estimate £m	31/03/16 Estimate £m	31/03/17 Estimate £m
Borrowing	112.4	111.3	111.3	131.3	129.5
Finance leases	2.5	2.5	2.3	2.2	2.1
Total Debt	114.9	113.8	113.6	133.5	131.6

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

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'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

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 Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'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

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 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
Total	4.86	5.34	5.59	5.78

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

Adoption of the CIPFA Treasury Management Code: The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in March 2011.