

# Contents

Agenda	2
4 - Minutes of previous meeting	6
5a - 2015-16 Budget and the Financial Strategy for 2015-16 - 2017-18	13
5b - 2015-16 Budget and 2015-16 - 2017-18 Financial Strategy	14
Appendix 1 - 2015-16 Budget and 2015-16 - 2017-18 Financial Strategy	20
6 - Treasury Management Report	45
Appendix 1 - 2015 Policy and Practises	48
Appendix 2 - Treasury Management Strategy Statement 2015-16	76
Appendix 3 - Prudential Indicators 2015-16	94
7a - Revenue Budget 2014-15 - Third Quarter Review	98
7b - Revenue Budget 3rd Quarter Review 2014-15	100
Appendix 1 - Revenue Budget Q3 2014-15	101
Appendix 2 - Revenue Budget Q3 2014-15	102
8a - Capital Programme 3rd Quarter Review 2014-15	135
8b - Capital Programme 3rd Quarter 2014-15	136
9 - Report of the Control Improvement Working Group	142
10 - Internal Audit Output	151
11 - Disclosure Arrangements - Awareness of the Whistleblowing Policy	164
12 - Internal Audit Plan 2014-15	173
13 - Draft Internal Audit Plan 2015-16	182
14 - Proposed changes to the constitution arising from the Public Service Act 2013 and the Local Government Pension Scheme	188



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

Cyfarfod / Meeting

**PWYLLGOR ARCHWILIO**  
**AUDIT COMMITTEE**

Dyddiad ac Amser / Date and Time

**2.00pm DYDD MAWRTH, 17 CHWEFROR 2015**

**2.00pm TUESDAY, 17 FEBRUARY 2015**

**\*Nodwch ddyddiad ac amser cychwyn y cyfarfod\***

**\*Please note meeting date and start time\***

Lleoliad / Location

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

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Dosbarthwyd/Distributed: 10-2-15

**PWYLLGOR ARCHWILIO  
AUDIT COMMITTEE**

**AELODAETH/MEMBERSHIP (19)**

**Plaid Cymru (8)**

Y Cynghorwyr/Councillors

Edward Dogan  
Dilwyn Morgan  
John Wyn Williams

Aled Ll. Evans  
Michael Sol Owen  
Sedd Wag / *Vacant Seat*

Chris Hughes  
Gethin G. Williams

**Annibynnol/Independent (5)**

Y Cynghorwyr/Councillors

Trevor Edwards

Tom Ellis

John Brynmor Hughes

John Pughe Roberts

Angela Russell

**Llais Gwynedd (3)**

Y Cynghorwyr/Councillors

Anwen Davies

Aeron M. Jones

R.J. Wright

**Llafur/Labour (1)**

Y Cynghorydd/Councillor

Sion W. Jones

**Aelod Unigol / Individual Member (1)**

Y Cynghorydd/Councillor

Sedd Wag / *Vacant Seat*

**Aelod Lleyg/Lay Member**

Mr John Pollard

**Aelod Ex-officio/Ex-officio Member**

Cadeirydd y Cyngor / Council Chairman

## **AGENDA**

**1. APOLOGIES**

To receive apologies for absence.

**2. DECLARATION OF PERSONAL INTEREST**

To receive any declaration of personal interest.

**3. URGENT BUSINESS**

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

**4. MINUTES**

The Chairman shall propose that the minutes of the last meeting of this committee, held on 18 December 2014, be signed as a true record.

(copy herewith - **yellow** paper)

**5. 2015/16 BUDGET AND 2015/16 – 2017/18 FINANCIAL STRATEGY**

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

**6. TREASURY MANAGEMENT – TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2015/16**

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

**7. REVENUE BUDGET 2014/15 – THIRD QUARTER REVIEW (DECEMBER 2014)**

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

**8. CAPITAL PROGRAMME 2014/15 – END OF THIRD QUARTER REVIEW (31 DECEMBER 2014)**

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

**9. REPORT FROM THE CONTROL IMPROVEMENT WORKING GROUP**

To submit the report of the Chair of the Committee outlining the feedback from the meeting of the Panel on 16 January 2015  
(copy herewith – **pink** paper)

**10. OUTPUT OF INTERNAL AUDIT**

To submit the report of the Senior Revenue and Risk Manager outlining the work of Internal Audit for the period between 1 December 2014 and 31 January 2015. (copy herewith – **grey** paper)

**11. DISCLOSURE ARRANGEMENTS – AWARENESS OF THE WHISTLEBLOWING POLICY**

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

**12. INTERNAL AUDIT PLAN 2014/15**

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

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

To submit the Draft Internal Audit Plan for the year 1 April 2015 – 31 March 2016 (copy herewith – **blue** paper)

**14. PROPOSED CHANGES TO THE CONSTITUTION ARISING FROM THE PUBLIC SERVICE PENSIONS ACT 2013 AND THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (GOVERNANCE) REGULATIONS 2014**

To submit the report of the Head of Finance and Head of Legal Services (copy herewith **salmon** paper)

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## AUDIT COMMITTEE 18/12/14

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

**Councillors:** Anwen Davies, Eddie Dogan, Tom Ellis, Aled Ll. Evans, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Dilwyn Morgan, Michael Sol Owen, Angela Russell, Gethin Glyn Williams and Peredur Jenkins (Cabinet Member for Resources)

**Also in attendance:** Dafydd Edwards (Head of the Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager - Revenue and Risk), Amanda Hughes (Local Manager - Wales Audit Office), Hawis Jones (Performance Improvement and Efficiency Manager – for Item 7 on the agenda), Caroline Lesley Roberts (Investment Manager – for Item 13 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

**Others invited:** Councillor R. H. Wyn Williams (Cabinet Member for Care), Morwena Edwards (Corporate Director) and Glenda Lloyd Evans (Service Manager – Older People’s Service) for Item 5(b) on the agenda.

