



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 22ND JUNE, 2017

Location

Siambr Hywel Dda, Council Offices, Caernarfon, Gwynedd, LL55 1SH

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AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Alan Jones Evans
Charles Wyn Jones
Peter Read
Gethin Glyn Williams

Aled Ll. Evans
Huw Gruffydd Wyn Jones
Paul John Rowlinson

Aled Wyn Jones
Berwyn Parry Jones
Cemlyn Rees Williams

Independent (6)

Councillors

Dylan Fernley
Richard Medwyn Hughes
John Pughe Roberts

John Brynmor Hughes
Dewi Wyn Roberts
Angela Russell

Llais Gwynedd (1)

Councillor
Aeron M. Jones

Lib / Lab (1)

Councillor
Stephen W. Churchman

Lay Member

To be confirmed

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

4. RISK MANAGEMENT ARRANGEMENTS 4 - 7

To submit the report of the Senior Manager Revenues and Risk.

5. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2016/17 8 - 21

To submit the report of the Audit Manager.

6. GWYNEDD COUNCIL ANNUAL GOVERNANCE STATEMENT 2016/17 22 - 44

To submit the report of the Senior Manager Revenues and Risk.

7. GWYNEDD HARBOURS FINAL ACCOUNTS 2016/17 45 - 55

To submit the report of the Senior Finance Manager.

8. INSURANCE CLAIMS AGAINST THE COUNCIL 56 - 66

To submit the report of the Senior Manager Revenues and Risk.

9. SAVINGS PLANNING TO SUPPORT FINANCIAL RESILIENCE 67 - 81

To submit the report of the Head of Finance.

10. PERFORMANCE MONITORING

To invite Members to express interest in attending performance monitoring meetings.

Agenda Item 4

COMMITTEE

AUDIT AND GOVERNANCE COMMITTEE

DATE

22 JUNE 2017

TITLE

RISK MANAGEMENT ARRANGEMENTS

PURPOSE OF REPORT

TO UPDATE THE AUDIT AND GOVERNANCE COMMITTEE ON THE COUNCIL'S RISK MANAGEMENT ARRANGEMENTS

AUTHOR

DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK

ACTION

RECEIVE AN UPDATE ON FURTHER DEVELOPMENTS TO THE RISK MANAGEMENT ARRANGEMENTS AND COMMENT ON THE PROPOSED METHOD FOR SCORING RISKS

1. INTRODUCTION

- 1.1 One of the statutory responsibilities of the Audit and Governance Committee is to review and assess the Authority's arrangements for risk management, internal control and corporate governance, in accordance with part 81(1)(c) the Local Government (Wales) Measure 2011.
- 1.2 In February 2017, a report was presented to the Audit Committee in response to a letter from the Performance Audit Manager (Wales Audit Office) to the Chief Executive on his review of the risk management arrangements.

Letter:

<https://democracy.cyngor.gwynedd.gov.uk/documents/s10387/10i%20Wales%20Audit%20Offices%20Letter.pdf>

Response Report:

<https://democracy.cyngor.gwynedd.gov.uk/documents/s10388/10ii%20Senior%20Manager%20Revenue%20and%20Risk.pdf>

- 1.3 **The main conclusion of the audit was that the Council is making good progress in strengthening its risk management arrangements enabling them to better support robust and effective decision-making.**
- 1.4 This report gives an update on what has been achieved since the February 2017 report, and the next steps that are in progress, in order to fulfil the auditor's proposals for improvement.
- 1.5 The report also describes a key step along the road of introducing new risk management arrangements, which is the development of a new risk scoring procedure. The Audit and Governance Committee is asked to express an opinion on the intended risk methodology to be used from now on.

2. PROGRESS SINCE THE LAST REPORT

- 2.1 It was noted in February that the Governance Arrangements Assessment Group had established a Subgroup (which includes the Chief Executive, Senior Manager Revenues and Risk and the Risk Co-ordinator and Insurance Manager) in order to review the risk management arrangements further.
- 2.2 The result of the Subgroup's work was revising the framework for preparing, introducing and maintaining a corporate risk register.

- 2.3 In the period since February, the Governance Arrangements Assessment Group has concentrated on developing the Governance Risk Register, as part of the work of undertaking a continuous assessment of the Authority's governance arrangements. Details on the way in which the Governance Risk Register was developed, and the results of this work, appear in the report on the Annual Governance Statement that is a separate item on the Committee's agenda.
- 2.4 The substantial work of establishing the Governance Risk Register has now been completed; from now on the work will involve maintaining and updating. However, the intention is that the Governance Risk Register will be one part of a wider Corporate Risk Register.
- 2.5 It was reported in February that we were aiming to present an amended Corporate Risk Register to the Audit Committee in June / July 2017, but because of statutory requirements to assess the governance arrangements against the new CIPFA/Solace Framework, the Governance Arrangements Assessment Group has, in the meantime, focussed on completing the Governance elements first.
- 2.6 Further, we will be consulting on the new principles for preparing and maintaining the Register with the Council's Management Group (the Corporate Management Team and the heads of service) in its meeting on 10 July 2017. This will include the methodology for scoring risk, the frequency of risk reviews and the ways of establishing the steps that need to be taken to achieve the aim of having risk management arrangements where the Corporate Risk Register is a living document that will be used to prioritise and drive decisions forward.
- 2.7 It is now forecast that the Corporate Risk Register, and a document summarising the principles, will be ready to be presented to the Audit and Governance Committee in September 2017.
- 2.8 In accordance with the suggestion of the Wales Audit Office, following that the Committee will receive regular reports highlighting changes to the register.

3. METHODOLOGY FOR SCORING RISKS

- 3.1 Among the main tasks that the Governance Arrangements Assessment Group has focussing on over the last 4 months is the establishment of a new regime for scoring risks.
- 3.2 In accordance with Ffordd Gwynedd principles, there is a need for the scoring system to look at the Council's risks from the perspective of the people of Gwynedd. There is also a need for the system to be flexible enough that it can be used across the Council – and for governance risks – whilst remaining meaningful.
- 3.3 As is usual in risk management arrangements, consideration is given to two factors when scoring the size of these risks:
- The **Impact** of the event if the risk were realised
 - The **Likelihood** of the risk being realised.

3.4 The Impact and Likelihood are given a score of 1 to 5, using the following scoring guidelines.

Impact

Score	Impact	Definition
5	Catastrophic	A catastrophic effect on any resident (e.g. loss of life) or a destructive effect on the life or well-being of many residents
4	Destructive	A destructive effect on the life or well-being of several residents (e.g. where the quality of life or the well-being of someone has been effected to the degree that they have an intense need for assistance to allow them to live their lives) or a very substantial effect on many residents
3	Very Substantial	A very substantial effect on the life or well-being of several residents (e.g. the effect means that their quality of life or well-being is substantially lower than would otherwise be expected for a Gwynedd resident) or a significant effect on a many residents
2	Significant	A significant effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a visible effect on many residents
1	Visible	A visible effect on the life or well-being of some residents (e.g. the effect is visible but not significant to their well-being) or a marginal effect on many residents

- Several = 10s to 100s of residents
- Many = 1,000s to 10,000s of residents

Likelihood

Score	Likelihood	Definition
5	Happening now	The effect is to be seen now (i.e. it is happening)
4	Very likely	Very likely that it will be seen in the foreseeable future
3	Likely	A chance it may happen, but may not
2	Unlikely	The likelihood of it happening is low – but is still there
1	Very Unlikely	Very unlikely to happen

3.5 The Impact Score and Likelihood Scores are multiplied together to give a Risk Score. The risk scores can then be set out in a matrix:

Impact	Catastrophic 5	Destructive 4	Very Substantial	Significant	Visible
Likelihood					
Happening now 5	25	20	15	10	5
Very likely 4	20	16	12	8	4
Likely 3	15	12	9	6	3
Unlikely 2	10	8	6	4	2
Very Unlikely 1	5	4	3	2	1

3.6 The Risk Score is defined from very high to low as follows:

Very high: Sgôr 20-25	High: Sgôr 12-16	Moderate: Sgôr 6-10	Low: Sgôr 1-5
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3.7 This methodology has been used to score the current governance risks, which support the contents of the Annual Governance Statement.

4. **RECOMMENDATION**

4.1 The Audit and Governance Committee is requested to receive this report as an update on the progress in developing the risk management arrangements.

4.2 The Committee is requested to comment on the proposed new methodology for scoring risks.

Agenda Item 5

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	22 JUNE 2017
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2016/17
PURPOSE OF THE REPORT	TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT

1. INTERNAL AUDIT'S PURPOSE

1.1 The purpose of the Internal Audit Service is:

To give confidence to the citizen and the Council on the Council's control environment and governance arrangements through independent and objective reporting to the Head of Finance and the Audit Committee

2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

2.1 CIPFA'S Local Government Application Note for the Public Sector Internal Audit Standards states:

"The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work."

2.2 The purpose of this annual report is to provide the Authority with such an annual internal audit opinion. In giving my opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable advice that there are no major weaknesses in the whole system of internal control.

2.3 In assessing the advice given, I have taken into account all audits relevant to 2016/17 and any follow-up action taken in respect of audits from this and previous periods.

3. OVERALL ASSURANCE

3.1 On the basis of Internal Audit work completed during 2016/17, in my opinion Gwynedd Council has a sound framework of control to manage risks. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory.

3.2 Considerations

In giving my opinion on the adequacy of the internal control systems, I have taken into consideration:

- Overall, good internal control was found within each of the Council's individual services.
- All Council departments have built on previous work to continue the development of their risk assessment arrangements.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers, by the Control Improvement Working Group or otherwise considered by the Audit Committee.
- No reliance has been placed on any work by external assurance bodies when formulating the opinion in this report.

4. AUDIT WORK

Audit Plan

4.1 A total of 72 assignments were contained in the revised audit plan for 2016/17. Of these, 69 were completed by 31 March 2017, which represents **95.83%** of the plan. For the purposes of this measure, an assignment is counted as being completed when the final report/memorandum has been released or, if there is no report/memorandum, the assignment has been closed and no further time is expected to be spent on it. The performance ambition was 95%.

4.2 This performance compares with the 2015/16 performance of 98.65%, against a target of 95%.

4.3 The audits from the 2016/17 plan which were not finalised before 31 March 2017 were:

- **Storiol – Governance and Management Arrangements.** The fieldwork has already been completed on this audit. There was a delay in visiting Storiel due to a change in staffing responsibilities and a request was made for Internal Audit to allow the new staff to familiarize themselves with the arrangements. A final report has since been issued.
- **Hafan.** A final report has now been issued.

- **IT Systems.** Audits had been planned in this area to be undertaken with the assistance of an external supplier, mainly to review the cloud storage arrangements and other security elements. Unfortunately these audits were not conducted due to the illness of the supplier.

4.4 The audits from the 2016/17 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.5 Where relevant, internal audit reports are categorised to give an overall audit opinion of the control environment for that particular system or establishment.

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.

4.6 All agreed actions that were presented were done so in order to strengthen internal controls that mitigate operational risks, and to establish best practice.

4.7 Of the 69 assignments in the 2016/17 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
A	7
B	41
C	8
CH	0
No Category	13
Total	69

- 4.8 Of the reports relating to 2016/17 that were given an 'A' to 'Ch' opinion category, 85.71% obtained an 'A' or 'B' opinion. This figure is higher than the equivalent figure of 78.33 in 2015/16.
- 4.9 No audit received an 'Ch' opinion.
- 4.10 The full reports are presented to the Audit Committee after the final report has been agreed with the client and issued. Where a memorandum is issued rather than a full report, and where there is no opinion category, the Audit Committee is presented with a summary of the findings of the relevant audits where appropriate.
- 4.11 The table below shows which meeting of the Audit Committee has received the details of audits from the 2016/17 plan. The dates of the relevant meeting of the Audit Committee are also shown in Appendix 1.

Date of release of Final Report/Memorandum	Date of Report to the Audit Committee
1 April 2016 – 30 June 2016	14 July 2016
1 July 2016 – 16 September 2016	29 September 2016
19 September 2016 – 18 November 2016	1 December 2016
1 November 2015 – 31 January 2016	9 February 2017
1 February 2016 – 31 March 2016	6 June 2017

Revisions to the Plan

- 4.12 Revisions to the audit plan were reported regularly to the Audit Committee during the year.

Follow-up Work

- 4.13 A final memorandum was issued for 12 follow-up audits between 1 April 2016 and 31 March 2017. Eleven of these audits were given an "Acceptable" opinion or better. This suggests that, overall, robust arrangements are in place within the authority to implement audit recommendations in order to strengthen internal controls and manage risks.

Control Improvement Working Group

- 4.14 The Control Improvement Working Group continued its work of strengthening the Council's arrangements for responding to Internal Audit reports. The Working Group consists of the Chair and Vice Chair of the Committee and three other members (chosen by rotation) that meets between the Audit Committee meeting and discusses issues of control weaknesses that have arisen at the Committee meeting, in order to give them attention to greater depth. Every report that has been given an 'C' or 'Ch' opinion receives attention there, with officers being invited to attend to explain the control weakness and, primarily, to explain the steps that have been taken to improve the situation.

5. INTERNAL AUDIT RESOURCES

Staffing and Qualifications

- 5.1 The Audit Manager undertakes the function of “Head of Internal Audit”. The Audit Manager is accountable to the Senior Manager Revenue and Risk, who is accountable to the Head of Finance. The Audit Manager and both Audit Leaders have a full CIPFA qualification. One Senior Auditor is studying for the AAT qualification.
- 5.2 Since 1 April 2016, there are 7 full-time members in the Internal Audit Team.

