



# Complete Agenda

Democratic Service  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

## **AUDIT COMMITTEE**

Date and Time

**10.30 am, THURSDAY, 11TH FEBRUARY, 2016**

Location

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

**\* NOTE \***

**This meeting will be webcast**

**<http://www.gwynedd.public-i.tv/core/portal/home>**

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(DISTRIBUTED 05/02/16)

## **AUDIT COMMITTEE**

### **MEMBERSHIP (19)**

#### **Plaid Cymru (10)**

Councillors

Aled Ll. Evans  
Charles Wyn Jones  
W. Tudor Owen  
Vacant Seat

E. Selwyn Griffiths  
Dilwyn Morgan  
Gethin Glyn Williams

Sian Gwenllian  
Michael Sol Owen  
John Wyn Williams

#### **Independent (5)**

Councillors

Trevor Edwards  
John Brynmor Hughes  
Angela Russell

Thomas G. Ellis  
John Pughe Roberts

#### **Llais Gwynedd (2)**

Councillors

Anwen J. Davies

Aeron M. Jones

#### **Labour (1)**

Councillor

Sion W. Jones

#### **Lay Member**

John Pollard

#### **Ex-officio Member**

Vice-Chairman 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. MINUTES**

1 - 7

The Chairman shall propose that the minutes of the meeting of this committee, held on, 1 December, 2015, be signed as a true record.

## **5. REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW**

8 - 29

To submit the report of the Head of Finance.

## **6. CAPITAL PROGRAMME 2015/16 - END OF THIRD QUARTER REVIEW**

30 - 35

To submit the report of the Head of Finance.

## **7. BUDGETARY MATTERS**

### **(A) FINANCIAL STRATEGY 2016/17 – 2019/20 AND BUDGET 2016/17**

To Follow

To submit the report of the Head of Finance.

### **(B) CUTS TO ADDRESS THE FINANCIAL DEFICIT**

To Follow

To submit the report of the Chief Executive.

### **(C) RECOMMENDATION TO THE CABINET - 2016/17 BUDGET AND COUNCIL TAX**

## **8. TREASURY MANAGEMENT - TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2016/17**

36 - 59

To submit the report of the Head of Finance.

- 9. INSURANCE CLAIMS AGAINST THE COUNCIL** 60 - 78
- To submit the report of the Senior Manager Revenue and Risk.
- 10. DRAFT LOCAL GOVERNMENT (WALES) BILL - WELSH GOVERNMENT CONSULTATION** 79 - 88
- To submit the report of the Senior Manager Revenue and Risk.
- 11. REPORT FROM THE CONTROLS IMPROVEMENT WORKING GROUP** 89 - 97
- To submit the report of the Chair of the Audit Committee outlining the feedback from the meeting of the Working Group on 19 January, 2016.
- 12. OUTPUT OF THE INTERNAL AUDIT SECTION** 98 - 131
- To submit the report of the Audit Manager outlining the work of Internal Audit for the period between 1 November and 31 January 2016.
- 13. INTERNAL AUDIT PLAN 2015/16** 132 - 138
- To submit the report of the Audit Manager on the progress made on the 2015/16 Internal Audit Plan.
- 14. DRAFT INTERNAL AUDIT PLAN 2016/17** 139 - 145
- To submit the Draft Internal Audit Plan for the year 1 April 2016 – 31 March 2017.
- 15. SELF-ASSESSMENT OF GOVERNANCE ARRANGEMENTS** 146 - 157
- To submit the report of the Senior Manager Revenue and Risk.

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## AUDIT COMMITTEE 01/12/15

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

**Councillors:** Anwen J. Davies, Tom Ellis, E. Selwyn Griffiths, Sian Gwenllian, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Sion Wyn Jones, Dilwyn Morgan, Michael Sol Owen, W. Tudor Owen, Angela Russell, Gethin Glyn Williams, John Wyn Williams and Peredur Jenkins (Cabinet Member for Resources).

**Lay Member:** Mr John Pollard

**Also in Attendance:** Dafydd Edwards (Head of the Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager – Revenue and Risk), Luned Fôn Jones (Audit Manager), Hawis Jones (Strategic Planning and Performance Manager – for Item 6 on the agenda), Arwel Ellis Jones (Senior Manager – Democratic and Delivery – for Item 7 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

**Apologies:** Councillors Aled Ll. Evans and Glyn Thomas.

### 1. VICE-CHAIRMAN

**RESOLVED to elect Councillor Trevor Edwards as Vice-chairman of the committee for 2015/16.**

### 2. DECLARATION OF PERSONAL INTEREST

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

### 3. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 24 September 2015, as a true record.

### 4. EXTERNAL AUDIT REPORTS

The report was submitted by the Strategic Planning and Performance Manager. It was noted that the report provided an update in terms of the external audit reports with the appendix listing audit reports that had been received over the past three years noting their proposals for improvement, the action plans and the progress thus far.

Due to the volume of information, the Chairman noted that consideration should be given to holding a special meeting of the Committee to give the report due attention.

**RESOLVED to hold a special meeting of the Committee to consider the report.**

### 5. THE EFFECTIVENESS OF THE COUNCIL'S SCRUTINY ARRANGEMENTS

Submitted – a report by the Senior Manager – Democracy and Delivery noting that the Wales Audit Office (WAO) had undertaken a review of the effectiveness of scrutiny in Gwynedd.

It was reported that WAO had suggested three main areas that needed to be addressed in order to improve scrutiny in Gwynedd, namely:-

- Dealing with the perceived disengagement between the work of the Cabinet and the scrutiny committees by looking, amongst other things, at more pre-decision scrutiny of Cabinet business.
- Improving the clarity of scrutiny recommendations so that what happens as a result of scrutiny work can be more easily identified.
- Improving the quality of questioning at scrutiny committees to provide greater focus and quality for the scrutiny.

Since it was the Audit Committee that had the responsibility for the Council's governance arrangements and, specifically, the Council's Constitution, it was concluded that it would be appropriate for this Committee to discuss the matter.

It was noted that the Committee was requested to examine the matter and come to conclusions on the way forward and ensure that a robust Action Plan was in place to address WAO recommendations.

**RESOLVED to discuss the matter at the special meeting of the Committee.**

## **6. FINAL ACCOUNTS 2014/15**

Submitted – the report of the Head of Finance Department noting that the revised statutory financial statements of the Council and the Pension Fund had been presented for approval by the Committee at the meeting held on 24 September 2015.

Members were reminded that it had been noted at the meeting that there would be a delay before the accounts would be certified, as a member of the public had expressed an objection to the accounts relating to a peripheral issue, being expenditure on a Trunk Road Agency scheme in the previous year.

Attention was drawn to a letter from the Wales Audit Office confirming that they had not completed work on this matter and had responded to the elector stating that they did not offer any further action.

**RESOLVED:**

**(i) to accept the report;**

**(ii) to authorise the Chairman to sign a 'fresh' set of the same accounts.**

## **7. REVENUE BUDGET – 2015/16 SECOND QUARTER REVIEW (SEPTEMBER 2015)**

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

The Senior Finance Manager set the context and elaborated on the content of the report that had been submitted to the Cabinet on 24 November 2015. He presented the following decisions for the attention of the committee to scrutinise -

- “1. To accept the report on the second quarter review of the Revenue Budget (position as at 30 September 2015) and consider the latest financial situation regarding the budgets of each department/service, asking the Cabinet Members and relevant heads of department to take appropriate steps regarding the matters under their leadership/management.
2. To note the various reviews noted in the report and the steps to be taken by departments to manage their budgets.
3. To give consideration to, and approve specifically, the amendments and transfers that were recommended in relation to the Education, Economy and Community, and Regulatory Departments, and Corporate Budgets.”

The Cabinet Member for Resources noted that Cabinet Members had been reminded of their responsibilities in terms of reviewing budgets. He referred to the Adults, Health and Well-being Department's financial position and the likelihood that it would need bridging resources for this year due to the unlikelihood of realising the full savings during the financial year. He noted that clear steps would be taken to deal with the situation in order to keep it under control and that the Cabinet's decision to put resources to one side enabled the Cabinet to respond to the financial position in terms of the Department by the end of the financial year.

During the ensuing discussion, officers responded to members' enquiries as follows:

- In terms of 'Redundancy and Early Retirement' in the Education Department, that school governing bodies permitted early retirement with costs falling on the Education Department. It was noted that the situation would be reviewed in terms of pension release by re-examining the individual's right in terms of amount, the school's position to contribute towards the payment and the future method of payment in order to respond to the overspend;
- The Education Department had anticipated the overspend situation and had earmarked underspend in a reserve fund to finance the expenditure;
- It was the decision of the Governing Bodies to re-employ retired teachers as supply teachers with the teacher's experience being taken into consideration;
- Redundancy was a one-off cost and that annual revenue savings would be examined as part of the schools organisation plan;
- In terms of Gwynedd Consultancy's overspend, that action had been taken to modernise and that the Department was attempting to attract work and maximise achievement within current staffing resources. It was added that an annual review was undertaken in terms of the Department's income and their intention to use a reserved resource to mitigate the situation should the picture continue until the end of the financial year.

A member noted that there was a historical annual overspend in terms of the older people's service and that a demographic trend resulted in more demand for services, therefore, there was a need to seriously consider the financial requirements.

In response, the Cabinet Member for Resources noted that the Adults, Health and Well-being Department had taken clear steps to address the situation with two new appointments recently made to drive the savings programme forward. The Senior Finance Manager added that the budget for the 2016-17 financial year would be carefully considered by assessing the demographic impact and the Department was expected to operate within that budget.

**RESOLVED to note the situation and the relevant risks in the context of the Council's budgets and those of its departments.**

## **8. CAPITAL PROGRAMME – 2015/16 SECOND QUARTER REVIEW (SEPTEMBER 2015)**

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

The Senior Finance Manager set the context and elaborated on the content of the report that had been submitted to the Cabinet on 24 November 2015. He presented the following decisions for the attention of the committee to scrutinise –

“To accept the report on the second quarter review (30 September 2015 position) of the capital programme, and approve the revised financing as shown in part 2.2 – 2.8 of the report, namely:

- an increase of £965,000 in the use of unsupported borrowing,

- an increase of £3,278,000 in the use of grants and contributions,
- an increase of £154,000 in the use of capital receipts,
- an increase of £300,000 in the use of revenue contributions,
- a decrease of £17,000 in the use of the capital reserve,
- an increase of £847,000 in the use of other reserves,
- a virement of £200,000 between the Bala Library scheme and the Berwyn catchment area schools' scheme."

During the ensuing discussion, officers responded to members' enquiries as follows:

- In terms of the Education Department, that the re-profiling in terms of annual expenditure since the previous quarter was associated with the 21<sup>st</sup> Century Schools programme;
- The Cabinet had approved a virement of £200,000 between the Bala Library scheme and the Berwyn catchment area schools' scheme to fund the task of moving the library to the site of the new school;
- In terms of the financial forecasts of the 21<sup>st</sup> Century Schools programme, that arrangements were in place for the current schemes and that the Council was attempting to maximise grant returns for the next two years and considering alternative funding sources for the future with grants reducing.

**RESOLVED to note the situation and the relevant risks in the context of the Council's capital programme.**

## 9. THE COUNCIL'S FINANCIAL STRATEGY 2016/17 – 2019/20

Submitted – a report by the Head of Finance Department detailing the Council's Financial Strategy for the next four years. It was reported that the Welsh Government would publish its draft budget on 8 December and the provisional settlement to fund local government on 9 December.

Attention was drawn to a table which detailed potential scenarios in terms of the settlement the Council could receive from the Welsh Government which had been created by the Finance Department in collaboration with the Research and Analysis Unit. It was noted that grant cuts were expected and that the Council had demonstrated a responsible approach when undertaking the Gwynedd Challenge consultation on potential service cuts.

It was reported that the Cabinet had considered the report on 24 November 2015, the following decisions were submitted for the attention of the committee to scrutinise -

"To accept the update and the summary of the 2016/17 – 2019/2020 Financial Strategy and continue with the current response plan, 'Gwynedd Challenge', for 2016/17 – 2017/18, while stating -

- a) That Gwynedd Council Cabinet opposes the cuts in its grant allocation enforced on the Council by the Westminster and Welsh Governments.
- b) That Gwynedd Council Cabinet will deliver on its statutory responsibility to agree on a balanced budget in order that it does not, ultimately, run out of money and fail to pay its employees and suppliers.

The Cabinet Member for Resources noted that approximately 75% of Council revenue depended on grants. He highlighted that the Welsh Government intended to provide a settlement per year, with no indicative figures in respect of subsequent years, which would make it impractical for the Council to implement a financial strategy over 4 years.

During the ensuing discussion, officers responded to members' enquiries as follows:

- Should there be a review of the Barnett formula, there would be uncertainty in terms of its outcome;



- Chancellor George Osborne's announcement on 25 November would set the bar for the Barnett formula, and would mean that funding allocated for the Welsh Government would be approximately the same as what had been currently allocated;
- The Full Council at its meeting on 3 March 2016 would set the Council Tax for 2016/17. It was noted that a question had been included in the Gwynedd Challenge consultation to gather the opinion of Gwynedd residents on increasing the Council Tax;
- That closing date of the Gwynedd Challenge consultation had been extended until 4 December 2015 and members were requested to encourage their electors to participate;
- Over 2,000 responses to the consultation had been received thus far and that the response was among the highest in terms of public consultations held by the Council;
- Should the Council not undertake cuts, an increase of approximately 12% would be required in the 2016/17 Council Tax to address the financial position. This would not be permitted;
- Discussions would be held with relevant Departments in terms of their income targets for 2016/17 and changes to fees would be a consideration when establishing budgets.

The Chairman expressed his gratitude for all the work undertaken by the officers on the Council's Financial Strategy.

**RESOLVED to note the situation and the relevant risks in the context of the Council's Financial Strategy.**

## 10. RISK MANAGEMENT ARRANGEMENTS

The Senior Revenue and Risk Manager set out the background and context of the report.

Attention was drawn to the groups of risks that had been identified by the Council and the action in terms of dealing with the risks within the groups.

It was reported that a procedure would be established in June 2016 where a report would be submitted to the Committee on the Risk Management field summarising the work undertaken in these fields in the previous period.

In response to an observation by a member regarding an increased risk due to a reduction in resources, the Senior Revenue and Risk Manager noted that a reduction in resources was unavoidable, but that risks would be prioritised better when implementing the Gwynedd Way strategy by focusing Council resources on mitigating the main risks instead of minor threats.

**RESOLVED:**

- (i) to accept the report;**
- (ii) to approve reporting arrangements for the Committee in order to fulfil its statutory role for reviewing and assessing the authority's arrangements for risk management, internal control and corporate governance.**

## 11. CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the above working group held on 12 November 2015 to consider two audits that had received a category C opinion during the period from 1 July 2015 and 11 September 2015, namely -

- a) Removing Leavers from IT Systems
- b) Charges on Properties of Home Residents

Senior Managers had been invited to attend the meeting, along with the Cabinet Member for Resources, to discuss the matters arising from the audits and the work that had been

completed since the audit reports had been published to strengthen the internal controls in question.

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

The Chairman noted that a letter should be sent to the Corporate Support Department and the Information Technology Service noting the need to deal with and confirm arrangements in terms of removing leavers from the IT systems immediately.

In response to an observation from a member in relation to the substantial fines that could be received in terms of data protection, the Head of Finance Department noted that the MobileIron app could enable the Council to delete information from mobile devices.

**RESOLVED:**

- (i) to accept the report;**
- (ii) to send a letter to the Corporate Support Department and the Information Technology Service noting the need to deal with and confirm arrangements in terms of removing leavers from the IT systems immediately.**

**12. OUTPUT OF THE INTERNAL AUDIT SECTION**

**The work of the Internal Audit Section for the period up to 31 October 2015**

Submitted – the report of the Audit Manager outlining the work of the Internal Audit Section for the period between 14 September 2015 and 31 October 2015. It was noted that there had been six reports on audits from the operational plan with the relevant opinion categories shown as completed during the period, one follow-up audit and one responsive audit.

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

**Public Transport**

In response to a member's enquiry, the Senior Revenue and Risk Manager noted that the main stream of the work was the Council's internal arrangements and that it did not encompass matters that had led to court cases and a police investigation into bus companies.

**Canolfan y Gwystl Responsive Audit**

A member noted that this audit should be considered at the meeting of the Controls Improvement Working Group.

**RESOLVED:**

- (a) to accept the reports on the work of the Internal Audit Section for the period 14 September 2015 to 31 October 2015 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.**
- (b) that the Chairman and Vice-chairman of the committee, along with Councillors John B. Hughes, Michael Sol Owen and Angela Russell serve on the Working Group to consider the audits that have received a category 'C' opinion along with the Canolfan y Gwystl responsive audit.**
- (c) that it is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.**

**13. INTERNAL AUDIT PLAN 2015/16**

The report of the Senior Audit and Risk Manager was submitted, providing an update on the current situation in terms of completing the 2015/16 internal audit plan.

It was reported that the Internal Audit Unit up to 31 October 2015 had completed 32.31% of the plan where 21 of the 65 individual audits had been released in a finalised version.

**RESOLVED to note the contents of the report as an update of progress against the 2015/16 audit plan.**

**14. AUDIT COMMITTEE FORWARD PROGRAMME**

Submitted – the report of the Senior Revenue and Risk Manager outlining the Committee's work programme for the period up to September 2016. It was noted that the forward programme would adapt during the period to respond to additional requirements/matters.

A member noted the need to prioritise items in order to ensure that due consideration was given to matters.

**RESOLVED to note the information.**

The meeting commenced at 10:35am and concluded at 12:50pm

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**CHAIRMAN**

# Agenda Item 5

**MEETING: AUDIT COMMITTEE**

**DATE: 11 FEBRUARY 2016**

**TITLE: REVENUE BUDGET 2015/16 –  
THIRD QUARTER REVIEW**

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

**ACTION: Receive the information, consider the risks arising from  
the forecast expenditure and income against the budget,  
regarding managing the budgets of the Council and its  
departments.**

**CONTACT OFFICERS: DAFYDD L EDWARDS, HEAD OF FINANCE and  
WILLIAM E JONES, SENIOR FINANCE MANAGER**

**CABINET MEMBER: COUNCILLOR PEREDUR JENKINS**

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1. The second quarter budget review report was submitted to the Audit Committee on 1 December 2015.
2. The report submitted today considers the third quarter budget review and, for the time being, as can be seen from Appendix 1, the net position for the Council shows an improvement.
3. However, the Audit Committee's Chairman has agreed to consider the report before we report to the Cabinet.
4. It is intended to present any comments the Audit Committee will have "on the table" at the Cabinet meeting on 16 February.
5. The Audit Committee is requested to note the position and the relevant risks regarding the budgets of the Council and its departments, and comment as necessary.

## REPORT TO THE CABINET

16 February 2016

**Cabinet Member:** Councillor Peredur Jenkins, Cabinet Member - Resources

**Subject:** Revenue Budget 2015/16 –  
Third Quarter Review (December 2015)

**Contact Officer:** Dafydd L Edwards, Head of Finance

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### 1. The decision sought / Purpose of the report

The Cabinet is asked to:

- Receive the report on the third quarter review of the 2015/16 Revenue Budget (position as at 31 December 2015), and consider the latest financial situation regarding the budgets of each department / service, asking the Cabinet Members and relevant heads of department to take appropriate steps regarding the matters under their leadership/management.
  - Note the various reviews noted in the report and the steps to be taken by departments to manage their budgets.
  - Give consideration to, and approve as appropriate, the recommendation included under Corporate Budgets.
- 

### 2. Introduction / Background

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

This quarterly report presents the latest review of the Council's revenue budget for 2015/16, and a summary of the position by each Department is outlined in **Appendix 1**.

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

## **2.1 Adults, Health and Wellbeing Department – £338k overspend**

A significant improvement in the overspend position previously forecast, down from £527k in the second quarter to £338k, and this pattern will need to continue to try to ensure a sound basis when moving forward to the new financial year. The departmental savings programme has slipped and means that around £725k has not been achieved this year as originally targeted. It follows that these must be achieved in due course, and in the meantime, means that appropriate bridging arrangements will have to be put in place.

## **2.2 Gwynedd Consultancy**

Latest forecasts reflect the Department's success in attracting additional work and, for the time being, to achieve a possible financial surplus of £137k by the end of the year.

## **2.3 Corporate**

Advantage has been taken with the favourable financial position seen with underspends on Benefits and headings under 'Other', and it is recommended to use it to assist with the Financial Strategy's position for 2016/17, and specifically to fund one-off bids.

## **2.4 General**

It can be seen that a combination of firm action and measures taken by a number of departments, together with the use of specific resources in reserve, and taking advantage of favourable financial performances on some headings this year, to contribute towards our Financial Strategy for 2016/17 all assist in achieving a net position for the Council which, for the time being, and in general, reflects a very acceptable level of financial control.

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### **Next steps and timetable**

Act on the recommendations submitted and present a follow-up report to the Cabinet at the end of the financial year.

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### **Local member's views**

Not relevant

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## **Opinion of the Statutory Officers**

### **Chief Executive:**

The report demonstrates live management of the Council's revenue expenditure during the year. Clearly, there are fields where there is cause for concern but we have also recognised steps to attempt to manage the position. It is key that sound financial management continues to be a high priority for every Cabinet Member and Head of Department.

The specific recommendation to use the 2015/16 corporate underspend in order to fund one-off bids in the 2016/17 Financial Strategy is one that I support.

### **Monitoring Officer:**

Nothing to add from a propriety perspective.

### **Head of Finance:**

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

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### **Appendices**

Appendix 1 – Summary of Departments' net budget position.

Appendix 2 – Details of budgets and significant variances.

**Revenue Budget 2015/16 - Summary of position by Department**

	Third Quarter Review				Second Quarter Review
	Revised Budget 2015/16	Estimated Overspend / (Underspend) 2015/16	Movements to/from Reserves	Revised Overspend/ (Underspend)	
	£'000	£ '000	£'000	£ '000	
<b>Adults, Health and Wellbeing</b>	<b>49,785</b>	<b>338</b>		<b>338</b>	<i>527</i>
<b>Children and Families</b>	<b>13,731</b>	<b>151</b>		<b>151</b>	<i>144</i>
<b>Education</b>	<b>89,589</b>	<b>245</b>	<b>(249)</b>	<b>(4)</b>	<i>115</i>
<b>Economy and Community</b>	<b>12,622</b>	<b>25</b>		<b>25</b>	<i>66</i>
<b>Highways and Municipal</b>	<b>24,215</b>	<b>10</b>		<b>10</b>	<i>1</i>
<b>Regulatory</b> (Planning, Transportation and Public Protection)	<b>9,885</b>	<b>(122)</b>		<b>(122)</b>	<i>(14)</i>
<b>Gwynedd Consultancy</b>	<b>861</b>	<b>(137)</b>		<b>(137)</b>	<i>9</i>
<b>Corporate Management Team and Legal</b>	<b>665</b>	<b>(30)</b>		<b>(30)</b>	<i>(45)</i>
<b>Finance</b>	<b>1,007</b>	<b>(69)</b>		<b>(69)</b>	<i>(60)</i>
<b>Corporate Support</b>	<b>555</b>	<b>(96)</b>		<b>(96)</b>	<i>(89)</i>
<b>Corporate Budgets</b> <i>(Variances only)</i>		<b>(553)</b>	<b>550</b>	<b>(3)</b>	<i>(216)</i>
<b>Total Variances (net)</b>	<b>202,915</b>	<b>(238)</b>	<b>301</b>	<b>63</b>	<i>438</i>



<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Adults, Health and Wellbeing Department Summary Position</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	<b>Estimated Overspend / (Underspend) 2015/16</b>	Use of Other Sources or Other Recommended Adjustments	<b>Revised Overspend/ (Underspend)</b>	Overspend/ (Underspend) 2nd Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Adult Services</u></b>						
Older People's Service						
Residential and Nursing - Homes	10,199	9,834	(365)	0	(365)	(346)
Home Care	6,006	6,085	79	0	79	188
Other	2,571	2,411	(160)	0	(160)	(112)
	18,776	18,330	(446)	0	(446)	(270)
Physical Disability Services						
Residential and Nursing	462	483	21	0	21	10
Home Care	985	1,004	19	0	19	37
Other	686	703	17	0	17	5
	2,133	2,190	57	0	57	52
Learning Disability Services	13,722	13,618	(104)	0	(104)	(80)
Mental Health Services						
Residential and Nursing	1,292	1,440	148	0	148	112
Other	2,113	2,060	(53)	0	(53)	(37)
	3,405	3,500	95	0	95	75
Other Services (Adults)						
Management	369	348	(21)	0	(21)	13
Older People and Physical Disability Team	2,749	2,682	(67)	0	(67)	(16)
	3,118	3,030	(88)	0	(88)	(3)
<b><u>Adult Services Total</u></b>	<b>41,154</b>	<b>40,668</b>	<b>(486)</b>	<b>0</b>	<b>(486)</b>	<b>(226)</b>

<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Adults, Health and Wellbeing Department Summary Position</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	Estimated Overspend / (Underspend) 2015/16	Use of Other Sources or Other Recommended Adjustments	Revised Overspend/ (Underspend)	Overspend/ (Underspend) 2nd Quarter Review
	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Provider Services (net budget shown)</u></b>						
Residential Care	7	125	118	0	118	137
Day Care	5	(63)	(68)	0	(68)	(49)
Community Care	2	179	177	0	177	201
Other	(154)	(196)	(42)	0	(42)	(37)
<b><u>Total Provider Services</u></b>	<b>(140)</b>	<b>45</b>	<b>185</b>	<b>0</b>	<b>185</b>	<b>252</b>
<b><u>Other Services</u></b>						
Housing Services	5,001	4,996	(5)	0	(5)	(17)
Customer Care Services	226	145	(81)	0	(81)	(71)
Departmental Central Services	3,544	4,269	725	0	725	589
<b><u>Total Other Services</u></b>	<b>8,771</b>	<b>9,410</b>	<b>639</b>	<b>0</b>	<b>639</b>	<b>501</b>
<b><u>Adults, Health and Wellbeing Total</u></b>	<b>49,785</b>	<b>50,123</b>	<b>338</b>	<b>0</b>	<b>338</b>	<b>527</b>

## **Adult, Health and Wellbeing Summary**

### **Main Issues:-**

#### **Older People's Services:-**

- Residential and Nursing - Homes - a small increase of (£19k) in the underspend level to (£365k), and includes a combination of variances, including an underspend of (£260k) on Independent Homes, due to the substantial reduction in the number of placements, together with additional income contribution of (£105k), which is a reduction of £109k since the second quarter.
- Home Care - a reduction of (£109k) in the overspend previously forecasted, down to £79k, following a reduction in the number of packages.
- Other - an increase of (£48k) in the underspend of (£160k) under this heading since the second quarter, and including a number of variances, and in particular an underspend of (£69k) on Residential Support, an underspend of (£28k) on Direct Payments, and an underspend of (£33k) on Aids and Adaptations.

**Physical Disability Services** - an increase of £5k in the overspend since the second quarter up to £57k and includes numerous small variances.

**Learning Disability Services** - an increase of (£24k) is seen in the underspend since the second quarter up to (£104k), but a number of substantial variances are included, in particular, an underspend of (£257k) on Residential and Nursing - Independent Homes due mainly to a reduction in the number of cases, an additional contribution from the Health Service and early realisation of some savings schemes. Also included is an underspend of (£66k) on the Adult Placement Schemes, an overspend of £285k on Residential Support due mainly to additional cases, an overspend of £71k on Direct Payments, an overspend of £120k on Day Services and an underspend of (£259k) on Support Schemes, mainly following on from re-assessing the service packages.

**Mental Health Services** - an increase of £20k in the overspend forecasted previously up to £95k, including an overspend of £148k on Residential and Nursing, with a substantial element due to a reduction in the contributions from the Health Service, together with an underspend of (£61k) due to the turnover of field workers.

**Other Services (Adults)** - an underspend of (£88k) is forecasted under this heading, and includes a staffing underspend of (£21k) together with an underspend of (£67k) by the Elderly and Physical Disability Team following the receipt of additional income.

**Provider Services** - a reduction of (£67k) to the previous forecasted overspend down to £185k, including an overspend of £118k on Residential Care mainly due to higher employment costs, an underspend of (£68k) on Day Care, and an overspend of £177k on Community Care which is a reduction of (£24k) since the last quarter, and includes higher employment costs of £70k and higher travelling costs of £84k (and is an improvement of (£46k) since the second quarter). The Department continues to review different elements of the Provider Service with the aim of further reducing the overspend situation.

#### **Other Services**

- Housing Service - whilst the latest net position is fairly neutral, an underspend of (£135k) on Temporary Housing is included (which is part of the Savings Schemes for 2016/17), an overspend of £65k on a Housing Lease Scheme and an overspend of £83k on Hostels, with the last two seeing a loss of income due to a reduction in the number of tenants.

- Customer Care Service - an underspend position of (£81k) is forecasted and whilst including numerous variances, it is mainly an underspend of (£70k) on staffing costs.

- Department Central Services - included here is the "Savings Schemes to be Realised" position. Whilst work to realise the target for this year continues, there is a probability of not realising £725k of the savings target this year.

#### **Summary**

As seen above, there are a number of variances contributing to give a net department overspend of £338k. This is a substantial reduction of (£189k) since that forecasted in the second quarter and in a number of instances reflecting the good work undertaken to date to try to manage the budget. However, it is expected that this work continues to try to ensure a firm budgetary position by the Department into the new financial year.

<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Children and Families Department Summary Position</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	<b>Estimated Overspend / (Underspend) 2015/16</b>	Use of Other Sources or Other Recommended Adjustments	<b>Revised Overspend/ (Underspend)</b>	Overspend/ (Underspend) 2nd Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	403	375	(28)	0	(28)	(28)
Operational Services	1,826	2,013	187	0	187	141
Placement Services						
Residential Unit	140	596	456	0	456	416
Out of County Placements	2,233	2,215	(18)	0	(18)	92
Agency Fostering	1,020	1,098	78	0	78	(20)
Internal Fostering	1,809	1,605	(204)	0	(204)	(191)
Other	1,500	1,490	(10)	0	(10)	27
	6,702	7,004	302	0	302	324
Post-16 Services	991	844	(147)	0	(147)	(106)
Specialist Services/Derwen	1,502	1,431	(71)	0	(71)	(70)
Youth Justice Services	257	238	(19)	0	(19)	(18)
Early Years Services	109	75	(34)	0	(34)	(45)
Other Services	1,941	1,902	(39)	0	(39)	(54)
<b>Children and Families Total</b>	<b>13,731</b>	<b>13,882</b>	<b>151</b>	<b>0</b>	<b>151</b>	<b>144</b>

## **Children and Families Summary**

### **Main Issues:-**

**Operational Services** - an increase of £46k in the overspend forecasted in the second quarter up to £187k, mainly due to an overspend of £125k on Field Workers, and an overspend of £62k on Support Schemes.