**Apologies:** Councillors Huw Edwards, Trevor Edwards, Sion Wyn Jones and Mr John Pollard.

### 1. DECLARATION OF PERSONAL INTEREST

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

### 2. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 25 September 2014, as a true record.

### 3. REVENUE BUDGET 2014/15

#### (a) OVERSPEND ON OLDER PEOPLE’S SERVICES (ADULTS, HEALTH AND WELL-BEING DEPARTMENT)

It was reported that the report had been considered by the Cabinet on 25 November 2014 and their decision was submitted for the attention of the committee -

- “a) To accept the report of the Corporate Director (and Statutory Director for Social Services) regarding the overspend position in the field of Older People (Adults, Health and Well-being).
- b) To accept the explanation in terms of the trend in intensity.
- c) To request a report at the end of Quarter 3, highlighting the steps that were ongoing in the Service to change culture to a system of transformation and enablement.
- ch) To receive confirmation at the end of Quarter 3 that the principle of changing culture has been adopted by managers and officers within the Care Department.”

The Cabinet Member for Care and the officers were welcomed to the meeting.

The Cabinet Member for Care noted that changes had already been implemented but the major change in terms of social services provision would take time. It was reported that a review of Adults Services (End to End) was being undertaken in order to deal with the overspend and to respond to demographic trends.

He added that the Head of Adults, Health and Well-being Department was on sickness absence and officers had taken on additional duties. It was emphasised that all members of the Council had a role to play in terms of changing the culture to try to prevent the overspend.

The Corporate Director reported that financial recognition had been received to respond to the demographic trends in the past few years but the effect of population structure had not been seen until recently.

Members were guided through the report and the following main points were highlighted:

- The Council's expenditure on nursing care was comparatively higher than other similar councils and the matter would be examined;
- It was difficult to come to a definite conclusion on the actual saving resulting from the Enablement service;
- A review would be undertaken of the Enablement service;
- The maximum weekly payment of £55 for home care meant that more individuals remained at home. Should many of these individuals be in a residential home, they would be paying in full for their care;
- The complexity of people's care needs was increasing;
- As a result of the Social Services and Well-being (Wales) Act 2014, difficult discussions were needed with the Betsi Cadwaladr University Health Board;
- There was a need for staff to receive support for budget management and front-line staff needed to take ownership of the financial agenda;
- Praiseworthy proactive work was being achieved by officers to address the overspend and this needed to continue in the future.

In response to questions from members, the following was noted:-

- Evidence showed that ineligible individuals were receiving the Enablement service. It was noted that discontinuing service provision arrangements when an individual no longer needed them needed to improve.
- For clarity, it was explained that the Enablement service was provided for a period of up to 12 weeks and six weeks was the average period.
- Services provided by the Third Sector, such as Gwynedd and Anglesey Age Cymru's 'Ffrindia' scheme, was valuable and there was a need to work more proactively with the Third Sector.
- A team would be established as a pilot scheme for a year at Ysbyty Alltwen, Tremadog, jointly with Health, to discuss what was important WITH individuals.
- Staff had to be equipped to change their way of working rather than continuing with the practice of providing care packages for individuals.
- In order to achieve the requirements, there was a need to address Carers and ensure that there was a back-up plan when carers were ill.
- In terms of the timetable, the focus would be on service transformation along with holding difficult discussions with Health. It was noted that it was expected that a change would be seen in the financial curve at the end of Quarter 3, when the current situation would be analysed.
- Intermediate care would be provided in residential homes for individuals discharged from hospital prior to them returning home. It was noted that the provision was available in the Arfon area and in future it would be available in Dwyfor and Meirionnydd. It was proposed to fund the beds jointly with Health as the Intermediate Fund was coming to an end.

The Head of Finance Department noted that there were early signs that the culture was changing in the Adults, Health and Well-being Department and this would have an impact on the accounts by the Third Quarter, but as it was a long term process complete salvation was not expected immediately. He added that work was ongoing in terms of the Council's

budget for 2015/16 and at the moment it was anticipated that over £400k would be allocated in addition to the Department's budget to compensate them for the additional cost as a consequence of demographic trends.

The Cabinet Member for Care and the officers were thanked for their contributions and best wishes were extended to the Cabinet Member on his retirement from the Cabinet.

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

**(b) SECOND QUARTER REVIEW (SEPTEMBER 2014)**

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 Cabinet Member for Resources reported that second quarter budget review reports had been submitted to the Cabinet on 25 November 2014. The following recommendations were submitted for the attention of the committee to scrutinise -

- "a) To accept the report on the second quarter review (30 September 2014 position) of the Revenue Budget.
- b) To note the latest financial situation regarding the budgets of each department / service, and to take appropriate steps regarding the matters under their leadership/management.
- c) To approve £44k additional budget for the Highways and Municipal Department, to come from the Council's corporate budgets."

In response to a question from a member regarding the reserves, the Cabinet Member for Resources noted that the position at the end of the financial year could not be foreseen but the situation would be monitored every quarter.

The Head of Finance Department added that the departmental reserves were an underspend that had been accrued for a specific reason and a proportion of this money was seen as a contribution to the redundancy fund. It was noted that the Wales Audit Office had reviewed the levels of the reserve funds of local authorities in Wales and they were satisfied with the position of Gwynedd Council.

All Council staff involved with the Council's budgets were thanked for their hard and detailed work.

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

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

The report of the Head of Finance Department was submitted, providing details of the revised programme and the relevant sources of finance.