Utilisation of staff resources

- 5.3 Appendix 2 contains an analysis of the use made of the time of the Internal Audit officers during the period between 1 April 2016 and 31 March 2017. The Committee’s attention is drawn to the following:
- The table demonstrates a reduction in the number of productive days available to provide audits for Gwynedd Council as a result staff higher turnover than the norm, from **1,117** days between 1 April 2015 and 31 March 2016 to **944** days for the same period in 2016/17, a decrease of **173** days.
 - The number of days used to complete special investigations or responsive audits was 58 days, the exact same number of days as in 2015/16..
 - There was an increase in the number of days that were committed to completing follow-up audits - 45 days in 2016/17 compared to 41 days in 2015/16 – but 12 follow-up audits were conducted in 2016/17 compared to 9 in 2015/16.

6. AUDIT PERFORMANCE

- 6.1 The results of the internal audit service’s achievement measures in 2016/17 were as follows:

Description of Measure	2015/16 Performance	2016/17 Ambition	2016/17 Results
% of audits in the Audit Plan that are ready to be presented to the Audit Committee because they have either been closed or the final report has been issued.	98.65%	95%	95.83%
% of internal audits with a ‘B’ opinion or better (corporate indicator)	78.33%	65%	85.71%
% of Internal Audit follow-up reports with an “Acceptable” opinion or better (corporate indicator)	88.88%	90%	83.00%

6.2 All targets were met apart from:

- **% of Internal Audit follow-up reports with an “Acceptable” opinion or better (corporate indicator)** - 11 audits out of 12 obtained an “Acceptable” opinion or better, therefore only one follow-up audit failed to attain the expected standard.

7. WORK PLANS AND TARGETS 2016/17

7.1 A draft internal audit plan for 2017/18 was presented to the Audit Committee in its meeting on 9 February 2017. The latest plan, containing amendments following the Committee meeting, is included in Appendix 3.

7.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit’s achievement measures for 2017/18 are:

Measure	Ambition 2017/18	Direction of Ambition
% of audits in the Audit Plan that are ready to be presented to the Audit Committee because they have either been closed or the final report has been issued.	95%	Maintain
% of internal audits with a ‘B’ opinion or better (corporate indicator)	65%	Maintain
% of the agreed actions that have been implemented in accordance with schedule (corporate indicator). A total of 205 actions were agreed to mitigate risks identified during 2016/17.	90%	Maintain

8. RECOMMENDATION

8.1 The Committee is asked to accept this report as the formal annual report of the Head of Internal Audit pursuant to the Public Sector Internal Audit Standards for the financial year 2016/17.



Internal Audit Plan 2016/17

Audit Name	Opinion Category	Date Presented to Audit Committee
CORPORATE		
Supporting Ffordd Gwynedd Reviews	No Category	
Safeguarding Arrangements - Disclosure and Barring Service Checks	B	6 June 2017
Safeguarding Arrangements - Employees' Awareness of Policy	B	6 June 2017
Safeguarding Arrangements - Establishments	No Category	6 June 2017
Proactive Prevention of Fraud and Corruption	No Category	
Information Management	B	29 September 2016
Information Governance - Establishments	No Category	6 June 2017
Use of Credit Cards	B	6 June 2017
National Fraud Initiative	No Category	
Emergency Planning		
Fuel Supplies - Local and Regional Plans	C	14 July 2016
EDUCATION		
Resources		
Pupil Deprivation Grant	B	1 December 2016
Education Improvement Grant for Schools	B	1 December 2016
Post-16 Provision in Schools Grant	No Category	9 February 2017
The Arrangements for Safeguarding and Protecting Children	B	6 June 2017
Across the department		
Dwyfor Meirionnydd Special School	B	29 September 2016
Schools		
Statistics and Census - Secondary School	No Category	6 June 2017
Budgetary Control - Ysgol Beddgelert	B	1 December 2016
Budgetary Control - Ysgol Bro Plenydd	B	29 September 2016
Budgetary Control - Ysgol Eifion Wyn	B	29 September 2016
Budgetary Control - Ysgol Talsarnau	C	1 December 2016
Budgetary Control - Ysgol Tregarth	B	1 December 2016
Budgetary Control - Ysgol Santes Helen	B	1 December 2016
School - General	No Category	
Information Governance - Ysgol Abererch	B	14 July 2016
Information Governance - Ysgol Penybryn	B	14 July 2016
Information Governance - Ysgol Crud y Werin	B	14 July 2016
Information Governance - Ysgol Penisarwaen	B	14 July 2016
Information Governance - Ysgol Bro Lleu	B	14 July 2016

Audit Name	Opinion Category	Date Presented to Audit Committee
Information Governance - Ysgol Sarn Bach	B	14 July 2016
Information Governance - Ysgol Dinas Mawddwy	B	14 July 2016
Information Governance - Ysgol Edmwnd Prys	B	14 July 2016
Information Governance - Ysgol Bro Hedd Wyn	B	14 July 2016
CORPORATE SUPPORT		
Procurement and Efficiency		
E-proc System - Tolerance Levels	A	29 September 2016
Registration		
Coroner	B	14 July 2016
FINANCE		
Financial		
Debtors System - "Cancelled" Invoices	A	29 September 2016
Review of Checking Limits	No Category	1 December 2016
Accountancy		
Coding Structure	No Category	1 December 2016
Revenue		
Discretionary Housing Payments	A	1 December 2016
Benefits - Review of Key Controls	A	6 June 2017
Coiuncil Tax - Reductions and Exemptions (People)	A	14 July 2016
Business Rates - Charitable Reductions	B	14 July 2016
ECONOMY AND COMMUNITY		
Leisure		
Bangor Aquatics and Healthy Lifestyles Centre	B	1 December 2016
Plas Silyn Leisure Centre	A	1 December 2016
Dwyfor Leisure Centre	B	1 December 2016
Bro Dysynni Leisure Centre	B	1 December 2016
Libraries		
Youth Club Accounts	B	6 June 2017
Maritime and country parks		
Sale of Diesel	C	9 February 2017
Beaches - Income Collection	B	1 December 2016
ADULTS, HEALTH AND WELLBEING		
Across the department		
Business-Service Continuity Plans	B	9 February 2017
Budgetary Control - Provider	B	1 December 2016
Deprivation of Liberty	C	6 June 2017
Support Workers - Adults	C	6 June 2017
Business		
Social Services Complaints Procedures	B	6 June 2017

Audit Name	Opinion Category	Date Presented to Audit Committee
Supporting People		
Supporting People Grant	A	1 December 2016
Community Care		
Holidays of Community Carers	No Category	29 September 2016
Adults		
Direct Payments	No Category	6 June 2017
Residential and Day		
Plas Pengwaith, Llanberis	B	1 December 2016
Plas Gwilym, Penygroes	C	29 September 2016
Bryn Blodau, Blaenau Ffestiniog	B	9 February 2017
Llys Cadfan, Tywyn	B	1 December 2016
CHILDREN AND FAMILY SUPPORT		
Children and Families		
Youth Justice Core Grant	B	1 December 2016
Flying Start Revenue Grant	B	1 December 2016
Support Workers	C	9 February 2017
HIGHWAYS AND MUNICIPAL		
Fleet		
MOT Fees	B	1 December 2016
Fleet Management	No Category	6 June 2017
Waste Management and Streets		
Commercial Waste	B	6 June 2017
REGULATORY		
Public Protection		
Animal Health	B	9 February 2017
GWYNEDD CONSULTANCY		
Across the Department		
Recruitment and Selection	B	6 June 2017
Overtime	C	14 July 2016

Summary of the number of reports in each opinion category, 2016/17 Plan:

	Number of Audits
A	7
B	41
C	8
No Category	13
Total	69

Analysis of Internal Audit Use of Time 1 April - 31 March:

2015/16		2016/17
1,866	Total Days	1,626
315	Less Holidays (Statutory and Non-Statutory)	216
1,551	Total Available Days	1,411
	Less:	
22	Special Leave	14
24	Illness	29
3	Professional Training	5
53	Job Training	62
1,449	Available Days	1,301
	Less Unproductive Time:	
11	Medical Appointments	7
26	Time Recording and Management	26
63	Meetings and Committees	94
2	Training Presentation	1
4	Conducting interviews	2
29	Background Work	24
23	Admin etc.	17
0	iGwynedd Project	22
4	Audit Committee	4
93	Internal Audit Management	105
2	Absence Management	2
27	Moving Offices	0
7	IT problems	8
9	Internal Audit Information Management Exercise	5
1,149	Total productive days	984
32	Work for SNPA	40
1,117	Total productive days, Gwynedd Council	944

Analysis of the use of Gwynedd Council productive days:

2015/16		2016/17
983	Work on current year's plan	810
1	Completion of previous year's work	3
0	Commencement of next year's work	0
34	Advice and Consultancy	29
41	Follow-up work	45
58	Responsive Work / Special Investigations	58
1,117		944



Internal Audit Plan 2017/18

Audit Code	Audit Name	Days
CORPORATE		
	Disposal of Confidential Waste – The Use of Red Sacks and Shredders	10.00
	Supporting Ffordd Gwynedd Reviews	20.00
	Learning and Development Integrated System	10.00
	Obtaining References	15.00
	Awareness of the Whistleblowing Policy	15.00
	Self-service Travelling Expenses	5.00
	Safeguarding Arrangements - Field Workers' Awareness of Policy	35.00
	Safeguarding Arrangements – Establishments	4.00
	Culture and Conduct	15.00
	Proactive Prevention of Fraud and Corruption	20.00
	Information Management – Establishments	6.00
	National Fraud Initiative	40.00
EDUCATION		
Resources		
	Pupil Deprivation Grant	10.00
	Education Improvement Grant for Schools	15.00
	Post-16 provision in Schools Grant	3.00
	Awareness of the Whistleblowing Policy – Primary and Secondary	25.00
	Health and Safety – Primary Schools	25.00
GwE		
	Business Arrangements	20.00
Schools		
	School Meals Income	20.00
	Schools - General	10.00
NORTH AND MID WALES TRUNK ROAD AGENCY		
	Health and Safety	25.00
CORPORATE SUPPORT		
Democracy		
	Training New Members	10.00
FINANCE		
Across the department		
	IT System Security	30.00
Financial		
	Debt Recovery Arrangements and Legal Action	15.00
Accountancy		
	Precepts	5.00

Audit Code	Audit Name	Days
Pensions and Payroll		
	Pension Fund	15.00
	Death Grants	15.00
Revenue		
	Benefits – Review of Key Controls	12.00
	Council Tax System - Advantage Digital Portal	10.00
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ECONOMY AND COMMUNITY		
Community Regeneration		
	Welsh Church Fund	5.00
Record offices, museums and the arts		
	Storiell – Closing the Project	5.00
	Storiell – Unannounced Visit	1.00
Leisure		
	Leisure Centres	40.00
	Membership Direct Debit Payments	10.00
Maritime and country parks		
	Victoria Dock	10.00
Strategy and development Programmes		
	Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance	15.00
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ADULTS, HEALTH AND WELLBEING		
Business		
	Commissioning Arrangements	30.00
Supporting People		
	Adult Placement Scheme (Shared Lives Scheme)	15.00
Adults		
	Teleofal	10.00
Residential and Day		
	Plas Maesincla, Caernarfon	12.00
	Plas Hafan, Nefyn	12.00
	Plas Ogwen, Bethesda	12.00
	Housing Support	15.00
	Learning Disabilities Hostels	20.00
	Supporting People Grant	15.00
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CHILDREN AND FAMILY SUPPORT		
Children and Families		
	Grants	24.00
	Arrangements for Children Leaving Care	20.00
	Care and Support Plans (Children) under Part 4 – Social Services and Wellbeing Act	20.00
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HIGHWAYS AND MUNICIPAL		
Fleet		
	Depots	15.00
Waste Management and Streets		

Audit Code	Audit Name	Days
	Recycling Targets	10.00
	Garden Waste Collection	15.00
REGULATORY		
Public Protection		
	Food Hygiene	8.00
	Licensing	8.00
Council Land and Property		
	Smallholdings	8.00
	School Schemes – Ysgol Glancegin	10.00
Transportation and Street Care		
	Concessionary Fares	8.00
HOUSING		
Rent and Housing Management		
	Housing Waiting List	12.00
GWYNEDD CONSULTANCY		
Buildings and Environmental		
	Employment Status	10.00
Across the department		
	Accreditations	15.00
		<u><u>870.00</u></u>

Agenda Item 6

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	22 JUNE 2017
TITLE	GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2016/17
PURPOSE OF REPORT	TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2016/17 TO THE AUDIT COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	TO APPROVE THE STATEMENT SO THAT IT CAN BE SIGNED BY THE COUNCIL LEADER AND THE CHIEF EXECUTIVE

1. INTRODUCTION – WHAT DOES THE AUDIT AND GOVERNANCE COMMITTEE NEED TO DO?

1.1 In order fulfil its duties as "those charged with governance", it is necessary for the Audit and Governance Committee to:

- **Consider the Draft Annual Governance Statement that appears in the appendix.**
- **Challenge the Senior Manager Revenues and Risk on the risk scores that have been identified, and the narrative that explains the justification for the score.**
- **Consider the action plan contained in the draft Annual Governance Statement.**
- **Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.**

2. BACKGROUND

2.1 There is a statutory requirement for an Annual Governance Statement as a result of:

- The Accounts and Audit (Wales) Regulations 2014, which state:

The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk, and adequate and effective financial management.