### **Placement Services**

- Residential Unit - slippage with the savings schemes relating to a children's residential home, with the delay contributing significantly to the overspend of £456k forecasted.
- Out of County Placements - an overspend situation of £92k in the second quarter now converted into an underspend of (£18k) mainly due to the decision of the Health Service to contribute towards two specific cases.
- Agency Fostering - An underspend of (£20k) in the second quarter converted into an overspend of £78K on taking on a new case.
- Internal Fostering - an increase of (£12k) from the previous underspend up to (£203k), and reflecting success in the arrangements to realise early savings schemes relating to 2016/17.

**Post 16 Services** - an underspend position of (£147k) is forecasted, which is an increase of (£41k) since the second quarter and mainly due to a reduction in Support Scheme costs.

**Specialist Services/Derwen** - a net underspend of (£71k) on this heading due to a reduction in the cost of support workers, and early realisation of savings schemes.

### **Summary**

The department has taken specific steps to try to achieve an underspend on other headings to operate within the net budget by the end of the financial year. If it is not possible to fully achieve this, reserve funds could be used to make up any deficiency.

<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Education Department Summary Position</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	Estimated Overspend / (Underspend) 2015/16	Use of Other Sources or Other Recommended Adjustments	Revised Overspend/ (Underspend)	Overspend/ (Underspend) 2nd Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Delegated Schools	71,486	71,486	0	0	0	0
Transport	4,152	4,210	58	0	58	73
Redundancies and Early Retirement	918	961	43	(43)	0	0
Integration	(9)	(9)	0	0	0	0
Out-of County	982	875	(107)	0	(107)	0
Catering and Cleaning	455	504	49	0	49	140
Nursery Education	606	606	0	0	0	0
Education Improvement Grant	686	686	0	0	0	0
Management	1,841	1,821	(20)	0	(20)	(31)
Additional Learning Needs Unit	1,943	2,139	196	(206)	(10)	(71)
Inclusion Strategy	348	316	(32)	0	(32)	(38)
Further Education	24	24	0	0	0	0
School Reserves	64	64	0	0	0	0
Contribution to Joint Committees	1,576	1,576	0	0	0	0
Other	4,517	4,575	58	0	58	42
<b>Education Total</b>	<b>89,589</b>	<b>89,834</b>	<b>245</b>	<b>(249)</b>	<b>(4)</b>	<b>115</b>

## Education Summary

### Main Issues:-

**Redundancies and Early Retirement** - The Department has already this year used (£496k) from a reserve fund to clear an overspend position previously forecasted. An additional £43k overspend is now forecasted, to be funded again from the reserve fund.

**Out of County** - an underspend position of (£107k) is forecasted for this year, which reflects the latest calls for the service.

**Additional Learning Needs Units** - due to the position relating to two specific centres, and the need to make alternative arrangements with additional costs of approximately £206k, the Cabinet in the last quarter agreed to underwrite the additional costs, with the exact sum to be confirmed at the end of the year, and dependant on the net Department position at that time.

### Summary

Through a combination of the use of a reserve fund and other specific measures, including the Cabinet's previous agreement to assist with the Additional Learning Needs Units situation, it is forecasted for the time being that the Department's net position will be fairly neutral.



<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Economy and Community Department Summary Position</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	<b>Estimated Overspend / (Underspend) 2015/16</b>	Use of Other Sources or Other Recommended Adjustments	<b>Revised Overspend/ (Underspend)</b>	Overspend/ (Underspend) 2nd Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Management	816	818	2	0	2	(7)
Business Support	261	271	10	0	10	12
Marketing and Customer Care	1,055	1,055	0	0	0	0
Community Regeneration	671	659	(12)	0	(12)	(12)
Skills and Enterprise	67	67	0	0	0	(9)
Strategic Projects Team	637	637	0	0	0	0
Strategy and Development	243	243	0	0	0	0
Archives	435	428	(7)	0	(7)	(7)
Museums	173	173	0	0	0	3
Galleries	63	63	0	0	0	0
Halls	250	271	21	0	21	10
Arts	265	265	0	0	0	0
Country Parks	117	113	(4)	0	(4)	0
Maritime	200	217	17	0	17	(10)
Youth Service	1,299	1,221	(78)	0	(78)	(39)
Healthy Communities Service	3,876	3,932	56	0	56	105
Sports Development	255	255	0	0	0	0
Libraries	1,939	1,959	20	0	20	20
<b>Total Economy a Community</b>	<b>12,622</b>	<b>12,647</b>	<b>25</b>	<b>0</b>	<b>25</b>	<b>66</b>

## Economy and Community Summary

### **Main Issues:-**

**Halls** - a £21k overspend position is forecasted for the time being and includes a number of variances, but mainly reflecting a reduction in income receipts.

**Youth Service** - a (£39k) underspend position in the first quarter has increased to an underspend of (£78k) and including a number of variances, and in particular an underspend of (£52k) as a result of freezing some posts.

**Healthy Communities Service** - a reduction in the previous overspend of £105k forecasted down to £56k, and mainly as a result of the Cabinet decision to approve an additional (£50k) for the Department in the second quarter due to the loss of income in the Bangor Swimming Pool during the five month period that the facility was closed to the public. The Department continues to try to identify other measures to ensure they operate within the budget by the end of the financial year.

<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Crynhoad Sefyllfa Adran Priffyrdd a Bwrdeistrefol (yn cynnwys Cefnffyrdd)</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	<b>Estimated Overspend / (Underspend) 2015/16</b>	Use of Other Sources or Other Recommended Adjustments	<b>Revised Overspend/ (Underspend)</b>	Overspend/ (Underspend) 2nd Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk Roads)	10,026	9,970	(56)	0	(56)	(4)
Engineering Services	513	529	16	0	16	4
Municipal Services						
Waste						
Waste Disposal	2,231	2,119	(112)	0	(112)	(138)
Treatment and Transfer Sites	1,472	1,696	224	0	224	182
Recycling Centres	1,306	1,255	(51)	0	(51)	32
Waste Collection and Recycling	3,566	3,639	73	0	73	14
Other Waste	433	544	111	0	111	(58)
Waste Sub-total	9,008	9,253	245	0	245	32
Other Municipal	4,617	4,413	(204)	0	(204)	(37)
	13,625	13,666	41	0	41	(5)
Fleet Unit	51	60	9	0	9	6
<b>Highways and Municipal (including Trunk Roads) Total</b>	<b>24,215</b>	<b>24,225</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>1</b>

## Summary Highways and Municipal (including Trunk Roads)

### **Main Issues:-**

**Highways Services (including Trunk Roads)**- latest forecasts reflect a net underspend of (£56k), and whilst including numerous variances, staffing savings are particularly apparent from the early realisation of some savings schemes.

**Waste Disposal** - as the landfill level is less than the original forecast, savings in landfill tax costs and disposal costs are evident, with the latest estimate of the related underspend having reduced from (£138k) in the second quarter, down to (£112k).

**Treatment and Transfer Sites** - the latest forecast reflects an increase in the overspend from £182k in the second quarter to £224k. Included is an income shortfall of £412k from the sale of recyclable materials due to the related market conditions, an underspend of (£100k) on green bags, and an underspend of (£77k) in the operating costs of transfer sites and the Caerylchu handling site.

**Waste Collection and Re-cycling** - an overspend position is evident under this heading, mainly due to higher operating costs together with a reduction in trading income.

**Other Waste** - a substantial change under this heading since the second quarter, where a previous underspend of (£58k) has changed to an overspend of £111k, mainly due to higher operating costs on special vehicles, together with additional related costs to deal with the changes in collection arrangements.

**Other Municipal** - an underspend position of (£204k) is forecasted under this heading for the time being, including an underspend of (£89k) on Street Cleaning, an underspend of (£87k) on Bereavement Services, and an underspend of (£18k) on Open Spaces mainly due to an underspend in staffing costs.

<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Regulatory Department Summary Position</b>	<b>Revised Budget 2015/16</b>	<b>Estimated Final Position 2015/16</b>	<b>Estimated Overspend / (Underspend) 2015/16</b>	<b>Use of Other Sources or Other Recommended Adjustments</b>	<b>Revised Overspend/ (Underspend)</b>	<b>Overspend/ (Underspend) 2nd Quarter Review</b>
<b>Area:-</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Management	345	337	(8)	0	(8)	(7)
Planning Services						
Development Control	316	204	(112)	0	(112)	(5)
Other	19	1	(18)	0	(18)	(3)
	<b>335</b>	<b>205</b>	<b>(130)</b>	<b>0</b>	<b>(130)</b>	<b>(8)</b>
Street Works and Transport Services						
Forward Planning	1,992	1,986	(6)	0	(6)	0
Structural Maintenance	1,362	1,516	154	0	154	2
Road Safety	391	351	(40)	0	(40)	5
Traffic and Statutory Arrangements	654	643	(11)	0	(11)	(11)
Parking Services and Parking Enforcement	(1,174)	(1,257)	(83)	0	(83)	(4)
Transport	2,194	2,168	(26)	0	(26)	(12)
Other	395	398	3	0	3	0
	<b>5,814</b>	<b>5,805</b>	<b>(9)</b>	<b>0</b>	<b>(9)</b>	<b>(20)</b>
Countryside and Access Services	1,277	1,294	17	0	17	0
Joint Planning Policy Unit	285	285	0	0	0	0
Public Protection Services	1,819	1,834	15	0	15	35
Catering, Cleaning and Caretaking Services	26	31	5	0	5	(7)
Property Services	(16)	(28)	(12)	0	(12)	(7)
<b>Regulatory Total</b>	<b>9,885</b>	<b>9,763</b>	<b>(122)</b>	<b>0</b>	<b>(122)</b>	<b>(14)</b>

## Regulatory Summary

### Main Issues:-

**Development Control** - in the second quarter, the Cabinet approved the transfer of (£100k) of the underspend of (£105k) forecasted at that time the Council's contingency budget. By now, it can be seen that this strong performance continues, and shows a net underspend of (£112k) and including mainly the receipt of additional fee income together with an underspend on operational costs.

**Structural Maintenance** - an overspend of £154k is forecasted under this heading, with the Department having taken advantage of the favourable position evident under numerous other headings to add to the expenditure on Structures as a consequence of problems emanating from the recent floods.

**Parking Services** - a (£204k) underspend was forecasted under this heading in the second quarter, and the Cabinet approved a transfer of (£200k) to the Council's reserve fund. By now, it is evident that the favourable income position continues, together with an underspend in operational costs, and the latest net underspend having increased to (£83k).

<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Consultancy Department Summary Position</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	<b>Estimated Overspend / (Underspend) 2015/16</b>	Use of Other Sources or Other Recommended Adjustments	<b>Revised Overspend/ (Underspend)</b>	Overspend/ (Underspend) 2nd Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(291)	(409)	(118)	0	(118)	51
Flood Risk Management Unit Services	865	865	0	0	0	0
Building Services	287	268	(19)	0	(19)	(42)
<b>Consultancy Total</b>	<b>861</b>	<b>724</b>	<b>(137)</b>	<b>0</b>	<b>(137)</b>	<b>9</b>

### **Consultancy Summary**

#### **Main Issues:-**

**Roads and Engineering Services** -a gross deficiency of £151k was forecasted in the second quarter, mainly a reduction in fee income for this year and it was proposed, if the situation continued to the year end, to use a reserve to alleviate the situation. By now, following an increase in the level of work received, the position had improved considerably, with the latest forecast showing a possible surplus of (£118k).

<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Central Departments Summary Position</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	Estimated Overspend / (Underspend) 2015/16	Use of Other Sources or Other Recommended Adjustments	Revised Overspend/ (Underspend)	Overspend/ (Underspend) 2nd Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's Department	665	635	(30)	0	(30)	(45)
Finance	1,007	938	(69)	0	(69)	(60)
Corporate Support	555	459	(96)	0	(96)	(89)
<b>Central Departments Total</b>	<b>2,227</b>	<b>2,032</b>	<b>(195)</b>	<b>0</b>	<b>(195)</b>	<b>(194)</b>

### **Central Departments Summary**

#### **Main Issues**

**Finance** - an underspend position of (£69k) is forecasted for the time being, mainly as a result of staff savings, which is a combination of early realisation of savings schemes and savings from staff turnover.

**Corporate Support** - a small increase of (£7k) in the underspend of (£89k) forecasted in the second quarter up to (£96k) and including an underspend of (£31k) by the Democracy and Support Delivery Service, mainly due to staff turnover and also small overspend on some services and supplies. Additionally, an underspend of (£70k) is forecasted on Human Resources, mainly a combination of receipt of additional income, and early realisation of some staff savings.



<b>REVENUE BUDGET 2015/16 - THIRD QUARTER REVIEW</b>						
<b>Corporate Summary Position (Only showing the variances)</b>	Revised Budget 2015/16	Estimated Final Position 2015/16	<b>Estimated Overspend / (Underspend) 2015/16</b>	Use of Other Sources or Other Recommended Adjustments	<b>Revised Overspend/ (Underspend)</b>	Overspend/ (Underspend) 2nd Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	(32)		(32)	(105)
Benefits	*	*	(345)	240	(105)	(173)
Net Interest Receipt	*	*	216		216	169
Other	*	*	(392)	310	(82)	(107)
<b>Corporate Total</b>	*	*	<b>(553)</b>	<b>550</b>	<b>(3)</b>	<b>(216)</b>

### Corporate Summary

#### Summary

A favourable position is forecasted from a higher collection (£32k) of Council Tax, an underspend of (£345k) on Benefits and a reduction of £216k in Net Interest Receipts. Additionally, included under "Other" is a combination of numerous headings and in particular bids worth (£206k) that were not used by departments this year, and accordingly are being transferred to Corporate on a once and for all basis, together with numerous savings schemes that were partly realised early this year valued at (£153k).

#### Recommendation

It is recommended that (£240k) of the underspend on Benefits together with (£310k) of the underspend included under "Other" above is transferred to a specific contingency fund to assist the Financial Strategy for 2016/17 (financing one-off bids).

# Agenda Item 6

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**MEETING:                   AUDIT COMMITTEE**

**DATE:                     11 FEBRUARY 2016**

**TITLE:                    CAPITAL PROGRAMME 2015/16 –  
THIRD QUARTER REVIEW**

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

**ACTION:                 Receive the information and consider the risks  
regarding the Capital Programme**

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

**CABINET MEMBER:     COUNCILLOR PEREDUR JENKINS**

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1. The attached report (capital programme's third quarter review) is presented to the Cabinet on 16 February for decisions regarding the revised programme and its financing.
2. The Audit Committee's Chairman has agreed to consider the report before we present it to the Cabinet.
3. It is intended to present any comments the Audit Committee will have "on the table" at the Cabinet meeting on 16 February.
4. The Audit Committee is asked to note the position and any risks regarding the Council's capital programme, and comment as necessary.

## REPORT TO THE CABINET

16 February 2016

**Cabinet Member:** Councillor Peredur Jenkins - Resource Cabinet Member

**Subject:** Capital Programme 2015/16 – Third Quarter Review  
(31 December 2015)

**Contact Officer:** Dafydd L Edwards - Head of Finance

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### The decision sought / Purpose of the report

To accept the report on the third quarter review (31 December 2015 position) of the capital programme, and approve the revised financing as shown in part 2 of the report, that is:

- an increase of £132,000 in the use of unsupported borrowing
  - an increase of £276,000 in the use of grants and contributions
  - an increase of £350,000 in the use of capital receipts
  - an increase of £268,000 in the use of revenue contributions
  - a decrease of £151,000 in the use of the capital reserve
  - an increase of £133,000 in the use of renewal reserves
- 

### 1. Introduction / Summary

This technical report is presented as part of the 2015/16 budget monitoring process. The main purpose of the report is to present the revised programme and to approve the relevant financing sources. The report is in 2 main parts, with the recommendation in part 3:

Part 1: Analysis by Department of the £82.66m capital programme for the 3 years 2015/16 – 2017/18.

Part 2: An explanation of the sources of finance for the net increase of approximately £1.0m since the last review.

The Cabinet has the authority to adapt the capital programme. Approval is sought for the programme (part 1) and financing (part 2).

The remainder of the report is for information:

- Appendix A: Main changes per sources of finance
- Appendix B: Movements from 2015/16 to 2016/17
- Appendix C: First 9 months spending profile for 2015/16

### 2. Main Findings:

The main conclusions that arise from the revised position are:

- There are definite projects in place to invest over £42m in 2015/16, with £16m being financed by attracting specific grants.

- The Council succeeded in spending nearly £27m, which is over 64% of the budget on capital projects during the first 9 months of 2015/16, compared to 58% in the same period last year.
- No loss of funding was caused to the Council where schemes have slipped.

### **3. Reasons for recommending the decision**

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

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

These are recommendations to ensure definite sources of funding for the 2015/16 – 2017/18 capital schemes.

### **4. Relevant considerations**

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

### **5. Next steps and timetable**

To implement the recommendations to finance the programme.

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#### **View of the Local Member**

Not relevant.

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#### **Views of the Statutory Officers**

##### **Chief Executive:**

It is good to see that the expenditure percentage this year to date is better than at this time last year. However, we need to continue to be watchful to ensure that there are no avoidable slippages between now and the end of the financial year.

##### **Monitoring Officer:**

Nothing to add from a propriety perspective.

##### **Head of Finance:**

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

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#### **Appendix**

Detailed report in parts 1-3, Appendices A, B and C.

## 1 CAPITAL PROGRAMME 2015/16 to 2017/18

1.1 See below shows the revised capital programme up to the end of December 2015:

DEPARTMENT	END OF DECEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW £'000
	2015/16	2016/17	2017/18	TOTAL	
	£'000	£'000	£'000	£'000	
Education	13,512	16,608	7,959	38,079	-
Finance	706	650	-	1,356	12
Economy and Community	4,954	2,148	-	7,102	39
Housing	4,643	2,367	-	7,010	5
Adults, Health and Wellbeing	677	638	155	1,470	50
Children and Families	99	-	-	99	89
Highways and Municipal	4,133	3,634	2,413	10,180	51
Corporate Support	366	101	-	467	-
Regulatory	12,827	3,679	51	16,557	753
Consultancy	111	23	-	134	9
Corporate	-	202	-	202	-
<b>TOTAL</b>	<b>42,028</b>	<b>30,050</b>	<b>10,578</b>	<b>82,656</b>	<b>1,008</b>

## 2. CHANGES TO THE SOURCES OF FINANCE

2.1 The budget for the three year programme shows an increase of £1.008m since the last review position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF DECEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW £000
	2015/16	2016/17	2017/18	TOTAL	
	£'000	£'000	£000	£000	
Supported Borrowing	6,637	6,637	2,817	16,091	-
Unsupported Borrowing	6,268	8,025	1,620	15,913	132
Grants and Contributions	15,816	8,639	3,222	27,677	276
Capital Receipts	1,617	921	-	2,538	350
Departmental & Corporate Revenue	4,716	1,281	300	6,297	268
Capital Fund	2,384	1,660	155	4,199	(151)
Renewals & Other Funds	4,590	2,887	2,464	9,941	133
<b>TOTAL</b>	<b>42,028</b>	<b>30,050</b>	<b>10,578</b>	<b>82,656</b>	<b>1,008</b>

## 3. RECOMMENDATION

The Cabinet is asked to:

- accept the 2015/16 to 2017/18 revised programme and
- approve the relevant sources of finance (para. 2.1 above).

**MAIN CHANGES PER SOURCE OF FINANCING:**

See below the relevant schemes that have caused the main changes to the sources of finance during the last quarter:

	2015/16 £'000	2016/17 £'000	2017/18 £'000
<b>Unsupported Borrowing</b>			
Carbon Management Schemes – loans from SALIX (which is an independent company that uses public funds to provides loans to the public sector) towards energy efficiency projects (Regulatory Department/Property Section)	132	-	-
<b>Grants and Contributions</b>			
Local Transport Fund – a grant from the Government to provide sustainable transport systems (Regulatory Department)	144	-	-
Coastal Path Scheme – grant from Natural Resources Wales towards the next phase of this scheme (Regulatory Department)	122	-	-
<b>Capital Receipts</b>			
A499 Aberdesach to Llanaelhaearn scheme (full use of the capital receipt from the sale of Plas Cae Pwsan on behalf of the Government towards the costs of the above scheme) (Regulatory Department)	200	-	-
Technical Adjustment – Strategic Scheme (use of capital receipts from the Mynwy scheme rather than funding the schemes through revenue) – see also Capital Fund below	151	-	-
<b>Departmental Revenue</b>			
'Llyn Celyn' – a scheme to provide safety fencing around the lake (Regulatory Department)	100	-	-
Resurfacing of the car park in Bala (Regulatory Department)	140	-	-
<b>Capital Fund</b>			
Technical Adjustment – Strategic Scheme (use of capital receipts from the Mynwy scheme rather than funding the schemes through revenue) – see also Capital Receipts above	(151)	-	-
<b>Renewals and Other Funds</b>			
Carbon Management – Solar Projects (Regulatory Department /Property Unit)	76	-	-
Depots – Portacabins (Highways and Municipal Department)	31	-	-

**BUDGET RE-PROFILING – MAIN SCHEMES:**

See below the main schemes that have been re-profiled since the original budget:

	2015/16 £'000	2016/17 £'000	2017/18 £'000
21 <sup>st</sup> Century Schools (Education Department)	(2,631)	2,631	-
Council's Fleet (Highways and Municipal Department)	(1,501)	1,501	-
Caernarfon Town and Foreshores Regeneration (Economy and Community Department)	(422)	422	-
Temporary Classrooms in Schools (Education Department)	(307)	307	-
EDRMS Scheme (electronic document and records management system) (Adults, Health and Wellbeing Department)	(233)	233	-

**NOTE:**

The above re-profiling will not result in any loss in grant.

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

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**APPENDIX C****CAPITAL EXPENDITURE FIRST 9 MONTHS 2015/16**

CRYNODEB	CAPITAL PROGRAMME FULL YEAR (reviewed December)	ACTUAL EXPENDITURE FOR THE 9 MONTHS TO
	2015/16 £'000	31/12/2015 £'000
Education	13,512	8,493
Finance	706	443
Economy and Community	4,954	4,279
Housing	4,643	1,498
Adults, Health and Wellbeing	677	331
Children and Families	99	8
Highways and Municipal	4,133	2,974
Corporate Support	366	196
Regulatory	12,827	8,743
Consultancy	111	31
	-	
<b>CYFANSWM</b>	<b>42,028</b>	<b>26,996</b>

**Note:** Despite the re-profiling, the percentage that has been spent this year is comparably higher than the position this time last year.

# Agenda Item 8

<b>MEETING</b>	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	<b>11 FEBRUARY 2016</b>
<b>TITLE</b>	<b>TREASURY MANAGEMENT TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2016/17</b>
<b>AUTHOR</b>	<b>DAFYDD L EDWARDS – HEAD OF FINANCE</b>
<b>CABINET MEMBER</b>	<b>COUNCILLOR PEREDUR JENKINS</b>

## Introduction and Background

1. The Code of Practice for managing Treasury Management in Public Services published by CIPFA, requires the Council to prepare a Policy Statement and practice papers together with detailed schedules setting out the Council's approach to all treasury operations. The primary requirement of the Code is the approval by the Full Council of the Policy Statement, the practice papers and the schedules. These were approved by the Council at its meeting (in respect of 2015/16) at its meeting of 5<sup>th</sup> March 2015.
2. The Welsh Assembly Government's Statutory Guidance on Local Government Investments ("The Guidance"), requires the Council, as part of its treasury management function to prepare an Annual Investment Strategy. The Guidance states that authorities can combine the Treasury Management Strategy Statement and the Annual Investment Strategy into one report. Gwynedd Council has adopted that suggestion, therefore the Annual Investment Strategy is included as section 5 of **Appendix A**.
3. The Council is required by the Code and the Guidance to approve an annual Treasury Management Strategy Statement, an Annual Investment Strategy and a Minimum Revenue Provision Strategy prior to the commencement of each financial year. The proposed strategy for 2016/17 is detailed herewith as **Appendix A**.
4. As Administering Authority of the Gwynedd Pension Fund the Council also undertakes treasury management investment functions on its behalf by combining the surplus cash held by the Council and the Pension Fund for daily investment purposes. The Pension Fund requests this annually as the returns received are improved and the risks reduced by combining the cash with the Council's funds. The Pensions Committee will approve the relevant elements of this Strategy Statement and request the continuation of the pooling arrangements for 2016/17 at its meeting on 17<sup>th</sup> March 2016.



5. In addition, the Local Government Act 2003 introduced a prudential framework for local authority's capital investment. The arrangements, which have been applicable from 1<sup>st</sup> April 2004 introduced a system of governance for local authority capital expenditure, based largely on self regulation. The Prudential Code for Capital Finance in Local Authorities has been developed by CIPFA as a professional code of practice, with statutory backing, to support local authorities in taking decisions to spend capital. Key objectives are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. Local authorities, before the beginning of each financial year, are required to set certain prudential indicators for the forthcoming and following years. Following the recent review, CIPFA has now introduced a new prudential indicator, "Upper limits on the proportion of net debt to gross debt" to highlight where an authority may be borrowing in advance of its cash requirement. The indicators, which are based on the capital and revenue budget proposals contained elsewhere on the agenda, are shown here in **Appendix B**.
6. With effect from 31<sup>st</sup> March 2008, the Welsh Assembly Government introduced the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 [the "Amendment Regulations"]. These Regulations introduce certain amendments to those introduced in 2003 [the "Original Regulations"] as part of the implementation of the Prudential Borrowing regime. Amongst the changes introduced is the requirement for an Annual Minimum Revenue Provision (MRP) Policy Statement.
7. The Original Regulations set out a statutory basis and a complex formula for the calculation of MRP. The Amendment Regulations only require a charge that is 'prudent', and authorities are permitted more discretion in terms of the charge levied, albeit within certain parameters. **Appendix C** therefore also incorporates the Annual MRP Statement for 2016/17.
8. Members of the Audit Committee and the Cabinet Member for Resources were invited to a briefing meeting on 28 January 2016 with Arlingclose, the Council's Treasury Advisors, to discuss Treasury Management. Members were reminded of CIPFA's Code of Practice for Treasury Management as well as their roles and responsibilities as members for the Treasury Management function. The advisors highlighted the various current treasury risks, and spoke in detail about the credit and counterparty risks, interest rate risks and inflation risk. They also discussed the Council's debt portfolio, net borrowing position, and the prudential indicators.

### **Recommendation**

9. **The Audit Committee is asked to recommend that the Full Council on 3<sup>rd</sup> March should adopt the Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17 (Appendix A), the Prudential Indicators (Appendix B), the Minimum Revenue Provision Statement (Appendix C) and the pooling arrangement with the Pension Fund for daily cash flow investment.**

## Treasury Management Strategy Statement 2016/17

### 1. Introduction

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

### 2. External Context

#### 2.1 Economic background

Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.

The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic

indicators however suggest recent global turbulence has not knocked the American recovery off course. The Federal Reserve raised policy rates to 0.5% at its meeting in December 2015. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.

## 2.2 **Credit outlook**

The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain stubbornly low.

## 2.3 **Interest rate forecast**

The Authority's treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

2.4 A more detailed economic and interest rate forecast provided by the Authority's treasury management advisor is attached at *Annex A*.

2.5 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.63%, and that no new long-term loans will be required.

### 3. Local Context

3.1 The Authority had £111.5m of borrowing and £55.5m of investments as at 31 December 2015. This is set out in further detail at *Annex B*. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

**Table 1: Balance Sheet Summary and Forecast**

	<b>31.3.15 Actual £'000</b>	<b>31.3.16 Estimate £'000</b>	<b>31.3.17 Estimate £'000</b>	<b>31.3.18 Estimate £'000</b>	<b>31.3.19 Estimate £'000</b>
<b>Borrowing CFR</b>	<b>174,889</b>	<b>178,384</b>	<b>182,183</b>	<b>180,378</b>	<b>180,378</b>
Less: External borrowing *	(113,575)	(111,467)	(109,545)	(106,389)	(106,389)
<b>Internal borrowing</b>	<b>61,314</b>	<b>66,917</b>	<b>72,638</b>	<b>73,989</b>	<b>73,989</b>
Less: Usable reserves	(63,727)	(59,042)	(54,528)	(52,528)	(52,528)
Less: Working capital	(54,259)	(22,311)	(22,041)	(21,771)	(21,500)
<b>Investments</b>	<b>(56,672)</b>	<b>(14,436)</b>	<b>(3,931)</b>	<b>(310)</b>	<b>(39)</b>

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

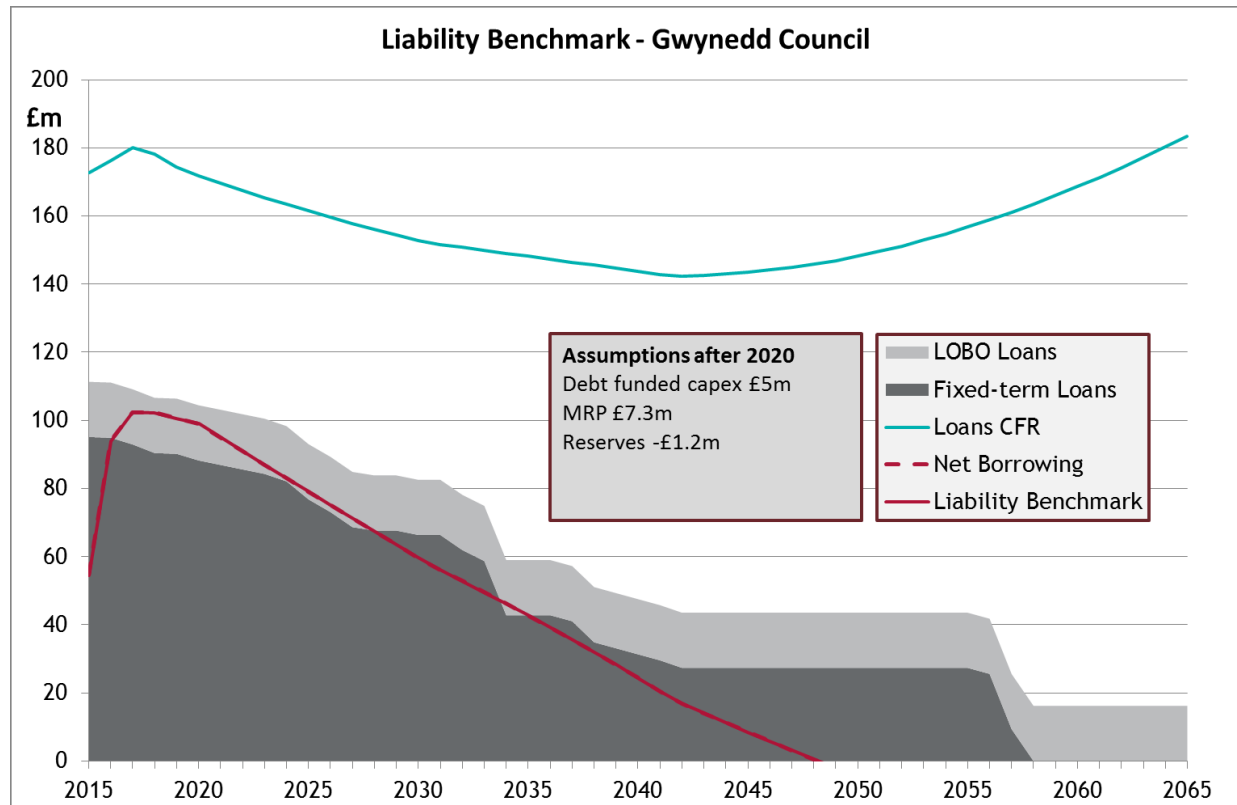
3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying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

Table 1 shows that the Council should not need to borrow during the next three years.