The Cabinet Member for Resources reported that the report had been considered by the Cabinet on 25 November 2014 and he submitted their decision for the attention of the committee -

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

- An adjustment of £2,699,000 due to actual slippages from 2013/14
- A decrease of £3,111,000 in unsupported borrowing



- an increase of £2,134,000 in the use of grants and contributions
- an increase of £425,000 in the use of capital receipts
- an increase of £176,000 in the use of revenue contributions
- a reduction of £351,000 in the use of the capital fund
- an increase of £417,000 in the use of other sources.”

It was noted that it was encouraging that the value of the capital programme for the current three years was over £92 million, which was a substantial achievement in the current financial climate.

It was noted that the Briwet Bridge scheme had been scrutinised at the meeting of the Communities Scrutiny Committee on 2 December. Members of the Committee, who were also members of the Scrutiny Committee, noted that honest and genuine answers had been received from officers at the meeting but a risk still existed in terms of timetable slippage and the financial implications.

**RESOLVED:**

- (i) **To note the situation and accept the Cabinet’s decision.**
- (ii) **To invite the Cabinet Member for the Environment and relevant officers from the Regulatory Department to the next meeting of the Controls Improvement Working Group regarding the Briwet Bridge scheme.**

## **5. EXTERNAL AUDIT REPORTS**

The report was submitted by the Performance Improvement and Efficiency Manager. It was noted that the report provided an update in terms of the external audit reports received with the appendix detailing the reports, the actions and the scrutiny arrangements.

**RESOLVED to accept the report and to note that the Committee is satisfied that the recommendations of the external auditors are receiving sufficient attention.**

## **6. FINANCIAL PLANNING ASSESSMENT**

The report was submitted by the Local Manager - Wales Audit Office.

It was reported that an assessment of the financial plans of all local authorities in Wales was undertaken and a general report would be published in the future. The work focused on the Council’s financial management in the face of budgetary reductions to ensure financial resilience.

The conclusion was reached that the Council had effective financial management arrangements without any immediate shortcomings. It was noted that the Wales Audit Office had no proposals for improvement but there were possible opportunities for the Council to consider in further strengthening its financial planning arrangements.

It was suggested that the Council should consider implementing a formal policy regarding the use of reserves and balances.

The Head of Finance Department welcomed the report and he noted that the possible opportunities noted would be addressed. In terms of the policy on reserves and balances, the Head of Finance Department explained that it was not possible to separate their consideration from the other budgetary risks and matters such as reserve budgets, provision for inflation etc.

In response to an observation by a member regarding schools’ reserves, the Cabinet Member for Resources noted that there were definite guidelines in place for schools with

constant monitoring and reviewing of the situation and pressure was placed on schools with reserves that were too high to use them for the education of the pupils. He added that it was a matter for the Head Teacher and the Governors and he asked for any member who was a school Governor to raise the matter.

All the Council's staff were thanked for their hard and detailed work which had resulted in a positive opinion from the Wales Audit Office in terms of financial planning. The Local Manager - Wales Audit Office added that the good work of staff and the Council's effective political decisions ensured financial resilience.

**RESOLVED to accept the report.**

## **7. ANNUAL AUDIT LETTER**

The Letter was submitted which provided a summary of the annual audit by the Local Manager of the Wales Audit Office. The Head of Finance Department noted that the 'Letter' confirmed what the Wales Audit Office had reported at the meeting of the Committee on 25 September 2014.

A member noted that the Council's Communications Unit should give publicity to the heartening reports from the Wales Audit Office.

**RESOLVED to accept the report.**

## **8. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP**

The report of the Chairman of the Audit Committee was submitted on the meeting of the above working group that had been held on 14 November 2014 to consider the audit of 'Secondary Schools – Governance' which had received an Opinion category 'B' and three audits which had received an opinion category 'C' during the period between 1 July 2014 and 12 September 2014.

- a) Staff Safety Register
- b) Officers' Gifts and Hospitality
- c) Communities First Programme – The New Scheme

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

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

In response to an observation by a member regarding the audit of Secondary Schools – Governance, the Senior Manager- Revenue and Risk noted that he would include an audit of the presence of governors in the three mandatory courses in the 2015/16 audit scheme. He noted it would not be practical for them to be included prior to that time.

A member noted that he wished for a tighter timetable for the audit as the new procedure had been in place since September 2013 and there was a risk to the Council.

The Head of Finance Department suggested that a message could be sent directly to the Education Department requesting them to attend to the matter as a priority and to undertake an audit in 2015/16.

**RESOLVED:**

- (i) to accept the report;**
- (ii) to send a message to the Education Department asking them to address as a priority the attendance of Governors in the three mandatory courses;**

**(iii) that Internal Audit undertakes an audit to check the attendance of Governors in the three mandatory courses in 2015/16.**

## **9. INTERNAL AUDIT OUTPUT**

### **The work of Internal Audit for the period up to 30 November 2014.**

The report of the Senior Manager - Revenue and Risk was submitted, outlining Internal Audit's work during the period between 15 September and 30 November 2014. In submitting the information on the work completed during the period, the officer referred to -

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

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

#### **Leisure Centres**

It was noted that an audit had been before the Committee recently and the Service was in the process of reorganisation in an effort to better manage and mitigate the risks to leisure centres in the future.

In response to an observation by a member, the Senior Manager - Revenue and Risk noted that an integrated management system had been established by the Leisure Centres Service and Internal Audit had had an input as it was being developed. Furthermore, good practice was seen in some of the centres and the Leisure Service had already identified good practice and had disseminated them to all the leisure centres. It was noted that the report had received a 'C' opinion category and as was customary, the report would be submitted to the Controls Improvement Working Group.