The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control. The findings of the review must be considered by the members of the body meeting as a whole or by a committee.

Following the review, the body or committee must approve a statement on internal control prepared in accordance with proper practices. The relevant body must ensure that the statement accompanies any statement of accounts which it is obliged to prepare.

- CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (the "SORP").
- CIPFA / SOLACE Framework *Delivering Good Governance in Local Government (2016)*.

3. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE GOVERNANCE ARRANGEMENTS

3.1 The Audit and Governance Committee has a key function in challenging the preparation procedures and the contents of the draft Annual Governance Statement. When signing the Governance Statement, the Chief Executive and Council Leader confirm:

"We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below".

3.2 The Annual Governance Statement summarises the results of the governance self-assessment, as updated by the Governance Arrangements Assessment Group, in a statement that tells the People of Gwynedd what our governance framework is, and how well it is working. The members of the Group are the Chief Executive, the Monitoring Officer, the Head of Corporate Support, two Corporate Support Senior Managers, the Senior Manager Revenues & Risk and the Risk & Insurance Manager.

3.3 The Audit and Governance Committee needs to satisfy itself that the narrative justifying the scores is a fair reflection of the Council as far as it is aware, based on the information that it has received over the year.

4. IDENTIFYING GOVERNANCE RISKS

- 4.1 When approving the 2015/16 Annual Governance Statement, the Audit Committee noted that the statements from 2016/17 onwards would be based on the new CIPFA/Solace Framework that was published in 2016.
- 4.2 The new Framework identifies 7 Core Principles for Good Governance:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local

government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Source: CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*

- 4.3 The Principles are then divided further into several sub-principles.
- 4.4 In response to this new Framework, the Governance Arrangements Assessment Group has considered the Framework's Core Principles and Sub-principles and has created a Governance Risk Register, which will be part of the Council's Corporate Risk Register. The Governance Risk Register identifies risks in 22 governance areas, noting the controls that the Council has in place to mitigate these risks.
- 4.5 As is usual in risk management arrangements, consideration is given to two factors when scoring the size of these risks:
 - The **Impact** of the event if the risk were realised
 - The **Likelihood** of the risk being realised.

4.6 The Impact and Likelihood are given a score of 1 to 5, using the following scoring guidelines.

Impact

Score	Impact	Definition
5	Catastrophic	A catastrophic effect on any resident (e.g. loss of life) or a destructive effect on the life or well-being of many residents
4	Destructive	A destructive effect on the life or well-being of several residents (e.g. where the quality of life or the well-being of someone has been effected to the degree that they have an intense need for assistance to allow them to live their lives) or a very substantial effect on many residents
3	Very Substantial	A very substantial effect on the life or well-being of several residents (e.g. the effect means that their quality of life or well-being is substantially lower than would otherwise be expected for a Gwynedd resident) or a significant effect on a many residents
2	Significant	A significant effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a visible effect on many residents
1	Visible	A visible effect on the life or well-being of some residents (e.g. the effect is visible but not significant to their well-being) or a marginal effect on many residents

- Several = 10s to 100s of residents
- Many = 1,000s to 10,000s of residents

Likelihood

Score	Likelihood	Definition
5	Happening now	The effect is to be seen now (i.e. it is happening)
4	Very likely	Very likely that it will be seen in the foreseeable future
3	Likely	A chance it may happen, but may not
2	Unlikely	The likelihood of it happening is low – but is still there
1	Very Unlikely	Very unlikely to happen

4.7 The Impact Score and Likelihood Scores are multiplied together to give a **Current Risk Score**, which are the risk scores based on the controls that are currently in place. The Risk Score is defined from very high to low as follows:

Score 20-25	Very High Risk
Score 12-16	High Risk
Score 6-10	Moderate Risk
Score 1-5	Low Risk

4.8 The Governance Statement notes the risk scores for the 22 risk areas. The Governance Arrangements Assessment Group concluded:

- Number of very high risks: 0
- Number of high risks:3
- Number of moderate risks: 11
- Number of low risks: 8

4.9 Where the current risk scores continue to be higher than the Council is willing to accept, further implementation steps have been identified and outlined in the Statement.

4.10 The majority of matters that have been highlighted in this systematic analysis have already been identified by the Council, with the further mitigating steps included in the Strategic Plan.

5. RECOMMENDATION

5.1 The Audit and Governance Committee is requested to

- Consider the Draft Annual Governance Statement that appears in the appendix.
- Challenge the Senior Manager Revenues and Risk on the risk scores that have been identified, and the narrative that explains the justification for the score.
- Consider the action plan contained in the draft Annual Governance Statement.
- Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.

ANNUAL GOVERNANCE STATEMENT

This statement meets the requirement to produce a Statement of Internal Control pursuant to Regulation 5 of the Accounts and Audit (Wales) Regulation 2014.

Part 1: SCOPE OF RESPONSIBILITY

Gwynedd Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gwynedd Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Gwynedd Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk and adequate and effective financial management.

Gwynedd Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/Solace Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website or can be obtained by writing to the Gwynedd Council, Council Offices, Shirehall Street, Caernarfon, Gwynedd LL55 1SH. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 5(5) of the Accounts and Audit (Wales) Regulations 2014 in relation to the publication of a statement on internal control.

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Gwynedd Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework described above has been in place at Gwynedd Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

Part 3: GOVERNANCE ARRANGEMENTS AND THEIR EFFECTIVENESS

- 3.1 The **Governance Arrangements Assessment Group** keeps a continuous, disciplined overview on matters of governance, raising a wider awareness of them and promoting a wider ownership of the Annual Governance Statement. The Group comprises the Chief Executive, the Monitoring Officer, the Head of Corporate Support, two Corporate Support Senior Managers, the Senior Manager Revenues & Risk and the Risk & Insurance Manager.
- 3.2 Following the publication of a new version of the CIPFA/Solace Framework *Delivering Good Governance in Local Government* in 2016, the Group has modified the Council’s arrangements for identifying and assessing its governance arrangements to reflect the new framework. The result of this was to set out the local framework in the form of a Governance Risk Register, which is part of the Corporate Risk Register, which identifies 22 areas of governance risk.
- 3.3 An outline of the Governance Areas, the relevant risks and the Council’s arrangements for dealing with them, and the effectiveness of these arrangements, is given in the rest of this part of the Annual Governance Statement.
- 3.4 For each of the Governance Risks, a current risk score is shown, which is the score after an objective assessment of the control arrangements that are currently in place. Two factors are considered:
 - The Impact of the risk if the event were realised
 - The likelihood of this happening
- 3.5 The Impact scores vary from 1 (visible effect) to 5 (catastrophic effect), and the Likelihood scores from 1 (very unlikely) to 5 (is happening now). The risk score is calculated by multiplying these scores together.
- 3.6 The comparative risk levels are assessed as follows:

Score 20-25	Very High Risk
Score 12-16	High Risk
Score 6-10	Moderate Risk
Score 1-5	Low Risk

Culture

Risk: Inappropriate culture within the Council can hinder our ability to do the right things in the correct manner

Assessment:

An appropriate culture can promote all aspects of governance noted in the register, and in the same manner an inappropriate culture can hinder all aspects of governance.

If the culture is correct, this can dominate everything else that affects our ability to achieve, as the principles of good governance are an inevitable part of the day to day conduct of each individual within the establishment. The Ffordd Gwynedd Strategy now notes that one of the Council's main aims is to place the people of Gwynedd at the heart of everything we do. In reality, this also describes the Council's values - namely anything that is in keeping with that objective.

Ffordd Gwynedd work has already commenced at eight work locations within the Council with further substantial work proceeding to try and permeate a change in culture throughout the Council by highlighting what this means to them and their teams. By now there are continuous signs that the culture linked to Ffordd Gwynedd is rooting in the conversations that arise within the Council, and even in some of the talks that happen outside the Council. The hope is that a development programme that is proposed to be given to all Council managers, and commences in 2017/18, will intensify the permeation of the culture within the establishment.

Current Risk Score:

Impact	Likelihood	Risk score
4	4	16

Conduct

Risk: Lack of integrity, ethics and respect in the conduct of members and officers, undermining the public's confidence in the Council

Assessment:

Appropriate behaviour is essential in order to ensure that the County's residents have confidence in those who make decisions on their behalf, and that they do so in a manner whereby they can be confident in them.

The Council has adopted codes of conduct for its members and officers, based on national regulations (codes such as the Member/Officer Relationship Code; Members' Code of Conduct; Officers' Code of Conduct; Anti-fraud and Anti-corruption Policy and the Whistle blowing Code of Practice) and these together set the foundation to ensure integrity and ethics. There is evidence of action when it appears that these codes of conduct have been breached.

In the past, some evidence existed of tension between members as the new Cabinet arrangements were implemented within the Council and the change of roles linked to this, and there is no evidence to suggest that those tensions have completely disappeared, with a recent report by the External Auditor on Scrutiny reinforcing this message. Nevertheless, there are signs that the tensions have started to diminish. Tensions are inevitable and are to be expected when there are any significant changes.

There is clear evidence that the Council gives valid consideration to the Ombudsman's reports as part of the work of the Standards Committee, which works effectively.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Lawfulness

Risk: Ignoring the rule of law, that means that the Council is open to challenges from the courts.

Assessment:

Everything the Council does has to be in compliance with the law.

Statutory Officers (the Monitoring Officer and the Head of Finance) have to offer comments on any formal decision, as part of a comprehensive Constitution that is regularly reviewed. There are formal protocols in place in order to safeguard the rights of statutory officers.

Current Risk Score:

Impact	Likelihood	Risk score
3	1	3

Openness

Risk: A Council that is not open means that it is not possible to hold it accountable for its decisions.

Assessment:

Being open is essential for accountability and a healthy democracy.

Whilst there is a law that allows reports to be considered exempt for publication, only the minimum of Committee reports are exempt, and in addition to publishing the minutes of full committees, publicity is given to the decision notices of individual members, with procedures to ensure that this occurs. Background papers are published with committee reports in order to ensure that the decisions are made with full information. A number of committee meetings that make decisions are web-broadcast.

The Cabinet regularly considers performance reports as part of its meetings that are open and the Council publishes its Corporate Plan, Annual Performance Report and the Statement of Accounts to seek to give as much information as the residents need for us to be accountable.

Various other methods are also used such as the website, 'Newyddion Gwynedd' and social media to try to ensure that Gwynedd residents are aware of what is happening within the Council.

Current Risk Score:

Impact	Likelihood	Risk score
2	1	2

Stakeholders

Risk: Weak relationship with institutional stakeholders, ending with sub-optimal services

Assessment:

The willingness of public sector bodies, including Gwynedd Council, other neighbouring unitary councils, the Police, the Health Board and others to collaborate in order to deliver public services jointly will have a substantial and visible effect on Gwynedd people.

Work is currently proceeding to respond to the requirements of the Well-being of Future Generations (Wales) Act 2015 that facilitates such a principle. Amongst these requirements is the statutory need to establish a Public Services Board, which includes local authorities and several other bodies. Work has been undertaken to conduct an assessment of well-being, this is part of the initial work of the Public Services Board and has been published.

The Council will consider this assessment when drafting its own Plan from 2018 onwards.

The Council is committed to the Public Services Board, introduced as a result of the Well-being of Future Generations Act, as a means of maintaining a constructive relationship with other public sector stakeholders. The Partnerships Criteria have been established for several years so that Gwynedd Council only goes into partnership when this is for the benefit of the people of Gwynedd.

Collaboration also occurs at a regional level which is not always as effective as it could be due to the footprint size and the difficulty of building a relationship with such a large number of people. There are some examples of success (e.g. Ambition Board) and one of the Council's responses to the recent White Paper was that collaboration should be sought according to the benefit that would stem from it rather than dogmatically adhering to one model. It was also noted that there was a need to ensure that collaboration does not hinder local accountability for services.

Collaboration also occurs at a county level and the success is varied.

There is work to review the system in the Care field; this includes close collaboration with Health and others, which is showing promising signs. Work has been undertaken to identify plans to be commissioned in the future.

Current Risk Score:

Impact	Likelihood	Risk score
3	4	12

Engagement

Risk: Failure to engage with service users and individual citizens, leading to not doing things correctly.

Assessment:

Clear engagement with the People of Gwynedd to establish clear communication and to get a true understanding of the needs, is one of the principal elements of the governance arrangements.

During 2015/16 the Gwynedd Challenge, a plan to discuss the financial position with Gwynedd residents, demonstrated that a significant increase had been made in our engagement arrangements.

The Gwynedd Challenge exercise was extremely successful and attracted a response from over 2,000 Gwynedd residents; this enabled the Council to take logical decisions in terms of future priorities in light of the views of the people we serve. Whilst there is a need to ensure that this good practice permeates amongst all Council departments, the score now reflects the improvement seen in this area bearing the Gwynedd Challenge in mind and the work done specifically in the area of Waste.

The purpose of Council's Engagement Strategy is to ensure that the Council receives the views of the public and other stakeholders as appropriate, with the Communication and Engagement Unit supporting services to consult in a suitable method and give support by analysing the results.

Furthermore, the Research and Information Team supports services to make better use of the information we have in order to increase inclusivity. There are guidelines in order to respond to the Well-being of Future Generations Act for us to consider smaller units than the Council's footprint and the County has been split into eight well-being areas. The residents of those areas were consulted when drafting the well-being assessment.