3.3 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2016/17.

3.4 To assist with its long-term treasury management strategy, the Authority and its advisers have created a liability benchmark, which forecasts the Authority’s need to borrow over a 50 year period. Following on from the medium term forecasts in table 1 above, the benchmark assumes:

- capital expenditure funded by borrowing of £5m a year
- minimum revenue provision on new capital expenditure based on a 25 year asset life
- income, expenditure and reserves all increase by 2.5% inflation a year



The chart shows that borrowing is much lower than the CFR and that the Council has funds to invest. On the assumptions noted above this is likely to continue to be the position in the long term.

#### 4. Borrowing Strategy

4.1 The Authority currently holds £110 million of loans, the same as the previous year, as part of its strategy for funding previous years’ capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2016/17. The Authority may however borrow to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £190 million.

4.2 The Authority’s chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority’s long-term plans change is a secondary objective.

- 4.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 4.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.5 Alternatively the Authority may arrange forward starting loans in 2016/17, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

- 4.6 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board and any successor body
  - any institution approved for investments (see paragraph 5.4 below)
  - any other bank or building society authorised to operate in the UK
  - UK local authorities
  - UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

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

#### 4.7 **LGA Bond Agency**

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons:

- borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans;
- there will be a lead time of several months between committing to borrow and knowing the interest rate payable;

Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

4.8 The Authority holds £16.2m as a LOBO (Lender's Option Borrower's Option) loan where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. There is no option during 2016/17. Total borrowing via LOBO loans will be limited to £16.2m.

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

#### 4.10 **Debt Rescheduling**

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

### 5. **Investment Strategy**

5.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £39 and £77 million, and similar levels are expected to be maintained in the forthcoming year.

This includes the cash balances of Gwynedd Pension Fund which are pooled with the Council's funds for investment purposes. The Pension Fund requests this annually as the returns received are improved and the risks reduced by combining the cash with the Council's funds. The Pensions Committee will approve the relevant elements of this Strategy Statement and request the continuation of the pooling arrangements for 2016/17 at its meeting on 17 March 2016.

## 5.2 Objectives

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

## 5.3 Strategy

Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2016/17. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will therefore represent a substantial change in strategy over the coming year.

5.4 The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and time limits shown.

**Table 2: Approved Investment Counterparties**

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	5% 5 years	10% 20 years	10% 50 years	5% 20 years	5% 20 years
AA+	5% 5 years	10% 10 years	10% 25 years	5% 10 years	5% 10 years
AA	5% 4 years	10% 5 years	10% 15 years	5% 5 years	5% 10 years
AA-	5% 3 years	10% 4 years	10% 10 years	5% 4 years	5% 10 years
A+	5% 2 years	10% 3 years	5% 5 years	5% 3 years	5% 5 years
A	5% 13 months	10% 2 years	5% 5 years	5% 2 years	5% 5 years
A-	5% 6 months	10% 13 months	5% 5 years	5% 13 months	5% 5 years
BBB+	2.5% 100 days	5% 6 months	2.5% 2 years	2.5% 6 months	2.5% 2 years
BBB	2.5% next day only	5% 100 days	n/a	n/a	n/a
None	£1m 6 months	n/a	10% 25 years	£50,000 5 years	5% 5 years
Pooled funds	10% per fund				
Business loans to local companies*			£3m in total 10 years		

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



## 5.5 **Credit Rating**

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

## 5.6 **Banks Unsecured**

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Authority's current account bank Barclays Bank plc.

## 5.7 **Banks Secured**

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

## 5.8 **Government**

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

## 5.9 **Corporates**

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

## 5.10 **Registered Providers**

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

### 5.11 **Pooled Funds**

Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

### 5.12 **Local Loans Fund**

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

### 5.13 **Risk Assessment and Credit Ratings**

Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

#### 5.14 **Other Information on the Security of Investments**

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

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

#### 5.15 **Specified Investments**

The WG Guidance defines specified investments as those:

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

The Authority defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

### 5.16 Non-specified Investments

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

**Table 3: Non-Specified Investment Limits**

	<b>Cash limit</b>
Total long-term investments	£40m
Total shares in Money Market funds	£40m
Total shares in other pooled funds	£8m
Total investments without credit ratings or rated below [A-]	£8m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [AA+]	£8m
Total non-specified investments	£80m

### 5.17 Investment Limits

The Authority's revenue reserves and Pension Fund cash available to cover investment losses are forecast to be £56 million on 31st March 2016. In order that no more than 15% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £8 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts (e.g. King & Shaxson), foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**Table 4: Investment Limits**

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£8m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£8m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£40m per broker
Foreign countries	£8m per country
Registered Providers	£20m in total
Unsecured investments with Building Societies	£8m in total
Loans to unrated corporates	£8m in total
Money Market Funds	£40m in total

### 5.18 **Liquidity management**

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

## 6. **Treasury Management Indicators**

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

### 6.1 **Security**

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

	<b>Target</b>
Portfolio average credit score	6.0

## 6.2 Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	<b>Target</b>
Total cash available within 3 months	£10m

## 6.3 Interest Rate Exposures

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

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

## 6.4 Maturity Structure of Borrowing

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

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

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

## 6.5 **Principal Sums Invested for Periods Longer than 364 days**

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£40m	£20m	£10m

## 7. **Other Items**

7.1 There are a number of additional items that the Authority is obliged by CIPFA or WG to include in its Treasury Management Strategy.

### 7.2 **Policy on Use of Financial Derivatives**

In the absence of any legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

### 7.3 **Investment Training**

The needs of the Authority's treasury management staff for training in investment management are assessed every year as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

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

### 7.4 **Investment Advisers**

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

### 7.5 **Investment of Money Borrowed in Advance of Need**

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

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

**8. Financial Implications**

The budget for investment income in 2016/17 is £0.44 million, based on an average investment portfolio of £70.5 million at an interest rate of 0.63%. The budget for debt interest paid in 2016/17 is £6.4 million, based on an average debt portfolio of £109.6 million at an average interest rate of 5.70%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

**9. Other Options Considered**

The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Cabinet Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income  High premia for early redemption of debt may outweigh any savings	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain



## **Appendix A – Arlingclose Economic & Interest Rate Forecast January 2015**

### **Underlying assumptions:**

- UK economic growth softened in Q3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.
- Household spending has been the main driver of GDP growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.
- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the MPC.
- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The CPI rate is likely to rise towards the end of 2016.
- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.
- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. The rise in official interest rates by the Federal Reserve was to 0.5% in December 2015.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressure.

### **Forecast:**

- Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.
- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Official Bank Rate</b>													
<b>Upside risk</b>		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.00</b>	<b>1.25</b>	<b>1.25</b>	<b>1.50</b>	<b>1.50</b>	<b>1.75</b>	<b>1.75</b>
<b>Downside risk</b>				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
<b>3-month LIBID rate</b>													
<b>Upside risk</b>	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
<b>Arlingclose Central Case</b>	<b>0.55</b>	<b>0.60</b>	<b>0.70</b>	<b>0.80</b>	<b>0.95</b>	<b>1.05</b>	<b>1.15</b>	<b>1.30</b>	<b>1.40</b>	<b>1.55</b>	<b>1.65</b>	<b>1.80</b>	<b>1.85</b>
<b>Downside risk</b>		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
<b>1-yr LIBID rate</b>													
<b>Upside risk</b>	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
<b>Arlingclose Central Case</b>	<b>1.10</b>	<b>1.20</b>	<b>1.35</b>	<b>1.45</b>	<b>1.55</b>	<b>1.70</b>	<b>1.80</b>	<b>1.95</b>	<b>2.00</b>	<b>2.10</b>	<b>2.15</b>	<b>2.15</b>	<b>2.15</b>
<b>Downside risk</b>	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
<b>5-yr gilt yield</b>													
<b>Upside risk</b>	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.70</b>	<b>1.80</b>	<b>1.90</b>	<b>2.00</b>	<b>2.10</b>	<b>2.20</b>	<b>2.25</b>	<b>2.30</b>	<b>2.35</b>	<b>2.35</b>
<b>Downside risk</b>	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
<b>10-yr gilt yield</b>													
<b>Upside risk</b>	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.00</b>	<b>2.05</b>	<b>2.10</b>	<b>2.20</b>	<b>2.30</b>	<b>2.40</b>	<b>2.50</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.80</b>
<b>Downside risk</b>	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
<b>20-yr gilt yield</b>													
<b>Upside risk</b>	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.45</b>	<b>2.50</b>	<b>2.55</b>	<b>2.55</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.85</b>	<b>2.90</b>	<b>2.95</b>	<b>2.95</b>
<b>Downside risk</b>	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
<b>50-yr gilt yield</b>													
<b>Upside risk</b>	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
<b>Arlingclose Central Case</b>	<b>2.45</b>	<b>2.50</b>	<b>2.55</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.85</b>	<b>2.90</b>	<b>2.95</b>	<b>3.00</b>	<b>3.00</b>
<b>Downside risk</b>	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

## Annex B – Existing Investment & Debt Portfolio Position

	<b>31.12.15 Actual Portfolio £m</b>	<b>9 months to 31.12.15 Average Rate %</b>
<b>External Borrowing:</b>		
PWLB – Fixed Rate	94.3	6.06
LOBO Loans	16.2	4.22
<b>Total Gross External Debt</b>	<b>110.5</b>	<b>5.80</b>
<b>Investments:</b>		
Long-term investments	2.2	
Short-term investments	53.3	
<b>Total Investments</b>	<b>55.5</b>	0.70
<b>Net Debt</b>	<b>55.0</b>	

## Appendix B - Prudential Indicators 2016/17

### 1. Background

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

### 2. Estimates of Capital Expenditure

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

<b>Capital Expenditure and Financing</b>	<b>2015/16 Revised £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>
<b>Total Capital Expenditure</b>	<b>38,604</b>	<b>27,736</b>	<b>17,006</b>	<b>10,940</b>
Capital Receipts	1,528	659	835	115
Government Grants	15,669	10,702	5,733	2,511
Revenue	11,457	5,513	4,498	4,285
Supported Borrowing	4,126	4,126	3,826	3,526
Prudential borrowing	5,824	6,736	2,114	503
<b>Total Financing</b>	<b>38,604</b>	<b>27,736</b>	<b>17,006</b>	<b>10,940</b>

### 3. Estimates of Capital Financing Requirement

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

<b>Capital Financing Requirement</b>	<b>31.03.16 Revised £'000</b>	<b>31.03.17 Estimate £'000</b>	<b>31.03.18 Estimate £'000</b>	<b>31.03.19 Estimate £'000</b>
<b>Total CFR</b>	<b>178,384</b>	<b>182,183</b>	<b>180,378</b>	<b>177,006</b>

The CFR is forecast to rise by £1.994m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

#### 4. Gross Debt and the Capital Financing Requirement

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

<b>Debt</b>	<b>31.03.16 Revised £'000</b>	<b>31.03.17 Estimate £'000</b>	<b>31.03.18 Estimate £'000</b>	<b>31.03.19 Estimate £'000</b>
Borrowing	111,467	109,545	106,389	106,389
Finance leases	0	0	0	0
PFI	0	0	0	0
<b>Total Debt</b>	<b>111,467</b>	<b>109,545</b>	<b>106,389</b>	<b>106,389</b>

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

#### 5. Operational Boundary for External Debt

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

<b>Operational Boundary</b>	<b>2015/16 Revised £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>
Borrowing	180,000	180,000	190,000	190,000
Other long-term liabilities	0	0	0	0
<b>Total Debt</b>	<b>180,000</b>	<b>180,000</b>	<b>190,000</b>	<b>190,000</b>

#### 6. Authorised Limit for External Debt

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

<b>Authorised Limit</b>	<b>2015/16 Revised £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>
Borrowing	190,000	190,000	200,000	200,000
Other long-term liabilities	0	0	0	0
<b>Total Debt</b>	<b>190,000</b>	<b>190,000</b>	<b>200,000</b>	<b>200,000</b>

## 7. Ratio of Financing Costs to Net Revenue Stream

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

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2015/16 Revised %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>	<b>2018/19 Estimate %</b>
General Fund	<b>5.88</b>	<b>5.91</b>	<b>5.60</b>	<b>5.47</b>

## 8. Incremental Impact of Capital Investment Decisions

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

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2016/17 Estimate £</b>	<b>2017/18 Estimate £</b>	<b>2018/19 Estimate £</b>
General Fund - increase in annual band D Council Tax	<b>0</b>	<b>0</b>	<b>0</b>

## 9. Adoption of the CIPFA Treasury Management Code

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

## **Appendix C – Annual Minimum Revenue Provision Statement 2016/17**

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

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

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

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

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

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

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

Capital expenditure incurred during 2015/16 will not be subject to a MRP charge until 2016/17.

Based on the Authority's estimate of its Capital Financing Requirement on 31<sup>st</sup> March 2016, the budget for MRP has been set at £5.47m.

# Agenda Item 9

## GWYNEDD COUNCIL

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>11 FEBRUARY 2016</b>
TITLE	<b>INSURANCE CLAIMS AGAINST THE COUNCIL</b>
PURPOSE OF THE REPORT	<b>PROVIDE AN OPPORTUNITY FOR THE AUDIT COMMITTEE TO SCRUTINISE THE COUNCIL'S ARRANGEMENTS FOR DEALING WITH INSURANCE CLAIMS</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK</b>

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### **1. INTRODUCTION**

- 1.1 Articles recently appeared in the press giving particular attention to successful insurance claims (public liability and employer's liability) against Gwynedd Council.
- 1.2 Some of these headings were extremely striking, such as:
  - “Gwynedd Council's £13,000 compensation payout for 'hands stinging after doing washing up’” (*Daily Post*, 21 January 2016)
  - “Council pays out hundreds of thousands in compensation claims. Gwynedd Council has spent hundreds of thousands of pounds in compensation on several curious claims.” (*Cambrian News*, 26 January 2016)
- 1.3 The Audit 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 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. BACKGROUND

2.1 In September 2015, the TaxPayers' Alliance campaign group wrote to every local authority in Wales, England and Scotland under the Freedom of Information Act requesting the following:

I am writing to ask for information regarding all compensation claims made against the local authority in 2013-14 and 2014-15.

Specifically I would like the information broken down by:

- a) The value of each payment or settlement
- b) The nature or summary details of each claim

Please do not include any personal details.

2.2 Because some of these questions are a little vague, we wrote to the TaxPayers ' Alliance to ask them for clarification on some of the questions. These questions, and the answers given, are listed below:

Q: Do you require information relating to property damage and personal injury claims from members of the public? A: Yes

Q: Do you require information relating to claims of personal injury from staff? A: Yes

Q: Do you want information relating to claims that have not been successful or only those which have received compensation? A: Only successful

Q: Do you require the information for claims submitted in 2013-14 and 2014-15 or those with an incident date in those years? A: Claims settled (successfully) in those years irrespective of when the incident arose.

2.3 A list was sent that included settled claims where there were payments.

2.4 The TaxPayers' Alliance issued a press release on 21 January 2016 under the heading "Bill for council compensation payments tops £100 million". They have indicated on their website that over £104 million have been paid in compensation by all the relevant Councils. The website includes an analysis of the information sent by the various Councils, including a total of £483,378 by Gwynedd Council – £425,203 in 2013/14 and £58,175 in 2014/15.

2.5 However, when we analysed the results it became apparent that different Councils had interpreted the request for information in different ways, whilst others did not answer at all. The TaxPayers' Alliance had not interpreted the Gwynedd Council figures correctly either. **The actual figures for Gwynedd Council were £484,828 yn 2013/14 and £206,605 in 2014/15.**

2.6 Only part of the costs relating to an insurance claim is the compensation itself, as there are other costs such as the costs of lawyers. The figures quoted above are not the amount of compensation, but all the cost of the cases, whether paid by the Council directly or by our insurers. The subsequent news articles have misunderstood this, stating that all amounts have paid as compensation to the victim, where this is not correct.

2.7 The figures published for Gwynedd Council is significantly higher than any other Council in the region. We are convinced that different Councils interpreted the freedom of information request in different ways, and certainly unlike Gwynedd Council.

2.8 It is not reasonable, therefore, to compare the results of different councils because there is no assurance that we will be comparing like-for-like.

### 3. GWYNEDD COUNCIL'S ARRANGEMENTS FOR DEALING WITH INSURANCE CLAIMS

3.1 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.*

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

3.3 As shown in part 2 of this report, the freedom of information request was limited to the claims that had been settled with cost. There was no interest in the achievements of the local authorities in defending claims made against them.

3.4 The table that is included in the Appendix 1 contains details of all insurance claims settled in 2013-14 and 2014-15. The claims set out in the appendix with the status "Settled with cost", are the ones sent in response to the freedom of information request.

3.5 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).**

3.6 Analysis of all public liability and employer's liability claims settled in 2013-14 and 2014-15 shows the following:

#### Public Liability

	2013/14	2014/15
Number of Public Liability claims closed, with costs	33 (26%)	26 (22.2%)
Number of Public Liability claims closed, without costs	94 (74%)	91 (77.8%)
Total number of Public Liability claims closed	127	117

#### Employer's Liability

	2013/14	2014/15
Number of Employer's Liability claims closed, with costs	5 (55.6%)	3 (43%)
Number of Employer's Liability claims closed, without costs	4 (44.4%)	4 (57%)
Total number of Employer's Liability claims closed	9	7

#### Public Liability and Employer's Liability together

	2013/14	2014/15
Number of Liability claims closed, with costs	38 (28%)	29 (23.4%)
Number of Liability claims closed, without costs	98 (72%)	95 (76.6%)
Total number of Liability claims closed	136	124

3.7 **That is, in 2013/14 72%, and in 2014/15 76.6%, of liability claims against Gwynedd Council were settled without costs.**

#### **4. ROLE OF THE INSURANCE COMPANY**

- 4.1 All of the cases listed in the Appendix were subject to an excess of £25,000 (with the exception of two cases dating before 1 April 2006, where the excess was £10,000). Gwynedd Council paid any costs on the individual claims up to this threshold, and our insurance company pay any amounts above that.
- 4.2 However, it should be borne in mind that even in those cases where the insurers bear the cost, there would eventually be a financial impact on the Council as a result of higher premium costs.
- 4.3 In order to pay the costs payable directly, the Council maintains an Internal Insurance Fund to which each of the Council's services contribute annually. The level of contributions varies, depending on the fund level that we believe would be prudent to keep. As the Audit Committee considered the levels of all Council reserves in June 2015, it was reported that £1,000,000 of the Internal Fund could be returned to balances, maintaining a level of £1,674,296. The decision of the Committee was to note the situation and the risks in the context of the Council's reserves and supporting the relevant policy.

#### **5. DECISIONS TO SETTLE**

- 5.1 In order for the Insurance and Risk Unit to defend insurance claims successfully, there is a need to demonstrate that arrangements are in place within the Council to mitigate the risks to a reasonable level. It is seen that we have been able to do that in the vast majority of cases, and the good collaboration between the Insurance and Risk Unit and all Council departments have assisted us to do so.
- 5.2 In order to be successful in a claim against the Council, the claimant must demonstrate that the Council had been negligent in some way. Of course, accountability is not clear in all cases, and some claims go as far as the civil courts for a decision. While the Insurance and Risk Unit is determined to defend the interests of the Council as far as possible, in some cases it must be accepted that it is not possible defend further, especially if this is the legal advice.
- 5.3 As part of the Unit's performance management regime, we analyse the claims which have been successful, in an attempt to identify if there are patterns, or places within units that need specific attention, whether it be training, change procedures, etc.
- 5.4 Every case that has been settled with costs has been done so because the Insurance and Risk Unit, perhaps in conjunction with the Insurers and their lawyers, and relevant Council departments, has come to the conclusion that the Council has contributed to personal injury or damage to personal property due to negligence or a mistake.
- 5.5 This is done with consideration of the results of previous court cases, which is the foundation of the legal system.

## 6. ARRANGEMENTS FROM APRIL 2016

6.1 The contract of our current insurance providers, Zurich Municipal, will expire on 31 March 2016 and following a tendering process during autumn 2015, new insurance contracts have been awarded for 1 April 2016 onwards. Zurich Municipal will continue to provide public liability protection and employer's liability, which is the subject of this report. However, providers of cover in other areas are changing. From 1 April 2016, following the tendering process, the Council's insurance providers will change as follows:

- Property Insurance – moving to Travelers
- Motor Insurance – moving to Maven
- Fidelity Guarantee and Crime Insurance – moving to RMP

6.2 As part of the process of testing the market, it was decided that the excesses of our public liability and employer's liability policies will increase to £50,000 from April 2016. On the basis of a detailed analysis of our claims history, the Finance Department came to the conclusion that it would be a reasonable step to increase the excesses in this way in order to take advantage of the much lower premium that would result. There is a possibility, of course, our costs could increase if the number of successful claims against us increases.

6.3 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.

## 7. RECOMMENDATION

7.1 The Audit 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.**





Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
40	16/02/2013	Damage to vehicle's tyre because of pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
41	01/02/2013	Alleged damage to vehicle because of pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
42	18/03/2013	Alleged damage to claimant's vehicle caused by road resurfacing works	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
43	18/03/2013	Claimant slipped on alleged defect	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
44	26/03/2013	Alleged damage to window caused by nearby resurfacing works	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
45	31/03/2013	Alleged damage to bicycle wheel as a result of a pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
46	22/11/2012	Extreme rainfall throughout Gwynedd on this date, resulting in flooding	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
47	22/11/2012	Extreme rainfall throughout Gwynedd on this date, resulting in flooding	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
48	23/02/2013	Alleged damage to vehicle's suspension coil because of pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
49	09/09/2012	Alleged that claimant fell and suffered injury because of pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
50	09/09/2012	Alleged that claimant suffered injury when her son dislodged a stone from a wall whilst attempting to jump over it	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
51	15/01/2013	Alleged back injury caused by driving car into hole in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
52	26/03/2013	Alleged damage to vehicle because of disrepair to road surface	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
53	06/08/2012	Alleged that claimant fell and suffered injury because of pothole in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
54	12/03/2013	Alleged that the claimant tripped "upon a water utility cover set in the pavement"	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
55	20/12/2012	Alleged damage to boat from fallen tree/debris. Rock face is stated as being Council owned?	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
56	18/08/2012	Alleged injury to passenger of a bus caused when bus drove over an allegedly raised drain cover	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
57	16/03/2013	Claimant tripped due to street light having been taken away	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
58	11/04/2013	Damage to two nearside tyres and alloys because of alleged protruding rock	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
59	24/04/2013	Claimant allegedly tripped over level difference in paving stones	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
80	25/05/2013	Claimant's foot went into pot hole on footpath causing her to trip.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
81	15/08/2013	Service user damaged employees car	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
82	02/07/2013	Alleged that claimant fell and suffered injury when foot went into uncovered manhole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
83	06/09/2013	When motorbike parked in designated parking area, tarmac gave way causing the bike to fall and cause damage	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
84	08/09/2013	Damage to vehicle's tyre following impact with splitter island crossing, allegedly contributed to by missing bollard	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
85	01/04/2013	Alleged damage, disturbance, and loss of land suffered by claimant as a result of work on a cycle path	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
86	30/09/2013	Damage to vehicle from rock protruding from embankment A496 coming from Barmouth	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
87	06/09/2013	Stone flew up from strimmer and caused small dent to third party vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
88	09/09/2013	Damage to alloy wheel and tyre on rock in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
89	05/08/2013	Damage to third party vehicle's off side tyres (bursts) after contact with island which had a missing bollard	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
90	07/10/2013	Piece of metal drain cover thrown into road by contractor cutting grass, kicked up into claimant's vehicle by another third party vehicle travelling in the opposite	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
91	29/11/2013	Child tripped over water tap which was sticking about 0.5inch above the pavement	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
92	16/10/2008	Fracture injury to pupil's back sustained during gymnastics activity	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
93	21/01/2010	Claimant fell when she stepped into hole in grassed area near the playground.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
94	01/07/2009	Claimant fell and suffered injury when climbing onto top of school roof	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
95	30/03/2013	Alleged damage to vehicle because of pothole	Settled with Costs	48.00	0.00	0.00	0.00	0.00	48.00
96	16/05/2013	Alleged damage to tumble dryer taken in error from outside house.	Settled with Costs	50.00	0.00	0.00	0.00	0.00	50.00
97	12/02/2013	Alleged damage to coat caused by bolt head	Settled with Costs	51.50	0.00	0.00	0.00	0.00	51.50
98	09/09/2013	Alleged destruction of PE kit left at school with permission, because of fumigation work	Settled with Costs	75.00	0.00	0.00	0.00	0.00	75.00
99	27/09/2013	Damage to vehicle from swinging gate	Settled with Costs	137.00	0.00	0.00	0.00	0.00	137.00

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
100	21/06/2013	Alleged tar damage to vehicle as a result of resurfacing work	Settled with Costs	165.00	0.00	0.00	0.00	0.00	165.00
101	17/07/2013	Tar damage to vehicle from surface dressing works	Settled with Costs	180.00	0.00	0.00	0.00	0.00	180.00
102	01/11/2012	Stone chip damage vehicle	Settled with Costs	185.00	0.00	0.00	0.00	0.00	185.00
103	01/03/2013	Tar damage to vehicle due to resurfacing	Settled with Costs	195.00	0.00	0.00	0.00	0.00	195.00
104	01/03/2013	Alleged tar damage to vehicle by resurfacing works	Settled with Costs	195.00	0.00	0.00	0.00	0.00	195.00
105	28/09/2012	Alleged damage to vehicle whilst parked at car park	Settled with Costs	300.00	0.00	0.00	0.00	0.00	300.00
106	17/07/2013	Damage to tyres, wheel arches and body work from surface dressing works	Settled with Costs	330.75	0.00	0.00	0.00	0.00	330.75
107	07/12/2012	Alleged damage to vehicle by 'men working' sign blown by wind	Settled with Costs	340.00	0.00	0.00	0.00	0.00	340.00
108	02/02/2013	Tar damage to vehicles as a result of resurfacing works	Settled with Costs	360.00	0.00	0.00	0.00	0.00	360.00
109	24/06/2013	Damage to underside of vehicle from exposed hole left in road	Settled with Costs	368.28	0.00	0.00	0.00	0.00	368.28
110	09/09/2013	Alleged damage to an automatic vehicle as a result of being towed to services, having suffered a breakdown	Settled with Costs	487.62	0.00	0.00	0.00	0.00	487.62
111	20/12/2012	Damage to boat battery charger due to incorrect voltage being set.	Settled with Costs	616.40	0.00	0.00	0.00	0.00	616.40
112	15/09/2013	Damage to motorbike from ball kicked through hole in fence	Settled with Costs	718.71	0.00	0.00	0.00	0.00	718.71
113	29/07/2013	Alleged damage to vehicle because of poor condition of 'track'	Settled with Costs	0.00	0.00	900.00	0.00	0.00	900.00
114	31/03/2013	Damage to vehicle by falling slates from roof	Settled with Costs	1,000.00	0.00	0.00	0.00	0.00	1,000.00
115	18/03/2011	Claimant allegedly tripped in a pothole where the pavement had degraded	Settled with Costs	0.00	0.00	900.00	0.00	378.85	1,278.85
116	13/07/2013	Alleged damage to windscreen by parking ticket left on windscreen	Settled with Costs	0.00	0.00	1,450.00	0.00	0.00	1,450.00
117	12/09/2009	Injury when bicycle caught on metal plate	Settled with Costs	0.00	0.00	1,250.00	450.00	0.00	1,700.00
118	28/09/2012	Alleged loss of items because of disrepair issues with live-in job accommodation	Settled with Costs	3,000.00	0.00	0.00	0.00	0.00	3,000.00
119	17/05/2004	Injury to claimant	Settled with Costs	0.00	0.00	3,382.59	0.00	0.00	3,382.59

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
120	05/04/2011	Alleged that claimant fell down steps because of pothole, resulting in injury	Settled with Costs	0.00	0.00	4,615.00	0.00	0.00	4,615.00
121	08/03/2012	Alleged that claimant stumbled and suffered injury because of degraded paving stone, and loose paving stones	Settled with Costs	1,550.00	0.00	145.00	4,182.14	0.00	5,877.14
122	31/08/2012	Child fell on unguarded stairs and suffered injured injury to leg	Settled with Costs	4,000.00	615.00	629.00	5,000.00	0.00	10,244.00
123	26/03/2010	Claimant slipped on steps and fell	Settled with Costs	2,500.00	585.00	900.00	10,077.00	1,936.30	15,998.30
124	07/06/2010	Tripped on alleged defect	Settled with Costs	14,000.00	3,053.00	900.00	25,750.00	0.00	43,703.00
125	04/06/2008	Vehicle travelling at speed slid on gravel ending up in field causing car write off and injury to driver and passenger	Settled with Costs	50,146.10	3,667.62	5,952.50	11,055.00	78.00	70,899.22
126	01/04/1997	Alleged that Social Services failed to deal with allegations of abuse suffered, which subsequently got worse, causing further physical and psychiatric injuries	Settled with Costs	42,500.00	0.00	16,719.26	48,500.00	0.00	107,719.26
127	01/03/2006	Damage to property caused by burst pipes	Settled with Costs	72,500.00	0.00	22,351.57	50,800.00	4,430.36	150,081.93
				<b>195,999.36</b>	<b>7,920.62</b>	<b>60,094.92</b>	<b>155,814.14</b>	<b>6,823.51</b>	<b>426,652.55</b>

**Employers Liability Claims closed in 2013/14**

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
128	17/08/2011	Alleged that claimant suffered injury when a computer (and possibly dumbbell and till) fell on his foot	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
129	13/10/2011	Alleged back injury when assisting child in jumping off a stage	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
130	21/01/2013	Employee tripped over tree root in public park whilst litter picking.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
131	09/07/2013	Thumb crushed/sheared during bin loading & emptying operation	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
132	23/08/2010	Kerbstones fell from pack when unloading, crushing claimant's foot	Settled with Costs	3,500.00	585.00	174.00	3,525.00	475.00	8,259.00
133	07/02/2013	Alleged that unsupervised children fell onto a fridge, which caused the fridge to fall on and injure claimant	Settled with Costs	2,600.00	615.00	145.00	5,865.00	0.00	9,225.00
134	28/03/2012	Injury to employee when stack of benches fell on foot	Settled with Costs	4,500.00	600.00	145.00	4,750.00	0.00	9,995.00
135	08/09/2009	Claimant asked to wash dishes, after which hands were stinging and swelling.	Settled with Costs	1,000.00	0.00	900.00	9,305.00	2,195.00	13,400.00
136	02/07/2010	Fell into manhole while cutting trees	Settled with Costs	3,500.00	0.00	1,296.00	10,500.00	2,000.00	17,296.00



Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
154	06/06/2013	Claimant tripped on raised kerb stone causing her to fall over and sustain injury near garages.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
155	01/06/2013	Alleged that claimant tripped and suffered injury because of missing paving slab	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
156	14/06/2013	Alleged that claimant fell and suffered injury when her foot went down a concrete cover	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
157	05/08/2013	Damage to tyres from debris on road carried by flood water	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
158	01/08/2013	Alleged damage to trailer because of branch	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
159	14/07/2013	Claimant fell and suffered injury because of allegedly defective water meter cover	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
160	11/09/2013	Claimant fell on sunken grid near 1 Market Street.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
161	20/10/2013	Motorcyclist suffered injury and damage allegedly as a result of banding used to seal roadworks being too wide	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
162	14/11/2013	Claimant fell on the road just after bridge into village.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
163	18/11/2013	Claimant tripped in pot hole causing injury	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
164	18/08/2013	Damage to vehicle due to overgrown private hedge	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
165	12/09/2013	Alleged that claimant fell and suffered injury because of uneven surface	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
166	28/10/2013	Claimant fell and suffered injury because of alleged uneven paving	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
167	10/11/2013	Damage to front, driver's side tyre allegedly caused by pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
168	23/11/2013	Rock from a wall in the middle of the road caused damage to tyre	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
169	02/01/2014	Claimant fell and suffered injury because of raised paving slabs outside old Prince of Wales hotel	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
170	26/12/2013	Allegation of vehicle leaving the road because of failure to grit	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
171	23/12/2013	Damage to vehicle due to poor maintenance of lane - vehicle write off due to driving through large puddle.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
172	06/06/2013	Alleged that injured party fell and suffered injury because of defective drain cover.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
173	04/02/2014	Alleged that claimant fell and suffered injury because of uneven and missing paving bricks	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
174	02/03/2014	Third party vehicle skidded because of diesel on road. Driver suffered injury, vehicle possible write off, and damage to farmer's fencing.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
175	10/02/2014	Hit pothole causing damage to vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
176	01/07/2013	Alleged drainage issues causing damage and loss of earnings	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
177	29/03/2014	Claimant sustained injury when stepping into pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
178	17/03/2014	Claimant tripped in a pothole and sustained injury. 3 potholes noted at the location.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
179	24/03/2014	Alleged that claimant tripped over edge of pavement when moving to avoid plant pots on the pavement	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
180	12/02/2014	Claimant's vehicle hit pothole causing two punctures	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
181	21/05/2013	Claimant caught her foot on raised drain cover.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
182	01/01/2014	Pavement allegedly crumbled under vehicle causing damage	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
183	04/09/2013	Alleged that claimant suffered injury because of hole left exposed by missing utilities cover	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
184	03/03/2014	Suspension arms of vehicle damaged when travelling over pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
185	11/04/2014	Claimant tripped and fell on badly degraded pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
186	29/04/2014	Damage to vehicle caused by long groove in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
187	14/06/2014	Claimant tripped because of loose bricks near to the door of the shop	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
188	05/05/2014	Protruding tree branches caused damage to caravan	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
189	24/04/2014	Damage to tyre and alloy wheel from rocks on the road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
190	16/05/2014	Alleged that claimant fell over a concrete ledge that had not been dealt with properly as part of nearby demolition work	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
191	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
192	01/06/2014	Third party vehicle damaged by stone in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
193	13/06/2014	Alleged damage to motorcycle headlight caused by loose chippings following resurfacing work	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
194	30/06/2014	Alleged tar damage to vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
195	16/07/2014	Chipping damage to windscreen	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
196	17/07/2014	Damage to vehicle from dislodged socket cap	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
197	03/08/2014	Hit pothole in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
198	20/07/2014	Hit piece of concrete which was sticking out into the road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
199	29/10/2014	Damage to vehicle caused by hole in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
200	05/01/2015	Damage to vehicle by rocks from collapsed wall in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
201	22/01/2015	Damage to motorbike and injury caused by alleged failure to grit road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
202	29/12/2014	Claimant allegedly tripped on a raised paving slab. Also alleges light close to the area was not working and that he had previously reported this.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
203	08/08/2014	Claimants front wheel dropped into the gap between the rail and the road surface and he was thrown from his bike	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
204	25/09/2014	Claimant's vehicle flipped as a result of encountering a defect in the carriageway	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
205	21/08/2014	Claimant tripped on pavement	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
206	27/08/2014	Scratches to vehicle paint work from overgrown hedge.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
207	28/08/2014	Damage to tyre, wheel and rim of vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
208	27/08/2014	Damage to 2 tyres by obstruction in the road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
209	26/06/2014	Claimant fell over pot hole in the road (private road???)	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
210	19/09/2014	Claimant tripped on a pothole on a makeshift footpath close to construction works near Glanrafon Hill.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
211	22/10/2014	Damage to vehicle from pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
212	19/11/2013	Alleged damage to wiper and wiper arm of vehicle caused by Council employee leaving a leaflet underneath	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
213	05/12/2013	Damage to wall from brown bin blown in wind	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
214	21/03/2014	Damage to tyre caused by broken glass	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
215	05/03/2014	Alleged that claimant's foot got caught beneath roundabout, causing injury, because of roundabout's failure to conform to safety standards	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
216	30/03/2014	Damage to tyre on site allegedly caused by caster off table/chair	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
217	20/05/2014	Damage to pebble dash on outside wall due to collection point	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
218	24/05/2014	Alleged screw picked up on road to recycling centre caused damage to tyre.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
219	16/06/2014	Damage to car from grass cutting operations	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
220	04/07/2014	Alleged damage to claimant's trailer which was moved to allow grass cutting to take place	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
221	01/10/2014	Alleged damage to window pane caused by stone thrown from nearby strimming	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
222	12/12/2014	Vehicle struck by traffic cone in high winds causing damage to wing mirror	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
223	05/10/2013	Claimant whilst cycling collided with rope that had been erected by an adventure club as a tightrope for end of season bbq. Claim should be redirected to the	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
224	01/01/2014	Alleged that claimant fell and suffered injury as a result of stepping into a hole in the walkway caused by a missing board	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
225	01/09/2013	Alleged failure to refloat damaged vessel resulting in loss of vessel and onboard items	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
226	14/04/2014	Claimant tripped on small step	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
227	14/05/2014	Claimant hit by dog	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
228	16/09/2014	Paint damage to personal property. Alleged that no 'wet paint' notices were displayed.	Settled with Costs	42.00	0.00	0.00	0.00	0.00	42.00
229	14/02/2015	Puncture to tyre after driving over a piece of wood with a nail in it	Settled with Costs	45.78	0.00	0.00	0.00	0.00	45.78
230	19/04/2014	Alleged that Council employee retrieved green rubbish bin from claimants' property and emptied it, when the bin supposedly contained items wanted kept	Settled with Costs	67.54	0.00	0.00	0.00	0.00	67.54
231	18/08/2014	Burst tyre because of pothole	Settled with Costs	90.76	0.00	0.00	0.00	0.00	90.76
232	04/06/2014	Claim for unauthorised recovery of vehicle and damage to vehicle during recovery	Settled with Costs	150.00	0.00	0.00	0.00	0.00	150.00
233	06/10/2014	Wind blew a large wheelie bin into vehicle	Settled with Costs	175.52	0.00	0.00	0.00	0.00	175.52



Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
234	22/01/2014	Chipping damage to parked vehicle	Settled with Costs	195.00	0.00	0.00	0.00	0.00	195.00
235	20/05/2014	Alleged that claimant fell and suffered injury and loss (diamond from engagement ring) because of pothole / degradation around drain	Settled with Costs	265.00	0.00	0.00	0.00	0.00	265.00
236	21/08/2014	Damage to vehicle rear window by strimming	Settled with Costs	278.40	0.00	0.00	0.00	0.00	278.40
237	18/05/2014	Damage to towing eye within bumper due to traffic officers incorrectly screwing the tow eye in to the tow point	Settled with Costs	315.54	0.00	0.00	0.00	0.00	315.54
238	13/06/2014	Branch from tree for which Gwynedd Council are responsible knocked down by third party lorry and hit claimant's vehicle	Settled with Costs	406.80	0.00	0.00	0.00	0.00	406.80
239	10/04/2014	Claimant scraped nearside of vehicle against bollard which was allegedly invisible to drivers approaching as the claimant was	Settled with Costs	510.00	0.00	0.00	0.00	60.00	570.00
240	22/08/2013	Damage to vehicle whilst strimming	Settled with Costs	672.76	0.00	0.00	0.00	0.00	672.76
241	28/12/2014	Damage to alloy and tyre from pothole in road	Settled with Costs	683.50	0.00	0.00	0.00	0.00	683.50
242	01/04/2013	Alleged damage to property and stock	Settled with Costs	2,600.00	0.00	0.00	0.00	0.00	2,600.00
243	07/12/2013	Damage to boat caused by pontoon float which became detached in storm conditions	Settled with Costs	3,655.00	0.00	0.00	0.00	0.00	3,655.00
244	27/12/2013	Damage to boat caused by pontoon float which became detached in storm conditions	Settled with Costs	4,103.83	0.00	0.00	0.00	0.00	4,103.83
245	15/09/2010	Child closed door of Wendy House on claimant's finger causing it to be crushed.	Settled with Costs	2,000.00	719.00	145.00	3,500.00	0.00	6,364.00
246	15/03/2012	Alleged that claimant stepped in pothole and suffered injury	Settled with Costs	1,100.00	0.00	374.00	6,500.00	0.00	7,974.00
247	21/01/2014	Finger trapped in door	Settled with Costs	2,250.00	627.00	900.00	4,115.00	1,030.00	8,922.00
248	05/06/2013	Alleged that claimant was thrown off bicycle and suffered injury because of pothole	Settled with Costs	4,817.53	816.00	145.00	3,817.50	0.00	9,596.03
249	28/12/2011	Alleged that claimant fell from bike and suffered injury because of defective kerb	Settled with Costs	2,110.00	781.00	145.00	6,750.00	0.00	9,786.00
250	30/11/2009	Claimants thumb was crushed when gate was closed by other pupil	Settled with Costs	10,465.00	1,561.00	0.00	3,781.86	0.00	15,807.86
251	13/12/2011	Claimant fell on defective steps	Settled with Costs	7,500.00	1,474.00	1,943.50	13,389.57	100.00	24,407.07
252	28/10/2010	80 tonne crane rolled into a field causing it to be written off, allegedly because of weak wall.	Settled with Costs	0.00	0.00	3,789.30	0.00	23,889.41	27,678.71
253	04/02/2011	Frosted piece of glass fell out of door and hit right side of claimant's face causing deep laceration	Settled with Costs	29,750.00	896.00	3,194.80	24,000.00	0.00	57,840.80

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
				<b>74,249.96</b>	<b>6,874.00</b>	<b>10,636.60</b>	<b>65,853.93</b>	<b>25,079.41</b>	<b>182,693.90</b>

### **Employers Liability Claims closed in 2014/15**

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
254	13/09/2013	Back injury to claimant when holding service user in lying position	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
255	01/04/2001	Noise induced hearing loss	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
256	11/10/2012	Claimant was striking a refuse box containing wet papers against the side of the refuse vehicle to try and free the papers from the box and in so doing injured his	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
257	13/02/2014	Injury to foot/ankle as a result of placing foot in uncovered drain on yard	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
258	31/03/2006	Noise induced hearing loss	Settled with Costs	394.70	0.00	0.00	2,368.80	0.00	2,763.50
259	09/04/2013	Alleged injury from closing a supposedly faulty gate	Settled with Costs	1,200.00	627.00	145.00	1,593.40	406.60	3,972.00
260	13/03/2012	Claimant slipped on slipway	Settled with Costs	7,500.00	781.00	900.00	6,651.25	1,343.75	17,176.00
				<b>9,094.70</b>	<b>1,408.00</b>	<b>1,045.00</b>	<b>10,613.45</b>	<b>1,750.35</b>	<b>23,911.50</b>

## GWYNEDD COUNCIL

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>11 FEBRUARY 2016</b>
TITLE	<b>DRAFT LOCAL GOVERNMENT (WALES) BILL – WELSH GOVERNMENT CONSULTATION</b>
PURPOSE OF THE REPORT	<b>TO GIVE THE AUDIT COMMITTEE AN OPPORTUNITY TO CONSIDER THE BILL</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK</b>
ACTION	<b>APPROVE THE DRAFT COMMENTS OR PROPOSE MODIFICATIONS</b>

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### **1. INTRODUCTION**

- 1.1 In July 2014 the Welsh Government published a white paper *Devolution, Democracy and Delivery – Reforming Local Government* which stated the Government's intention to introduce legislation to provide for local government reform. Two further white papers, published in October 2014 and February 2015, develop these proposals further. The first Local Government (Wales) Bill was adopted by the Assembly on 20 October 2015 – i.e. the Local Government (Wales) Act 2015 – which will allow preparations to be made for a programme of unification and reform of local government.
- 1.2 The Welsh Government is now consulting on the second Local Government (Wales) Bill; it is expected that this will come into force in 2017, i.e. the Local Government (Wales) Act 2017. The Bill proposes fundamental reforms to local government in Wales, and although one of the key aspects of the Bill is the reorganisation of local authorities, it also includes a range of other statutory provisions regarding the governance of county and community councils. All documentation can be found on the Welsh Government's website:-  
[http://gov.wales/consultations/localgovernment/draft-local-government-\(wales\)-bill-consultation/?skip=1&lang=en](http://gov.wales/consultations/localgovernment/draft-local-government-(wales)-bill-consultation/?skip=1&lang=en)
- 1.3 The aim of the consultation is to provide an opportunity to comment on the provisions that will be considered by the Welsh Government after the May 2016 elections. The deadline for responses is 15 February 2016.
- 1.4 Different elements of the Bill have been discussed by the Standards Committee on 20 January and the Corporate Scrutiny Committee on 4 February. The comments are expected to be formally approved in Cabinet on 16 February.
- 1.5 This is an opportunity for the Audit Committee to contribute to Gwynedd Council's response to the consultation on the draft Bill.

## 2. SPECIFIC MATTERS

2.1 The Bill has been set out in 7 parts:

Part 1 Local Government Areas and County Councils

Part 2 General Power of Competence

Part 3 Promoting Access to Local Government

Part 4 Functions of County Councils and their Members

Part 5 County Councils: Improvement of Governance

Part 6 Community Councils

Part 7 Workforce Matters

2.2 Comments on the Bill have been invited by a number of members and senior officers, as it is a very broad.

2.3 However, there are two parts in particular that would be of interest to the Audit Committee, namely:

- **Part 1** (Local Government Areas and County Councils), **Chapter 3** (Establishing the Councils for the New Counties), **Section 16 (and Schedule 3)** that deals with New councils: finance.
- **Part 5** (County Councils: Improvement of Governance), **Chapter 7** that deals with Corporate Governance and Audit Committees.

### **3. NEW COUNCILS: FINANCE**

3.1 The consultation document contains four specific questions in the field of Local Government Finance:

**Question 1.7: Do you have any general comments on the provisions in section 16 and Schedule 3 of the Draft Bill relating to Local Government finance?**

**Question 1.8: How could the Welsh Government measure the current level of avoidance of Non-Domestic Rates?**

**Question 1.9: Do you have any comments or suggestions on how future legislation could help to reduce instances of avoidance of Non-Domestic Rates?**

**Question 1.10: In what other ways could the Welsh Government enable Local Government to reduce the level of avoidance and fraud within the Non-Domestic Rates system?**

3.2 It is worth noting that it seems strange that these questions about non-domestic rates have been included in this consultation, as it is a somewhat peripheral matter to the main issue of the consultation, namely Local Government Reform.

3.3 A draft response to these questions is included in **Appendix 1. The Committee is asked to consider these responses, confirms that it agrees with the comments in Appendix 1, add to them, or offer alternative views.**

3.4 Also, the Committee is asked to consider another issue in this area, which does not appear as a specific question, but which is a far more central concern to the main area of this consultation. This could be addressed under question 1.12: are there other issues of a technical nature should also be considered?

3.5 This issue is the need for the Government to put arrangements in place for the harmonization of Council Tax levels for the new authorities from 1 April 2020. The new counties include areas that would have had different levels of Council Tax before then. In order to ensure that everyone in the new areas are paying the same level of Council Tax, transitional arrangements must be introduced so that the new authorities do not suffer losses due to Council Tax in some parts of the County being "frozen" until other parts of the new counties (that paid lower Council tax under the old regime), catch up.

3.6 At the time of local government reorganisation in 1996, these arrangements were in place, with government grant compensating the authorities during the transitional period. It is important that the Council presses for this for the 2020 reorganisation also.

**3.7 The Committee is asked to agree for the Head of Finance to offer comments to this effect as part of the Council's response to the draft Bill.**

#### **4. CORPORATE GOVERNANCE AND AUDIT COMMITTEES**

- 4.1 The Government's intention, through this Bill, is to expand the statutory role of council's audit committees, making them Corporate Governance and Audit Committees.
- 4.2 The relevant part of the Bill has been included in **Appendix 2**.
- 4.3 In Gwynedd Council, the Audit Committee is "those charged with governance". The intention of the Bill is to make this statutory.
- 4.4 It is seen that there is a reference to the duties of the Committee to assess the authority's ability to comply with its duties under section 111 of the Local Government (Wales) Act 2017. These duties are to ensure that the authority has appropriate governance arrangements. That is, that the County Council, in relation to the exercise of its functions, makes, implements and complies with arrangements ("governance arrangements") for the purpose of ensuring good governance, accountability, and economy, efficiency and effectiveness in its use of resources.
- 4.5 If the Bill comes into force, all authorities must conduct a Self-assessment of its Governance Arrangements as well as a combination of peer assessment, a joint assessment and independent governance review. The proposal in the consultation document is that the onus should be on the Corporate Governance and Audit Committees to hold the local authority to account for taking action in response to these.
- 4.6 The draft Bill requires the Corporate Governance and Audit Committees to review the Authority's response to reports and recommendations made under these assessments and, if appropriate, to make recommendations to the Authority. That would not be a move away from what we have already established in this Council.
- 4.7 The Bill also insists that one third of the members of the Corporate Governance and Audit Committee are lay members, and that the Chair is a lay member.
- 4.8 The consultation document includes the following question:

**Question 5.4: Do you have any comments on the proposed role for the Corporate Governance and Audit Committee in relation to the Local Authority's response to the self-assessment, peer assessment, combined assessment and governance review?**

4.9 The Council's draft response to the Bill, as discussed by the Corporate Scrutiny Committee on 4 February, notes:

1. There is no problem on the duty for good governance – That should be a natural part of every council's work. One point that this council has made consistently is the need to reduce the external inspection burden. If the self-assessment and peer review facilitates this, it is to be welcomed subject to the requirements around them not being too onerous and bureaucratic. In addition the proposed system for considering complaints does raise a clear risk of the system being used for malicious intent

2. The idea of placing the responsibility for corporate governance clearly within the remit of a single committee is a good one but this Council would emphasise that more detailed issues such as where to discuss matters should be left to individual councils rather than being set out in statute.

**4.10 The Committee is asked to confirm that it agrees with the comments in paragraph 4.9, add to them, or offer alternative views.**

### **Question 1.7: Do you have any general comments on the provisions in section 16 and Schedule 3 of the Draft Bill relating to Local Government finance?**

In themselves, both Section 16 and Schedule 3 are reasonable and are as we would expect, putting arrangements in place for amalgamating Council Tax lists, Non-Domestic Rates lists and Council Funds in preparation for the establishment of the new authorities. In this respect we have no objections to their contents.

We would not wish to create further complications before the establishment of the new authorities, but as the new section 22C of the 1992 Act (as proposed) highlights, the last general Council Tax revaluation took place for 1 April 2005. This means that the general lists at the establishment of the new authorities will be 15 years old.

We believe that the Welsh Government must work with local authorities to ensure that those who use public services contribute fairly towards them. We believe that holding the revaluation exercise much more regularly, with sustained re-banding, would give the public more confidence about the robustness, transparency and fairness of the arrangements.

Also, there is a need for a full review of the exemptions and discounts arrangements. The current arrangements are a mess, and they must be updated. Some of the current exemptions are archaic, or fail to reflect the current situations of Councils.

At present, Council Tax is considered equally as a tax on property and a tax on people. There may be room to consider changing the current balance (i.e. 50% property and 50% for the first 2 people in the property), or to even give the right for local councils to adjust this proportion to reflect local requirements.

Therefore, it could be argued that the draft Bill represents a missed opportunity to update the local taxation regime, but we accept that this is not the purpose of this particular Bill.

### **Question 1.8: How could the Welsh Government measure the current level of avoidance of Non-Domestic Rates?**

Local knowledge is vital in this regard. We also urge the Welsh Government to ensure that the Valuation Office Agency undertake better information sharing with local authorities.

We believe that the system of business taxes is generally working well. We believe that fostering good relationships with the Valuation Office Agency, as they carry out their specialist service in maintaining the rating list, have contributed to this. In view of this, we are convinced that keeping business tax collection arrangements at a local level is key in order to be able to take advantage of the local information available.

In our experience, regular visits by council officers to business premises, using appropriate technology and a risk-based programme, give an opportunity to see “in the flesh” whether new businesses have been set up. This again demonstrates the strong advantage of having local knowledge and local collection. Specific grants to support the development of new techniques, using the latest technology, and to employ visiting officers would help local authorities to work with the Welsh Government to measure the current level of avoidance of Non-Domestic Rates



**Question 1.9: Do you have any comments or suggestions on how future legislation could help to reduce instances of avoidance of Non-Domestic Rates?**

We share the belief that one area in which the public purse suffers as a result of avoidance of Non-Domestic Rates are is the ability of businesses to avoid business rates on empty properties. The Rating (Empty Property) Act 2007 states that any industrial property which has been empty for more than six months does not receive rate relief and the empty property will instead be liable for 100% of the basic occupied business rate.

However, it also states that if a property is occupied again for a period of more than six weeks before becoming empty again, a further six-month exemption will apply. The same situation is true for retail units, but a further exemption is only available for up to 3 months in these cases.

Recent court cases (e.g. Makro v Nuneaton & Bedworth DC) has relaxed the definition of "rateable occupation" to such an extent that we consider that rewriting the legislation is necessary. For example, we are now seeing situations where keeping a few files or internet boxes are enough to deem the premises "occupied" in terms of rates liability. Such "minimal occupation" can easily be set up and dismantled to take advantage of initially a relatively small rates bill appertaining to a less than 42 day period of occupation, followed by a further and greater period of exemption, (be that 3 months retail or 6 months industrial), on vacation. We do not believe that this was the intention of the legislation when it was written, and this needs particular attention to ensure that business taxes work much more effectively. Increasing the "rateable occupation" period of 42 days to 3 months (or even 6 months) before allowing empty property relief would go much of the way to closing the "loophole" that currently exists.

The Government should also take steps to prevent avoidance through Phoenixism. This is the practice of creating a succession of limited companies where the process of incorporation is incomplete, and there is little or no attempt to prevent utility providers and the Local Authority from accruing debts. Once the recovery process commences the old company is liquidated and a new company appears.

To the public and customers the business appears continuous – the Officers and employees of the companies are identical, on occasion the details provided to Companies House may differ slightly. The level of losses created is never enough to cause Companies House to investigate the conduct of the Directors.

**Question 1.10: In what other ways could the Welsh Government enable Local Government to reduce the level of avoidance and fraud within the Non-Domestic Rates system?**

We feel that collection arrangements would be strengthened if Councils had the same statutory powers to write for information from businesses when administering business taxes as they do for Council Tax.

## CHAPTER 7

## CORPORATE GOVERNANCE AND AUDIT COMMITTEES

**148 Renaming of audit committees**

- 5 (1) In section 81 of the 2011 Measure (local authorities to appoint audit committees), in subsection (1), for “(an “audit committee”)” substitute “(a “corporate governance and audit committee”)”.
- (2) Schedule 9 makes consequential amendments to the 2011 Measure relating to the renaming of audit committees.

**149 Functions of corporate governance and audit committee**

- 10 (1) After section 81 of the 2011 Measure insert –

**“81A Further provision about functions of committees**

- (1) In exercising its functions under section 81(1) the corporate governance and audit committee of a local authority must, in particular, assess –

15 (a) the authority’s ability to comply with its duties under section 111 of the Local Government (Wales) Act 2017;

(b) the authority’s ability to make progress in relation to the priorities set out in the statement included in its corporate plan under section 112(2) of that Act;

20 (c) the arrangements made by the authority –

(i) in relation to self assessments under section 116 of that Act;

(ii) under section 118 of that Act (peer assessments), and

(d) the local authority’s ability to handle complaints effectively.

- 25 (2) The corporate governance and audit committee must report to the local authority on an assessment under subsection (1).

- (3) A corporate governance and audit committee also has functions under –

30 (a) section 117 of the Local Government (Wales) Act 2017 (self assessment reports);

(b) section 121 of that Act (responses to peer assessment reports);

(c) section 126 of that Act (responses to combined assessment reports);

35 (d) section 134 of that Act (responses to governance review reports).”

**150 Membership of corporate governance and audit committee**

- (1) Section 82 of the 2011 Measure (membership) is amended as follows.

(2) In subsection (2) –

(a) in paragraph (a) omit the words “at least”;

(b) for paragraph (b) substitute –

“(b) one-third of the members of that committee are lay persons;”.

(3) After subsection (5) insert –

“(5A) A corporate governance and audit committee is to appoint –

(a) a member of the committee as its chair (“the committee chair”),  
and

(b) a member of the committee as the deputy to the committee  
chair (“the deputy chair”).

(5B) The member appointed as the committee chair must be a lay person.

(5C) The member appointed as the deputy chair must not be a member of  
the local authority’s executive.”

(4) Omit subsection (6).

## 151 Meaning of lay person

In section 87 of the 2011 Measure (interpretation), omit the definition of “lay member”  
and insert –

““lay person” (“*person lleyg*”) means a person who –

(a) is not a member or an officer of any local authority,

(b) has not at any time in the period of twelve months ending with  
the date of that person’s appointment been a member or an  
officer of any local authority, and

(c) is not the spouse or civil partner of a member or an officer of  
any local authority;”.

## 152 Proceedings etc.

(1) Section 83 of the 2011 Measure (proceedings) is amended as follows.

(2) For subsections (1) and (2) substitute –

“(1) A meeting of a corporate governance and audit committee is to be  
chaired –

(a) by the committee chair, or

(b) if the committee chair is absent, by the deputy chair.

(2) If both the committee chair and the deputy chair are absent the  
committee may appoint another member of the committee (who may  
not be a member of the local authority’s executive) to chair the  
meeting.”

(3) Omit subsection (8).

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>11 FEBRUARY 2016</b>
TITLE	<b>REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP</b>
PURPOSE OF THE REPORT	<b>TO REPORT ON THE MEETING HELD ON 19 JANUARY 2016</b>
AUTHOR	<b>JOHN PUGHE ROBERTS, CHAIR OF THE AUDIT COMMITTEE</b>
ACTION	<b>TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS</b>

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## 1. INTRODUCTION

1.1 The executive summaries of 6 reports were presented to the Audit Committee meeting on 1 December 2015, which represented reports that had been released finally between 14 September 2015 and 31 October 2015. 3 of these reports received a 'C' opinion. Details of a responsive audit carried out on Canolfan y Gwystl was also presented.

## 2. MEETING OF THE WORKING GROUP

2.1 A meeting of the Working Group was held on 19 January 2016 with the Chairman of the Audit Committee and Councillors Angela Russell, John Brynmor Hughes and Michael Sol Owen, and Luned Fôn Jones, Audit Manager present.

2.2 The reports that the Working Group addressed were:

TITLE	DEPARTMENT	SERVICE	OPINION
Plas Ffrancon Leisure Centre	Economy and Community	Leisure	C
Cefn Rodyn, Dolgellau	Adults, Health and Wellbeing	Residential and Day	C
Canolfan y Gwystl	Adults, Health and Wellbeing	Residential and Day	-
Public Transport	Regulatory	Transportation and Street Care	C

2.3 Officers attended to discuss the reports.

## 2.4 Plas Ffrancon Leisure Centre

### 2.4.1 The main findings of the audit were as follows:

*The main concerns identified during the audit were the lack of control over banking arrangements, and the failure to raise invoices for customers who hired the Centre's facilities.*

*One of the main significant areas of the audit was the banking procedure at the end of the working day, where many errors were found across the various documents that are created when completing the task. It was seen that much use was made of the Surplus/Deficit reference in the ledger (code 8264, short code 'J'), despite the fact that the final balance was low at the end of 2014/15. It is not expected for this reference to be used much in the centres, and ideally, items with a value of no more than +/-£3.00 would be seen on it. Upon inspecting individual transactions, it could be seen that there were almost 300 of them on the ledger for 2014/15, and over 70 for 2015/16 up to the beginning of July 2015. This means that many errors are being made in the Centre.*

*The Centre's use of computers was also considered as part of the audit. The Gladstone system is used and log-in/out reports are produced from the system on a monthly basis since January 2015. Upon auditing the reports, it was seen that there was a need to tighten cases where staff log-in on more than one machine, and possibly do not log-out at the end of each shift. Upon visiting the Centre, no evidence was received of any robust arrangements that had been established to invoice the Centre's users for using the services.*

*The arrangements for dealing with the direct debit packages of the Centre's members was audited. The packages include the details of the customers and they are considered to contain information of a sensitive nature. The details are kept in a locked cupboard at the Centre. No procedure exists to send the information to Caernarfon using a 'recorded delivery' service, despite the personal and sensitive nature of the information.*

*The Centre has a series of current risk assessments, including specific versions for various rooms, activities and categories of people, and it was seen that these included the expected details. It was also seen that the Healthy Communities Service had a separate risk register, which referred to the risks associated with the leisure centres. It was seen that there were gaps in the information on the register; however, it was explained that it was intended to update the information by the end of the year.*

### 2.4.2 Mark Williams, Area Manager - Bangor/Bethesda and Carwyn Williams, Duty Manager, Plas Ffrancon leisure Centre were welcomed to the meeting.