#### **Follow-up Audits**

In response to an enquiry, the Senior Manager - Revenue and Risk noted that three audits had received an unsatisfactory follow-up opinion and he elaborated on them individually:

- **Schools Effectiveness Grant and Pupil Deprivation Grant** – this issue had been addressed at a meeting of the Working Group and as the grant arrangements had moved forward, no benefit could be seen in examining the matter again;
- **Subsidised Travel Tickets** – as criminal matters had been raised, it was felt that it was premature and inappropriate to address the matter at present;
- **Ports** – the recommendations had not been implemented and consideration could be given to submitting the report to the working group.

#### **RESOLVED**

- (a) **to accept the reports on the work of Internal Audit for the period 15 September 2014 until 30 November 2014 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 Tom Ellis, Dilwyn Morgan and Angela Russell serve on the Working Group to consider the audits that have received a category 'C' opinion along with the follow-up audit of Ports.**
- (c) **It is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.**

**10. INTERNAL AUDIT PLAN 2014/15**

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

He provided details of the situation as at 30 November 2014 along with the time spent on each audit to date. The following table was highlighted, which revealed the current status of the work in the operational plan:-

<b>Audit Status</b>	<b>Number</b>
Planned	33
Working Papers Created	3
Field Work Started	13
Field Work Ended	1
Awaiting Review	7
Draft Report	4
Final Report	37
Total	98
Cancelled	3

It was noted that the actual attainment of Internal Audit up until the end of November was lower than the target and that 22 audits would not have been released, in order to meet the quarterly target of completing 59 out of 98, namely 60%.

It was reported that the situation was under continuous review. Attention was drawn to the fact that the efficiency plan of Internal Audit had meant a capacity reduction of three officers and as a result, achieving the target by the end of the year was increasingly challenging.

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

**11. TREASURY MANAGEMENT 2014/15 – MID YEAR REVIEW**

The report of the Head of Finance Department was submitted on treasury management activity during the current financial year.

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

The Investment Manager confirmed that during the six months between 1 April and 30 September 2014, the Council's borrowing activity had remained within the restrictions originally placed and there were no banks where the Council had deposited money that failed to repay.

It was noted that a seminar would be held for the members on 30 January 2015 with consultants from the Arlingclose company, who would provide a detailed explanation of the substantial changes in the field of treasury management.

**RESOLVED to accept the report for information.**

The meeting commenced at 10.30am and concluded at 12.40pm.

MEETING: **AUDIT COMMITTEE**

DATE: **17 FEBRUARY 2015**

TITLE: **2015/16 BUDGET AND THE FINANCIAL STRATEGY FOR 2015/16 – 2017/18**

PURPOSE: **To submit the budget which the Cabinet intends to recommend to the Council for scrutiny by the Audit Committee**

ACTION REQUIRED: **To scrutinise the information before the Cabinet recommends to the full Council**

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

CABINET MEMBER: **COUNCILLOR PEREDUR JENKINS**

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- 1.** At its meeting on 19 February, the Cabinet will consider the attached report and come to a conclusion regarding the budget to be proposed to the Council which will include a recommendation on the proposed Council Tax increase for 2015/16.
- 2.** Bearing in mind that it is good practice to set the budget in the context of the long term position, it is also intended to consult with the Council on the financial strategy to be followed for the period to come (2015/16 – 2017/18).
- 3.** This continues the practice we have now been following for some years – a practice which is praised by the Wales Audit Office and which has paid dividends in terms of the circumstances we are facing and the plans to deal with them.
- 4.** The Cabinet will give consideration to the report two days after the meeting of the Audit Committee, and we will report to the Cabinet on the conclusions of the Committee.
- 5.** The Audit Committee will be given the opportunity to consider the financial propriety of the proposals, and present comments to the Cabinet on the options.

**REPORT TO THE CABINET  
19 February 2015**

**Cabinet Member:** Councillor Peredur Jenkins

**Subject:** 2015/16 Budget and 2015/16 – 2017/18 Financial Strategy

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

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**Decision sought**

- 1.1 Recommend to the Council that a budget of £228,193,060 should be set for 2015/16 to be funded by £168,311,989 of Government Grant and an increase in Council Tax of –

Council Tax Increase %	Council Tax Income £	Gap to be financed by using balances £
3.5%	57,308,682	2,572,389
4.0%	57,585,535	2,295,536
4.5%	57,862,389	2,018,682
5.0%	58,139,242	1,741,829

- 1.2 Establish a capital programme of £19.179m in 2015/16 and £21.270m in 2016/17 to be funded from sources noted in clause 9.4 of the appendix.
- 1.3 Continue to consult with the Council on the proposals to deal with the financial gap which we are facing for the next three years.
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**Introduction**

1. The Council has to set a balanced budget for the year ahead (2015/16) ensuring that the expenditure balances with its income.
2. Historically, and in accordance with good practice (which has been recognised by the Wales Audit Office), the Council has established its annual budget within the context of a medium term financial strategy in order to ensure that the budget is prepared for the position ahead, rather than meeting the requirements of one year alone.
3. This medium term planning has proven to be of benefit to us as we have been able to plan necessary savings rationally, without having to take rushed / wrong decisions in terms of the benefits to our citizens.
4. Having consulted in a series of seminars and with the Audit Committee, it is a matter for the Cabinet to consider the 2015/16 – 2017/18 financial strategy, recommending an appropriate budget to the Council for 2015/16.

5. The appendix attached to this report details all the relevant matters that need to be considered when establishing the 2015/16 budget together with those issues which influence the establishment of a strategy for the future.