It was possible to achieve all the elements of the Engagement Strategy; however a recent analysis indicates that we have not yet reached our destination.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Direction and vision

Risk: Direction and vision that is not rooted in the outcomes for individuals, ending with something on paper that does not realise the needs of the People of Gwynedd.

Assessment:

The Strategic Plan is the high level statement that outlines what the Council aims to achieve during the life of the current Council and this ensures that we are clear and open about what it is intended to achieve. The current Plan ends in 2018 and the work of drafting the new plan will commence immediately following the May 2017 election.

The current Plan comprises a number of projects in order to ensure an improvement for the people of Gwynedd, and arrangements are in place to monitor progress of individual projects within the Plan. The Council acknowledges that the nature of the existing Plan means that it is not easy to interpret from it what is the Council's core work. The Plan in its present form is a catalogue of the matters that need to be changed within the Council and in the Gwynedd area, rather than a comprehensive plan for the Authority. Work has been undertaken to see how this can be changed with a view to change the Plan's format for 2018 onwards.

In addition to the content of the document there remains an element of vagueness in the Plan about what exactly what benefit will flow to the people of Gwynedd from the delivery of some projects and what exactly we intend to do.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Sustainability

Risk: A risk of creating unsustainable answers that do not comply with the five principles of the Well-being of Future Generations Act and do not therefore look at the long-term.

Assessment:

The Council has acknowledged the importance of acting in accordance with the Well-being of Future Generations Act and, jointly with its partners on the Public Services Board, have done initial work to identify what needs to be done to operate in accordance with the five principles - Long term, Prevention, Integration, Collaboration and Involvement.

The Council is already complying with all the principles but to a different extent. We have submitted an explanation of the principles of the Act to the Management Group who have agreed that the best way for this to root is that the Department Management Teams pay attention to the principles in forward planning. Whenever reports come before the Cabinet the Corporate Support Department will also review them in order to keep an eye out for areas where perhaps those principles have not been followed as well as they could. Through this it is hoped that we will root the principles naturally rather than tick boxes but time will tell if we are successful. The principles mean that every group of society will of course be included and the Council already has appropriate arrangements to ensure that we improve our provisions for those with protected features.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Decisions

Risk: Unwillingness to make decisions on action which means a delay to achieve the outcomes for the people of Gwynedd

Assessment:

There is a danger that decisions will not be made as they are too difficult or unpopular, but over the last few years there is evidence that this is not the case in Gwynedd with decisions taken to look at the area of schools, externalising Council houses and acting on the difficult results of the Gwynedd Challenge.

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

Planning Operations

Risk: Intervention without sufficient planning, that could mean either acting on impulse or excessive planning wasting time and resources.

Assessment:

The Council is striving to maintain a suitable balance between Project Management procedures and working efficiently. In this respect, the Council is already supporting robust project management arrangements for the largest projects, using the less comprehensive version but based on the same principles for other projects. In order to ensure that the right matters are measured the achievement measures for every service will be based on achieving the purpose by trying to ensure that any action will improve our ability to achieve this.

We will try to strike a balance between the need for order and the need to achieve as soon as possible by doing as little paperwork as is consistent with this, encouraging simple, brief reports that set out the main key points.

The Council has a Medium Term Financial Strategy, with annual budgets based on this. The Council's work on financial planning is regularly praised by the external auditors, and the Audit and Governance Committee takes a leading role with financial scrutiny. When reviewing our scrutiny arrangements we will include more forward scrutiny and it is hoped that this will assist the Cabinet to choose the appropriate steps to take in various fields.

However, if we wish to do this we have already recognised that getting the Scrutiny Committee to look at something immediately before it is adopted is not the way, but rather for Scrutiny members to be part of the assessment at the very start. This means that matters need to be known early in the process and Scrutiny used early enough. Time will tell if the new arrangements will do this.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Reviewing Outcomes

Risk: Failure to review the outcomes of our actions, which means that we do not learn lessons by continuing to do the same things incorrectly.

Assessment:

The Council's arrangements for risk assessment, formulating a Corporate Plan and project management will ensure that the intended outcomes to be achieved are clear at the start of any project. The annual performance report will try to focus on assessing to what extent these outcomes have been achieved. There are good examples of where this happened, but there are other examples where it is not as clear that this has occurred.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Property Assets

Risk: The Council's property assets are not used to their full potential

Assessment:

Physical assets, be they buildings, vehicles or structures are essential to achieve for the people of Gwynedd but it is necessary to ensure that those assets meet the requirements of our residents whilst ensuring that we do not spend unnecessarily on assets where the cost of provision is higher than the benefit received.

The Council has an Assets Strategy in place for the period 2009 - 2018 that is updated regularly. The result is that a number of buildings that were not required any more have been disposed.

In terms of vehicles, there is a plan implemented to try and improve the use of the Council's fleet that has already presented some financial savings and is likely to achieve more.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Information Technology Assets

Risk: The Council's IT assets are not used to their full potential

Assessment:

Using technology in an effective way is a crucial tool to ensure that services are provided in a manner that meets with the requirements of our residents, doing this in a cost effective way.

Over the years Information Technology activities have focused on ensuring appropriate infrastructure to guarantee basic support for services. Whilst there are examples where we can use information technology more extensively to improve how we achieve services for the residents of Gwynedd, there is no evidence that this is consistent across the authority and that it happens at the speed we would wish.

The Information Technology Strategy adopted for the coming period will try to extend the use made of technology in order to support the improvement aims in the Strategic Plan, by also improving the ability of the services to take advantage of the opportunities available to use technology effectively.

There is an element of evidence that this is bearing fruit with self-service becoming more and more of a part of using technology to make it easier for residents to receive services.

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

Workforce Planning

Risk: Council's workforce not being developed, this means that we cannot provide the best services for the people of Gwynedd.

Assessment:

To ensure that the Council is in a position to provide services that always place the residents of Gwynedd at the centre, we must ensure that we have the right staff in place with the correct skills. This means that we need to continuously train staff, evaluate their performance and foster and develop their talent. Staff training arrangements are an important way of promoting and dissipating Ffordd Gwynedd thinking across the Council and of course it is vitally important that the Council has officers with the skills to carry out their duties.

Difficulties in filling some senior posts within the Council suggest that there is a need to improve our ability to create progression at least for senior posts. This has been identified as a basis to develop internal talent within the People Plan. Furthermore, there are recruiting difficulties for some posts in specific geographical areas within Gwynedd (e.g. care workers in Meirionnydd).

A 360° evaluation system has been established for heads of departments, senior managers and some managers; however, it needs to continue to be developed. If we wish to spread one culture of placing the people of Gwynedd at the heart of everything we do, we need a method of ensuring that this occurs consistently across the Council and it is essential that we give the appropriate tools to managers and staff to be able to do this.

The People Plan was adopted for 2016-18 by the Cabinet in November 2016, this will try to improve our arrangements to foster talent within the Council, improve our workforce planning arrangements; and ensure that our learning and development arrangements focus on the essential matters.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Leadership

Risk: Weaknesses in the Council's leadership means that we are not doing the right things.

Assessment:

Leadership establishes the standard that every member and employee in the Council follows. Therefore, its impact is great – good Leadership can overcome everything else, whilst poor Leadership can destroy what the Council is trying to achieve. It is this that facilitates the rooting of the Council's culture.

The roles of the Council, Cabinet, Individual Members and the Chief Officers, together with a clear delegation plan, are set out in the Council's Constitution. Gwynedd Council has also prioritised the development of its Leadership Programme and this is part of the People Plan adopted by the Cabinet.

Whilst there is a clear commitment to try and continuously improve leadership, we have not always been clear regarding what this entails nor how to improve it. There is concern that we do not sufficiently differentiate between staff and members when we think of this.

There is an element of evidence (via self-assessment) that leadership within the Council is improving with many examples of transformational leadership shown rather than transactional leadership.

Current Risk Score:

Impact	Likelihood	Risk score
4	3	12

Risk Management

Risk: Weaknesses in our risk management arrangements that increase the threat of something going wrong or failure to take an opportunity to improve.

Assessment:

Our risk management arrangements are an integral part of the Authority's management arrangements. Robust, correct and proportionate risk management arrangements support innovation and do not inhibit it.

Self-assessment of the Council's risk management arrangements indicated that the procedure for identifying the main risks occur instinctively, but by being systematic when recording these risks there are gaps and in one or two examples this leads to a lack of action or action where it is not required.

Arrangements are in place for every department to maintain a departmental risk register and there are also cross-departmental registers in place with protocols to support them. Nevertheless, the danger is that they only follow a procedure and the permeation of risk management amongst individual business units continues to be a little inconsistent.

There are strong arrangements to monitor our compliance with Health and Safety risks and quantitative evidence that performance in this field is improving - although there are examples of where to improve further.

System tests indicate that not all the workforce is aware of the risks that could prevent achievement for the People of Gwynedd and take ownership of them – risk management tends to be seen as a matter for Managers. Substantial work has already been done in the field of Emergency Planning and Service Continuity to prepare the authority better for unforeseeable events.

Arrangements to deal with risks around Arrangements for Safeguarding Children and Adults continue to receive attention in order to maintain the progress made since 2013. Additional work specified for the Safeguarding Panel during 2016/16 is the PREVENT agenda in relation to radicalisation.

Council risk management arrangements continue to develop and they will evolve further as Ffordd Gwynedd and the culture permeate throughout the Council, and when preparing the Strategic Plan 2018-2022.

Current Risk Score:

Impact	Likelihood	Risk score
5	2	10

Performance

Risk: Weaknesses in our performance management arrangements mean that we cannot take appropriate steps to achieve our purpose.

Assessment:

In the past, the perception was that the effectiveness of Performance Management was comparatively low and reflected inconsistency across the Council. **Page 37** Officers and members continually question if we

are measuring the right things. Regular meetings take place with Cabinet Members and managers to assess the latest performance with members of the relevant Scrutiny Committee also present to challenge. Regular performance reports are submitted by Cabinet members on their fields of responsibility to Cabinet meetings.

The Council's Performance Management system has evolved considerably over the last few years. More than anything we now focus on ensuring that business units achieve their purpose and this is done by continuously reviewing if we are measuring the right things. A performance handbook has been developed, it is not prescriptive, but sets out the general principles to be followed.

However, whilst there has been a significant improvement there is evidence that this has not yet permeated every corner of the Council and is not understood by all.

The Auditor General will also observe our performance in different areas by publishing various reports and the Audit and Governance Committee is responsible for ensuring that any recommendations receive attention. Whilst reports include constructive criticism, the Council will try to implement the matters raised but sometimes there may be conflict between what the Council feels should be addressed and some matters raised in terms of the effort required to be given to them and the level of risk they represent. However, these examples are not numerous; there were no recommendations in the most recent report and in general the messages are positive.

Complaints are also a key way of getting information for improvement. The new Corporate Complaints Procedure continues to develop well and the Services Improvement Officer ensures that we learn lessons from any complaints, and try to avoid making the same mistakes again.

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

Internal Control

Risk: Unsuitable internal control arrangements that entail that we either do not protect ourselves from risks or waste resources on over-control.

Assessment:

Getting suitable levels of internal control is core to the aim of placing the people of Gwynedd at the heart of everything we do. Namely, do the tasks undertaken by staff actually add value, or are they bureaucratic actions that are done without much thinking about their real purpose?

Getting rid of barriers is part of everyone's work, leading to a suitable level of internal control. On the other hand, the principles of public stewardship mean that it is not desirable to dispose of all internal controls (i.e. there are some risks that are not acceptable), and therefore a combination of risk management procedures and an Internal Audit service that meets with professional standards is a vital tool.

The effectiveness of the Internal Audit system is under continuous review and although the service satisfies the professional standards in accordance with expectation, there is a need to consider further whether it reviews the right things and if it operates in a manner that complies with Ffordd Gwynedd. The service's capacity has been reduced significantly since April 2015, down from 10 to 7 full time officers. It is expected that adopting the principles of Ffordd Gwynedd will ensure that the service effectiveness is maintained, however there might be some reduction in the short term.

Gwynedd Council's Audit and Governance Committee has been established since 1999 and it has agreed terms of reference.

There is evidence that the Audit Committee is very effective in achieving some of the functions that it has undertaken for some time, its capacity to deal with new responsibilities by virtue of the Local Government (Wales) Measure 2011 continue to develop.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Information

Risk: Failure to control information leading to the failure of safeguarding the information we have, or not to make the best use of it.

Assessment:

Having the correct information is essential if the Council wishes to provide the right services to the right people in the correct way. The information collected and retained needs to be current and relevant, not only in order to comply with the Data Protection Act but also to ensure that the services we provide do the right things. Good Information Governance is the foundation to good decisions.

Despite efforts to improve the arrangements of Information Governance, the Council continues to retain a great deal of information, and we need to continue to work to ensure that it does not maintain more data than is required.

It is expected that the project to introduce an ERDMS system will contribute to a significant improvement in this, and the Governance Arrangements Assessment Group have also commissioned further work on the arrangements within individual departments.

Whilst there are examples where information is used to make effective decisions, there is room to challenge if the practice is as good as it can be and as wide across all the Council's service units.

Research has shown that there is a continuous need to raise awareness about the principles of Data Protection and improving attitudes in the field. This work continues as part of the Council's Strategic Plan, and shows progress.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Finance

Risk: Weaknesses when controlling public finance, that entails that the Council's finance is not used and prioritised.

Assessment:

It is the Financial Strategy that sets the key context for everything the Council wishes to do. The financial forecast for the Council suggests that substantial savings must be identified in the next few years. It is the Financial Strategy that sets out how we will achieve this and, therefore, it is a very important statement that outlines how the Council will deal with the situation.