- 2.4.3 The Audit Manager provided a summary of the audit findings. She explained that receiving a 'C' opinion category was a concern, especially considering that not much improvements had been displayed since the last review. It was explained that the controls over the procedures for receiving and banking of income were weak and that the reference code for "Surplus/Deficit" was over-utilized. The Audit Manager explained that during the Auditors' visit to the Centre, they had the impression of a lack of motivation amongst some of the staff.
- 2.4.4 The Area Manager - Bangor/Bethesda stated that all the recommendations in the report had been implemented and that better controls are now in place. A member enquired whether it was a lack of training that resulted in the weaknesses identified during the audit and were there too many part time staff employed at the Centre. The Area Manager stated that only 4 members of staff are employed at the Centre and that all four have now received financial arrangements training. It was explained that the Duty Manager has since received several training sessions and elaborated on the training received. A member emphasised the importance of continuous training.
- 2.4.5 The Area Manager explained that a new member of staff has joined the Leisure Centres' team whom is working in several centres to ensure that proper financial arrangements exist and to provide training to officers on income procedures.
- 2.4.6 A member enquired whether the officers were confident of not receiving a category 'C' opinion again. Both officers stated that they were confident that there will be improvement.
- 2.4.7 The Audit Manager explained that the Area Manager is present at Plas Ffrancon Leisure Centre no more than one day a week and therefore duties and responsibilities have to be properly delegated. The Area Manager explained that the Duty Manager was responsible for undertaking the work at present and the Chair emphasised the importance that all the staff should be aware of procedures to ensure business continuity in the absence of the Area Manager and the Duty Manager.
- 2.4.8 The Working Group agreed that a follow-up audit should be carried out within the next six months and the Audit Manager explained that the audit could be an unannounced visit which would provide a true view of the situation. This was welcomed by the officers.
- 2.4.9 The Audit Manager stated that if officers of the centre required any assistance, the Audit Service would be more than happy to help and offer guidance.
- 2.4.10 **The Area Manager - Bangor/Bethesda and the Duty Manager were thanked for attending the meeting and explaining the actions taken since the issue of the report to mitigate the risks identified.**

## 2.5 Cefn Rodyn, Dolgellau

### 2.5.1 The main findings of the audit were as follows:

*During the audit, examples of good practices were seen in some of the Home's arrangements. However, it appears that there are instances of operating contrary to the Council's administrative arrangements, and consequently, contrary to the Financial Procedure Rules. The home's expenditure was more than the budget set for the financial year 2014/15 in the following areas: property; transport and services and supplies.*

*Official orders were not used in the correct way as five had been completed after the invoice date which therefore made them trivial. A record that the goods/services had been received had not been noted on two of the orders and no estimated cost had been noted on the orders in the sample. Some of the boxes on the TR252 forms were seen to have been completed without any need e.g. region and stock boxes signed for an electricity supply invoice. There was no "received" stamp on the invoices in the sample selected.*

*It is a requirement that the 'Record of a Resident's Money' are signed by two persons for every expenditure of the residents' pocket money. There were two cases where it was seen that only one person had signed the sheet. A sample of 'personal items' sheets from the Care Plans of 4 residents were selected and checked. There was a signature and date on only two of these forms.*

*The records of the home's amenities account were not complete as all the income received had not been recorded. It was seen that television licence costs was paid from the amenities account although there was an account for this in the home's budget (4807 - General Licences). TR34 forms were checked for the income received and it was seen that only the Clerk signs them – there was no record of a check by a second person. One form had not been signed at all. The home's imprest account was checked for 2014/15 and it was seen that the expenditure exceeded the highest level of the account namely £170 twice. There were no receipts for many of the payments but a TR24b form had been used. The forms had not been signed or authorised in a number of cases.*

*Some errors were seen in staff leave entitlement, most often as they had over 5 years continuous service but this had not been considered when the hours were calculated. Also, additional leave hours had been calculated incorrectly.*

*Some staff members with a right to sign for medication did not appear on the list of those eligible to administer medication. The 'List of Names of Responsible Staff to Sign for Medication' was not up to date. A sample of six individual MAR (Medication Administration Record) sheets were checked and two signatures were not seen for receiving medication in several cases. In one case the last dose had not been recorded on the MAR sheet. The Manager was present when the record was checked. The temperature of Cefn Rodyn's fridge does not correspond with the Council's Medication Policy guidance. No record of temperature for 5/7/15 was seen for the medication room.*

- 2.5.2 Gwenno Williams, Senior Executive Manager, Provider Services, (Adults, Health and Wellbeing Department) was welcomed to the meeting.
- 2.5.3 The Audit Manager explained that the audit was included in the Audit plan following the decision to undertake an audit of residential homes in three-year cycles. She stated that although the financial arrangements in respect of ordering and the medicines' administrative procedures were problematic, it was emphasised that a 'C' opinion category on these arrangements did not necessarily mean that the quality of care was poor.
- 2.5.4 The Senior Executive Manager stated that she agreed with the contents of the report and that a number of recommendations had already been implemented. The Senior Executive Manager explained that the priority in the home is the residents and as a result paperwork is sometimes untidy but no financial risk existed in the home. It was stated that a Temporary Manager was in charge at Cefn Rodyn during the audit and that she had been promoted from the role of deputy manager and that it had taken some time for her to adapt to the new role. The Senior Executive Manager confirmed that a permanent Manager will be appointed in the near future.
- 2.5.5 Since publishing the report, the Senior Executive Manager explained that the Area Managers had attended a meeting with the Audit Manager to discuss the possibility of providing training on "Financial Arrangements" to the residential home managers, but specifically tailored to their needs. The Audit Manager explained that training sessions will be held in Arfon, Dwyfor and Meirionnydd.
- 2.5.6 A member stated that the fact that 20 recommendations were made in the report suggests controls are lax and emphasised the importance of training. The member also enquired why the Cefn Rodyn Manager was not present at the Working Group. The Audit Manager explained that an invitation to attend the Controls Improvement Working Group is sent to the Head of Service or the Senior Manager in the first instance and that they have the option to send a representative. The Working Group agreed that it would be good practice if the relevant managers attended the Working Group with the Senior Manager or the Head of Service in future.
- 2.5.7 A member enquired whether it was common practice to have temporary managers in charge of residential homes as she was aware of a similar situation in another residential home which had a temporary Manager. The Senior Executive Manager replied by stating that these two homes were an exception to the rule.
- 2.5.8 A member stated that the signing of medicines' documentation correctly should be a priority. The Senior Executive Manager explained that there are specific procedures in respect of medicines and that there is a requirement to report to the CSSIW if there is any breach (Regulation 38).
- 2.5.9 The Audit Manager explained that the residential homes audit programme has been amended and will be utilised for the 2016/17 audits. She stated that there will be less emphasis on certain areas such as stock books and stock checks which will allow more coverage on matters such as training and the administration of medicines.



**2.5.10 The Senior Executive Manager was thanked for explaining the current situation and the proposed actions to improve controls and strengthen procedures in the near future.**

## **2.6 Canolfan y Gwystl**

2.6.1 The main findings of the audit were as follows:

*A responsive audit was carried out following a request by the Gwynedd Supported Accommodation Manager for Internal Audit to assist in identifying the cause of the significant overspend in employee costs at Canolfan y Gwystl during the financial years 2014/15 and 2015/16. The matter was identified when the Gwynedd Supported Accommodation Manager was allocated additional duties for Learning Disabilities day services during the current year.*

*The expenditure on salaries for the financial year 2014/15 and the current financial year to August 2015 was reviewed and the hours as stated in the Canolfan y Gwystl employees' contract of employment was compared to the details extracted from the payroll/ledger system. In addition, the rota for the Canolfan y Gwystl officers was compared to the hours as noted in their contract of employment.*

*Some of the contributing factors which has resulted in the overspend are as follows:*

- It was found that a several officers were working above their contracted hours on a regular basis and these hours were paid at a rate of time and a half.*
- Three Casual Support Workers were included on the weekly rota with fixed hours, one was working 37 hours per week, the second, 21.5 hours and the third was working one-to-one with a specific service user.*
- The Casual Support Worker noted on the rota to work 37 hours had worked more than the noted hours in 70% of the weeks reviewed (45 out of 64 weeks).*

*Casual workers should not be included on the rota and certainly not with fixed hours. The purpose of the casual workers is to provide cover when required, e.g. when an officer is ill or on annual leave. In the auditor's opinion, the factors noted have contributed significantly to the salaries overspend.*

*In addition, a material overspend was seen on the transport budget. It was suggested to the Senior Executive Manager that the service investigates ways to reduce the overspend including the possibility of providing the transport service internally.*

2.6.2 The Senior Executive Manager was present to discuss this item.

2.6.3 The Audit Manager explained that the audit was undertaken on the request of the Gwynedd Supported Accommodation Manager. This officer had recently inherited the responsibility for learning disabilities centres and subsequently discovered substantial overspend on the budget of Canolfan y Gwystl.

2.6.4 The main findings of the audit were outlined by the Audit Manager which explained that the main reasons for the overspend was due to an overspend on the employee budget as staff worked over their contracted hours and that casual staff were working several hours, often

37 hours per week or more. It was also explained that transport costs such as taxis had also been a significant factor.

- 2.6.5 The Senior Executive Manager explained that recent re-structuring has resulted in one person now responsible for managing the centre rather than as previously, when four persons who shared the responsibility. She expressed that this arrangement will provide better ownership over procedures. The Senior Executive Manager explained that they are currently reviewing transport costs and are considering the possibility of sharing taxis and also the option of providing the service internally. It was also stated that the use of casual staff has decreased and that this has had a positive impact on the budget.
- 2.6.6 It was also explained by the Senior Executive Manager that the service has requested that Social Workers re-assess the centre's users to ensure that the provision meets their current needs.
- 2.6.7 The Senior Executive Manager thanked the Internal Audit officers for their assistance and their co-operation.
- 2.6.8 The Senior Executive Manager was thanked for attending the meeting and for explaining steps already taken and for outlining the action that is underway.**

## 2.7 Public Transport

### 2.7.1 The main findings of the reports are as follows:

*As the accuracy of the average adult single ticket price in September 2009 forms the foundation for the accuracy of the payments to this day, it is essential that this figure is accurate. However, the audit report 'Free Travel Passes 2013/14' shows that no assurance can be given of the accuracy of the figures. It was recommended that this exercise should be repeated in order to obtain more recent figures, and sufficient evidence to justify this. By the time of this audit, the exercise has not been undertaken and consequently, no assurance can be given that the payments are accurate.*

*A sample of the first quarter claims of four bus companies was selected and it was seen that the expected reports (Wayfarer reports which record the use of concessionary passes per route), had been submitted to support the claims. However, it was seen that one company regularly sought to claim for more journeys than the reports suggested they were due, and that the Service's checks meant that the company did not receive what it claimed. It was seen that the Service had brought this to the company's attention.*

*The use made of manually recording tickets is a contentious issue. It is not expected for more than 2% of repayments to derive from manually processed tickets, rather than by scanning a ticket to a machine as passengers step onto a bus. There is a substantial risk of this button being misused, and this has already been identified.*

*The Service records the use made of manually processed tickets by recording them on a spreadsheet. As the percentage of manually processed tickets was regularly above 2%, it was seen that the Service had been proactive by drawing this to the attention of the Welsh Government jointly with the other North Wales Councils. Guidance was sought as to whether or not the companies should receive payment for any manually processed ticket that exceeded the 2% mark, and to date, no objection was received from the Welsh Government to pay over this threshold. At the time of the audit, one company is concerned that their machines were not working (memory full), and therefore they had to manually process a number of tickets.*

*According to clause 19 of the guidelines 'Concessionary Travel Scheme: Guidance for Local Authorities' (1 April 2010), the Council can claim administrative costs from the Government on a quarterly basis, which equates to £3 for each free travel pass in circulation in Gwynedd. The Council will note in its quarterly claim how many free passes are in circulation, multiply the figure by £3 and then it will be quartered to reflect the claim period. The quarter 1 claim for 2015/16 was verified and it was seen that the administrative costs had been correctly calculated.*

*It was seen that the Service placed each transport contract on Sell2Wales, regardless of its value, and this is considered to be good practice. However, the Service intends to evaluate tenders based on price only in the future. The technical parts, or quality of the tender, will be judged on a pass/fail basis, rather than contribute to the tender score.*

*Normally, the Service does not undertake financial checks on the companies to ensure whether or not they are viable. The Procurement Unit can undertake such simple checks and it is recommended for the Service to consider doing that as part of their evaluation process, and receive proof that what was submitted in the tender is accurate.*

- 2.7.2 Dafydd Wyn Williams, Head of Regulatory (Temporary) was welcomed to the meeting.
- 2.7.3 The Audit Manager explained that the audit was included in the 2015-16 audit plan on the request of the Head of Regulatory (Dafydd Wyn Williams).
- 2.7.4 The Head of Regulatory and the Audit Manager acknowledged that this was a contentious area as the Council is dependent on data provided by the suppliers, that the receipt of data is problematic and that there is no means of providing full assurance on its accuracy. The Head of Regulatory explained that this is problematic when attempting to calculate the average single adult fare.
- 2.7.5 The Audit Manager explained that an error in a spreadsheet formula used to score the “quality” element of a contract was found. She emphasised that this was only an error and that there was no attempt of fraud.
- 2.7.6 The Head of Regulatory explained that the arrangements have since changed and that contracts are now awarded based on price only but that it is a requisite that certain criteria are met and if a provider fails to meet with all the required criteria, their proposal will be disregarded.
- 2.7.7 A member enquired what are the procedures in respect of tickets processed manually. The Head of Regulatory explained that arrangements have improved and that a detailed record is maintained on a spreadsheet which will flag any out of the ordinary trends. It was explained that the Council contacts the Welsh Government prior to making any payment over the threshold but that the Welsh Government has not objected to any payment to date but there is uncertainty about the future.
- 2.7.8 A member asked if monitoring CCTV would assist in identifying any unusual trends. The Head of Regulatory stated that it was problematic obtaining data from providers and the Audit Manager explained that it is not essential to have CCTV on commercial routes, which is a requirement for the transport of school pupils.
- 2.7.9 The Head of Regulatory stated that he welcomed the report and the planned follow-up audit and expressed his gratitude to Internal Audit for their work and co-operation.
- 2.7.10 The Head of Regulatory was thanked for attending the meeting and for outlining the developments since the release of the audit report.**

# Agenda Item 12

COMMITTEE	AUDIT COMMITTEE
DATE	11 FEBRUARY 2016
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 JANUARY 2016
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

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## 1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 November 2016 to 31 January 2016.

## 2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 31 January 2016:

Description	Number
Reports on Audits from the Operational Plan	15
Grant Reviews	6
Follow-up Audits	3

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

## 2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 31 January 2016, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Use of Consultants	Corporate		B	Appendix 1
Awareness of Whistleblowing Policy – Manual Workers	Corporate		B	Appendix 2
Gwynedd and Anglesey Learning Partnership Grant	Education	Resources	A	Appendix 3
Workforce Modelling – Ysgol Baladeulyn	Education	Schools	B	Appendix 4
Workforce Modelling – Ysgol Nebo	Education	Schools	B	Appendix 5
Workforce Modelling – Ysgol Trefferthyr	Education	Schools	B	Appendix 6
Sailing Academy	Economy and Community	Major Projects	B	Appendix 7
Arfon Leisure Centre	Economy and Community	Leisure	C	Appendix 8
Home Care - Communication	Adults, Health and Wellbeing	-	B	Appendix 9
Governance of Collaborations with the third sector	Adults, Health and Wellbeing	-	B	Appendix 10
Plas y Don	Adults, Health and Wellbeing	Residential and Day	C	Appendix 11
Plas Hedd	Adults, Health and Wellbeing	Residential and Day	C	Appendix 12
Hafod Mawddach	Adults, Health and Wellbeing	Residential and Day	B	Appendix 13
Maintenance of Buildings and Sites	Highways and Municipal	Fleet	C	Appendix 14

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Pont Briwet	Regulatory	Transportation and Street Care	N/A	Appendix 15

2.2.2 The opinion categories within the reports affirm the following:

Opinion “A” Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.

Opinion “B” Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.

Opinion “C” Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.

Opinion “CH” Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses/fraud resulting from these weaknesses were discovered.

## 2.3 Grants

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

- Post-16 Provision in Schools Grant (*Education*)
- Funding for Band 4 and 5 Schools (*Education*)
- Welsh in Education Grant (*Education*)
- Pupil Deprivation Grant (*Education*)
- School Effectiveness Grant (*Education*)
- Learning Pathways Grant (*Education*)

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

## 2.4 Follow-up Audits

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

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Jobs System	Corporate		Acceptable
First Aid Payments	Corporate		Unacceptable
IT – Backups and Service Continuity	Finance	Information Technology	Acceptable

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

**Excellent** - all recommendations implemented as expected.

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

**Unsatisfactory** - several recommendations not implemented.

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

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

**Completion Target: Quarter ending 31 March 2016**

Health and Safety – Lone Working  
Gwynedd Museum and Gallery  
Community Care Workers – Travelling Costs

**Completion Target: Quarter ending 30 June 2016**

Charges on Properties of Home Residents  
Removing Leavers from IT Systems  
Public Transport

**Completion Target: Quarter ending 30 June 2016**

Plas Ffrancon Leisure Centre  
Cefn Rodyn



### **3. WORK IN PROGRESS**

3.1 The following work was in progress as at 1 February 2016.

#### **3.2 WORK IN PROGRESS**

- Safeguarding Arrangement – Staff Awareness of the Policy (*Corporate*)
- Corporate Assessment (*Corporate*)
- Officers Gifts and Hospitality – High Risk Services (*Corporate*)
- Proactive Prevention of Fraud and Corruption (*Corporate*)
- Contracting Terms -Safeguarding Arrangement (*Corporate*)
- Information Governance – Data Protection Act (*Corporate*)
- National Fraud Initiative (*Corporate*)
- School Catering (*Education*)
- Workforce Modelling (*Education*)
- North and Mid Wales Trunk Road Agency
- Schools - Health and Safety of Educational Visits (*Corporate Support*)
- Debtors System – Review of Key Controls (*Finance*)
- Payments System – Review of Key Controls (*Finance*)
- Bank Reconciliation – Review of Key Controls (*Finance*)
- Payroll System – Review of Key Controls (*Finance*)
- Pension Fund – Review of Key Controls (*Finance*)
- Benefits – Review of Key Controls (*Finance*)
- Council Tax System – Review of Key Controls (*Finance*)
- NNDR – Review of Key Controls (*Finance*)
- Care Worker Training Programmes (*Adults, Health and Wellbeing*)
- Inspections (*Highways and Municipal*)
- Parking Income Transport (*Regulatory*)

### **4. RECOMMENDATION**

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 November 2016 to 31 January 2016, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

## USE OF CONSULTANTS

### Corporate

#### **Background**

Expenditure on consultants is a contentious matter and has received considerable attention in the media in the past. Expenditure reports on 'Consultants Fees' revenue code indicate that the Council spends approximately £1.3m on consultants annually. A 'Consultant' is defined in the dictionary as "One who provides advice (professionally or in an expert field)". The Procurement Unit's Handbook also suggests that consultants provide "*expert advice within a specific work field*" but it also adds that they can "*fill any gaps in skills which exist within that specific field*", which expands the scope of consultants' work significantly.

#### **Purpose of the Audit**

The purpose of the audit was to review appointment arrangements and the value for money received by appointing consultants.

#### **Scope of the Audit**

The audit included checking a sample of invoices paid on consultant expenditure codes across the Council, focusing on ensuring that the following had been established: arrangements for checking employment status, the existence of business plans and financial arrangements. The audit scope did not include reviewing capital expenditure on the use of consultants or on the use of agency workers.

#### **Main Findings**

When analysing a sample of the invoices paid on the 'Consultants Fees' revenue expenditure code, it was found that the variety of the type of work referred to as 'consultancy' is broad. Invoices were discovered for work where other specific expenditure codes exist for them, such as job training and translation. Should someone, internal or external, wish to find the Council's expenditure levels on consultants, extracting a report from the financial ledger on the 'Consultants Fees' revenue expenditure code would likely suggest that much more had been spent on consultants than had actually happened, due to miscoding. For example, the value of one of the invoices on the 'Consultants Fees' expenditure code, and confirmed by the manager as an example of miscoding, was £99,995. It was arranged to transfer these costs to the correct expenditure code.

However, it was seen that 'consultancy' work was sometimes coded on other expenditure codes, which weakens the reliability of the ledger's figures as well, and of course means that they will not appear on relevant expenditure reports for the purposes of selecting an audit sample. The ledger was checked and a sample of projects was selected across the Council to check the appointment arrangements and the value for money. It was discovered that no formal business case has been drawn up for the projects selected in the sample. However, it was seen that similar documents (such as a brief) had been drawn up which summarised the projects and listed the expectations.

From the selected sample, it was seen that the Council had tested the market appropriately, by requesting quotations or going out to tender, unless there was an adequate reason not to do so, e.g. a lack of time. According to the terms of the grant which funded one of the projects in the sample, it was necessary to complete the work and spend the grant between 10/02/14 and 31/03/14. In light of the challenging timetable, the Cabinet Member decided to waive the standing orders on contracts in this case. It can be seen from the Cabinet Member's Decision Notice (18/02/14) that the Chief Executive, the Monitoring Officer and the Chief Finance Officer agree with the decision. It was expressed that "*Due to the extremely challenging timetable facing the Council in light of the Welsh Government's decision and the terms and conditions of the funding, I do not believe that it is possible to test the market in the usual way*".

Managers are expected to consider undertaking the work internally, before commissioning an external company to carry out the work. Several managers in the sample expressed that having an external company to complete the work gives the work in question more credibility, especially when the matter at hand is sensitive e.g. the impact of cuts.

One of the reasons that consultant fees is a contentious matter is the fact that the daily fees tend to be higher than the cost of employing people internally. If the arrangement of employing consultants was a long-term one, it is therefore good practice for officers to consider the employment status of the consultant by evaluating the costs and the benefit of paying the fees via accounts payable, or by creating a temporary post and placing him/her on the payroll. An example was seen of an individual on a school payroll who had also invoiced the Council for additional hours on a higher scale. Although the expenditure was not referenced as 'consultants fees' in this case, weaknesses were highlighted in terms of employment status as the Senior Managers at the time were not aware of the arrangement and no contract was in place to include e.g. terms of employment, the use made of the room and school's resources etc. for the individual's business purposes.

An example was seen of a former officer undertaking consultancy work after retiring in 2009. This was due to a high-pressure workload within the service and a lack of internal resources after several officers left the Council. In addition, it was seen that one officer had had to leave Council employment on the grounds of the need to realise savings, but he was soon appointed as a 'consultant' as an eligible officer in the field was required to undertake relevant work, while unqualified officers were in the process of qualifying.

#### **Audit Opinion**

**(B) The Audit opinion is that partial assurance can be expressed on the propriety of the 'Use of Consultants' as some controls are in place, but there are aspects where some arrangements can be tightened.**

Although the ledger indicates that consultant fees are approximately £1.3m annually, the outcomes of this audit show that this does not reflect the Authority's expenditure on 'receiving expert advice' only. From the sample that was checked, it was found that much of the expenditure was on various services, which in the auditors' opinion was not expenditure on 'consultants'. As well as this, from the selected sample, it was seen that several 'consultancy' projects had been funded via an external grant, whereby the expenditure had been approved by the funding body.

**AWARENESS OF THE WHISTLEBLOWING POLICY - FIELD WORKERS****Corporate****Background of the Audit**

A questionnaire was distributed by Internal Audit to the employees of the Council's main offices as part of the 'Disclosure Arrangements - Awareness of the Whistleblowing Policy' audit (November 2014), with the intention of discovering how familiar the employees were with the Council's Disclosure and Whistleblowing Policy together with gaining their opinion on the policy and the arrangements. The scope of the audit was to design and distribute an electronic questionnaire to all employees who had a Gwynedd Council e-mail address. However, as Internal Audit acknowledged that the awareness of field workers was an important matter, it was resolved to allocate resources to hold a review of field workers' awareness of the Policy during 2015/16.

**Purpose of The Audit**

The purpose of the audit was to undertake a review of the awareness of the Council's field workers on the Council's Disclosure and Whistleblowing Policy together with ascertaining the employees' opinion of the policy and the arrangements together with how likely it was for them to use it should circumstances arise.

**Scope of the Audit**

The scope of the audit was to design and distribute a questionnaire for a sample of the Council's field workers. Schools field workers were not included in the scope of this audit. Internal Audit's annual plan involves undertaking several external visits, and it was decided that every Auditor would distribute the questionnaire while on visits for other Audits throughout the year, such as Home Care, Residential Care, Beaches, Depos and Workshops etc. This enabled avoidance of costs, as well as encouraging the workers to complete the questionnaire and provide advice and guidance where necessary. 86 questionnaires were successfully returned.

It must be borne in mind that the answers in the questionnaires are completely anonymous. This means that it is not possible for auditors to verify the accuracy of any response, therefore, when evaluating the responses it must be assumed that every response provided is accurate and true.

**Main Findings**

The main findings of the audit is the fact that awareness of the policy is high amongst field workers, with 81% expressing that they are aware of the policy. According to responses on the questionnaire, this awareness derives from discussions with line managers, colleagues and induction sessions, but a very low percentage has received a whistleblowing contact card - only 16%. It was suggested in the responses that some employees had not whistleblown in a situation of concern about misconduct in the workplace based on the fact that they were not aware that whistleblowing procedures were in place, which reiterates the need to continue to raise awareness.

Of the questionnaires that were returned, three employees noted that they had previously whistleblown. Two expressed that they were happy with how the cases were dealt with; one noted that the case had been resolved with, and the other noted that it had been partially resolved. The matter was not resolved in the case where the employee expressed that he was not happy with how the case was dealt with.

Following observations expressing a lack of faith in the whistleblowing procedure in the 2014 questionnaire, field workers were requested to score how confident they were in the procedure; 1 - 'no confidence' and 5 - 'completely confident'. A score of 5 suggests that the employee has faith that complaints will be taken seriously, and that managers implement without prejudice against those who have whistleblown. The average score was 3.85 (compared with 3.09 for office employees), which means that in general, the Council's field workers were confident in the procedure.

The questionnaire listed examples of circumstances (taken from the policy) when employees should become whistleblowers should they come across these circumstances in the workplace. The questionnaire asked, if staff discovered these examples in the future, with the option of choosing as many examples as they wished, realistically, for which ones would they be likely to implement the whistleblowing policy?

The results indicated that 93% of workers would whistleblow if they came across something equating to sexually, physically or emotionally abusing clients. Despite the high percentage, everyone is expected to share any concern in such cases to comply with the Council's "Safeguarding Children and Adults Policy". Only 60% of employees expressed that they would whistleblow for something which causes, or is likely to cause, harm to the environment. Between 81% and 92% of employees were willing to whistleblow in the other examples.

If responders stated that they would not whistleblow against any of the above examples, then they were asked to explain why not. A sample of the observations are given below:

*"Scared, someone bullying you not to"*

*"Scared in case they treat me differently (line manager). Scared in case they say who has said"*

*"It depends on how bad and how often it happens".*

Lastly, the employees were requested to offer any additional observations they wished to submit. A sample of their observations is provided below:

*"The whistleblowing policy is very reassuring re- service users and staff alike, to ensure a safe, happy environment to both work and live"*

*"Change the name. A lot of people don't like it"*

*"Deal with matters quicker"*

*"Due to my past experience I have no faith in the disciplinary procedure"*

*"Raise awareness to all staff - hold workshops in care homes".*

### **Audit Opinion**

**(B) The Audit opinion is that partial assurance can be expressed of propriety in awareness of the Whistleblowing policy and procedures as controls are in place, but there are aspects where arrangements can be tightened. The main recommendations of the report are as follows:**

- **Re-distribute the whistleblowing contact cards.**
- **To include a discussion on the importance of Whistleblowing in meetings with field workers, in order to seek to reduce staff concerns about whistleblowing and to reinstate their confidence in the procedures.**
- **To hold training sessions / workshops.**

**GWYNEDD AND ANGLESEY LEARNING PARTNERSHIP GRANT**  
**Education**

**Background**

The Gwynedd and Anglesey Post-16 Education Consortium was established following background and consultative work with Schools and Colleges where it was identified that a robust partnership was required to provide a post-16 educational service in both Counties. The project was funded partly by Schools, Colleges, Local Authorities and the European Social Fund (ESF) grant by the Welsh European Funding Office.

The project, which was run from April 2013 to October 2015, had a budget of £1.1m. However, the project did not commence on time as a variety of problems arose. Ultimately, the project commenced in its entirety in March 2014 until October 2015.

**Purpose of The Audit**

The purpose of the audit was to ensure that appropriate controls were in place to close down the Gwynedd and Anglesey Learning Partnership Grant project.

**Scope of the Audit**

Verify the project's close down arrangements and documentation.

**Main Findings**

It was seen that there were very strong examples of good practice and robust controls in place to close down the Gwynedd and Anglesey Learning Partnership Grant project, to mitigate a range of risks in the project's administration and management. The following matters had been considered:

- **That appropriate arrangements are in place for closing down the project, with an appointed person responsible for submitting the final grant application and ensuring that the final grant payment is received.**
- **That appropriate arrangements are in place to close the office and deal with the property and contents of the office.**
- **That appropriate arrangements are in place for the payment of invoices due after the office closes.**
- **It was discovered that appropriate arrangements are in place for document retention in accordance with WEFO guidelines.**
- **That appropriate arrangements are in place to deal with the staff involved with the Gwynedd and Anglesey Learning Partnership Grant where the office is closing.**

Confirmation was received from the Officers during the audit that the Gwynedd and Anglesey Post-16 Education Consortium had received approval to continue with the service in 2016 and use the Match Funding budget remaining from the project and therefore, after the closure of the project at the end of 2015, the service will now continue until December 2016 at least.

**Audit Opinion**

- (A) The Audit Opinion is that assurance of financial propriety in the control arrangements for the Gwynedd and Anglesey Learning Partnership Grant can be expressed as it is possible to depend on the internal controls which are in place, and that they have been followed.**

**WORKFORCE MODELLING - YSGOL BALADEULYN****Education****Background**

The school Governing Body is responsible for managing and running the school and delegated powers are given to Headteachers to run the school on a day to day basis. The rights of Headteachers in terms of financial decisions are specified by the Governing Body and should be recorded within the school's policy.

The Headteacher is responsible for reporting to the Governing Body on a regular basis on the school's financial situation and on any issue that affects that situation.

The Governing Body is responsible for determining procedures to administrate personnel activities, including appointments, terminations and promotions.

**Purpose of The Audit**

Ensure that appropriate arrangements exist for modelling the workforce in primary schools in Gwynedd, in order to alleviate risks in accordance with relevant policies and procedures.

**Scope of the Audit**

A sample of primary schools of various sizes and from various areas in Gwynedd were selected and visited to be inspected for audit purposes.

**Main Findings**

It appeared that the workforce modelling arrangements were good on the whole at Ysgol Baladeulyn with teachers receiving appropriate PPA time, an appropriate officer has been appointed to undertake administrative work, TLR payments are administrated properly, the Head's time is allocated appropriately for management and leadership time and adequate budgetary controls existed.

It was seen that job descriptions are reviewed annually and they were last reviewed on 15/09/2015. The teachers' job descriptions contained details such as conditions of employment and duties, accountability, specific responsibilities, expectations and additional responsibilities as expected. However, when the job descriptions were compared with the generic copy of a job description for a teacher which is held by the Education Department, it was seen that there was room to add more relevant clauses to the teachers' job descriptions. The same could be said when the current job description of the Head was compared with a generic job description held by the Education Department for Heads. It would be good practice to compare the current job descriptions of the Head and teachers at the school with the generic job descriptions, in order to see whether it would be beneficial to add some new clauses to the current job descriptions of the Head and teachers.

Evidence was seen at the school that the annual salary review forms September 2015 had been completed for the teachers; however, copies of the review forms had not been forwarded for the attention of the Salaries and Contracts Unit. It is understood that the Salaries and Contracts Unit had not received the annual salary review forms in September 2014 either. The Head noted that she would arrange to forward the copies immediately to the Salaries and Contracts Unit.

### Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed of financial propriety in the workforce modelling arrangements at Ysgol Baladeulyn as there are controls in place, but there are aspects where some arrangements can be tightened. The recommendations of the report are as follows:

- It would be good practice for the Head to receive a copy of a generic job description for the Head and a teacher from the Education Department, in order compare them with the current job descriptions of the Head and teachers at the school, in order to identify additional clauses for which consideration should be given to adding them to the current job descriptions.
- The annual salary review forms for teachers should be forwarded to the Salaries and Contracts Unit by the specified date on the review forms.



## **WORKFORCE MODELLING -YSGOL NEBO**

### **Education**

#### **Background**

The school Governing Body is responsible for managing and running the school and delegated powers are given to Headteachers to run the school on a day to day basis. The rights of Headteachers in terms of financial decisions are specified by the Governing Body and should be recorded within the school's policy.

The Headteacher is responsible for reporting to the Governing Body on a regular basis on the school's financial situation and on any issue that affects that situation.

The Governing Body is responsible for determining procedures to administrate personnel activities, including appointments, terminations and promotions.

#### **Purpose of The Audit**

Ensure that appropriate arrangements exist for modelling the workforce in primary schools in Gwynedd, in order to alleviate risks in accordance with relevant policies and procedures.

#### **Scope of the Audit**

A sample of primary schools of various sizes and from various areas in Gwynedd were selected and visited to be inspected for audit purposes.

#### **Main Findings**

It appeared that the workforce modelling arrangements were satisfactory at Ysgol Nebo with teachers receiving appropriate PPA time, an appropriate officer has been appointed to undertake administrative work, the Head's time is allocated appropriately for management and leadership time and adequate budgetary controls existed.

A copy of the school's staffing structure was received but it was seen that the structure did not detail the employees' working hours/days. It is understood that job descriptions are reviewed regularly; however not all job descriptions inspected at the school had been dated and signed appropriately. This meant that it was not possible to confirm the date on which some of the job descriptions had been reviewed and whether or not the employees had received them as they had not signed them.

The teachers' job descriptions contained details such as work duties, specific responsibilities and curricular lead responsibilities as expected; however, when the job descriptions were compared with the generic copy of a job description for a teacher which is held by the Education Department, it was seen that there was room to add more relevant clauses to the teachers' job descriptions. The same could be said when the current job description of the Head was compared with a generic job description held by the Education Department for Heads. It would be good practice to compare the current job descriptions of the Head and teachers at the school with the generic job descriptions, in order to see whether it would be beneficial to add some new clauses to the current job descriptions of the Head and teachers.

The September 2015 annual salary review forms had not been completed for the school's teachers.

During the audit, the Head expressed that she was not always clear about the financial reports received and that she would appreciate attending any financial training held in the future which would benefit her.

Following further discussions with the Senior Accountant about this matter, the Senior Accountant expressed that it would be beneficial for them to discuss any financial issues on which the Head requires further training the next time she attends a finance surgery.

#### **Audit Opinion**

**(B) The Audit opinion is that partial assurance can be expressed of financial propriety in the workforce modelling arrangements at Ysgol Nebo as there are controls in place, but there are aspects where some arrangements can be tightened. The recommendations of the report are as follows:**

- **The copy of the school's staffing structure which is kept at the school should detail the employees' working hours/days.**
- **The employees' job descriptions which are kept on file at the school, should all be signed and dated appropriately.**
- **It would be good practice for the Head to receive a copy of a generic job description for the Head and a teacher from the Education Department, in order compare them with the current job descriptions of the Head and teachers at the school, in order to identify additional clauses for which consideration should be given to adding them to the current job descriptions.**
- **It should be ensured that annual salary review forms are completed annually for teachers, signed by teachers and the Chair of the Governing Body, and then it should be ensured that copies of the forms are forwarded for the attention of the Salaries and Contracts Unit.**

## **WORKFORCE MODELLING -YSGOL TREFERTHYR**

### **Education**

#### **Background**

The school Governing Body is responsible for managing and running the school and delegated powers are given to Headteachers to run the school on a day to day basis. The rights of Headteachers in terms of financial decisions are specified by the Governing Body and should be recorded within the school's policy.

The Headteacher is responsible for reporting to the Governing Body on a regular basis on the school's financial situation and on any issue that affects that situation.

The Governing Body is responsible for determining procedures to administrate personnel activities, including appointments, terminations and promotions.

#### **Purpose of The Audit**

Ensure that appropriate arrangements exist for modelling the workforce in primary schools in Gwynedd, in order to alleviate risks in accordance with relevant policies and procedures.

#### **Scope of the Audit**

A sample of primary schools of various sizes and from various areas in Gwynedd were selected and visited to be inspected for audit purposes.

#### **Main Findings**

It appeared that the workforce modelling arrangements were good on the whole at Ysgol Trefferthyr with teachers receiving appropriate PPA time, teachers' salaries reviewed annually, the Head's time is allocated appropriately for management and leadership time and good budgetary controls existed.

It was seen that the school employees' job descriptions had been amended recently and that they were in the form of an appropriate template and contained details of the duties and responsibilities of the employees as expected. However, it was seen that one teacher had not returned their amended and signed job description. The Head expressed that she would follow this up. Given how recently the job descriptions had been amended, it was seen that a good effort had been made to have the signed job descriptions returned.

When the job descriptions of employees were inspected in more detail it was seen that working hours had not been noted on the job description of one of the teaching assistants and the teachers' job descriptions did not note which percentage of a full week they worked.

According to the primary schools funding formula for 2015/16 it was seen that Ysgol Trefferthyr would be eligible for a budget of £8,153 for Ancillary Staff: Clerical. This budget is not used in full; it is understood that the school decided to allocate only £2,305 to the Ancillary Staff: Clerical budgetary heading in 2015/16 and transferred the remaining budget - £5,848 to other budgetary headings. The Head was questioned further on this matter and she gave an explanation that the

Head had advertised for a clerk some years previously and no-one had expressed an interest in the post. This means that the clerk who was employed at the time had continued in their post of working 5 hours a week. The Head expressed that she undertakes most of the clerical work herself and that this system worked at the school. It is understood that there are two teaching assistants at the school who are employed to work 35.75 hours a week and they were at the school until around 5pm and that they are responsible for doing most of the photocopying for the teachers.

#### **Audit Opinion**

**(B) The Audit opinion is that partial assurance can be expressed of financial propriety in the workforce modelling arrangements at Ysgol Treferythyr as there are controls in place, but there are aspects where some arrangements can be tightened. The recommendations of the report are as follows:**

- **It should be ensured that the teacher who had not signed their amended job description does so as soon as possible.**
- **It should be ensured that the job descriptions of the school's employees contain details about the employees' working hours or in the case of a teacher which "point" of a full week they work.**

**THE SAILING ACADEMY**  
**Economy and Community**

**Background**

The £8million project of constructing the Sailing Academy and Event Centre in Pwllheli was joint-funded by the European Regional Development Fund through the Welsh Government and Gwynedd Council. The Sailing Academy and Event Centre is a multi-operational centre which includes a main hall for sailing and community uses, training and educational rooms and catering facilities. The building was opened in the summer 2015 and various events and competitions have already been held there.

**Purpose of The Audit**

The purpose of the audit was to ensure that the budgetary control and progress of the Sailing Academy construction project in Pwllheli is sufficient and in accordance with the Council's project management handbook. Ensure that payments made to contractors as part of the plan conform to the Procedural Rules, that the payments are accurately calculated with sufficient documentation to justify the payment.

**Scope of the Audit**

Check the arrangements and controls which are in place to mitigate a range of risks associated with the construction of the Sailing Academy in Pwllheli.

**Main Findings**

It appears that good and robust arrangements are in place by the Economy and Community Department and the Consultancy Department to manage the Sailing Academy construction project. It was seen that good arrangements exist where the Contracts Unit Manager keeps the details of all analyses that support the figures on the interim certificates electronically.

A sample of interim certificates relating to payments to the contract's main contractors were audited and checked against the analyses kept by the Contracts Unit Manager and they were found to be accurate. However, when the Economy and Community Department's files were audited it was seen that the details of all analyses were not on file to support the payments relating to the interim certificates.

The auditor is of the opinion that it would be good practice to ensure that all analyses are filed with the interim certificates before arrangements are made to archive the files. The main reason for this is that should an audit be conducted in coming years and the officers had moved on to other jobs, there could be a risk that nobody would be able to justify how the figures appearing on the interim certificates had been calculated.

A sample of payments made to contractors relating to the projects was audited and it was seen from the audit sample that 16% of them had not been paid within 14 days of receipt of the original invoice. The associated risk is that the Council could be punished by having to pay interest on late payments.

It was also seen when auditing the invoices and TR252 coding slips that there had been times when the tax point boxes had not been completed at all whilst on others it was seen that the correct dates had not always been recorded in the boxes, namely, the actual date when the invoice had been received, the date on the received stamp. The Payments Unit use the date recorded in the tax point box and the payment is made based on this date. This means that it is important for the correct dates to be inputted in the tax point boxes, to ensure that invoices are paid on time.

It is understood by the Strategic Projects Team and Contracts Unit Manager that it is their intention to complete a 'lessons learnt log' leaflet in the near future and that it is intended to receive input from the contractors also when undertaking the task.

#### **Audit Opinion**

**(B) The Audit opinion is that partial assurance can be expressed of financial propriety in the controls of the Sailing Academy construction project, as there are controls in place, but there are aspects where some arrangements can be tightened. The recommendations of the report are as follows:**

- **It would be good practice to ensure that all analyses to support the interim certificates are filed with the certificates on the files of the Economy and Community Department before the files are archived.**
- **Efforts should be made to pay contractors within the specific timescales and it should be ensured that the date when the invoice/certificate was received, namely the date on the received stamp, is recorded in the tax box on the TR252 coding slip.**
- **It should be ensured that the lessons learnt log form is completed.**

**ARFON LEISURE CENTRE**  
**Economy and Community**

**Background**

Gwynedd Council Leisure Centres are located within the Healthy Communities Service, which is part of the Economy and Community Department. The management arrangements for the Centres have changed fairly recently and by now there are 4 Area Managers who between them are responsible for managing the county's leisure centres.

**Purpose of The Audit**

Ensure that arrangements exist in the Leisure Centre in order to control and mitigate risks appropriately, and in accordance with the Council's internal procedures and other relevant procedures.

**Scope of the Audit**

The Centre was visited to undertake an audit to ensure that appropriate arrangements are in place for the collection of income, budgetary control and that health and safety procedures exist to control various risks.

**Main Findings**

The Duty Manager confirmed that they produced relevant monthly reports for the centre. It was seen that "Point of Sales Transactions - Cancelled" had been produced as well as "Record Refunded" reports. When auditing the three month sample across the 2014/15 financial year, it was seen that the reports for February and July 2015 were available, but the 2014 ones could not be found on the day of the audit.

A sample of four "Applications to Hire Facilities" at the Centre was audited. Upon auditing the applications, it was seen that the invoice number or date had not been noted on the application and consequently, it was difficult to find the correct invoice that matched the "Application to Hire Facilities".

The Centre's debtors details were received from the Revenue Service and it was seen that the total debts were £19,637.10 on 08/06/2015. This total derived from a number of individual debtors (35).

The information and terms of customer direct debits are kept on a file in the Centre. This information is not kept under lock and key, but rather it is kept on a shelf in the back office behind the reception. This means that there is a risk that Personal Information could fall into the wrong hands by not keeping the information securely.

Equipment is marked in the Centre on a regular basis. However, no formal record is kept of what equipment has been marked or of the reference marked on the equipment. Consideration should be given to keeping this information on the Centre's property list so that the equipment could be tracked should anything be stolen.

There are staff induction arrangements in place at the Centre. This information is kept on the individual's personal training plan at the Area Manager's office. Upon auditing a sample of staff

induction packs, it was seen that it was mandatory for staff to read and understand the health and safety policy that was included in the induction pack. However, in the sample of two staff induction packs audited it was seen that they had not signed and dated to confirm that they had read the policy.

No formal record of checks on the level of first aid goods was available as evidence for the audit. The Duty Manager noted that they would produce a new form for undertaking first aid stock level checks. Following the audit, the auditor received a copy of the new form that had been produced in September 2015. However, it was seen that it had not been appropriately signed.

The Centre keeps incident reports to record the details of accidents that occur at the Centre, and also completes HS11 forms for serious accidents. The incident reports or HS11 forms are not kept under lock and key. This means that there is a risk that personal information about individuals might reach the wrong hands.

It was seen that harmful substances were kept in the Plant Room at the Centre. However, it was seen that this room was not kept locked during the day, but it was at night. This means that there is a risk for individuals/members of the public to be harmed should they enter the room.

COSHH forms are available in the Plant Room where the swimming pool substances are kept and they are kept on file. The last assessment had been completed in 2013 and it was noted on the COSHH documents at the Centre that the next assessment would not be undertaken until December 2018. This appears to be a long period without an assessment being undertaken.

#### **Audit Opinion**

**(C) The Audit Opinion is that the financial propriety of Arfon Leisure Centre, Caernarfon cannot be stated with certainty since the controls in place cannot be depended upon, but no losses / fraud resulted from control weaknesses. The main recommendations of the report are as follows:**

- **It should be ensured that the invoice number and date are noted in the relevant section of the 'Application to Hire' form in order to match the correct invoice to the 'Application for Hire'.**
- **The Centre's debts should be reviewed and seek to resolve these promptly.**
- **It should be ensured that any information concerning direct debits of Centre members are kept under lock and key.**
- **Consideration should be given to noting on the property list which equipment has been marked and the reference of the equipment.**
- **Consideration needs to be given to introducing the Council's Health and Safety policy to new staff and ensuring that they sign the induction pack.**
- **It should be ensured that stock checks are undertaken on first aid goods at the Centre and that the stock record is signed by a member of staff.**
- **It should be ensured that personal sensitive information on the HS11 forms and Incident Reports is kept under lock and key in accordance with the requirements of the Data Protection Act.**
- **Consideration should be given to locking the Plant Room to reduce the risk of the public gaining access to harmful substances.**
- **It should be checked whether or not it is required to assess the COSHH substances more often than every five years and they should be conducted more often if relevant.**



## HOME CARE - COMMUNICATING WITH COMMUNITY CARERS

### Adults, Health and Well-being

#### **Background**

Communicating and engaging with staff is key to ensuring that the residents of Gwynedd receive care and support of the best quality. To ensure that communication is successful, it is essential that what is communicated is reinforced by holding staff meetings, workshops and supervision. In addition, supervision has a huge impact on how staff work. It affects their confidence, motivation and competency; it affects how they work with their colleagues; it affects how they feel towards their job and employer. This all has a direct impact on the quality of the care offered to the people who use the service.

#### **Purpose of The Audit**

The purpose of the audit was to ensure that a sufficient structure is in place to communicate with Community Carers and that it is implemented successfully.

#### **Scope of the Audit**

The audit encompassed enquiring about the communication channels in place and what information is distributed to Carers, as well as what arrangements are in place for Carers to escalate any matter. This was done by questioning a cross-section of Carers from the three areas in Gwynedd to obtain their feedback on how they are updated on any changes in working arrangements, policies, training, etc. and what arrangements have been established so that they can escalate any concern or complaint.

#### **Main Findings**

The structure of the Service has been designed so that every Carer is accountable to Supervisors within their area. The Supervisors are the main contact point between 'the Council' and the Carers out in the field. In addition, a Community Services Deputy Manager in each area leads the Supervisors. The Carers' rotas are produced by the Planners in the relevant area office. The rotas are sent out by post on a weekly basis and any changes will be communicated via mobile phone.

Following discussions with the Carers, a general view was expressed that they were satisfied with the communication arrangements and noted that there was a good working relationship between them and their Supervisors, and it was felt that there was sufficient support available for them and that any concerns raised were addressed. However, in terms of day-to-day communication, some Carers referred to occasions where the office did not answer the phone and that arranging annual leave sometimes took an unacceptably long time before approval was received, and they noted that different visits sometimes clashed and that rotas needed to be planned better; however, the main complaint was the lack of phone signal in some parts in Gwynedd, and there were concerns regarding how this would affect the new PDAs (Personal Digital Assistant) that were soon to be adopted.

The Council's office staff received internal communication correspondence, such as the *Gair o Gyngor* Bulletin, information on activities or events in the Council, *Ffordd Gwynedd* updates, etc. mainly via the e-mail or Council's intranet. Until the Carers received the PDAs, alternative arrangements are needed to ensure that they receive this correspondence. Upon visiting area

meetings and holding discussions with the Carers, it was found that their experiences varied. Some expressed that they received correspondence by post with their rotas, others at the area meetings and others did not receive them at all.

The area meetings are an opportunity for the Carers and Supervisors to come together to discuss work matters. A sample of area meetings across the three areas were visited and it was seen that they were held on more than one occasion within the same period in the Arfon area, but once only for each area in Dwyfor and Meirionnydd. Also, it was seen that the numbers attending the area meetings varied. Upon questioning the Carers, it was expressed that those who attended the 'smaller' meetings appeared more content with the arrangements, with those who attended the 'larger' meetings saying that they sometimes felt that they only listened and that there was not much opportunity for an effective discussion. Another observation received was that the meetings discussed the same things every time.

One-to-one supervision meetings between the Carers and the Supervisors should be held in each quarter. However, the majority of the Carers noted that there were far fewer meetings than this in reality, with some expressing that they could not remember when their previous meeting had been held.

Each Carer suggested that they discussed training needs at the one-to-one meetings, and they were eager to receive training that was relevant to their jobs, such as Diabetes or Dementia if they cared for an individual with those conditions. However, many of the Carers noted that training was often discussed but that very often their requests for training were not realised or it was often postponed.

Other points raised during the discussion were that the Carers did not have access to a list of the Council's internal jobs. At the Meirionnydd area meetings, it was discussed that the workers had been nominated this year for a "The Council at its Best" award, but previously, the Carers had not been aware of the existence of the awards. It was found that the majority of the Carers were unfamiliar with *Ffordd Gwynedd* and that nobody was familiar with the Council's Children and Adults Safeguarding Policy but that they were aware of the POVA (Protection of Vulnerable Adults) plan and it was seen that the Carers' commitment towards their clients was obvious throughout the exercise.

#### **Audit Opinion**

**(B) The Audit opinion is that partial assurance can be given of the propriety of the arrangements regarding 'Home Care - Communicating with Community Carers' as controls are in place, but there are aspects where some arrangements can be tightened. However, as the Service will adopt PDAs soon, which will replace the current arrangements, it is expected for the Service to monitor the satisfaction of the Carers and the efficiency of the devices continually to ensure strong lines of communication and ensure that appropriate training is planned and introduced.**

**ARRANGEMENTS FOR COLLABORATING WITH THE THIRD SECTOR**  
**Adults, Health and Well-being**

**Background**

The Council commissions work from the third sector to undertake within the care field. The contracts for this work are in their fifth year at present and there is an intention to commence new contracts for 2016/17. Specific attention was given to contracts within the adults field for this audit, including service and support on a number of issues such as dementia and mental health problems.

**Purpose of The Audit**

To review the contracts and joint-work with the third sector within the Adults, Health and Well-being Department (Social Services element) to ensure that robust governance arrangements exist, as well as suitable contracts where appropriate.

**Scope of the Audit**

To receive information on examples of working with the third sector by checking the arrangements surrounding the decision to enter into a contract and include the contracts already in place. The scope of the audit did not include the element of collaboration with the Health Board as that had been the subject of its own audit in 2014/15.

**Main Findings**

The contracts with the third sector organisations end on 31/03/2016. The original contracts were for a three year period; however, they were extended for an additional period following a meeting of the Voluntary Sector Liaison Group with Gwynedd Council. The Monitoring Officer's observations were received regarding the decision and he noted that he did not believe that procurement implications derived from the extension. There was no clause in the original contracts that noted the option of extending them; this would be something to add to the new contracts where procurement arrangements applied. It was also important to ensure that the estimated cost of any extension of a contract was included in the original estimated cost so that it could be ensured that the appropriate process was followed when contracting the work.

These contracts had been awarded originally after asking the organisations to submit grant applications. However, by the next contracts, the Department had identified that where there are specific services they wished to commission, they would follow the relevant procurement process for their value. However, they would provide a grant where the money would fund the core budget of the organisation. It was not currently expected for the organisations to submit an application for this grant whilst the Department was ascertaining the exact nature of the service it wished to commission. It was the Council's responsibility to behave impartially and giving a grant to the same organisations over and over could appear as if the Council was favouring them. It appears that the contracts have not been approved by the Legal Unit. Receiving input from the Legal Unit prior to the commencement of the process would be good practice to ensure that appropriate protection exists. The content of the contracts was checked and it was seen that the expected clauses had been included and it was expected that these would appear in the new contracts as well.

It was seen that a standard clause had been included in the sample of contracts checked for indemnity insurance. The minimum requested for Public Liability Insurance was £2,000,000. Following a conversation with the Risk Management and Insurance Unit, it was noted that this amount could be slightly lower now and it was recommended for the Adults Department to discuss the requirements with them to ensure that the appropriate level was included.

Before entering into a contract with the third sector organisations, the Council needs to be satisfied with the standard of the performance of these organisations, as well as their financial viability. The Council needs to ensure that the money would go towards providing a service of acceptable standard to the residents of Gwynedd.

### **Audit Opinion**

**(B) The Audit opinion is that partial appropriateness can be expressed of financial propriety in the Arrangements for Collaboration with the Third Sector as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:**

- It should be ensured that the option to extend a contract is noted within the contracts and that the cost of that is reflected in the estimate costs when deciding on the appropriate way of advertising and going out to the market.
- The Council has a responsibility to be impartial, therefore care should be taken not to show favouritism towards specific companies or organisations. Therefore, consideration should be given to asking the organisations to submit an application for the grants received.
- It would be good practice if the Legal Unit reviewed the contracts in future.
- Consideration should be given to changing the minimum level of Indemnity Insurance requested in the service level agreements. It could be beneficial to discuss the matter with the Council's Insurance Unit.
- It should be ensured that invoices are checked appropriately and that the figures are transferred correctly onto the yellow TR252 forms.
- It should be ensured that the Council is satisfied with the organisation's performance before entering into a contract with them and that evidence of the performance is received.

**PLAS Y DON**  
**Adults, Health and Well-being**

**Background**

Plas y Don Residential Care Home is situated in Pwllheli and offers permanent and short-term care for residents.

**Purpose of The Audit**

The purpose of the audit was to ensure that the financial arrangements of Plas y Don Care Home are appropriate and in accordance with the Council's Financial Procedural Rules as well as to check the security arrangements and the management of medicines.

**Scope of the Audit**

The main income and expenditure areas were audited in accordance with the record in the 2014-15 ledger together with the Home's management arrangements. The Home's medication arrangements were audited to ensure that they were in accordance with the relevant regulations, legislation and guidance.

**Main Findings**

During the audit examples of good practices were seen in some of the Home's arrangements. However, it appears that there are examples of acting contrary to the Council's administrative arrangements, and consequently, contrary to the Financial Procedural Rules.

It is a requirement that the 'Record of a Resident's Money' is signed by two persons for every expenditure of the residents' pocket money. There were two cases where it was seen that only one person had signed the sheet. Receipts to support each expenditure recorded on the cards were not seen in some cases. The running balance was not correct on two out of five of the 'Record of a Resident's Money' forms.

A sample of 'personal items' sheets from the Care Plans of three residents was taken and checked. The forms had not been dated or signed to confirm their contents.

The home's imprest account was checked for 2014/15 and it was seen that applications for reimbursement had been made in November and December 2014 and in January 2015 and it was seen on all three occasions that they were over the predetermined expenditure level.

The home records on a sheet when and who has ordered the medication, checked the prescription and checked the medication received. The record was incomplete for the medication ordered in March and April 2015.

It is required for two members of staff to record that they have received the medication on the MAR (Medication Administration Record) sheet. A sample of 5 individual MAR sheets were checked and it was seen that there were two received signatures for medication on 4 of these sheets.

It was explained as part of managing the home's quality assurance, an independent officer visits the home periodically to check the Home's medication arrangements. At the time of the audit, the home's arrangements were not acceptable, with action points noted as urgent matters. Arrangements to revisit the Home to undertake a further independent review has been planned in order to ensure that arrangements improve.

#### **Audit Opinion**

**(C) The Audit Opinion is that the propriety of the administrative arrangements within Plas y Don Home cannot be stated with certainty since the controls in place cannot be depended upon, but no losses / fraud were found as a result of these control weaknesses. The main recommendations of the report are as follows:**

- **The budget should be monitored regularly, e.g. on a monthly basis and steps should be taken early should overspending on headings become apparent.**
- **Each order should be completed in full on all occasions when it is required to raise a formal order.**
- **It should be ensured that the Payments Service receives a name and a current signature sample from the officer who is entitled to certify the TR257 forms.**
- **It should be ensured that any money going in or out of the residents' personal money is recorded accurately on the individual cards and that they are kept up-to-date.**
- **It should be ensured that receipts are received for every expenditure incurred from the residents' personal money and that they are kept with the relevant individual card.**
- **It should be ensured that two persons certify and sign the individual cards when receiving and spending the money.**
- **It should be ensured that the running balance on the individual cards is accurate and is in-line with the money being kept.**
- **It should be ensured that the records of the residents' personal items are dated and signed by the relevant officer after being checked.**
- **A system should be established to mark equipment in order that it is possible to identify them as the Home or Council's property.**
- **It should be ensured that the applications for imprest money reimbursements are completed when the money goes down to two-thirds of the total imprest money, namely £100 in Plas y Don's case.**
- **It should be ensured that comprehensive records are kept of the arrangements for ordering medication, checking prescriptions and checking medications.**
- **It should be ensured that two members of staff sign that they have received the medication on the individual MAR forms in each case and that any medication administered to the residents is recorded in full.**
- **It should be ensured that action points following an independent review of the Home's medication arrangements are implemented as soon as possible so as to ensure compliance.**

**PLAS HEDD**  
**Adults, Health and Well-being**

**Background**

Plas Hedd Residential Care Home is situated in Bangor and offers permanent and short-term care.

**Purpose of The Audit**

The purpose of the audit was to ensure that the financial arrangements of Plas Hedd Care Home are appropriate and in accordance with the Council's Financial Procedural Rules as well as to check the security arrangements and the management of medicines.

**Scope of the Audit**

The main income and expenditure areas were audited in accordance with the record in the 2014-15 ledger together with the Home's management arrangements. The Home's medication arrangements were audited to ensure that they were in accordance with the relevant regulations, legislation and guidance.

**Main Findings**

During the audit examples of good practices were seen in some of the Home's arrangements. However, it appears that there are examples of acting contrary to the Council's administrative arrangements, and consequently, contrary to the Financial Procedural Rules.

The home's expenditure was more than the budget set for the financial year 2014/15 in the following areas: workers; property; transport; and services and supplies due to various reasons such as the sickness and annual leave of contracted staff leading to the appointment of casual staff.

A sample of 15 invoices was selected and no order was attached to 6 of them. An estimated cost had not been noted on the permanent orders in the sample.

A sample of 'personal items' sheets from the Care Plans of 4 residents were taken and checked against the Manager's list of the residents' personal items. They did not match. The forms in the Care Plans had not been dated or signed to confirm their contents.

The records of the home amenities account were incomplete. Some of the orders had been completed on the same day that the invoice had been received. Excluding emergencies, it should be ensured that an order is appropriately prepared and authorised to ensure that a sufficient audit trail exists. The property list was not up-to-date as some items had been moved from the rooms. The Home did not use a system to mark the equipment/furniture purchased either.

It was seen that an incorrect code had been recorded on an application for an imprest reimbursement (TR24). Not all of the petty cash payment slip forms (TR24b) used for expenditure without an official order had been authorised.

Staff annual leave hours had not been calculated correctly in each case, and consequently, many staff members were eligible for more annual leave hours than they were receiving. Two cases were highlighted where annual leave had not been recorded correctly.

The home records on a sheet when and who has ordered the medication, checked the prescription and checked the medication received. The sheet had not been signed in each case. The stock record was checked (weekly) against the 'non blisterpack medication' forms - they did not match. The number of remaining medications had been calculated incorrectly. It was seen that the staff who undertook the stock check was aware of this as they had noted '9 missing' on 26/07/2015.

The home's spare keys are kept in the office, however, every member of staff has access to the office with a keypad, and this weakens the control over these keys.

### **Audit Opinion**

**(C) The Audit Opinion is that the propriety of the administrative arrangements within Plas Hedd cannot be stated with certainty since the controls in place cannot be depended upon, but no losses / fraud were found as a result of these control weaknesses. The main recommendations of the report are as follows:**

- **It should be ensured that there is no overspend on the budget and that it is controlled and monitored regularly, e.g. on a monthly basis and to take steps early should any overspends on headings become apparent.**
- **It should be ensured that an official order is raised where appropriate before the invoice date, to ensure that the expenditure is authorised and to record the estimated price.**
- **It should be ensured that the records of the residents' personal items are up-to-date in their Care Plans and that they are dated and signed.**
- **It should be ensured that the records of the amenities account are comprehensive and tidy and reconcile with the ledger at the end of the financial year.**
- **Consideration should be given to having a system in place to mark equipment in order that it is possible to identify them as the Home or Council's property.**
- **It should be ensured that duties are segregated in the procedure for claiming a repayment by using payment instruction forms (TR27b) and the payee should not be associated with the process and also it should be ensured that evidence is available for the expenditure incurred.**
- **It should be ensured that receipts are available to support any repayment from the imprest account; however, in circumstances where there is no receipt, full details should be completed on the petty cash payment slip (TR24b).**
- **A VAT receipt should be received in each case where it is appropriate as a failure to do so affects the VAT that the Council can reclaim and will have a negative impact on the Home's budget.**
- **It should be ensured that the annual leave hours of staff are calculated correctly by using the guidelines 'Provider and Leisure Department's Staff Annual Leave Formula'.**
- **It should be ensured that each case of annual leave absence is recorded on the annual leave cards and approved by an authorised officer.**
- **It should be ensured that comprehensive records are kept of the arrangements for ordering medication, checking prescriptions and checking medications.**
- **It should be ensured that any medication being administered to residents is recorded in full in each case.**
- **It should be ensured that there is stronger control of access to the spare keys kept in the office as any member of staff can take them, e.g. keys to the medication cabinets.**



**HAFOD MAWDDACH**  
**Adults, Health and Well-being**

**Background**

Hafod Mawddach Care Home is located in Barmouth and provides residential care for the service users. The home has been registered for 25 residents.

**Purpose of The Audit**

The purpose of the audit was to ensure that the financial arrangements of Hafod Mawddach Care Home are appropriate and in accordance with the Council's Financial Procedural Rules as well as to check the security arrangements and the management of medicines.

**Scope of the Audit**

The main income and expenditure areas were audited in accordance with the record in the 2014-15 ledger together with the Home's management arrangements. The Home's medication arrangements were audited to ensure that they were in accordance with the relevant regulations, legislation and guidance.

**Main Findings**

The main concerns identified during the audit were the considerations when monitoring the budget and the weakness in the procurement arrangements for goods or services.