## **A) 2015/16 BUDGET**

6. The options for 2015/16 can be summarised as follows –

Council Tax Increase %	3.50%	4.00%	4.50%	5.00%
2015/16 Expenditure Requirements	£236,819,647	£236,819,647	£236,819,647	£236,819,647
Less Government Grant income	£168,311,989	£168,311,989	£168,311,989	£168,311,989
Less Council Tax income	£57,308,682	£57,585,535	£57,862,389	£58,139,242
Deficit	£11,198,976	£10,922,123	£10,645,269	£10,368,416
Savings which will be achieved	£8,626,587	£8,626,587	£8,626,587	£8,626,587
Balance to be met from Balances	£2,572,389	£2,295,536	£2,018,682	£1,741,829

7. By 2015/16, an assessment of our fundamental expenditure requirements suggests that we need to increase our expenditure to £236.82m in order to “stand still”.
8. This includes £313,000 to meet the costs of transfers into the settlement along with £876,000 to meet pressures on budgets. Full details are given in part 3 of the attached appendix.
9. There is also a need to meet one-off requirements equivalent to £373,000, funded by using the provision in reserve which was already in the fundamental budget.
10. Within the proposed budget, it is anticipated that we will be complying with the Welsh Government’s funding promise for schools, but they are facing pressure on their delegated budgets due to an increase in teachers’ pensions costs, and an increase in the cost of integrating pupils with Additional Learning Needs.
11. It is outlined in part 4 of the appendix how £952,000 could be saved from schools budgets in 2015/16, with a marginal effect on the pupil to teacher ratio, and keep within the restrictions of the “promise”.
12. The grant that we will receive from the Welsh Government for 2015/16 will reduce 4% to £168.3m, which is another substantial reduction following the 4.4% reduction by 2014/15.
13. In order to meet the financial gap that this creates in 2015/16 it will be possible to attribute the schools’ £952k savings, call upon £6.5m of new efficiency savings which are already in progress, together with £278k of old savings which were planned for 2015/16.

14. The Strategic Review of the Highways field also presents an opportunity to contribute towards closing the gap in 2015/16. It will have to wait until a subsequent meeting of the Cabinet to consider the report on the review before coming to a final conclusion. However, for the purposes of financial planning, it is estimated that we could make a saving of £550,000 as an additional amount to the above savings.
15. We also anticipate that there will be savings available in 2015/16 by achieving £305,000 worth of "early cuts" in some support services and on some corporate budgets.
16. It is recommended that the remaining gap is funded by a combination of increasing the Council Tax and using the Council's general balances. By selecting how much (%) to increase the Council Tax, the medium term implications on cuts should be considered (see part B below).
17. Briefly, by raising the Council Tax 4.5% instead of 3.5% by 2015/16, it would be possible to avoid cutting services worth £553,707 for the people of Gwynedd in 2016/17.
18. Within the proposed budget, the main risk is the fact that there will not be any general contingency budget (apart from the specific provision for fuel inflation). We would have to fall back on the Council's balances if there were other unexpected financial calls.
19. For the time being, before completing a more thorough review of the Asset Management Plan, we have increased the 2015/16 capital programme where appropriate (adjusting the programme in the wake of some unavoidable changes) and established a programme on the basis of the minimum required for 2016/17, as noted in Appendix 3, which will mean a programme of £19.18m in 2015/16 and £21.27m in 2016/17. The programme continues to spend on capital schemes at a greater level than the resource which we receive from Welsh Government to support our capital programme, but it is not considered that the present level of borrowing will overstretch the Council.

## **B) MEDIUM TERM STRATEGY**

20. It was reported a year ago that we might be facing a financial gap of over £51m over the 4 year period 2014/15 – 2017/18 with projections for grant reduction responsible for £20m of this sum. By now, a grant reduction of over £2.3m is expected, therefore the gap has increased to around £53m.
21. If the Council was content to increase the Council Tax 4.5% in 2015/16 and 3.5% in 2016/17 and 2017/18, along with the steps intended to be taken together with the savings which are already being realised, this would still mean that we would need to look for additional savings worth around £34m in the three years from 2015/16 onwards.



22. The proposed position is summarized in the table below:

	2014/15	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m	£m
Additional spending needs	6.4	6.1	10.2	6.7	29.4
Grant loss (increase)	6.7	7.1	3.5	6.1	23.4
The Gap	13.1	13.2	13.7	12.8	52.8
Council Tax	-2.7	-2.5	-1.9	-2.0	-9.1
Planned Deficit	10.4	10.7	11.8	10.8	43.7
Old Savings Schemes	-8.6	-0.5	-0.2	0.0	-9.3
New Savings Schemes	0.0	-8.2	-2.7	-3.8	-14.7
To be found / use of balances	1.8	2.0	8.9	7.0	19.7
					34.4

23. Therefore, it is recommended that we should continue to work on the basis of the same range of possibilities as already agreed for 2015/16 – 2017/18, namely:

Council Tax Policy	Consider increase in the Council Tax in the 3.5% - 5% range
Schools Budget	Set a target of £4.3m for the schools budget
Efficiency Savings	Maximising the efficiency savings that can be achieved
Cuts	Figure remaining

24. The strategy to ensure more efficiency savings is already in hand with schemes worth £13m recommended to be implemented, and others receiving further attention.

25. The strategy to prioritise cuts has also started, and an inclusive programme to establish priorities will continue between now and October 2015 in order to try to ensure that the unavoidable cuts reflect the priorities of the people of Gwynedd.

26. Whilst we are addressing these needs now, regimes like this take time to deliver. We must be cautious that we do not lose any opportunities that arise in the meantime, and the Cabinet should take advantage of opportunities which arise in the meantime to deliver savings, such as the “early cuts”, Highways Strategic Review, etc.