Clear evidence exists that the Council's arrangements are robust and the reviews of the external auditors - not only of the Annual Statements of Accounts but also reviews of financial resilience - offer an independent opinion that confirms this.

Current Risk Score:

Impact	Likelihood	Risk score
3	1	3

Accountability

Risk: Poor reporting without transparency and unsuitable for the audience, does not highlight to the public what the Council does for them, undermining the democratic position.

Assessment:

The Council has provided guidelines on preparing reports and on making good decisions, in order to ensure that the reports available to the public are clear. As well as formal reports for making decisions, the reports produced also include the Annual Performance Report, the Strategic Plan (that includes departmental business plans) and the Annual Governance Statement produced in accordance with the CIPFA/Solace framework. The Council also produces regular reports on its financial position.

However despite the Council's efforts, and apart from cases where there is a fairly fundamental change in question, it appears that there is no great aspiration amongst the public to hold the Council accountable. This may be because they are satisfied with what the Council is doing or that it is not their priority.

Even with the Gwynedd Challenge consultation where we prioritised (and considered closing) some fairly key services only 2,000 residents responded out of a 18+ population of nearly 100,000.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Assurance

Risk: Lack of assurance and accountability that raises suspicion amongst the public regarding what the Council is doing.

Assessment:

There are many ways available within the Council in order to provide independent assurance that the Council's governance arrangements are working as they should. Statutory officers ensure that matters comply with the law and the arrangements of the Constitution whilst the Chief Executive and the Directors continually challenge if the departments are doing the right things. Cabinet members also meet often to challenge each other regarding developments.

However, formally it is the scrutiny procedure that continues to hold the Cabinet to account. The Scrutiny arrangements have been subject to a detailed review in 2016/17 and the Audit and Governance Committee keeps an overview of the governance arrangements as well as the implementation of the external auditors' recommendations.

Supporting this is the Internal Audit service that operates in accordance with the statutory professional standards, namely the Public Sector Internal Audit Standards.

The External Auditor's report was published during 2015/16 noting that in his opinion there were still significant problems with the Scrutiny Procedure and the Council's internal 360° Review has also confirmed that several elements within the system required further attention for improvement.

There is transparent and objective scrutiny and challenging of decisions and policies, however, there is uncertainty regarding how effective this is. This has received attention in the Scrutiny Review

commissioned by the Audit Committee in 2016/17, but at its meeting on 3 May the Council resolved contrary to the Audit Committee's decision and to adopt a different procedure in the future.

The new system will be implemented and the proposals to further refine the purpose of scrutiny and the value it adds with more scrutiny before a decision is made. Some of the proposals of the action plan have already been implemented with others receiving attention with a view on the scrutiny procedure following the elections in May 2017.

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit and Governance Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas that have already been addressed and those which the Council will address specifically have new on-going action plans and are outlined below.

Part 4: SIGNIFICANT GOVERNANCE MATTERS

- 4.1 The scores above show that none of the 22 governance areas present a very high risk, but 3 are high risk and 11 are moderate risk.
- 4.2 Action steps for those areas that are of high or moderate priority are noted below. Where a specific project within the Strategic Plan has been noted as a response, progress will be reported regularly to the Cabinet in the Performance Report of the relevant Cabinet Member.

HIGH RISKS

Governance Area	Response Arrangements	Responsible Department
The Council's Culture	<p>The Council's Culture is receiving attention under the Ffordd Gwynedd priority area in the Strategic Plan, project FfG1 – Empowering Units to Implement Ffordd Gwynedd.</p> <p>By the end of March 2018, it is anticipated that 15 formal service reviews will have been completed and the majority of Service Managers will have been trained in the Ffordd Gwynedd principles (including robust performance management principles) in order for them to be able to undertake their own reviews.</p>	Corporate Support
Stakeholders	<p>Continue to ensure that any collaboration occurs when that is for the benefit of the people of Gwynedd. We will continue to attempt to ensure that the Public Services Board adds value for Gwynedd residents and attempt to simplify the relationship of that body with the various other regional boards that are being established. We will also review our relationship with the Third Sector to ensure that it maximises the benefit that can be derived from having a good relationship with the sector.</p> <p>Assessing the Council's working arrangements to ensure that they are consistent with the Wellbeing Aims and Sustainable Development Principles of the Well-being of Future Generations Act, and sustaining the effort to embed the sustainability principles in the ways of working.</p>	Leadership Team and Legal
Leadership	<p>Continue to develop and implement the Leadership Programme by implementing Project FfG2 in the Strategic Plan - Leaders development programme. This means focussing on developing the leadership amongst Cabinet Members following the Election in May 2017.</p>	Corporate Support

MODERATE RISKS

Governance Area	Response Arrangements	Responsible Department
Engagement	Continue to strengthen Engagement arrangements by implementing Project FfG3 in the Strategic Plan. This will include reviewing internal arrangements, strengthening the engagement resource and support and ensuring that the Gwynedd Council brand appears prominently on services and schemes funded by the Council.	Corporate Support
Direction and vision	When preparing a new Corporate Plan the Council will address the contents of the plan to ensure that it gives details of what the Council is currently doing and what plans it wishes to commission in order to do things differently. We will need to ensure that in doing this we note clearly and simply what exactly we intend to do and what benefits will derive to the people of Gwynedd from accomplishing the schemes.	Corporate Support
Sustainability	Continue to assess the Council's working arrangements to ensure that they are consistent with the Wellbeing Aims and Sustainable Development Principles of the Well-being of Future Generations Act, and sustaining the effort to embed the sustainability principles in the ways of working.	Corporate Support
Decisions	Accept the current risk level.	Leadership Team and Legal
Reviewing Outcomes	Accept the current risk level.	Leadership Team and Legal
Information Technology Assets	Acting in accordance with the work programme contained in the Information Technology Strategy - Project FfG5 in the Strategic Plan.	Finance
Workforce Planning	The new People Plan will be completed, and implementation will begin.	Corporate Support
Risk Management	The significant steps that have been taken during 2016/17 will be accelerated further, in order to ensure that risk management is becoming an integral part of service planning and the culture of the Council. For the first time, in 2017/18 the contents of risk registers will be taken into account when monitoring the performance of departments.	Finance
Performance	The arrangements that have been established over the last few years will continue to be refined, so that they become increasingly effective.	Corporate Support

Information	Project FfG7 in the Strategic Plan - Information Governance . By the end of March 2018, the Council will have moved on to assess how departments use their information for their daily work and forward planning, the Council will have placed more of the Council's information on the website in order for it to be available for others to use and it will have put arrangements in place to prepare for the new data protection legislation.	Corporate Support
Assurance	Adopt the new Scrutiny arrangements following the 2017 Election. Continue to evolve the role of the Audit and Governance Committee, including consideration of the sufficiency of the information it receives on the governance of partnerships, joint committees etc.	Corporate Support

Part 5: OPINION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

DILWYN O WILLIAMS
CHIEF EXECUTIVE GWYNEDD COUNCIL

CIIR DYFRIG SIENCYN
LEADER OF GWYNEDD COUNCIL

DATE

DATE

MEETING	Audit & Governance Committee
DATE	22 June 2017
TITLE	Gwynedd Harbours' Final Accounts for the year ended 31 March 2017
PURPOSE	To submit – <ul style="list-style-type: none">• The Revenue Income and Expenditure Account Report for 2016/17 and• Statements of accounts return, duly certified, but subject to Audit
AUTHOR	Ffion Madog Evans, Senior Finance Manager
ACTION	Receive and Approve the Accounts

1. HARBOUR REPORTING REQUIREMENTS

- 1.1 The Harbours Act 1964 requires that Gwynedd, as a harbour authority, prepares an annual statement of accounts relating to harbour activities.
- 1.2 Gwynedd Harbours, due to its turnover not exceeding £2.5m is considered to be a small local government body as defined in the Accounts and Audit Regulations (Wales) 2014.
- 1.3 For a “small local government body”, completion of a statements of accounts return prepared by the Wales Audit Office satisfies the statutory requirement. It will be subject to a separate audit, but production of full statutory financial statements (complying with “IFRS” International Financial Reporting Standards) are not required.

2. 2016/17 ACCOUNTS

- 2.1 The Revenue Income and Expenditure Account for 2016/17 is submitted herewith as Appendix A in simple “outturn” format. Note that the income level is £60,362 lower than the 2016/17 budget target, but the income target has been adjusted for the 2017-18 budget.
- 2.2 The statements of accounts return for 2016/17 is submitted herewith as Appendix B, duly completed and certified prior to audit, by Dafydd L Edwards, the Statutory Finance Officer for the Harbours.

- 2.3 The accounts and return will be subject to imminent audit by Deloitte, Gwynedd Council's external auditors appointed by the Auditor General for Wales. Should any amendments be necessary following audit then a revised version will be presented to the Audit Committee in September.
- 2.4 Following Deloitte's audit and any required amendments, the Auditor General's representative will certify the return prior to 30 September.
- 2.5 Appendix A relates to the revenue account only whereas the accounting statements in Appendix B incorporates both revenue and capital. Gwynedd Harbours' capital expenditure for 2016/17 was £3,644. This figure is part of the sum shown on line 6, with the financing income included in line 2.

3. RECOMMENDATION

3.1 The Audit Committee is asked to receive and approve the information in the appendices, i.e. : –

- Revenue Income and Expenditure Account for 2016/17 – Appendix A
- Annual Return for the Year Ended 31 March 2017, subject to audit – Appendix B

Cyngor Gwynedd Harbours' Report

Income and Expenditure Account 2016-17

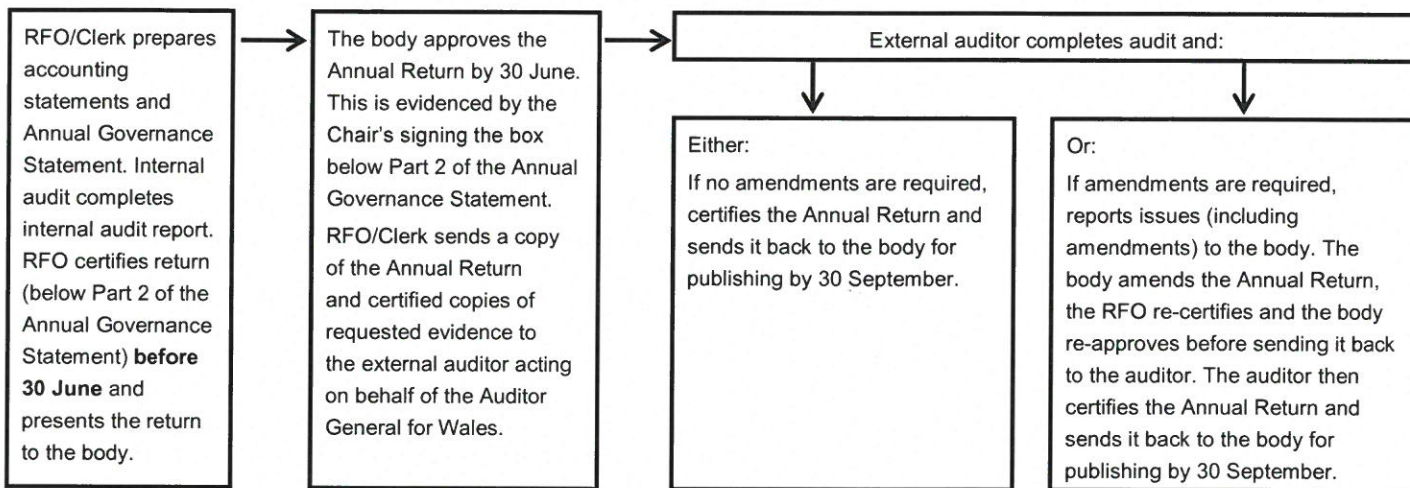
	Budget 2016-17	Actual Expenditure for 2016- 17	Variance Over (Under) spend
Expenditure			
Employees			
Salaries	£176,060	£156,307	-£19,753
Training	£0	£112	£112
Insurance Liability	£2,800	£761	-£2,039
Other Miscellaneous	£1,570	£286	-£1,284
Buildings			
Maintenance	£48,940	£13,658	-£35,282
Equipment	£14,220	£5,185	-£9,035
Energy	£6,670	£14,075	£7,405
NNDR	£17,300	£17,306	£6
Water Rates	£2,320	£2,594	£274
Crown Lease	£4,330	£0	-£4,330
Refuse Collection and Cleaning	£4,180	£4,571	£391
Buildings Insurance	£2,420	£483	-£1,937
Transport			
Vehicle Running Costs (Including Boats)	£1,810	£2,363	£553
Travel Expenses	£510	£139	-£371
Supplies and Services			
Equipment - Including safety	£20,520	£16,291	-£4,229
Underwater Inspections	£7,080	£9,076	£1,996
Signages	£0	£8,056	£8,056
Boat Maintenance	£3,000	£1,692	-£1,308
Fees - Specialists	£0	£4,300	£4,300
Licences	£600	£300	-£300
Office Supplies & Network costs	£4,960	£4,619	-£341
Audit Fees	£0	£650	£650
Miscellaneous	£0	£4,514	£4,514
Insurance on Handling Cash	£1,880	£2,585	£705
Central Support			
Central Reimbursement Costs	£28,440	£27,669	-£771
Total Expenditure	£349,610	£297,592	-£52,018
Income			
Fees	-£230,140	-£174,088	£56,052
Rent	-£9,240	-£4,930	£4,310
Total Income	-£239,380	-£179,018	£60,362
Net Expenditure	£110,230	£118,574	£8,344

Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2017

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners’ Guide** (the Practitioners’ Guide). The Practitioners’ Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

The accounts and audit process

The accounts and audit arrangements follow the process as set out below.