Upon looking at the budget headings under the control of the Home's Manager, it was seen that there was an overspend of £31,679.99 for the 2014/15 financial year. Approximately £18,400 of it derives from the salaries headings. The other headings showing a substantial overspend are travelling costs (approx. £5,600), furniture purchases (approx. £11,100) and telephone costs (approx. £1,300).

From the salaries headings, it can be seen that a vast proportion of the overspend derives from costs deriving from the employment of casual staff to cover periods of annual leave, sickness and training for contractual staff. It was understood that many periods of long-term sickness had occurred over the past years.

It was given to understand that travelling costs were high as a result of the fact that two members of staff had been relocated to other homes and it was understood that the Home's Manager was aware of the overspend situation on the Telephone heading. It was seen that the number and duration of calls caused the majority of the costs.

Upon auditing the procurement arrangements for goods/services, it was found that the orders were not being raised in accordance with the Council's Financial Procedure Rules. In addition, it is felt that a more suitable reference could have been selected for the expenditure when looking at the invoice on a number of occasions. One example of this is that many invoices are being paid on the Furniture reference, but in reality, furniture had not been purchased.

It was seen from the home's records of its amenities account that the transactions recorded do not reconcile with the financial ledger. Nevertheless, it is seen that the account has been in credit in 2014/15 and in 2015/16 to date.

It was seen that the home does not have a property list and that it does not mark property to show that they are Council property.

When considering TR24 (Application for Imprest Account Reimbursements) applications, it can be seen that the total of many applications is above the guidance (total of applications to be more than approximately two-third of the total imprest level).

It was seen that the relevant forms are kept for stocking, distributing and disposing of medication and that they matched for the most part. However, there was one occasion where 2 painkillers (paracetamol) had been administered to the client but the sheet had not been signed by the responsible officer. Upon checking the booklet for controlled medication, it was discovered that there were two occasions where medication had been given to a resident but it had not been recorded in the booklet. Arrangements for storing the medication are good - there is assurance that they are kept safe, and it is seen that stricter arrangements are in place for controlled medication.

### **Audit Opinion**

**(B) The Audit opinion is that partial assurance can be given of the propriety of the managerial arrangements at Hafod Mawddach Residential Home as controls are in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:**

- **Robust arrangements should be established to keep control over the telephone calls and to make enquiries if the costs appear high.**
- **That the officers who are taking part in the process of ordering and paying for goods/services attend the Financial Arrangements course, that are provided internally by the Learning and Development service.**
- **Update the forms that note which officers are entitled to sign various documents (such as orders, invoices and TR257 forms), and ensure that only the designated members of staff certify the documents. The information should also be sent to the Creditors Payments Service.**
- **Ensure that duties are segregated between the individuals who authorise the invoice and those who certifies the invoice for payment. In cases where it is not possible for the budget holder to certify an invoice, the responsibility should be delegated to an authorised officer in accordance with the information provided to the Creditors Payments Service.**
- **It should be ensured that the description of the reference is as close as possible to the goods/services purchased, to ensure that the financial ledger reflects the actual expenditure situation.**
- **It should be ensured that each transaction is recorded on the home's record from the amenities account and that this is compared in a timely manner with the monthly report received from the Finance Department to check that they both reconcile.**
- **VAT should be excluded when recording any expenditure, such as on the amenities account, as VAT is reclaimed by the Council and thus it is not a cost against the budget.**
- **It should be ensured that the home has a property list, in accordance with the Financial Procedure Rules (clauses 15.14 - 15.17).**
- **It should be ensured that any property with a value of over £100 has been marked to show that it is Council property.**
- **Ensure that the total of any application for imprest account reimbursements (TR24 form) is not more than approximately two -third of the total imprest level, in order to reduce the risk of going into debt on the account.**

## **MAINTENANCE OF BUILDINGS AND SITES**

### **Highways and Municipal**

#### **Background**

The Highways and Municipal Department has a number of buildings/sites with appointed Site Managers. In order to operate from these sites, there is a need to comply with the requirements of the 'OHSAS 18001' and 'ISO 14001' standards.

#### **Purpose of The Audit**

The purpose of the audit was to ensure that the Council complies with the requirements of the OHSAS 18001 (Health and Safety) and ISO 14001 (Environmental) standards in relation to Highways and Municipal buildings/sites, and ensure that these standards are maintained.

#### **Scope of the Audit**

To ensure that the Council complies with the requirements of the standards and check that arrangements are in place to inspect the buildings/sites regularly to ensure that the standards are maintained. A sample of buildings/sites was inspected in order to complete the audit.

#### **Main Findings**

Gwynedd Council holds the Occupational Health and Safety Management System and Environmental Management System accreditations, namely 'BS OHSAS 18001' and 'ISO 14001'.

The Health and Safety Unit visits buildings/sites on a regular basis to undertake inspections to ensure that the buildings/sites comply with the requirements of the accreditations. The Unit follows an audit programme that is relevant to their needs. Arrangements have been established in order to inform the relevant officers of the weaknesses highlighted during the audit and arrangements to ensure that actions are taken to improve the weaknesses. The area where the weakness was identified will be addressed in the next audit to ensure that the action has been successful.

In addition to the unit's arrangement, BSi external auditors visit the Department twice a year and undertake a combined inspection of the 'OHSAS 18001' and 'ISO 14001' standards. A report is prepared after each visit. This is part of an ongoing inspection to ensure compliance with the accreditations.

Site Managers have been appointed for each building/site that is part of the Highways and Municipal Department. A sample of sites to inspect for the audit was selected and the relevant location files were checked. Elements of duplication in the Site Managers' work was identified in relation to the location files, e.g. it was noted that there was a need to complete the 'Statutory Compliance Recurring Survey' form and the 'Health, Safety and Environmental Monthly Inspections Checklist' which include tests relating to fire arrangements. In addition, there is a need to complete documents such as the Fire Log Book.

The monthly inspections carried out in each site were checked:- 'Health, Safety and Environmental Inspections Checklist'. A list has been drawn out to enable Site Managers to identify any problems or weaknesses and make changes so that they are improved. One of the sites had not been completing the monthly inspections as required due to a lack of staff resources for many months. However, at the time of the audit, each site in the sample used the lists.

The 'Statutory Compliance Recurring Survey' forms were not being completed in each site, despite the fact that the Site Manager was aware of them. One Site Manager noted that some of the tests were carried out on a weekly basis but that he did not update the sheet to match this.

There is a possibility that such weaknesses could lead to the loss of the BSi accreditation and could result in serious implications for the Highways and Municipal Department in relation to contracts. These inspections are statutory and therefore any shortfall or failure to comply with the requirements is a breach of the law.

#### **Audit Opinion**

**(C) The Audit Opinion is that the propriety of the arrangements for Maintenance of Buildings and Sites cannot be stated with certainty since the controls in place cannot be depended upon, but no losses / fraud were found as a result of these control weaknesses. The main recommendations of the report are as follows:**

- **It should be ensured that the 'Health, Safety and Environmental Inspections Checklist' are completed on a monthly basis as required as it is a means of identifying problems or weaknesses that could cause harm. In addition, ensure that a back-up plan is carried out by a competent officer during the absence of the officer who is usually responsible.**
- **Site Managers should ensure that the 'Statutory Compliance Recurring Survey' is completed and kept up-to-date and followed as required as it confirms that the necessary tests are completed.**

## **PONT BRIWET**

### **Regulatory**

#### **Background**

Work has been underway on the construction of the new Pont Briwet Bridge between Penrhyndeudraeth and Llandecwyn in order to replace the old bridge that crossed Afon Dwyryd which had stood since the 1860s. This £20.5 million scheme had been funded by the Welsh European Funding Office (WEFO), Welsh Government, TraCC, Network Rail and Gwynedd Council.

Following contentious delays, the new Pont Briwet is now open and since July 2015, vehicles, trains, pedestrians and cyclists can cross the bridge. Unfortunately, this challenging and complex construction project has been the subject of a number of technical and logistical problems from the start, which has led to uncertainty and delays to the work. Although the new bridge is now open, the project has not been completed in its entirety as administrative and financial matters remain ongoing.

#### **Purpose of The Audit**

The purpose of the audit was to ensure that the arrangements for closing down the Pont Briwet project are appropriate to ensure compliance with the requirements of the financing body and the Council's project management arrangements.

#### **Scope of the Audit**

The audit encompassed checking the arrangements and documents for closing down the project.

#### **Main Findings**

Until the end of the construction work, the main risk facing the Council, as the project's lead body, was delays which would mean that the projects would not be completed within the timetable of WEFO, the main funding body, and the associated costs. In addition, there was uncertainty over additional costs for the contractor and other external bodies. Internal Audit was of the opinion that reasonable steps had been taken by the Council to mitigate these risks and their impact should they be realised.

Since the bridge opened, the Council had been preparing the final WEFO grant claim, which was for approximately £2m. Before this payment would be processed, it was required for an independent report, "Evaluation of the Pont Briwet Redevelopment Scheme" to be submitted, which was currently in draft form. It is noted that the requirement for WEFO to receive an independent evaluation report had been a part of the grant conditions from the start, and not in response to the problems faced by the project. The draft report notes that there has been a clear logic for each of the key decisions made as part of the project, but acknowledges that lessons can be learnt as well. In relation to the risks associated with the project, the draft report expresses that all risks have been highlighted but that no consideration was given to the possibility that so many of those risks would be realised during the scheme due to the unlikelihood of occurring, e.g. the strongest storms for 200 years.

In the final grant claim, the Council can claim for eligible expenditure up to the total allocated. However, the project has spent more than what was planned originally. To date, some costs are to be agreed and are due; therefore, the Council only has estimates for them. These include costs to other bodies, such as Natural Resources Wales and Statutory Authorities. To mitigate the impact of this, there is an agreement in place between the Council and Network Rail that states that any additional costs will be shared between the two bodies. The Council will raise an invoice on them in due course, which will leave an additional contribution of £373k for the Council in the worst case scenario.

The WEFO audit team are in the process of preparing a comprehensive report on the scheme's value for money. They highlighted possible cases where the appropriate procurement procedures were not followed in some instances (such as when the scope of suppliers' work increases beyond the tendering threshold after the commencement of the work), therefore, there is a risk that some financial penalties could derive from this; unfortunately, there is no current suggestion as to what these could be. The Council has anticipated costs of up to £126k; however, it is noted that this would be in the worst case scenario.

The maintenance duties for the bridge will be shared between the Council and Network Rail. Although the Council does not disagree with the basic principles of the proposed arrangements, the Council has not accepted the contract proposed by Network Rail as they did not agree with the additional clauses which placed accountability on the Council. The Council's Solicitors are now preparing an amended version of the contract and it is hoped that it will be acceptable for both sides.

# Agenda Item 13

COMMITTEE	AUDIT COMMITTEE
DATE	11 FEBRUARY 2016
TITLE	INTERNAL AUDIT PLAN 2015/16
PURPOSE OF REPORT	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2015/16 AUDIT PLAN
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	FOR INFORMATION

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## 1. INTRODUCTION

1.1 This report is a progress report on completion of the 2015/16 internal audit plan.

## 2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2015/16 internal audit plan is included in Appendix 1 with the status of the work as at 31 January 2016 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

Audit Status	Number
Planned	2
Working Papers Created	2
Field Work Started	20
Field Work Ended	3
Manger Review	4
Draft Report	2
Final Report Issued	41
<b>Total</b>	<b>74</b>
Cancelled	10

2.2 The performance target for 2015/16 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2016. The quarterly profile of this indicator is as follows:

End of quarter 1	8%
End of quarter 2	20%
End of quarter 3	50%
End of quarter 4	95%

2.3 As seen from the table above, Internal Audit's actual achievement up to 31 January 2016 was **56.76%** - out of **74** individual audits contained in the 2015/16 plan, **42** had been released in a finalised version.

### **3. AMENDMENTS TO THE PLAN**

3.1 Two of the audits from the original plan have been cancelled - 'Dwyfor Meirionnydd Special School' and 'Changes to ILF'. Both these audits will be included in the 2016/17 audit plan. 15 days had been allocated for both these audits. Following a request from the Community Learning Senior Manager in her role as chair of the Safeguarding Children's Operational Panel, it was agreed to conduct a review of 'Staff Awareness of the Safeguarding Policy' and an audit of Contracting Terms – Safeguarding Arrangements'. 12 and 18 days respectively have been allocated to these audits.

3.2 It was decided to cancel the 'Various Grants' (20 days) audit and allocated the days to specific educational grants:

- Funding for Band 4 and 5 Schools
- Welsh in Education Grant
- Pupil Deprivation Grant
- Schools Efficiency Grant
- Learning Pathways Grant 14-19

3.3 In respect of the audit of 'School – Catering', it was deemed more appropriate to report separately on the schools selected for the audit – Ysgol y Gader, Ysgol Ardudwy and Ysgol y Moelwyn, and days were allocated to each individual school. In the same manner, it was decided to procure a report for each school selected in the sample for the audit of 'Workforce Modelling'.

3.4 In the original plan, 50 days were allocated for providing audit services to the North and Mid Wales Trunk Road Agency. However, it is estimated that the actual number of days is approximately 175 days and as a result there is insufficient resources to undertake the audits in the Audit Plan 2015/16. In order to reflect this, it is recommended that the following audits are cancelled for the 2015-16 and incorporated in the Audit Plan 2016/17:

- Recruitment and Selection (*Gwynedd Consultancy*)
- Discretionary Housing Payments (*Finance*)
- Council Tax System – Connect & Serve (*Finance*)
- Supporting Ffordd Gwynedd Reviews (*Corporate*)

### **4. RECOMMENDATION**

4.1 The Committee is asked to note the contents of this report as an update on progress against the 2015/16 audit plan, and offer comments thereon, approve the amendments, and accept the report.





Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
<b>CORPORATE</b>						
1-CORFF-02/2016	Use of Consultants	20.00	0.00	<b>20.00</b>	<b>19.42</b>	Final Report Issued
1-CORFF-09/2016	Supporting Ffordd Gwynedd Reviews	20.00	0.00	<b>20.00</b>	<b>1.09</b>	Cancelled
1-CORFF-12/2016	Awareness of Whistleblowing Policy - Manual Workers	25.00	0.00	<b>25.00</b>	<b>9.31</b>	Final Report Issued
1-CORFF-14/2016ccy	First Aid Payments	7.00	0.00	<b>7.00</b>	<b>7.72</b>	Final Report Issued
1-CORFF-19/2016/001	Safeguarding Arrangements - Staff Awareness of Policy	0.00	12.00	<b>12.00</b>	<b>3.26</b>	Field Work Started
1-CPGV-01/2016cor	Corporate Assessment	25.00	0.00	<b>25.00</b>	<b>7.93</b>	Field Work Started
1-CPGV-01/2016lle	Officers Gifts and Hospitality - High-Risk Services	15.00	0.00	<b>15.00</b>	<b>6.85</b>	Field Work Started
1-CPGV-02/2016	Proactive Prevention of Fraud and Corruption	20.00	0.00	<b>20.00</b>	<b>6.97</b>	Draft Report Issued
1-CTRT-06/2016/001	Contracting Terms - Safeguarding Arrangements	0.00	18.00	<b>18.00</b>	<b>2.38</b>	Field Work Started
2-ADM-CGC-DPA/2016	Information Governance - Data Protection Act	15.00	0.00	<b>15.00</b>	<b>8.76</b>	Field Work Started
2-ADM-X-GRANT/2016	Various Grants	20.00	-20.00	<b>0.00</b>	<b>0.00</b>	Cancelled
AO-ARL-05/2016	National Fraud Initiative	50.00	0.00	<b>50.00</b>	<b>27.64</b>	Field Work Started
AW-TG-12/2016def	Removing Leavers from IT systems	15.00	0.00	<b>15.00</b>	<b>17.00</b>	Final Report Issued
AW-TG-12/2016tg	IT System Security	30.00	0.00	<b>30.00</b>	<b>3.07</b>	Planned
<b>EDUCATION</b>						
<b>Resources</b>						
4-DAT-X-ADD/2016/16	Education Grant - Post 16	0.00	2.00	<b>2.00</b>	<b>1.99</b>	Final Report Issued
4-DAT-X-ADD/2016/4a5	Funding for Band 4 and 5 Schools	0.00	4.00	<b>4.00</b>	<b>7.13</b>	Final Report Issued
4-DAT-X-ADD/2016/Cym	Welsh in Education Grant	0.00	4.00	<b>4.00</b>	<b>7.04</b>	Final Report Issued
4-DAT-X-ADD/2016/GAD	Pupil Deprivation Grant	0.00	4.00	<b>4.00</b>	<b>4.91</b>	Final Report Issued
4-DAT-X-ADD/2016/GEY	Schools Efficiency Grant	0.00	4.00	<b>4.00</b>	<b>3.03</b>	Final Report Issued
4-DAT-X-ADD/2016/LID	Learning Pathways Grant 14-19	0.00	4.00	<b>4.00</b>	<b>8.17</b>	Final Report Issued
4-DAT-X-ADD/2016/eig	Education Improvement Grant for Schools	20.00	0.00	<b>20.00</b>	<b>3.42</b>	WP Created
4-DAT-X-ADD/2016par	Gwynedd and Anglesey Learning Partnership Grant	10.00	0.00	<b>10.00</b>	<b>12.84</b>	Final Report Issued
EADDA03/2016	Communication with Schools	10.00	0.00	<b>10.00</b>	<b>13.53</b>	Final Report Issued

Across the department

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EADDA06/2016hlon	New Hafod Lon School	15.00	-15.00	0.00	0.81	Cancelled
<b>Catering</b>						
M-GMG-A04/2016	School Catering - General	20.00	-18.00	2.00	1.81	Field Work Started
M-GMG-A04/2016/ARDUD	Secondary Schools Catering - Ysgol Ardudwy	0.00	6.00	6.00	10.42	Manager Review
M-GMG-A04/2016/GADER	Secondary Schools Catering - Ysgol y Gader	0.00	6.00	6.00	8.47	Field Work Started
M-GMG-A04/2016/MOEL	Secondary Schools Catering - Ysgol y Moelwyn	0.00	6.00	6.00	13.61	Draft Report Issued
<b>GwE</b>						
4-GWE/2016	GwE	20.00	-20.00	0.00	0.34	Cancelled
<b>Schools</b>						
EADDA18/2016dol	Ysgol Gynradd Dolgellau	5.00	0.00	5.00	9.43	Final Report Issued
EADDA35/2016	Schools General	10.00	0.00	10.00	3.41	Field Work Started
EADDAY4007/2016	Ysgol Dyffryn Nantlle	8.00	0.00	8.00	12.22	Final Report Issued
EADDAYC/2016/2033	Workforce Modelling - Ysgol Trefferthyr	0.00	4.00	4.00	5.27	Final Report Issued
EADDAYC/2016/2066	Workforce Modelling - Ysgol Llangybi	0.00	4.00	4.00	3.49	Field Work Started
EADDAYC/2016/2069	Workforce Modelling - Ysgol Llanllechid	0.00	4.00	4.00	3.45	Field Work Started
EADDAYC/2016/2078	Workforce Modelling - Ysgol Baladeutlyn	0.00	4.00	4.00	4.73	Final Report Issued
EADDAYC/2016/2081	Workforce Modelling - Ysgol Gynradd Nebo	0.00	4.00	4.00	4.73	Final Report Issued
EADDAYC/2016/2194	Workforce Modelling - Ysgol Llanbedr	0.00	4.00	4.00	4.39	Field Work Complete
EADDAYC/2016a	Schools - Governance	20.00	-7.00	13.00	12.70	Final Report Issued
EADDAYC/2016b	Workforce Modelling	24.00	-24.00	0.00	-0.01	Cancelled
<b>NORTH AND MID WALES TRUNK ROAD AGENCY</b>						
3-AMG-ACGC/2016	North and Mid Wales Trunk Road Agency	50.00	0.00	50.00	135.57	Field Work Started
<b>CORPORATE SUPPORT</b>						
<b>Democracy</b>						
BB-YSG-18/2016	Member Training and Development	10.00	0.00	10.00	5.68	Field Work Started
BE-POL-14/2016	Chairman's Fund	5.00	0.00	5.00	7.58	Final Report Issued
<b>Health and Safety</b>						
BC-PER-02/2016	Schools - Health and Safety of Educational Visits	20.00	0.00	20.00	18.16	Field Work Complete
<b>FINANCE</b>						

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
<b>Financial</b>						
AD-DY-01/2016	Debtors System - Review of Key Controls	12.00	0.00	12.00	1.43	WP Created
AE-TAL-01/2016kc	Payments System - Review of Key Controls	12.00	0.00	12.00	5.10	Field Work Started
<b>Accountancy</b>						
AN-ACY-02/2016kc	MAS - Review of Key Controls	10.00	0.00	10.00	10.38	Final Report Issued
AN-ACY-02/2016kcxc	MAS including Debtors amd Payments - Closure 2014-15	8.00	0.00	8.00	10.62	Final Report Issued
AN-ACY-13/2016kc	Bank Reconciliation - Review of Key Controls	10.00	0.00	10.00	6.11	Field Work Started
AN-ACY-13/2016kcxc	Bank Reconciliation - Closure 2014-15	5.00	0.00	5.00	6.34	Final Report Issued
<b>Pensions and Payroll</b>						
AL-CYF-01/2016kc	Payroll System - Review of Key Controls	12.00	0.00	12.00	10.54	Manager Review
AL-CYF-01/2016kcxc	Payroll System - Closure 2014-15	5.00	0.00	5.00	5.05	Final Report Issued
AP-PEN-01/2016	Pension Fund - Review of Key Controls	10.00	0.00	10.00	10.86	Manager Review
<b>Revenue</b>						
AB-BD-01/2016dhp	Discretionary Housing Payments	10.00	0.00	10.00	1.12	Cancelled
AB-BD-01/2016kc	Benefits - Review of Key Controls	10.00	0.00	10.00	5.03	Field Work Started
AB-BD-01/2016kcxc	Revenues System - Closure 2014-15	10.00	0.00	10.00	10.76	Final Report Issued
AC-TR-01/2016ipo	Council Tax System - iConnect	10.00	0.00	10.00		Cancelled
AC-TR-01/2016kc	Council Tax - Review of Key Controls	8.00	0.00	8.00	3.35	Field Work Started
AC-TR-11/2016	NNDR - Review of Key Controls	8.00	0.00	8.00	7.03	Field Work Started
<b>Information Technology</b>						
AW-TG-06/2016	Siebel - eFinancials Interface	10.00	0.00	10.00	5.55	Final Report Issued
<b>ECONOMY AND COMMUNITY</b>						
<b>Community Regeneration</b>						
EADDZ-01/2016	Welsh Church Fund	5.00	0.00	5.00	0.61	Planned
<b>Leisure</b>						
E-DGO-01/2016	Leisure Centres - Income Collection	20.00	-20.00	0.00	0.00	Cancelled
EHAMAC6401/2016	Arfon Leisure Centre	0.00	10.00	10.00	13.17	Final Report Issued
EHAMAC6406/2016	Plas Ffrancon Leisure Centre	0.00	10.00	10.00	10.18	Final Report Issued
EHAMAC6421/2016	Glaslyn Leisure Centre	0.00	10.00	10.00	9.51	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EHAMAC6442/2016	Penllyn Leisure Centre	0.00	10.00	10.00	8.99	Final Report Issued
<b>Major Projects</b>						
DDAT-AH-01/2016	Sailing Academy	15.00	0.00	15.00	24.05	Final Report Issued
<b>ADULTS, HEALTH AND WELLBEING</b>						
<b>Across the department</b>						
5-GOF-GCY-GC/2016	Home Care	25.00	0.00	25.00	21.08	Final Report Issued
GCC-03/2016	Governance of collaborations with 3rd Sector	20.00	0.00	20.00	20.48	Final Report Issued
GRH-GW04/2016	Care Worker Training Programmes	20.00	0.00	20.00	17.05	Manager Review
<b>Community Care</b>						
GDAPR-GC04/2016	Travelling Costs of Community Care Workers	15.00	0.00	15.00	12.93	Final Report Issued
<b>Adults</b>						
GDAPR-H03/2016	Validity of Invoices from Private Providers	20.00	0.00	20.00	15.33	Final Report Issued
GGWAS-C01/2016	Changes to ILF	15.00	-15.00	0.00	1.76	Cancelled
<b>Residential and Day</b>						
5-GOF-CART1341/2016	Plas y Don, Pwllheli	12.00	0.00	12.00	12.18	Final Report Issued
5-GOF-CART1345/2016	Plas Hedd, Bangor	12.00	0.00	12.00	13.28	Final Report Issued
5-GOF-CART1350/2016	Hafod Mawddach, Barmouth	12.00	0.00	12.00	11.54	Final Report Issued
5-GOF-CART1356/2016	Cefn Rodyn, Dolgellau	12.00	0.00	12.00	18.27	Final Report Issued
GDAPR-H01/2016	Charges on Properties of Home Residents	10.00	0.00	10.00	6.06	Final Report Issued
<b>HIGHWAYS AND MUNICIPAL</b>						
<b>Fleet</b>						
PGW-TR-02/2016	Maintenance of buildings and sites	10.00	0.00	10.00	11.01	Final Report Issued
<b>Highways Works</b>						
PPR-CYN-03/2016	Inspections	20.00	0.00	20.00	13.82	Field Work Started
<b>REGULATORY</b>						
<b>Transportation and Street Care</b>						
3-PROJ-TRAF/2016briw	Pont Briwet	15.00	0.00	15.00	6.56	Final Report Issued
DDAT-CC-01/2016	Public Transport	25.00	0.00	25.00	21.80	Final Report Issued
PPE-P-01/2016	Parking Income	20.00	0.00	20.00	20.43	Draft Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
<b>GWYNEDD CONSULTANCY</b>						
<b>Buildings and Environmental</b>						
PYM01/2016	Recruitment and Selection	15.00	0.00	<b>15.00</b>		Cancelled

COMMITTEE	AUDIT COMMITTEE
DATE	11 FEBRUARY 2016
TITLE	DRAFT INTERNAL AUDIT PLAN 2016/17
PURPOSE OF THE REPORT	TO PRESENT THE DRAFT INTERNAL AUDIT PLAN FOR THE YEAR 1 APRIL 2016 – 31 MARCH 2017
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO APPROVE THE PLAN IN THE APPENDIX

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## 1. INTRODUCTION

- 1.1 The draft work plan for Internal Audit for the financial year 2016/17 is presented to the Audit Committee for comment and approval.
- 1.2 This report explains the factors that were considered and the process used to produce the plan that is presented to the Committee.

## 2. INTERNAL AUDIT'S PURPOSE

- 2.1 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***

- 2.2 When preparing this plan, therefore, consideration was given to what the service needs to do in order to achieve this purpose.
- 2.3 The Unit only has limited resources. Since April 2015, the resources of the Unit has been reduced from 10 full-time posts to 7 full time posts. This makes it increasingly important that the service is directing its resources to the right places.
- 2.4 Therefore, in order to ensure that we are reviewing the right things, consideration was first given to the Corporate Risk Register and to departmental risk registers. This is to ensure that the Council's key controls in order to deal with its main risks are addressed. In that regard, we have worked closely with the Insurance and Risk Unit, which as part of their role ensure that these registers are updated regularly.
- 2.5 The result of this was to prepare an initial draft plan, which has been discussed with each Head of Department (or departmental management team in some cases). This was an opportunity to refine the plan further, before preparing the draft plan that is presented to the Audit Committee.

2.6 During 2016/17, internal audit will also give appropriate consideration to the following:

- Assisting the Council to prepare for the Corporate Assessment that will be carried out by the Wales Audit Office.
- Ensuring that the service contributes to Ffordd Gwynedd reviews, as the need arises, in order to ensure the success of the Council's culture change.
- Will be aware at all times of the potential occurrence of fraud or corruption. We will therefore take advantage of the National Fraud Initiative, and undertake proactive fraud prevention work.
- Continue to address specific grants, particularly where the conditions of the grant expect an Internal Audit review.

This has been reflected in the plan.

### **3. RESOURCES AVAILABLE**

3.1 It is projected that approximately 970 days of audit resources will be available to complete the 2016/17 audit plan. This is on the basis of analysis of the staffing resources available, including reasonable allowances for “unproductive” work such as holidays, illness, management and meetings and after considering the following provisions:

- |  |         |
|--|---------|
| • Provision for advising on controls and propriety | 55 days |
| • Provision for responsive work                    | 65 days |
| • Provision for follow-up                          | 45 days |

3.2 Discussion have already been held with the heads of department and relevant managers and their suggestions, based on what they deem to be high risk have been incorporated in the plan.