## **Reasons for recommending the decision**

27. The whole strategy attempts to protect the services the Council provides for the people of Gwynedd whilst keeping the Council Tax increase to the minimum which is consistent with that aim.
28. It also tries to ensure that any savings which we will have to deliver will be found from those areas which will have the least effect upon our citizens.
29. It is recommended that a Council Tax increase of above 3.5% be considered for 2015/16 in order to reduce the cuts which will have to be faced in 2016/17.
30. We foresee that 12 other councils in Wales will increase the Council Tax at a level of between 4.5% and 5% and I consider that 4.5% is reasonable as a step towards addressing the massive gap that we are facing.

## **Relevant considerations**

31. As noted above, it is possible to charge less or more Council Tax which will affect the level of cuts which will be required over the period.
  32. We cannot affect the grant which we receive from Welsh Government (although officers and members are continually working to try to ensure that the distribution formula is fair). It is possible to change expenditure figures, but there are consequences to that, of course.
  33. It is a matter for the Council to consider the budget to be set for 2015/16 on the basis of the issues noted in the attached appendix, and to consider whether they wish to change any element, but for my part as Cabinet Member, I believe it should be considered that the Council Tax be increased to a level between 3.5% and 5%.
  34. As part of a process of being inclusive, I am consulting with the Council's members through a series of seminars over the days leading up to the Cabinet meeting. I will report orally on observations received during that process, so that the Cabinet may consider members' views on the options before making recommendations regarding the budget to the Council. It will be a matter for the Council to adopt that budget or not.
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**Opinion of local member**

Not a local matter

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

Once again this year, the Cabinet and, eventually, the full Council, is asked to try to strike the correct balance between taxation and saving, and this at a most challenging time. I welcome the proposals as an attempt to strike that balance, and also the steps the Cabinet Member for Resources and the Head of Finance are taking to discuss their proposals with members before they are brought before the Cabinet and the Council.

**Monitoring Officer:**

The report highlights the responses to the financial challenges of 2015/16. Specific plans are set out within the strategy to address this situation. As the Cabinet forms recommendations for the Council, it is important that they pay attention to statutory requirements that are attached to the realisation of these plans where relevant. Further guidance will be given in the meeting.

**Head of Finance:**

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

**Attachments**

2015/16 Budget and 2015/16 – 2017/18 Financial Strategy Report

**2015/16 BUDGET and  
2015/16 – 2017/18 FINANCIAL STRATEGY**

**1 BACKGROUND**

- 1.1 This detailed report notes the factors that influence the revenue budget required for 2015/16.
- 1.2 In addition, it updates the 4 year financial strategy established last year for the period up to 2017/18 in the face of the continuing difficult financial climate.

**A) 2015/16 BUDGET**

**2 WELSH GOVERNMENT GRANT**

- 2.1 The Welsh Government has announced the final settlement for 2015/16, but without providing any indicative figures for the following year. The details are noted below in Table 1.

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

	<b>Total Welsh Authorities</b>	<b>Gwynedd Council</b>
*2014/15 Government Grant	£4,270,160,526	£175,270,718
2015/16 Government Grant	£4,124,709,257	£168,311,989
Reduction £	£145,451,269	£6,958,729
Reduction %	3.4%	4.0%

\* the figure was adjusted to take into account the transfers into the settlement

- 2.2 It can be seen from the above table that Gwynedd Council faces losing nearly £7m grant next year which is a reduction of 4%, with the average reduction across Wales being 3.4%.
- 2.3 One of the reasons for the higher than average reduction is that the factors feeding the allocation formula have continued to go against us (reduction in the number of pupils, number of income support claimants under 65 years of age, etc).

### 3 COUNCIL REVENUE EXPENDITURE - 2015/16

3.1 Table 2 below shows the increase in the expenditure required for 2015/16.

**Table 2**  
**2014/15 Budget**

	<b>£'000</b>
<b>Base Budget 2014/15</b>	<b>231,620</b>
Salary Inflation	1,957
Other Inflation	844
Precepts	(31)
Increments	39
Pensions	166
Teachers Pensions	521
Interest on Balances	(183)
Borrowing Costs	(67)
Demography	294
Miscellaneous	163
Income budget adjustments	232
Transfers into settlement	313
Pressures on services	876
<b>Total requirement</b>	<b>236,820</b>

- 3.2 **Base Budget 2014/15** – Although £232m is the net 2014/15 expenditure figure, it is important to note that the Council's true expenditure is £370m as we receive a multitude of grants worth £87m and raise nearly £51m for services which we provide.
- 3.3 **Salary Inflation** – This year, contrary to the practice, the figure (an increase of 1%) which will be required for 2015/16 salary inflation is already known to us.
- 3.4 **Other inflation** – This figure represents a provision for general inflation of 1.25% but making specific provision where the inflation rate is likely to be different (e.g. a negative percentage to reflect the drop in fuel price). These inflation figures are significantly lower than what was added in previous years, because the increase in some inflation figures this year was less than what was forecast when preparing the budget, which means that less provision is required for 2015/16.
- 3.5 **Increments** – The increments figure is the increase that results from giving staff salary increments, net of staff turnover.
- 3.6 **Pensions** - Following the 2013 Pension Fund valuation, the Fund's Actuary has noted that there is no need to increase contributions for 2015/16. However, the nature of the Local Government Pension Scheme changed which means that it will be necessary to provide for higher employer contributions.
- 3.7 **Teachers Pensions** – The Westminster Government has announced that a significant and unavoidable increase in the level of employer pension contributions for teachers (national pension scheme different to other staff). From September 2015 the employers contribution will rise from 14.1% to 16.4%.

- 3.8 **Interest on Balances** – by now we expect marginal increases in interest rates, but they continue to be extremely flat, and rather than borrowing externally, we use more internal borrowing which reduces the amounts available to invest. Nevertheless, we will be receiving slightly more interest in 2015/16, and this can be reflected in the budget.
- 3.9 **Borrowing costs** – we will be paying slightly less in borrowing costs next year by not taking out new loans and internal borrowing.
- 3.10 **Demography** – By 2015/16, we acknowledge the increasing number of elderly clients we would expect to provide for, as a result of the ageing population, and the relevant increased demand for care. £460,000 will have to be added to the Adults Service’s budget to recognise the increase in numbers.