Please read the guidance on completing this Annual Return and complete all sections highlighted in red including both sections of the Annual Governance Statement.

Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. Unless requested, please **do not** send any original financial or other records to the external auditor.

Audited and certified returns are sent back to the body for publication or display of the accounting statements, Annual Governance Statement and the Auditor General for Wales’ certificate and report.

Completion checklist

‘No’ answers mean that you may not have met requirements		Done?	
Initial submission to the external auditor		Yes	No
Accounts	Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2017?	<input checked="" type="radio"/>	<input type="radio"/>
	Do the accounts add up and does the balance carried forward from last year equal the opening balance this year?	<input checked="" type="radio"/>	<input type="radio"/>
	Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year?	<input checked="" type="radio"/>	<input type="radio"/>
	Does the bank reconciliation as at 31 March 2017 agree to line 9?	<input checked="" type="radio"/>	<input type="radio"/>
All sections	Have all red boxes been completed and explanations provided where needed?	<input checked="" type="radio"/>	<input type="radio"/>
Supporting evidence	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.	<input checked="" type="radio"/>	<input type="radio"/>

Accounting statements 2016-17 for:

Name of body: GWYNEDD COUNCIL HARBOURS

	Year ending		Notes and guidance for compilers
	31 March 2016 (£)	31 March 2017 (£)	

Please round all figures to nearest £.
Do not leave any boxes blank and report £0 or nil balances.
All figures must agree to the underlying financial records for the relevant year.

Statement of income and expenditure/receipts and payments

1. Balances brought forward	0	0	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	163,454	122,217	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	227,025	179,018	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-153,666	-157,467	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	-236,813	-143,769	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	0	0	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).

Statement of balances

8. (+) Debtors and stock balances	17,322	11,978	Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	534	-6,174	All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	-17,856	-5,804	Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	0	0	Total balances should equal line 7 above: Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	479,891	483,534	The original asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

14. Trust funds disclosure note	Yes	No	N/A	Yes	No	N/A	The body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Annual Governance Statement (Part 1)

We acknowledge as the members of the Council/Board/Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2017, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref	
	Yes	No*			
1. We have put in place arrangements for: <ul style="list-style-type: none"> effective financial management during the year; and the preparation and approval of the accounting statements. 	<input checked="" type="radio"/>	<input type="radio"/>	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12	
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	<input checked="" type="radio"/>	<input type="radio"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7	
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Council/Board/Committee to conduct its business or on its finances.	<input checked="" type="radio"/>	<input type="radio"/>	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6	
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	<input checked="" type="radio"/>	<input type="radio"/>	Has given all persons interested the opportunity to inspect and to ask questions about the body's accounts.	6, 23	
5. We have carried out an assessment of the risks facing the Council/Board/Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<input checked="" type="radio"/>	<input type="radio"/>	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9	
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	<input checked="" type="radio"/>	<input type="radio"/>	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8	
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council/Board/Committee and, where appropriate, have included them on the accounting statements.	<input checked="" type="radio"/>	<input type="radio"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6	
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	<input checked="" type="radio"/>	<input type="radio"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23	
9. Trust funds – in our capacity as trustee, we have: <ul style="list-style-type: none"> discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit. 	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6

* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

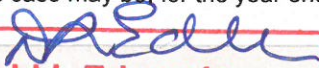
Annual Governance Statement (Part 2)

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No*		
1. We have registered as an employer with HM Revenue and Customs and properly operate Pay As You Earn as part of our payroll arrangements; or We do not need to register for PAYE because none of our employees are paid £112 or more a week, get expenses and benefits, have another job or get a pension.	<input checked="" type="radio"/>	<input type="radio"/>	Has registered as an employer and properly operates PAYE unless all of the exemption criteria are met.	13
2. We have maintained proper payroll records for each of our employees including deductions of tax and national insurance.	<input checked="" type="radio"/>	<input type="radio"/>	Has kept records of payments made to employees including taxable expenses or benefits and of payments made to HMRC.	13
3. We have adopted a Code of Conduct setting out proper standards of behaviour expected of councillors and individually, have agreed to abide by the code.	<input checked="" type="radio"/>	<input type="radio"/>	The body and its members have adopted and agreed to abide by a Code of Conduct as required by law.	8

* Please delete as appropriate.

Council/Board/Committee approval and certification

The Council/Board/Committee is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

<p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2017.</p>	<p>Approval by the Council/Board/Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:</p> <p style="text-align: center;">Audit & Governance Committee 22 June 2017</p>
<p>RFO signature: </p>	<p>Chair signature:</p>
<p>Name: Dafydd L Edwards</p>	<p>Name:</p>
<p>Date: Gwynedd Council 14/06/17</p>	<p>Date:</p>

Council/Board/Committee re-approval and re-certification (only required if the annual return has been amended at audit)

<p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2017.</p>	<p>Approval by the Council/Board/Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:</p> <p style="text-align: center;">Insert minute reference and date of meeting</p>
<p>RFO signature:</p>	<p>Chair signature:</p>
<p>Name:</p>	<p>Name:</p>
<p>Date:</p>	<p>Date:</p>

Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2017 of:

--

External auditor's report

[Except for the matters reported below]* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated _____.]

Other matters and recommendations

On the basis of our review, we draw the body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the body.

(Continue on a separate sheet if required.)

External auditor's name:	
External auditor's signature:	Date:
For and on behalf of the Auditor General for Wales	

* Delete as appropriate.

Annual internal audit report to:

Name of body: GWYNEDD COUNCIL HARBOURS

The Council/Board/Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2017.

The internal audit has been carried out in accordance with the Council/Board/Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council/Board/Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Sale of Diesel
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text

For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:					
	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
12. Paying monies not due to HRMC.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	See report presented to the Audit Committee on 9 February 2017.
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
14. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

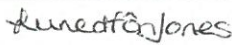
* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

** If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

[My detailed findings and recommendations which I draw to the attention of the Council/Board/Committee are included in my detailed report to the Audit Committee dated 9 February 2017. * Delete if no report prepared.

Internal audit confirmation

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2015-16 and 2016-17. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: Luned Fôn Jones
Signature of person who carried out the internal audit: 
Date: 08/06/2017

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange (www.audit.wales/good-practice/finance/community-council-money) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs.
4. **There are now two boxes for certification and approval by the body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2016) equals the balance brought forward in the current year (line 1 of 2017). Explain any differences between the 2016 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Council holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in section 1. More help on bank reconciliation is available in the Practitioners' Guide*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

Agenda Item 8

COMMITTEE

AUDIT AND GOVERNANCE COMMITTEE

DATE

22 JUNE 2017

TITLE

INSURANCE CLAIMS AGAINST THE COUNCIL

PURPOSE OF THE REPORT

PROVIDE AN OPPORTUNITY FOR THE AUDIT AND GOVERNANCE COMMITTEE TO SCRUTINISE THE COUNCIL'S ARRANGEMENTS FOR DEALING WITH INSURANCE CLAIMS

AUTHOR

DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK

1. INTRODUCTION

- 1.1 Once a year, the Insurance and Risk Service presents a report to the Audit and Governance Committee outlining the liability insurance claims made against the Council in the previous year, showing the ones that the Council was able to defend successfully, and those where there were costs to the Council and/or the insurance company.
- 1.2 The report assists the Committee to fulfil its role of maintaining an overview of the Council's risk management arrangements. It is also an opportunity for members to receive a complete picture in terms of public liability and employee liability claims, in the context of reports that occasionally appear in the press following freedom of information requests.
- 1.3 This report contains information public liability and employee liability claims that were closed during 2016/17.
- 1.4 The Audit and Governance Committee is responsible for dealing with issues relating to risk, and dealing with insurance claims is part of that. Therefore, in order to carry out its duties as "those responsible for governance", there is a need for the Audit and Governance Committee to:
 - **Accept this report which explains the arrangements within Gwynedd Council for dealing with insurance claims.**
 - **Scrutinise the arrangements that are in place, so that it is clear that the Council has procedures in place to ensure that insurance payments are appropriate.**

2. GWYNEDD COUNCIL'S ARRANGEMENTS FOR DEALING WITH INSURANCE CLAIMS

2.1 The purpose of the Insurance and Risk Unit is:

Supporting the Council's departments as they assess the threats and opportunities that they could face when providing their services and as they prioritise their activities on the basis of the assessment. Protect the interests of taxpayers by ensuring appropriate insurance arrangements and dealing with claims.

2.2 Two officers work in the unit, namely the Insurance and Risk Co-ordination Manager, and Insurance Officer.

2.3 The table that is included in the Appendix contains details of all liability insurance claims settled in 2016/17.

2.4 Given the purpose of the unit, the main performance measure for demonstrating that we are achieving our purpose is **Protecting the financial interests of the taxpayer: percentage of public liability claims denied (settled for £0).**

2.5 Analysis of all public liability and employer's liability claims settled in 2016/17 and in previous years shows the following:

Public Liability

	2013/14	2014/15	2015/16	2016/17
Number of Public Liability claims closed, with costs	33 (26%)	26 (22.2%)	18 (21.2%)	25 (22.9%)
Number of Public Liability claims closed, without costs	94 (74%)	91 (77.8%)	67 (78.8%)	84 (77.1%)
Total number of Public Liability claims closed	127	117	85	109

Employer's Liability

	2013/14	2014/15	2015/16	2016/17
Number of Employer's Liability claims closed, with costs	5 (55.6%)	3 (43%)	2 (25%)	4 (44.4%)
Number of Employer's Liability claims closed, without costs	4 (44.4%)	4 (57%)	6 (75%)	5 (55.6%)
Total number of Employer's Liability claims closed	9	7	8	9

Public Liability and Employer's Liability together

	2013/14	2014/15	2015/16	2016/17
Number of Liability claims closed, with costs	38 (28%)	29 (23.4%)	20 (21.5%)	29 (24.6%)
Number of Liability claims closed, without costs	98 (72%)	95 (76.6%)	73 (78.5%)	89 (75.4%)
Total number of Liability claims closed	136	124	93	118

2.6 That is, in 2013/14 72%, in 2014/15 76.6%, in 2015/16 75.5% and in 2016/17 75.4% of liability claims against Gwynedd Council were settled without costs.

3. ROLE OF THE INSURANCE COMPANY

- 3.1 All of the cases listed in the Appendix were subject to an excess of £25,000 prior to 1 April 2016, since then the excess has increased to £50,000 per Public Liability and Employers Liability claim. Gwynedd Council paid any costs on the individual claims up to this threshold, and our insurance company pay any amounts above that.
- 3.2 It will therefore be a continuing challenge, in conjunction with all Council services, to manage our insurable risks in order to reduce accidents and allegations of neglect, not only for financial reasons, but for the sake of our colleagues and the public.

4. RECOMMENDATION

- 4.1 The Audit and Governance Committee is asked:
- **Accept this report which explains the arrangements within Gwynedd Council for dealing with insurance claims.**
 - **Scrutinise the arrangements that are in place, so that it is clear that the Council has procedures in place to ensure that insurance payments are appropriate.**