### **4. RECOMMENDATION**

4.1 The Committee is requested to approve the draft audit plan for the period 1 April 2016 to 31 March 2017.

## DRAFT INTERNAL AUDIT PLAN 2016/17

Audit	Reason	Days
<b>CORPORATE</b>		
Supporting Ffordd Gwynedd Reviews	To provide advice and support to staff and managers on issues regarding risk management and internal control.	20
Proactive Prevention of Fraud and Corruption	Work is to be undertaken to ensure that robust arrangements are in place for dealing with the risks of fraud and corruption.	20
Corporate Assessment	The Auditor General for Wales is required to conduct a corporate assessment under the Local Government (Wales) Measure (2009) of all local councils, national parks and fire and rescue authorities. Days have been allocated to assist with the pilot review.	25
National Fraud Initiative	The Council participates in this initiative, which is run by the Wales Audit Office.	50
IT System Security	A range of audits will be undertaken on specific issues within this area.	30
Managing Early Departures	Ensure that the Council follow good practice and fully complies with the principles, specifically the arrangements for reporting to the Council.	20
Use of Credit Cards	Analyse the current usage of Credit Cards across the Council including an analysis of the type of expenditure.	20
Fuel Supplies – Local and Regional Plans	Ensure that strong arrangements are in place to mitigate the risks in the event of a fuel shortage.	12
Safeguarding Arrangements – Disclosure and Barring Service Checks.	The current year is the last in the three year cycle to conduct checks' therefore it would be appropriate to ensure that arrangements are operating properly.	20
E-proc System - Tolerance Levels	A review to ensure that the current levels are appropriate and relevant.	10
<b>EDUCATION</b>		
Post-16 provision in Schools Grant	Requirement under the financial terms and conditions.	2
Pupil Deprivation Grant	The PDG has not been incorporated in the Education Improvement Grant; therefore it will be necessary to carry out a separate audit.	5



Education Improvement Grant for Schools	This grant is a combination of several previous grants that were paid by the Welsh Government.	20
Dwyfor Meirionnydd Special School	Removed from the 2015/16 plan because of a reduction in resources.	15
Schools – General	Annual provision for work involving providing advice and support.	10
Information Governance in Schools	This is an area of high risk which could result in a penalty from the Information Commissioner's Office; therefore it is vital that strong arrangements have been established.	25
Budgetary Control – Primary Schools	A review of the arrangements to ensure that adequate information is presented to the Governing Body.	25
Statistics and Census – Secondary School	The information from the statistics and census are used as a basis for grant allocation.	15
The Arrangements for Safeguarding and Protecting Children	Safeguarding Arrangements is a priority in the Council's Strategic Plan and this audit has been included at the request of the Head of Department.	25
<b>CORPORATE SUPPORT</b>		
Health and Safety - Trees	An area of risk – this will be a joint audit with the Health and Safety Service.	15
<b>FINANCE</b>		
Debtors System – 'Cancelled' Invoices	Review to ensure that adequate evidence exists before invoices are cancelled to ensure that there is no loss of income.	12
Coding Structure	Due to the high volume of mis-coding of income and expenditure, carry out a review into the possibility of streamlining the coding structure.	8
Review of Checking Limits	The last audit was carried out in 2005.	10
Benefits – Review of Key Controls	It is expected that the review will be of assistance to the external auditors when conducting their review of the Subsidy claim.	12
Benefits – Discretionary Housing Payments	Removed from the 2015/16 plan because of a reduction in resources.	10
Council Tax System - Connect and Serve	Removed from the 2015/16 plan because of a reduction in resources.	10
Council Tax – Reductions and Exemptions (People)	Specific audit to ensure there is sufficient evidence to support the reduction/exemption.	12

Business Rates – Charitable Reductions	This area has not been addressed by Audit for - some time.	8
<b>ECONOMY AND COMMUNITY</b>		
Welsh Church Fund	An independent check will be needed if the fund's income is over £25,000.	5
Storiol – Governance and Management Arrangements	Storiol is a new venture and proper arrangement should be in place for business planning and governance – this is an area recorded on the Departmental Risk Register.	15
Leisure Centres	A review of both administrative and financial arrangements within specific centres.	40
Beaches –Unannounced Visits	Unannounced visits to conduct income reconciliations.	10
Sale of Diesel	Audit included at the request of the Head of Department to ascertain alternative methods of collecting payments.	10
Hafan	The Head of Department requested an audit to review the direct debit arrangements.	10
Youth Club Accounts	The Head of Department requested a review of the current arrangements.	15
<b>ADULTS, HEALTH AND WELLBEING</b>		
Budgetary Control - Provider	Arrangements for monitoring budgets.	15
Deprivation of Liberty	There have been considerable changes in regulations in this area.	15
Business/Service Continuity Plans	Review the plans following a discussion with the Head of Service.	20
Social Services Complaints Procedures	A review of the arrangements following Welsh Government amendments in 2014 which supersede the previous arrangement which were in place since 2005.	15
Support Workers - Adults	This area has not been addressed by Audit for - some time.	15
Changes to ILF	Removed from the 2015/16 plan because of a reduction in resources.	15
Direct Payments	The Direct Payments Policy was adopted in May 2015.	15
Housing Support	This area has not been addressed by Audit for - some time.	15

Plas Gwilym, Penygroes	All Council homes to be audited within a 3 year cycle (2016/17 is the third of three).	12
Plas Pengwaith, Llanberis	All Council homes to be audited within a 3 year cycle (2016/17 is the third of three).	12
Bryn Blodau, Blaenau Ffestiniog	All Council homes to be audited within a 3 year cycle (2016/17 is the third of three).	12
Llys Cadfan, Tywyn	All Council homes to be audited within a 3 year cycle (2016/17 is the third of three).	12
<b>CHILDREN AND SUPPORTING FAMILIES</b>		
Grants	A review of specific grants, e.g. Flying Start and Youth Justice Grant.	24
Safeguarding Arrangements – the Operational Structure	Safeguarding Arrangement is a priority within the Strategic Plan.	20
Adoption	A review of the governance arrangements of the Regional Adoption Service.	20
Gyda'n Gilydd Project	There has been an 11% reduction on grant and therefore there is a risk that the project will not be able to meet its objectives.	15
Support Workers	A review of the administrative arrangements of Support Workers – Children and Children with Disabilities (Derwen) including timesheets, and claiming costs etc.	15
<b>HIGHWAYS AND MUNICIPAL</b>		
MOT Fees	This area has not been addressed by Audit for some time.	10
Fleet Management	A new system has been developed for the fleet with tracker devices now installed in all the vehicles – the accuracy of the system will be reviewed.	12
Commercial Waste	New Legislation will be introduced from 1 April 2016 with implications for business to recycle.	15
<b>REGULATORY</b>		
Animal Health	There has been a reduction in the Animal Health Grant and hence it is necessary to ascertain the effect on the service. Audit included at the request of the Head of Department.	15
Flare System	One of the main systems used by several services within the Regulatory Department.	15

Capital Schemes - Property	Review a contract from the tendering process to the final account.	15
<b>CORPORATE LEADERSHIP TEAM</b>		
Coroner	This area has not been addressed by Audit for some time.	10
<b>YGC</b>		
Overtime	The audit is included at the request of the Head of Department as there is a need to ensure consistency across the department.	15
Project Plans	As requested by the Head of Department.	15
Recruitment and Selection	Removed from the 2015/16 plan because of a reduction in resources.	10
<b>TOTAL NUMBER OF DAYS</b>		<b>970</b>

# Agenda Item 15

## GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	11 FEBRUARY 2016
TITLE	SELF-ASSESSMENT OF GOVERNANCE ARRANGEMENTS
PURPOSE OF REPORT	TO PRESENT THE UPDATE OF THE SELF-ASSESSMENT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS TO THE AUDIT COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUE AND RISK
ACTION	TO CONSIDER THE CONTENTS, OFFER COMMENT THEREON, AND APPROVE THE ASSESSMENT

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

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

- **Challenge the Senior Manager Revenue and Risk on the self-assessment of the 31 element in the Council's governance framework (in Appendix 1), and in particular the "Impact" and "Effectiveness" scores that have been identified, and the narrative that explains the justification for the score.**

### 2. SELFASSESSMENT OF THE EFFECTIVENESS OF THE GOVERNANCE ARRANGEMENTS

2.1 The Governance Arrangements Assessment Group has reviewed the governance self-assessment during November and December 2015. The members of the Group are the Chief Executive, the Monitoring Officer, the Head of Corporate Support, the Corporate Commission Service Senior Manager, the Delivering and Supporting Change Service Senior Manager and the Senior Manager Revenues and Risk.

2.2 A diagram containing the Impact and Effectiveness scores, and a narrative explanation, is included in Appendix 1. The Audit 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.

### 3. CHANGES IN THE SCORES SINCE THE LAST SELF-ASSESSMENT IN MAY 2015





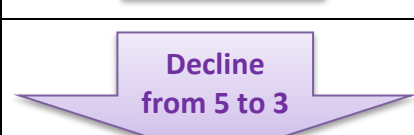
#### Impact Scores

3.1 The Governance Arrangement Assessment Group's assessment did not suggest that there is a need to change the impact ratings, because these have remained constant since May 2015 (the date of the previous review). It was noted, however:

- That the heading "The Council's Values" should change to "The Council's Culture", but retaining the same high impact score.
- That the heading "The 'Cyflawni' Arrangements" should change to "Performance Management" to reflect changes to internal arrangements.
- For clarity, the heading "External Auditor's Annual Letter" has been changed to "Response to the External Auditor's Annual Report" so that it is clear that it is the Council's response to the report (not letter) which forms part of our internal governance arrangements, not the report itself.

#### Effectiveness Scores

3.2 Five out of the 31 effectiveness scores have changed since the last self-assessment in May 2015. A summary of these changes is shown below:

<b>The Council's Culture</b> (previously The Council's Values)	 Improve from 3 to 4
<b>Engagement</b>	 Improve from 4 to 5
<b>Information Governance</b>	 Improve from 4 to 5
<b>Performance Management</b> (previously The 'Cyflawni' Arrangements)	 Improve from 4 to 5
<b>The Scrutiny Process</b>	 Decline from 5 to 3

#### **4. THE COUNCIL'S PRIORITIES**

4.1 The result of the changes described above is the following amendments to the Council's governance priorities:

- Information Governance has moved from red to orange
- Performance Management has moved from red to orange
- Engagement has moved from red to orange
- The Scrutiny Process has moved from orange to red

4.2 Therefore the Very High Priority Areas (red) are:

- The Council's Culture
- The Scrutiny Process

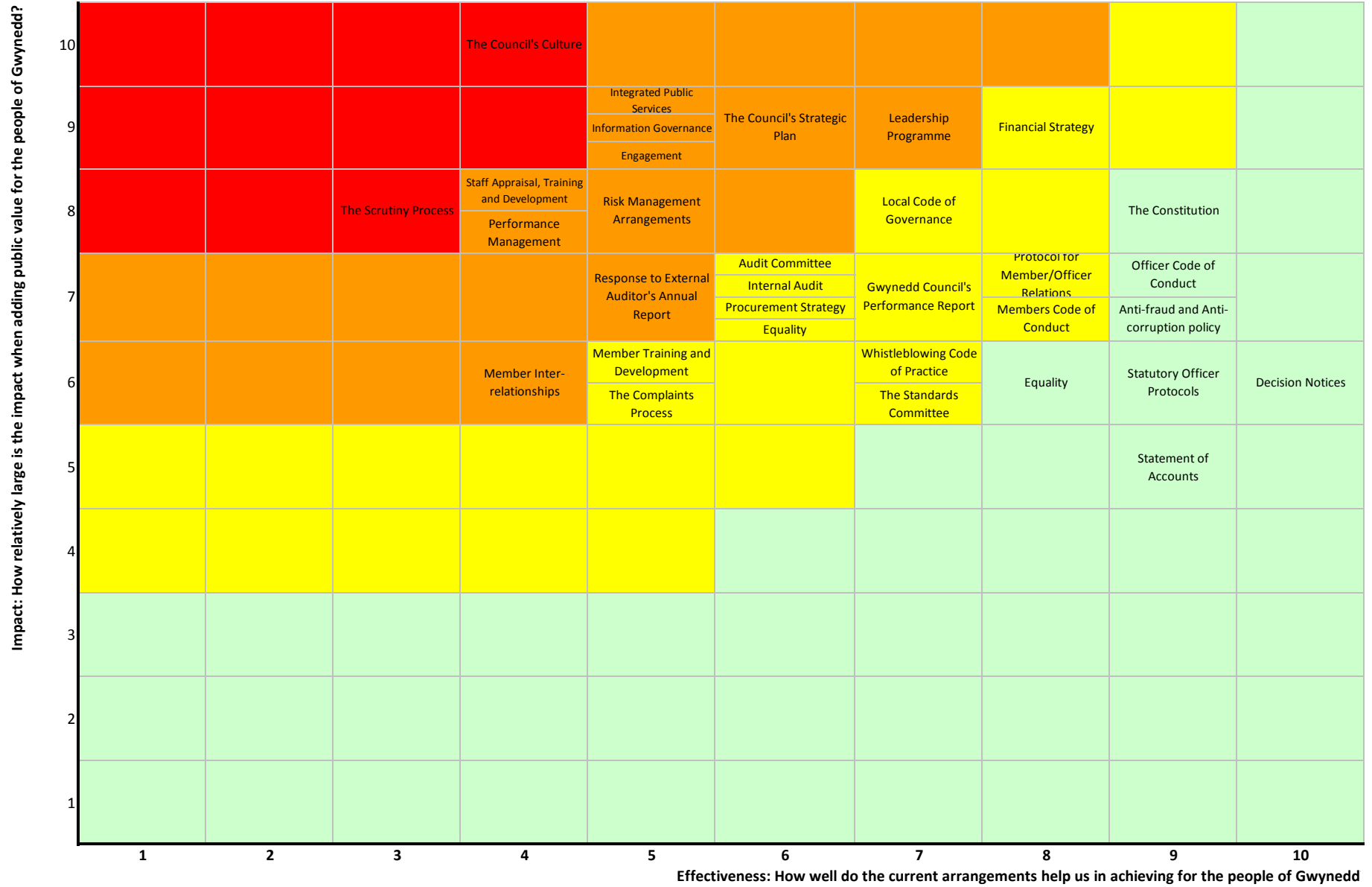
4.3 The High Priority Areas (orange) are:

- Performance Management
- Engagement
- Information Governance
- Integrated Public Services
- Staff Appraisal, Training and Development
- The Council's Strategic Plan
- Risk Management Arrangements
- Member Inter-relationships
- Leadership Programme
- Response to External Auditor's annual report

#### **5. RECOMMENDATION**

5.1 The Audit Committee is requested to

- Challenge the Senior Manager Revenue and Risk on the self-assessment of the 31 element in the Council's governance framework (in Appendix 1), and in particular the "Impact" and "Effectiveness" scores that have been identified, and the narrative that explains the justification for the score.





Policies, strategies, procedures and processes that, according to the Local Code of Governance, support:	Its Impact on our ability to achieve	Reason for the score	How effectively does it help us to achieve?	Reason for the score
The Council's Culture	10	Our values define the Council's culture for both members and staff. The values have been established for some time now. If we achieve the correct culture, this can override everything else that affects our ability to achieve.	4	<p>The Council's values were developed by means of the work of the Managers' Colleges and the Council's values have been included on vehicles, letters and signs in offices.</p> <p>It was reported in the past that evidence is scarce that our staff and members live these values and there is evidence – from system reviews – showing that the values have not in reality filtered down to mean better services for Gwynedd people.</p> <p>However, Ffordd Gwynedd work has already started in 6 work places within the Council with further significant work ongoing to spread the change in culture throughout the Council.</p> <p>There are now continuous signs that the values attached to Ffordd Gwynedd are taking root in the discussions that arise within the Council. This steady progress means that we can increase the score.</p>
Integrated Public Services	9	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 the People of Gwynedd.	5	<p>The Partnerships Unit has been established with Anglesey County Council, and the Council was among the signatories of a Statement of Intent that has been agreed with the Betsi Cadwaladr Health Board for an integrated service.</p> <p>The Council acknowledges that work remains to be done to develop the Local Services Board, but a Plan has been developed during the last year and a review by the Wales Audit Office in 2015 has reported that the Board is moving in the right direction.</p> <p>In addition, system review work in the Care field, which includes close collaboration with stakeholders from external bodies, is showing promising signs. Work is taking place to identify schemes that should be commissioned for the future and also to start to prepare for the changes in the Local Services Boards arrangements.</p>
The Council's Strategic Plan	9	This is the high level statement that outlines what the Council aims to achieve during the life of the current Council.	6	The Strategic Plan is an important guidance for achieving on behalf of the People of Gwynedd. The Wales Audit Office has identified improvements in the way that the Council is providing its services. However, the Council recognises that the nature of the current Plan means that it is not easy to interpret from it what constitutes the core work of the Council. The Plan in its current form is a catalogue of things that need to be changed within the Council and in the Gwynedd area, rather than a business plan for the Authority. Work is ongoing to see how this can be changed with a view to changes during 2016.

Policies, strategies, procedures and processes that, according to the Local Code of Governance, support:	Its Impact on our ability to achieve	Reason for the score	How effectively does it help us to achieve?	Reason for the score
Financial Strategy	9	<p>The Financial Strategy sets the key context for everything the Council does.</p> <p>The financial projections for the Council suggest that substantial savings must be identified in the years to come. The Financial Strategy establishes how we will achieve this and, therefore, it is a very important statement that outlines how the Council will deal with the situation.</p>	8	<p>The Strategy has been praised by the Wales Audit Office, in a previous assessment, as an example of sound planning. It was seen again during December 2015 that the forecasts made in the Financial Strategy were very close to reality.</p> <p>However, there is a need to be aware that the Strategy, even though it is based on the best available information, is also subject to changes of which we are not yet aware.</p>
Engagement	9	<p>Clear engagement with the People of Gwynedd, to establish clear communication and to get a true understanding of their needs, is one of the most important elements of the governance arrangements.</p>	5	<p>The Engagement Strategy adopted by the Cabinet on 28 January 2014 was the result of a self-assessment that highlighted that the Council's engagement arrangements were not as good as they should be for the new climate ahead.</p> <p>In the context of the this climate, the Gwynedd Challenge initiative, to discuss the financial situation with Gwynedd residents, has been given priority in the last year, and therefore other parts of the strategy have not progressed as expected.</p> <p>However, analysis by the Group Engagement shows that the Gwynedd Challenge exercise has been extremely successful and attracted over 2,000 responses from Gwynedd residents which will enable us to make rational decisions regarding future priorities in light of the views of the people whom we serve. Whilst there is a need to ensure that we promulgate good practice among all Council departments, the score now reflects improvement seen in this area in view of the Gwynedd Challenge and work done in the field of waste in particular.</p>
Leadership Programme	9	<p>Leadership sets 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. This underpins the Council's culture.</p>	7	<p>There is evidence that Leadership skills within the Council has improved after the Council invested in leadership training for its Senior Officers and members.</p> <p>However, the Ffordd Gwynedd self-assessment shows that there is a need to take this to the next level now and ensure that all the Council's leadership are unanimous in implementing the principles of Ffordd Gwynedd if it is to be successful. The work of doing this remains part of the Council's Strategic Plan but has not yet reached the end of its journey.</p>

Policies, strategies, procedures and processes that, according to the Local Code of Governance, support:	Its Impact on our ability to achieve	Reason for the score	How effectively does it help us to achieve?	Reason for the score
Information Governance	9	Having the right information is essential if the Council is to provide the right services to the right people in the right way. The information that is collected and stored must be current and relevant, not only to comply with the Data Protection Act but also to ensure that the services we provide are those that doing the right things. Good Information Governance is the foundation of good decision making.	5	<p>Despite efforts to improve Information Governance, the Council continues to hold vast amounts of information, and we need to continue working to ensure that it does not hold more data than is needed. There is no evidence that the Council, overall, has improved its ability to use its information to make appropriate decisions as effectively as it could. It is expected that the EDRMS project will contribute to a significant improvement in this regard.</p> <p>There were occasions during 2014/15 where there was a failure on behalf of the Council to secure the information in its possession as expected, which showed that our arrangements are less effective that we thought when undertaking the 2014 assessment. This has highlighted the need to retrain staff appropriately on Data Protection issues, and improve attitudes in this area. This work remains part of the Council's Strategic Plan, and is showing progress.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 152</p> Risk Management Arrangements	8	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.	5	<p>Arrangements are now 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 take-up of risk management amongst individual business units is inconsistent and the general perception is that risk management is a hindrance rather than a help in achieving aims.</p> <p>Also, apart from Health and Safety risks, systems tests show 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.</p> <p>Substantial work has been undertaken in the field of Emergency Planning and Business Continuity, to better prepare the authority for unforeseen events.</p> <p>Arrangements to deal with the risk surrounding Safeguarding Children and Adults continue to receive attention, in order to maintain the progress made since 2013.</p>
Local Code of Governance	8	The Local Governance Code is the foundation of the Council's governance arrangements. It encompasses a large number of elements which need to be in place to enable the Council to achieve on behalf of the people of Gwynedd.	7	<p>The Local Code, as the focus of all individual elements of the governance framework, operates effectively in achieving its objectives. This is the core of our assessment of governance arrangements.</p> <p>However, it could be reviewed more regularly than in the past but the Audit Committee and the Governance Arrangements Assessment Group are addressing this.</p> <p>We recognise the need to simplify and rationalise the code, since 31 headings seems excessive.</p>

Policies, strategies, procedures and processes that, according to the Local Code of Governance, support:	Its Impact on our ability to achieve	Reason for the score	How effectively does it help us to achieve?	Reason for the score
The Constitution	8	As the official guidance for the manner in which the Council operates, it is inevitable that the Constitution, by definition, has a significant impact on the way in which the Council achieves on behalf of the people of Gwynedd.	9	<p>The Constitution received a comprehensive review by a Working Group of the Audit Committee during 2014, with the new Constitution being adopted by the Council in July 2014.</p> <p>The Constitution is subject to ongoing review, and robust arrangements are in place to keep it up to date.</p>
Performance Management	8	This is the Council's business planning and performance management system. Consequently, the effect of the system on the Council's ability to provide services on behalf of the people of Gwynedd is crucial.	4	<p>It was reported in 2014 that a self-assessment of the 'Cyflawni' system shows that there are still shortcomings in our arrangements, including a lack of real ownership by units within the Council of performance information and its use for improvement, although arrangements had improved on previous years.</p> <p>Systems tests and the self-assessments undertaken for Ffordd Gwynedd show that more clarity is needed regarding what is a performance indicator and what is management information – this is not always clear to everybody.</p> <p>The 2014 Statement reported that a review was ongoing to reconcile the procedure with Ffordd Gwynedd. This review has been completed, and work is ongoing to promulgate the new method for establishing measures based on the purpose of units, which has started to become embedded in every service.</p>
The Scrutiny Process	8	The scrutiny procedure is the process that is in place to ensure that the Council's Cabinet implements its policies in accordance with its pledges and for the benefit of the people of Gwynedd. It is therefore a very important part of the governance framework.	3	<p>The 2014 Statement reported that a revised Scrutiny Strategy was at a draft stage and ready to be published. The Strategy was published during 2014/15.</p> <p>Following the improvements reported in 2014, some further examples were seen during 2014/15 of scrutiny having a positive impact on services, but there is still some way to go until scrutiny maximises that objective.</p> <p>The work that has been done during 2014/15 to use Scrutiny to help us set the direction rather than looking back post-decision has improved the working relationship between the Cabinet and Scrutiny function. Nevertheless, during the year an External Auditor report stated his opinion that there remain significant problems, and an internal Council 360° Review has also confirmed that a number of elements within the scrutiny system need further attention in order to improve them. Consequently the Audit Committee will look at his conclusions and establish a plan to improve the situation.</p>

Policies, strategies, procedures and processes that, according to the Local Code of Governance, support:	Its Impact on our ability to achieve	Reason for the score	How effectively does it help us to achieve?	Reason for the score
Staff Appraisal, Training and Development	8	To ensure that the Council is in a position to provide services that always place the residents of Gwynedd in the centre, there must be continuous staff training, their performance must be monitored and their talent fostered and developed. Staff training arrangements are an important method 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.	4	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 for developing internal talent.  The formal appraisal procedure has been suspended within the Council whilst a review of its contribution to the Ffordd Gwynedd culture is undertaken.  Evidence collected during exit interviews shows that many officers appreciate the training and development that they have received from the Council.  In addition, a Senior Managers Group has been established and will continue, and a 360° process for heads in progress.
Protocol for Member/Officer Relations	7	It is important that officers and members act together to achieve for the people of Gwynedd, in a way that shows respect to each other. This Protocol is a document that formalises this and set out in writing what should be happening naturally.	8	There is good working atmosphere, in general, between officers and members. Although issues arise periodically, the Protocol for Member and Officer Relations is working effectively, and there have been no occasions that have caused concern in this context. A review was undertaken by the Internal Audit service during 2014/15, which awarded an 'A' opinion, since internal controls are in place and are working effectively.
Members Code of Conduct	7	This is the code that incorporates the statutory, legal requirements on members of the Council into the Constitution. Although it is therefore an important document, it does not impact as much as the culture that is embedded in the Values.	8	There is evidence that the Members Code of Conduct has operated effectively on those rare occasions where a member's conduct has fallen short of expectations.
Officer Code of Conduct	7	This is the code that incorporates the statutory, legal requirements on Council staff into the Constitution. Although it is therefore an important document, it does not impact as much as the culture that is embedded in the Values.	9	All staff are aware of the behaviour expected of them, and this has been and this has been coordinated with the Council's disciplinary procedures, if behaviour falls below the expected standards.
Audit Committee	7	An Audit Committee is being recognised as being an important part of the Council's governance arrangements, as it is responsible for ensuring that they are working effectively.	6	Gwynedd Council's Audit Committee has been established since 1999 and it has agreed terms of reference.  It was reported in 2014 that the Audit Committee is very effective in achieving some of the functions that it has undertaken for some time, but its capacity to deal with new responsibilities pursuant to the Local Government (Wales) Measure 2011 continue to develop. There is no evidence to suggest that the situation has changed in the last year.
Anti-fraud and Anti-corruption policy	7	The current Policy was adopted in January 2013. It outlines clearly that the Council has an attitude of not tolerating fraud, and the Fraud Response Plan sets out what staff are expected to do if they suspect that fraud is occurring.	9	Where fraud has been discovered by officers, appropriate and timely steps have been taken to address the issue.

Policies, strategies, procedures and processes that, according to the Local Code of Governance, support:	Its Impact on our ability to achieve	Reason for the score	How effectively does it help us to achieve?	Reason for the score
Response to External Auditor's annual report	7	The annual letter receives attention by the Council and the local media as an independent assessment of how the Council provides services for People of Gwynedd.	5	<p>Whilst the report includes 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 the letter in terms of the effort required to be given to them and the level of risk they represent. However, these examples are not significant; there were no recommendations in the most recent report and in general the messages are positive.</p> <p>The effectiveness score of 5 reflects the delays in receiving the letter, which means that its ability to assist the Council to improve will be less effective than it could be.</p>
Internal Audit	7	Internal Audit is seen as a key part of the authority's governance arrangements, because of its role in conducting independent assessments of the Council's governance, internal control and risk management.	6	The effectiveness of the Internal Audit system is under continuous review and although the service satisfies the professional standards in accordance to expectation, there is a need to consider further whether it reviews the right things and if it operates in a manner that is compatible with Ffordd Gwynedd. The service's capacity has decreased significantly since 1 April 2015, down from 10 to 7 full-time officers. It is expected that the adoption of Ffordd Gwynedd principles will ensure the effectiveness of the service will be maintained, but there may be some reduction in the short term.
Procurement Strategy	7	The potential for clear and robust procurement is an opportunity to act in a more efficient way that provides a focus on value for money.	6	<p>The Procurement Strategy has been in place for several years, but it was reported in 2014 that there is some evidence that its principles do not filter through to the Council consistently and that there is room for changes in the arrangements to reflect new methods of working. In response to this, the Procurement Project in collaboration with Denbighshire and Flintshire councils has led to a new Strategy that will be presented for scrutiny during 2015/16.</p> <p>Category Management was introduced during 2015/16. It has already been introduced in the People area, but not enough progress has yet been made to increase the score.</p>
Gwynedd Council's Performance Report	7	This is a retrospective report, in order to report to the public on the Council's achievements in the previous year, and what needs attention in the coming years.	7	<p>The Council's Improvement Report is published annually in accordance with the expected timetable. The Report notes that the Council has undertaken its duties of reporting on improvement that is a requirement under the measure, but it could comply more fully with guidance from the Welsh Government.</p> <p>Although this is a report that achieves its purpose there is a risk that it is a report that is produced to satisfy statutory requirements, rather than achieving the objective of providing a complete picture for the People of Gwynedd. It is hoped that the report will improve as we improve the quality of our Strategic Plan.</p>

Policies, strategies, procedures and processes that, according to the Local Code of Governance, support:	Its Impact on our ability to achieve	Reason for the score	How effectively does it help us to achieve?	Reason for the score
The Standards Committee	6	The Standards Committee holds members accountable for their behaviour. In that regard, it is helpful in ensuring that Council members act primarily for the benefit of People of Gwynedd.	7	<p>The Standards Committee is in place and operates with agreed Terms of Reference. Minutes of the Committee show that it examines specific cases as it undertakes its work. The Committee itself has also conducted a self assessment.</p> <p>The Committee fulfils its policing role well, but there is room for improving its activities of promoting good standards. The Committee received a presentation on its role within the governance framework in October 2015.</p>
Decision Notices	6	These are the official documents that record that the operational decisions of the Cabinet - or its members acting alone in accordance with the Scheme of Delegation - have been made in an appropriate manner, with the input of the Statutory Officers.	10	The Cabinet Support Service ensures that each notice is duly completed before a decision can be implemented, and the notices appear on the Council website in a timely manner. Nothing needs to be done to improve their effectiveness, which justifies a score of 10.
Statutory Officer Protocols	6	The Statutory Officers play a key role in ensuring that the Council takes appropriate action on behalf of the People of Gwynedd. These Protocols are in place to protect the status of these officers within the internal arrangements of the authority.	9	All statutory officers confirm that they have been able to carry out their duties in line with expectations as set out in the protocols.
Member Inter-relationships	6	Fostering good relations between members helps to ensure that the Council is working effectively. However, because of the inherent political nature of the Council, examples of tension and disagreements are to be expected.	4	<p>There is some evidence of tension in the past between members as the new Cabinet arrangements were implemented within the Council and the resulting changes in roles, and there is no evidence to suggest that those tensions have disappeared with the recent External Audit report on Scrutiny confirming this view. However, there are signs that the tensions are starting to reduce.</p> <p>Tensions are inevitable during times of significant changes and to be expected.</p>
Whistleblowing Code of Practice	6	The arrangements have been shared with all Council officers. Efforts to maintain awareness are continuing, and it is seen as an important tool to draw attention to inappropriate activity, but little use is made of the arrangements and therefore their impact on the Council's arrangements is limited.	7	<p>Although very little use has been made of the procedure, the disclosures that have been made have been the subject of thorough investigations in accordance with the Code of Practice. The arrangements have been reviewed recently by the WAO as part of a national review.</p> <p>Evidence from the national review, and a review of awareness by Internal Audit, has demonstrated that the procedures are generally effective, and justify the score given.</p>

Policies, strategies, procedures and processes that, according to the Local Code of Governance, support:	Its Impact on our ability to achieve	Reason for the score	How effectively does it help us to achieve?	Reason for the score
Member Training and Development	6	There is an expectation on all Council members to be trained and developed in order to properly perform their duties. Nevertheless, the training programme is relatively limited in introducing arrangements that put the People of Gwynedd in the centre.	5	Steps have been taken in the period since the 2012 election to draw up a training programme for members with the Democratic Services leading on the work.  Personal Development Interviews were introduced during 2014/15, with 20 members taking advantage of them.
The Complaints Process	6	Taking complaints seriously, and investigating them thoroughly, is an integral way of achieving for the People of Gwynedd, as is responding when the expected service standards have not been met.	5	It was reported in 2014 that the main weakness of the complaints procedure was a lack of arrangements to allow the Council to learn lessons from investigations into complaints.  During 2014/15 new arrangements were introduced to deal specifically with this. A new Corporate Complaints Procedure was introduced, and a Service Improvement Officer was appointed to ensure that we learn lessons from complaints, and avoid repeating mistakes.
Equality	7	The Council's aim is to place the People of Gwynedd at the centre of everything we do. Equality arrangements are essential in order to realise this, because if there is no equality, then by definition there will not be consistent treatment of all residents.  However, in an era of cuts, there may be greater impact on some groups, and awareness of this must be maintained.	6	Although an Equality Scheme is in place, there is evidence that awareness of equality is not as rooted as it should, and that the mentality has not yet spread throughout the Council. For example, there is no evidence to show that the Council is thinking of conducting Equality Impact Assessments routinely when making its decisions.  This will receive attention in our new Equality Scheme.
Statement of Accounts	5	The statement of accounts is the document that informs the people of the use that Gwynedd Council has made of its resources. However, since it is such an unwieldy document, in order to meet international and national accounting standards, this document has very limited impact on the People of Gwynedd.	9	The Council publishes its financial statements on time, and they have been given an unqualified audit opinion, every year. When the external auditor has identified issues of concern when reviewing the accounts the Council deal with the matter immediately. The Appointed Auditor's Annual Letter testifies to this.  The Wales Audit Office received a challenge to the Accounts from a member of the public during 2015. The opinion of the Appointed Auditor was that there was no basis to further investigate the accounts.