Against this increase, a decrease in the number of pupils in our secondary schools is forecast which results in a budgetary reduction in that sector, together with a reduction also in cases in the Children’s Service. This reduces the total net demography figure to £294,000.

- 3.11 **Miscellaneous** – The figure shown here is a collection of minor items which need to be adjusted in the different budgets, including the number of school days in the financial year, an increase in the number of elected members who choose to be a part of the pension fund, and a raft of other minor items.
- 3.12 **Adjustments to Income Budgets** – Income budgets are reviewed annually to assess trends, and it is now necessary to adjust the income budget for Gwynedd Consultancy to reflect the fact that the income attracted has decreased, due to a shortage of capital projects in the current economic climate. Also, the Economy Department’s target income needs to be reduced, following the disposal of a number of industrial units, together with reduced income in the Country Parks, and Human Resources because of the failure of the Printroom to reach income targets. The allocation for the Printroom is conditional on an assessment of the revised business case. However, a positive effect can be seen on some other income budgets to be set against this (Home Care, after raising the statutory maximum for client contributions from £50 to £55 per week, and also Planning fees). The effect on specific budgets can be seen below, figures in brackets show an increase in income and figures without brackets show a decrease –

➤ Gwynedd Consultancy:	£175,000
➤ Economy – Industrial Units, etc:	£82,000
➤ Human Resources – Printroom:	£80,000
➤ Adults – Home Care:	[£75,000]
➤ Regulatory – Development Management:	[£30,000]

- 3.13 **Transfers to the settlement** – As stated above, a number of grants for many functions are being transferred in and out of the settlement this year, as follows -

- **Integrated Family Support Service: £144,090**  
A scheme to provide support for families where there is drugs / alcohol misuse by the parents. The present service is financed by a specific grant and is being run by Anglesey for Gwynedd / Anglesey jointly, and an agreement is to be financed according to the amount which comes in the settlement. Therefore, the £144,090 is required in the budget in order to pay the same amount to Anglesey.

- **Autistic Spectrum Disorder: £40,000**  
This has been a specific grant which in the past has been used to fund support and preventative activities and schemes, specialised resources in the field, post-diagnostic support, and further training for frontline staff.
- **Student Finance Wales: (£45,000)**  
Responsibility for processing and administering student finance applications transferring from local authorities to Student Finance Wales (Welsh Government and Student Loans Company joint service). Although £106,800 is transferring out of the settlement, Gwynedd Council's expenditure on the service is nowhere near that amount, only £45,000. Although it is contrary to the "clean" way of subtracting (or adding) the exact sums in the settlement and dealing with any residue through bids (or cuts), an exception is made here as the entire function is transferring out and there will not be a budget left over to remove the rest of it.
- **Feed Safety Controls: (£20,550)**  
The Food Standards Agency has conducted a review of enforcement of legislation pertaining to Animal Feed, and specifically, the use of funds transferred to local authorities in the settlement for this over the years (at different times between 2001/02 and 2007/08). As a result of this, it was decided to take a portion of the money back. It's possible that this funding will be re-allocated in the form of a specific grant in future (but on a regional basis rather than individual authorities).
- **National Registration Service: (£10,250)**  
The Welsh Government is withdrawing funding from the settlement in order to finance the establishment of the new National Adoption Service, which will be paid through the WLGA as a specific body. Therefore, the Adoption budget in the Children and Supporting Families Department will have to be cut.
- **21<sup>st</sup> Century Schools Borrowing Plan: £211,920**  
On top of these transfers the Welsh Government states that there is £211,920 in the settlement to pay for the schools improvements (21<sup>st</sup> Century) borrowing plan. Although this is not actually a transfer to the settlement in the true sense of the word, it is a budget we must spend for specific purposes, therefore I have included it under this heading.

### 3.14 Pressure on Services

**It is recommended to approve applications ("bids") worth £876,000 by the Council's Departments for additional funds to meet the unavoidable pressures on their services.**

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

**Details of the recommendations are given in Appendix 1.**

Some of the issues needing consideration are reflected in this year's spending patterns. Others are a result of factors where there is a need to increase the budget in order to protect outcomes to the public, or to meet statutory requirements. There is also an element of central government creating more pressure and expectations and our having to deal with the consequential effects (on top of the reduction in our grant).

These items have been subject to challenge by the Corporate Management Team before being recommended. The total recommended this year is significantly lower than what we have seen in the past.

Also in Appendix 1, it is mentioned that one-off "bids" worth £373,000 need to be approved in order to ensure continuation of service. This can be funded by allocating all of the reserves which are retained for this purpose.

### 3.15 **Pay Policy**

Consideration is currently being given to the pay of Council staff who are on the lowest grade, in order to continue addressing the call for a living wage to be given to the ones on those grades. The Cabinet will receive a report on this on 19 February.

If it is intended to act upon this recommendation, provision for this will have been assigned by using an element of the Council's senior management savings in order to pay for this without increasing the Council Tax.