Public Liability Claims closed in 2016/17

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
1	03/10/2014	Claimant slipped and fell at location	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
2	01/06/2015	Injury to hand from gate on public footpath	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
3	21/06/2016	Alleged that injured person fell over because of the state of the footpath	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
4	16/04/2014	Claimant tripped in pothole on private road which is also a designated public footpath	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
5	10/12/2016	Damaged coat after catching it against sign	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
6	27/07/2015	Claimant misjudged distance to chair and injured himself.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
7	14/11/2016	Service user biting staff and ripping staff's jacket - damage to jacket, no injury	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
8	07/09/2016	Damage to 2 glass panes of greenhouse by ball kicked from all weather pitch	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
9	01/05/2016	Loss of resident's false teeth.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
10	14/03/2015	Claimant tripped and fell on a raised pavement	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
11	11/03/2015	Finger caught in door	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
12	27/09/2016	Child banged head against teacher's car causing dent to vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
13	21/10/2013	Alleged that claimant fell and suffered injury because of defect in the road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
14	03/01/2014	Claimant fell on rutting in the road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
15	29/06/2014	Alleged that claimant fell and suffered injury because of hole in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
16	14/09/2014	Claimant lost his balance and fell over a low parapet wall, 20 foot to the road below	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
17	11/03/2015	Claimant's cycle went into hole in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
18	11/02/2015	Claimant tripped on raised edge of defective and degraded area	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
19	20/04/2015	Claimant tripped over a partially excavated area which had been cut away by workmen ready for relaying tarmac on the road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
20	06/06/2015	Sand on road caused motorcycle to skid and injured driver and passenger	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
21	01/06/2015	Flooding causing damage to entrance wall of property	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
22	05/08/2015	Minor injury to hand and damage to coat after coat was caught on metal straps on lamppost	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
23	13/10/2015	Claimant fell due to a hole in the pavement.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
24	31/07/2015	Claimant lost footing on an uncovered drain resulting in injuries including broken ankle and shattered hip.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
25	03/09/2015	Claimant fell on allegedly defected pavement causing a fractured hand and left claimant needing 9 stitches.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
26	19/12/2014	Claimant turned awkwardly on an uneven pavement resulting in broken leg. This allegedly led to considerable physical and emotional damage for the claimant as well as leading her to incur many associated costs such as trips to the hospital private physiotherapy sessions (not yet attended 26.10.15) as well as being unable to make use of her university accommodation as she was unable to ascend stairs.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
27	01/09/2015	The claimant was walking along the path when her right foot went in to a hole caused by a broken kerb stone causing her to fall to her right, sustaining an injury. The claimant sustained soft tissue damage to her right ankle and ligament damage to her shoulder.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
28	16/06/2015	Claimant caught foot in pothole causing her to fall forwards resulting in fracture to right wrist and loss of consciousness.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
29	19/10/2015	Claimant tripped over uneven pavement	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
30	14/12/2015	Incident involving collapsed roadside sign	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
31	28/10/2015	Claimant fell whilst walking, ankle rolled in pothole which caused the fall	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
32	07/01/2016	Alleged damage to bus caused by tree branches	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
33	07/01/2016	Damage to bus caused by tree branches	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
34	04/01/2016	Damage to tyre from pothole near speed hump	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
35	26/12/2015	Flood damage to property, allegedly because of blocked drains and culverts that had been complained about previously	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
56	01/04/2015	Client was chasing his dog and had to climb over a wall next door to his mums house when the wall collapsed and caused client hand to go through metal spike causing an injury.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
57	02/08/2014	Claimant fell over incorrectly placed manhole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
58	18/03/2015	Claimant tripped on a raised and loose paving stone causing her to fall to the ground. This caused the claimant a fractured femur, bruising and grazing to the right arm.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
59	05/01/2016	Damage to 2 coil springs from potholes	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
60	05/07/2016	Damaged third party fence, which after time caused damage to another third party vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
61	04/07/2016	Claimant hit stones that had fallen from wall into the road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
62	20/06/2016	Damage to vehicle from allegedly overgrown roadside hedges	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
63	29/07/2016	Damage to vehicle when it collided with a fallen branch on the highway	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
64	23/07/2016	Passing van caused claimant's vehicle to be sprayed with chipping allegedly gathering at side of road following resurfacing work	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
65	08/08/2016	Hit part of drain cover in middle of road that had become detached from the rest	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
66	12/12/2015	Allegation that unfit diversion / open diversion led to the flooding of vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
67	08/08/2016	Hit part of drain cover in the middle of road that had become detached from the rest	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
68	22/07/2016	Claimant's vehicle damaged by overhanging branch allegedly protruding over highway	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
69	26/08/2016	Alleged water ingress into porch of property due to pavement not being properly sealed after resurfacing works	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
70	15/09/2016	Pothole caused damage to tyre and alloy wheel	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
71	23/09/2016	Windscreen and mirror of bus damaged when collided with over hanging branch	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
72	09/02/2016	Car crashed due to alleged blocked gully on road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
73	21/11/2016	Drain cover forced up beneath car	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
74	05/12/2016	Damage to car by potholes	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
75	22/09/2016	Damage to vehicle when tree branch fell on car	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
76	11/09/2015	Injury suffered by member of the public when she walked into forklift's fork	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
77	26/01/2016	Wind caught blue recycling box, which hit car	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
78	26/01/2016	Claimant damaged wing mirror whilst reversing after coming face to face with a refuse vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
79	17/02/2016	Claimant hit green wheelie bin whilst driving past	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
80	30/06/2016	Stones thrown from grass cutting damaged third party vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
81	09/09/2016	Damage to windscreen from stone picked up from stirrmer	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
82	02/09/2016	Damage to windscreen caused by stone thrown from grass cutting work	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
83	27/09/2016	Alleged damage to pipe by refuse collectors	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
84	19/03/2016	Damage to under-side of vehicle caused by towing chain	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
85	05/11/2012	Alleged that claimant tripped and fell because of depression along grille	Settled	17,500.00	615.00	2,921.00	14,466.59	5,653.41	41,156.00
86	06/01/2015	Claimant tripped over glazing bar in bus shelter. Bar was holding no glazing.	Settled	9,050.00	637.00	0.00	2,062.00	0.00	11,749.00
87	23/08/2014	Injury to leg from flower borders	Settled	0.00	0.00	0.00	0.00	882.00	882.00
88	27/09/2014	Service user was injured when standing hoist went into her armpit	Settled	100,000.00	26,031.00	595.50	16,000.00	0.00	142,626.50
89	01/04/2016	Dentures thrown away in error by care home staff	Settled	400.00	0.00	0.00	0.00	0.00	400.00
90	21/10/2011	Wheelchair was caught in pothole causing claimant to be thrown head first forwards to the floor	Settled	3,412.50	0.00	900.00	19,455.20	3,544.80	27,312.50
91	27/01/2012	Claimant lost her balance and fell whilst standing on kerb stone that rocked.	Settled	7,800.00	600.00	1,871.00	30,641.59	0.00	41,087.59
92	02/03/2013	Alleged that claimant fell from motorcycle and suffered injury because of excessive chippings on road	Settled	7,750.00	615.00	0.00	14,250.00	7,580.00	30,195.00
93	08/10/2013	Claimant tripped on pavement (raised tarmac or pothole)	Settled	1,866.85	627.00	2,443.60	5,142.00	1,956.00	12,035.45

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
94	24/06/2014	Alleged motorcycle injury caused by excessive number of chippings on road surface	Settled	10,278.00	637.00	0.00	3,146.00	0.00	14,061.00
95	16/06/2014	Whilst crossing the road, tripped over pot hole causing injury	Settled	10,965.00	0.00	0.00	5,173.80	0.00	16,138.80
96	12/07/2014	Claimant allegedly tripped because of sunken metal grid	Settled	1,000.00	637.00	0.00	1,704.00	0.00	3,341.00
97	30/05/2009	Hit a pothole, causing claimant to fall off bike	Settled	0.00	0.00	25,062.80	0.00	0.00	25,062.86
98	16/08/2016	Bracket fell from bridge onto car below causing a dent	Settled	605.68	0.00	0.00	0.00	0.00	605.68
99	06/11/2016	Damage to underside of vehicle whilst travelling over speed hump	Settled	367.15	0.00	0.00	0.00	0.00	367.15
100	09/05/2016	Pushed wheelie bin against property, breaking panels	Settled	200.00	0.00	0.00	0.00	0.00	200.00
101	23/06/2016	Operative's foot slipped onto pedal, causing car to move forward and significant damage to open door	Settled	3,739.52	0.00	0.00	0.00	60.00	3,799.52
102	20/07/2016	Damage to rear windscreen by stone thrown up from strimmer	Settled	689.28	0.00	0.00	0.00	0.00	689.28
103	01/06/2016	Slight dent to vehicle by strimmer undertaking grass cutting at location	Settled	185.00	0.00	0.00	0.00	0.00	185.00
104	08/11/2016	Brake on industrial bin was not correctly used causing the bin to roll into a third party vehicle	Settled	188.00	0.00	0.00	0.00	0.00	188.00
105	15/12/2016	Gully cover lifter bar fell onto claimant's vehicle	Settled	360.00	0.00	0.00	0.00	0.00	360.00
106	13/02/2017	Felt tiles from roof of salt dome blown off and scraped vehicle	Settled	425.00	0.00	0.00	0.00	0.00	425.00
107	12/03/2015	Damage to third party vessel when bow lifting strap of the hoist slipped	Settled	5,103.23	0.00	0.00	0.00	0.00	5,103.23
108	12/09/2014	Claimant suffered injury to foot after stepping on metal edging on slipway	Settled	5,055.57	637.00	0.00	2,016.00	199.00	7,907.57
109	08/08/2016	Damage to vessel	Settled	16,500.00	0.00	0.00	0.00	2,499.58	18,999.58
				203,440.78	31,036.00	33,793.90	114,057.18	22,374.79	404,877.71

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
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Employers Liability Claims closed in 2016/17

110	27/02/2015	Employee attacked by persons unknown and sustained injury	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
111	19/05/2014	Tripped on footpath outside school	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
112	08/01/2016	Member of staff was disposing of waste food on trolley and trapped finger on work surface	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
113	12/12/2012	Claimant slipped on icy surface whilst trying to pull a compressor	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
114	10/06/2013	Piece of connecting metal fell on claimant's head whilst undertaking task of loading a number of gantry equipment into a van	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
115	30/09/2013	Caught foot in plastic strapping causing her to fall and land on both knees	Settled	1,000.00	0.00	0.00	2,319.00	0.00	3,319.00
116	21/01/2015	Employee tripped over uneven paving at the end of her shift	Settled	11,440.00	637.00	0.00	2,420.00	0.00	14,497.00
117	22/10/2013	Whilst cutting trees with chainsaw, telephone lines became taught and as a result the tension being released by the tree, sprung back causing the claimant and colleague to be thrown back approx 10ft.	Settled	16,340.25	770.00	0.00	8,586.13	2,625.00	28,321.38
118	02/01/2015	Needle stick injury when emptying syringe box	Settled	29,265.00	637.00	0.00	7,061.40	0.00	36,963.40
				58,045.25	2,044.00	0.00	20,386.53	2,625.00	83,100.78

MEETING: **AUDIT AND GOVERNANCE COMMITTEE**

DATE: **22 June 2017**

TITLE: **SAVINGS PLANNING TO SUPPORT FINANCIAL RESILIENCE**

PURPOSE: **Consider the Wales Audit Office's Comments and Recommendations**

CABINET MEMBER: **Councillor Peredur Jenkins, Cabinet Member - Finance**

AUTHOR/CONTACT OFFICER: **Dafydd L Edwards, Head of Finance**

1. INTRODUCTION

- 1.1 On 14 June 2017, the Auditor General for Wales issued a national report stating that “the majority of councils in Wales have improved their medium-term financial plans and now have an effective approach to forecasting the savings they need to achieve”, but “that there is still more for councils to do in planning how they intend to bridge the funding gap that they have identified, which undermines their medium-term financial plans.” The full report is on the Wales Audit Office’s (WAO’s) website –
- <http://www.archwilio.cymru/publication/savings-planning-councils-wales>
- 1.2 The national report does raise several issues which are worthy of consideration.
- 1.3 However, in his specific report on ‘Savings Planning in Gwynedd Council’ issued in March 2017, the Auditor General for Wales states that the Wales Audit Office concluded that –
- the Council’s financial management arrangements are sound and it is well placed to tackle future challenges;
 - the Council has an effective and well-considered savings planning approach, which is supporting future financial resilience;
 - this is a continued strong position from 2015-16 – the Council has well-established and clear policies around its financial planning arrangements.
- 1.4 The WAO’s full report on ‘Savings Planning in Gwynedd Council’ is submitted here as Appendix A.
- 1.5 The WAO’s recommendations and Gwynedd Council’s responses / actions are set out in Appendix B.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Savings Planning – Gwynedd Council

Audit year: 2016-17

Date issued: March 2017

Document reference: 686A2016

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info.officer@audit.wales.

The team who delivered the work comprised Sian Clark, Nick Rayner and Jeremy Evans, under the direction of Alan Morris

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Summary report

Summary

- 1 Good financial management is essential for the effective stewardship of public money and the continual delivery of efficient public services. The current financial climate and the reduced settlements for local government mean that good financial planning, with well-considered savings plans, is critical to financial resilience.
- 2 This review focuses on answering the following question: **Do the council's financial savings planning arrangements support financial resilience?**
- 3 Good financial planning:
 - helps councils take the right decisions for the short, medium and long term;
 - helps councils deliver services to meet statutory obligations and the needs of local communities;
 - is essential for 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.
- 4 Financial planning for the medium to long term involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and, where necessary, developing appropriate savings strategies.
- 5 A council'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 is too inflexible in a period of rapid external change.
- 6 Councils receive about 80% of their net income from Welsh Government, the exact amount is only known 4-5 months before the start of the financial year. Whilst this has an impact on financial planning councils can use a range of information to anticipate changing circumstances, set priorities, make choices and manage service delivery. They can calculate how much they would need to deliver services (at current or future prices) and review alternative income and spending scenarios to identify gaps and prepare for the future by investigating different approaches.

- 7 During 2015-16 the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The national summary report concluded that **strategic planning arrangements are improving but councils have difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience.**
- 8 In this assessment, undertaken during the period June to September 2016, we have focused on work to identify, plan for and deliver savings. We examined the extent to which Gwynedd Council (the Council) achieved its 2015-16 savings plans, the quality of its medium term financial plans and the robustness of its 2016-17 savings plans.
- 9 We sampled three savings proposals for 2016-17 and looked at the underlying assumptions, whether there are adequate mechanisms to ensure they can be delivered in the planned timescale.
- 10 We followed up our 2015-16 work to determine what the Council did as a consequence of what it learnt and how it has responded to our proposals for improvement in relation to financial planning if we made any.
- 11 In this report we have described some key characteristics of effective financial planning – **What good looks like**. Auditors have used these and other factors to reach a balanced view on the effectiveness of a council's financial planning arrangements and to evaluate the ability of a council to deliver its Medium-Term Financial Plan (MTFP) and planned savings.
- 12 In our 2015-16 review we concluded that **the Council's financial management arrangements are sound and it is well placed to tackle future challenges.**
- 13 In this review we concluded that **the Council has an effective and well-considered savings planning approach, which is supporting future financial resilience.**
- 14 **This is a continued strong position from 2015-16** – The Council has well-established and clear policies around its financial planning arrangements.

Proposals for improvement

Exhibit 1: proposals for improvement

It would be unusual if we did not find things that can be improved and, where we do, The Auditor General can take a variety of steps. In this case a proposal for improvement has been made and we would expect the Council to do something about it.

Proposals for improvement

- P1 Strengthen financial planning arrangements by:
- ensuring that delivery timescales in business cases are robust; and
 - establishing a more corporate approach to identifying income opportunities.

Detailed report

The Council has an effective and well-considered savings planning approach, which is supporting future financial resilience

Context

- 15 Since 2010, the UK government has reduced spending on public services as part of its plan to reduce the deficit. With cuts to its budget, the Welsh Government has had to make difficult choices as to how to allocate those funding cuts across devolved public services. As a result, the amount of core funding made available by the Welsh Government to local councils has reduced each year. So far, most local councils have managed to reduce expenditure and balance budgets, but the scale of annual reductions is likely to continue. Our analysis shows that between 2013-14 and 2016-17, there is a real-terms reduction of £483 million (10.9% in this core funding¹).
- 16 The impact of the decision to leave the European Union may represent a threat to local councils and the wider public sector in Wales. In the immediate aftermath of the decision there was reaction across financial markets resulting in volatility in, for example, share prices, currency exchange rates, oil prices and bond yields, and the UK continues to face a great deal of uncertainty on top of significant questions regarding future economic and trading relationships with Europe. The Welsh Local Government Association (WLGA) has expressed concerns over the implications of the European Union referendum outcome, calling it a 'seismic change in UK public policy'² especially as local councils are collectively the largest employer in Wales and the deliverer of many important public services.

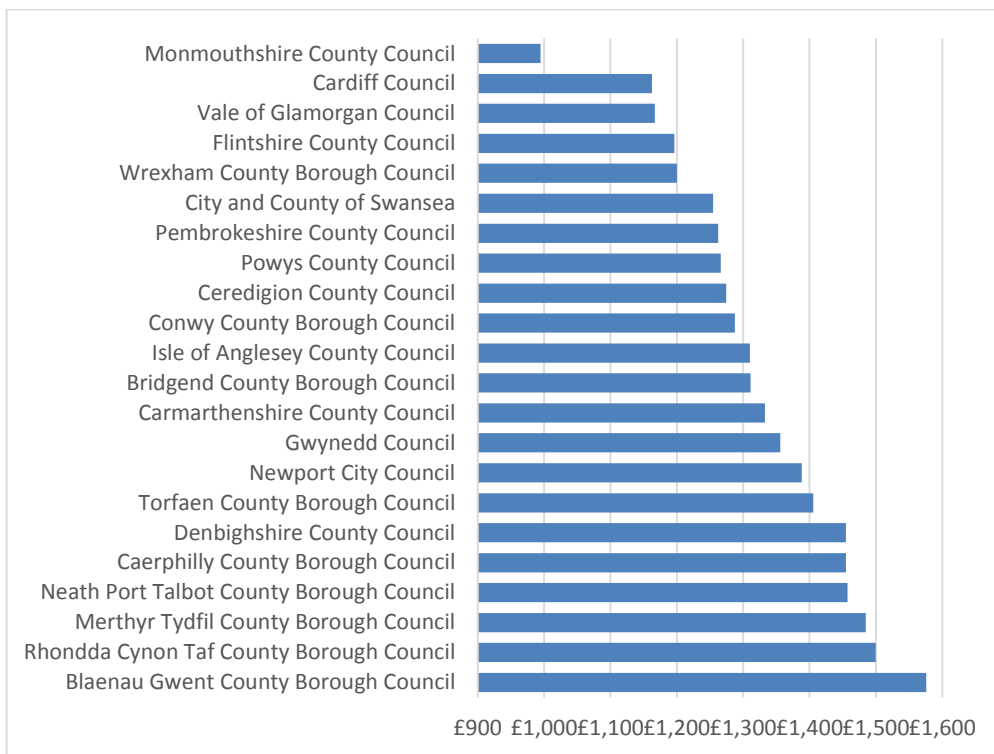
¹ Comparing core funding (Aggregate External Finance (AEF)) across the period 2013-14 to 2016-17 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into core funding grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in core funding, it is not necessarily a net increase in funding. The net value of grants incorporated into core funding since 2013-14 is around £76 million in real terms (adjusted for inflation).

² Welsh Local Government Association, **Councils voice concern over service impacts of EU referendum**, 24 June 2016

- 17 Whilst the overall Welsh Government funding has reduced, councils have been expected to protect schools and social care from the bulk of the pressures. Social care in particular has struggled even with this protection as, for example, demographic changes have led to increased demand. However, this does mean that other services have borne the majority of the cuts and have seen reductions in budgets of 30% or more in real terms since 2013-14.
- 18 The Council received £166.9 million in support from Welsh Government in 2016-17. This represents £1,356 per person in the county, above the average for Wales but a real-terms reduction of 10.66%³ per head since 2013-14. There are other key issues that impact on any councils overall financial position, for example the overall Council tax base, the ability to generate income locally and the levels of deprivation.

Exhibit 2: Welsh Government support in 2016-17

The graph below illustrates the amount of money each council gets per head of population from the Welsh Government.



Source: Stats Wales (www.statswales.gov.wales)

³ The percentage reduction per head figure varies from the 2013-14 core funding reduction due to population variation over the same period.

Savings achievement 2015-16

The Council has reported achievement of 91% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered

What good looks like

19 Councils that have a good track record of delivering the majority of planned in-year savings should have well developed savings and delivery plans in place which are underpinned by robust monitoring processes. These councils do not have to continually bridge the gap year on year, by identifying alternative savings, using unplanned one-off funding from earmarked reserves, general reserves, contingency funds or fortuitous unplanned income received during the year.

What we found

- 20 In our 2015-16 review we found that the Council had an effective framework for financial planning with established clear policies in respect of financial planning arrangements with a good track record of identifying and delivering a programme of savings.
- 21 In our 2016-17 review we found that the Council's financial planning arrangements remained effective.
- 22 The Council identified savings proposals of £8.6 million to help meet its 2015-16 budget gap. The Council achieved 91% of its planned savings. Any shortfall resulting from unachieved savings were met from reductions in departmental budgets or from balances. The Council carries forward unachieved savings to future years and it is departments' responsibility to ensure that they are achieved. The remaining savings from the 2015-16 savings plan are expected to be delivered during 2016-17.
- 23 The Council considered the savings made in 2015-16 to be 'service efficiencies' as opposed to 'service cuts'. Each element of the savings plan was monitored and risk assessed for achievement during the year. Of the savings not achieved, the majority related to a single department and were partly mitigated through transfers within budget headings and re-profiling. During the year the Council reviewed progress regularly and reported performance against the savings plans to relevant Achievement Panels. The Corporate Organisation Achievement Panel received overview reports of all Panels' savings plans. Quarterly monitoring reports on the revenue budget, which included a narrative on progress against departmental savings plan, were presented to Cabinet.
- 24 The Council has highlighted the financial role of Cabinet Members in recent years. Cabinet Members are now aware that they have clear responsibility to ensure that savings within their portfolio areas are delivered in full and on time.

Cabinet Members report to Cabinet on their portfolios on a regular cycle. This report includes an update on the progress of profiled savings plan (both efficiencies and cuts).

- 25 Following recent changes to the Council's performance management framework, every nine weeks portfolio holders and corporate directors review and challenge departments' delivery of the savings plan. A recent development, in order to improve understanding and avoid duplication, has been to include some scrutiny Members in those meetings.

Financial planning arrangements

The Council has strong financial planning arrangements in place supported by well-considered savings plans

What good looks like

- 26 The MTFP is a key component of an effective, integrated corporate planning framework. Good medium-term financial planning and annual budgeting should reflect the council's strategic objectives and priorities for the year, and over the longer term. MTFPs typically span a three-to-five year period and should identify how resources will be allocated to both the delivery of services and the council's priorities. The impact on citizens and other stakeholders should also be considered.
- 27 Good MTFPs include consideration of key financial risks together with their mitigation. Councils have to make assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services, and these need to be based on reasonable predictions. The council should also use financial modelling to assess the likely impacts on financial plans and required savings for a range of different scenarios and risks. The MTFP should be frequently reviewed and updated to reflect changes in assumptions and risks.
- 28 Councils should operate within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by Members, and appropriate to the strategic, operational and financial risks it faces. Councils should include details on how reserves will be used over the period of the MTFP.
- 29 The council must demonstrate that it understands its sources of income and the risks arising from these, and that it has reviewed its approach to fees and charges, for its services, to achieve value for money.

What we found

- 30 In our 2015-16 review we found that the Council's financial management arrangements were sound and it was well placed to tackle future challenges.

- 31 In our 2016-17 review we found that the Council has a clear Medium Term Financial Strategy, set for four years, extending to 2019-20. It is kept under review and updated as necessary, to take account of changes in key variables and assumptions. The MTFP identifies the potential budget shortfall for each year within the four year period. The Council has developed comprehensive plans for meeting this shortfall for both 2016-17 and 2017-18. It will further refine its approach to meeting the funding gap for 2018-19 and 2019-20 as the financial position becomes clearer.
- 32 To inform the MTFP, the Council estimates unavoidable commitments for the next four years, taking into account the full range of cost pressures on services including: inflation (pay and other), national insurance changes, pensions, interest, and demography. The Council has modelled three scenarios in respect of possible future Welsh Government support and taken a considered approach to its future financial position.
- 33 During 2015 the Council undertook a comprehensive consultation programme, 'Gwynedd Challenge'. This sought public and stakeholder views on potential cuts in services. The Gwynedd Challenge consultation was effective, with over 2100 responses. Equality Impact Assessments are undertaken for the majority of savings strands in advance of the budget setting process.
- 34 The Council holds approximately £5.5 million as a working balance in its general reserve. The Council has a reserves policy and both reserves and provisions are regularly and thoroughly reviewed. As part of setting its budget for 2016-17, the Council agreed to release £871,000 from reserves and released a further £1.14 million following a review of provision requirements to support its 2016-17 Financial Strategy. The Council has approved the use of this £2.1 million as a funding 'bridge' as it assessed that it would not be possible to implement all the cuts required in the 2016-17 financial year.
- 35 There are fees and charging arrangement in place which set out the process to be followed when planning an increase or introducing charging for services. It recognises there are differences in approach depending on whether the service is statutory or discretionary. Services' income targets are included in the budget setting process. Information relating to fees and charges is publicly accessible. However, the Council's approach to identifying opportunities for increasing income through charging for services is inconsistent.
- 36 The objectives and priorities in the Council's 2013-17 Strategic Plan provide a clear framework for its financial planning and have been considered within the context the Council's overarching aim of: 'putting the people of Gwynedd at the heart of all the Council does'.

Savings Plan 2016-17

The Council has detailed savings plans and is forecasting that 93% of its 2016-17 savings plan will be achieved

What good looks like

37 Councils that deliver savings effectively have well-considered savings plans that sit within longer-term savings strategies which are underpinned by well-developed fully costed individual savings and delivery plans aligned with the MTFP. Savings proposals should be specific and risk assessed in terms of likelihood of achievement.

What we found

38 In our 2015-16 review we found that the Council's savings plans were specific and measurable and that the Council has a good track record of delivering the majority of its savings plans.

39 In our 2016-17 review we found that the Council had identified a financial gap of £11.2 million for 2016-17 which would be met through efficiency savings, implementing service cuts and use of the £2.1 million funding bridge. The Council has a fully costed savings plan to deliver £6.6 million during 2016-17 (more than was profiled) and a programme of cuts to deliver £2.6 million; the combined plans for 2016-17 equate to £9.2 million.

40 At the end of quarter two, the Council forecast that 93% of the savings plan for 2016-17 will be achieved. The Council is taking mitigating action to reduce the savings gap.

41 Internal monitoring arrangements are robust and the Council is able to measure achievement against each specific saving. Savings strands (for both efficiencies and cuts), are regularly monitored during the year. Each savings strand has a short description of the saving, the amount to be saved, together with the likely quarter and year of achievement (if there are multiyear savings attached to the savings strand). In addition the plan provides a summary of progress of each strand together with a cumulative total of achievement. Mitigating actions are also included. Progress made against previous years 'unachieved savings are also closely monitored.

42 The three savings proposals for 2016-17 we sampled, to test the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale, were:

- pest control – as an example of income generation;
- libraries – as an example of part year savings; and
- waste services – Garden Waste Collection – an example of 2017-18 savings brought forward.

- 43 The review of the sample tracer savings proposals showed that the business cases were robust with well-developed assumptions, costings and delivery timescales, but that opportunities to identify further potential income generation could be missed.

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Management response

Appendix B

Report title: Savings Planning – Gwynedd Council

Issued: 03/03/2017

Ref	Proposal for Improvement	Accepted Y/N	Management response	Planned Completion date	Responsible officer
P1	<p>P1 Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> ensuring that delivery timescales in business cases are robust; and establishing a more corporate approach to identifying income opportunities. 	<p>Partly</p> <p>Accepted</p>	<p>We intend to make every effort to ensure that delivery timescales in business cases are robust. This will be more practical with cuts, but significant efficiency savings schemes will become increasingly challenging and the timescale will be conditional upon several complex factors (e.g. the Leisure project).</p> <p>The Chief Executive has already consulted informally with the Cabinet and will handle/consider the key income streams corporately while identifying new savings for 2018/19 and 2019/20.</p>	<p>Continuous</p> <p>Commenced December 2016 and consideration to continue until decisions in December 2018.</p>	<p>Dafydd L Edwards, Head of Finance / Geraint George, Special Programme Leader</p> <p>Dilwyn O Williams, Chief Executive / Dafydd L Edwards, Head of Finance</p>