## **4 SCHOOLS**

- 4.1 The Welsh Government have noted that they have protected the Local Government Grant in order to ensure a lower reduction in school budgets compared with other services. The implication presumably is that we would have seen a reduction greater than 4% had they not given us this protection.
- 4.2 Our approach towards this to date has been to continue to plan on the basis of what the Council would wish to do for schools then measuring that against the Welsh Government's proposals and consider whether there is a need to adjust anything in order to comply with the promise.
- 4.3 This year, this rule means that there is a need to ensure that schools receive an increase of +0.6%. As noted last year, this raises the basic question as to how logical it is for the Council to continue to deliver the Welsh Government's wishes when we will have to cut other services to pay for it. We do not know of course what the effect would be of not complying in terms of Welsh Government response and the response of the schools themselves.
- 4.4 The Welsh Government has prescribed a funding "promise" which ensures that schools will receive an increase in their budget which is 1% greater than what the Welsh Government itself has received (i.e. schools budgets to increase 0.6% in 2015/16). What complicates things is that schools will receive an increase of £521,000 for higher pension contributions for teachers, which will contribute towards the 0.6% increase, together with inflation of £532,000 which will, amongst other matters, such as a revenue contribution of £446,000 towards the costs of building 21<sup>st</sup> Century schools, more than satisfy the "promise".
- 4.5 The Working Group's discussions have reached a conclusion to cut the budget from September 2015 (school year), and to harvest more sustainable savings from reorganisation, but later in the 2015/16 - 2017/18 period.
- 4.6 By operating in the same way as many other authorities have done in 2014/15, it would be possible to secure £952,000 of savings from the schools budget and keep within the limits of the "promise".



4.7 Bearing in mind also that the schools' budget will face the usual adjustments that arise from changes in pupil numbers, with some schools benefiting and some losing out, together with a reduction in grants given direct to schools by the Welsh Government, and pressure because of an increase in pupils with Additional Learning Needs. I note that the Secondary sector will suffer reductions in the post 16 grant and the 14-19 network grant, as well as a reduction in allocation which derives from the number of pupils (demography).

4.8 Regarding the Financial Strategy and schools' savings targets, the 07/10/2014 Cabinet resolved:

"To set a savings target of £4.3m for schools to be delivered over the next three years, and that the Cabinet Member for Education be requested to lead a joint piece of work with the Schools Finance Forum to develop the schemes to be implemented in order to deliver this target."

A working group, including school heads and governors, proceeded to deliver this work, with the Cabinet Member for Education and the Cabinet Member Resources encouraging them to demonstrate how best to find £4.3m over 2015/16 – 2017/18 with the lowest impact on pupils' educational achievement.

4.9 I append below an outline of the Working Group and the Schools Budget Forum's conclusions for 2015/16, and a possible distribution of the £4.3m over the three years, to be discussed again.

Schools' Devolved Budgets: the Working Group / Forum's suggestions	Financial Year Saving 2015/16 £	Total 2015/16 – 2018/19 £
<b>Primary Schools</b>		
Energy	200,000	200,000
Reorganisation – schemes in progress 2018/19	0	345,000
Reorganisation – further possible schemes	0	198,000
School Meals – increasing meal price from £2.05 to £2.30 (including 10 pence towards inflation) September 2015 £2.20, September 2016 £2.30	40,833	105,000
Cleaning – savings target 6%	15,167	52,000
Weakening the pupil : teacher ratio on the basis of "Model B"	60,131	1,684,032
<b>Secondary Schools</b>		
Energy	150,000	150,000
Reorganisation – possible schemes	0	0
School Meals	36,458	94,000
Cleaning – savings target 6%	14,000	48,000
Weakening the pupil : teacher ratio on the basis of "Model B"	25,771	721,728
<b>Special Schools</b>		
Free Breakfast Scheme (Primary)	29,167	50,000
Alternative Curriculum (Secondary)	82,968	142,230
KS3 Raising Standards (Secondary)	112,163	192,280
KS2 Large Class Size Fund (Primary)	185,343	317,730
<b>TOTAL</b>	<b>952,000</b>	<b>4,300,000</b>

- 4.10 Regarding the savings element to come from schools' teaching staff allocation ("weakening the pupil:teacher ratio") over 2015/16 - 2017/18:
- primary school headteachers favoured "Model A" which would reduce the primary sector's teaching staff allocation by £1,406,480 (with a split of approximately 1:1 between the sectors), while
  - secondary school headteachers favoured "Model C" which would reduce the secondary sector's teaching staff allocation by £458,020 (with a split of about 4:1 between the primary and secondary sectors, respectively).
- Both sectors expressed concern about the educational impact of any reduction above these levels.
- 4.11 There was no final agreement between the sectors on any "Model" (A, B, or C, as introduced) in respect of the teaching staff element in the medium term (2016/17 - 2017/18), and the total of "Model A" for the primary sector and "Model C" for the secondary sector would leave the Working Group £541,260 short of the £4.3m schools savings target. Therefore, the Schools' Budget Forum agreed that the Working Group to continue to review education services and schools' organization of education in order to find the balance of the savings target. **The Cabinet is recommended to continue to ask them how best to achieve the full £4.3m.**
- 4.12 For 2015/16, it was noted that if schools' savings could limited to the £952,000 mentioned above, there was agreement in the Schools' Budget Forum for the Council to exercise discretion, for now, on the basis of a compromise within the maxima in 4.9 above. Therefore, **it is recommended that the Cabinet act according with "Model B" (which splits the teaching staff of savings approximately 2.3:1 between the sectors) in 2015/16. That would reduce the primary sector's teaching staff allocation by £60,131, and reduce the secondary sector's teaching staff allocation by £25,771.**
- 4.13 The £60,131 in the Primary sector would weaken the pupil : teacher ratio from the current 20.58:1 to 20.63:1, and the effect on schools budgets in the range of no cuts to £2,300.
- 4.14 The £25,771 in the Secondary sector would weaken the average pupil : teacher ratio from the current 15.99:1 to 16.01:1, and the effect on schools budgets in the range of no cuts to £4,200.

## **5 SUMMARY OF THE POSITION IN 2015/16**

- 5.1 It can therefore be seen from the above, that the Council's expenditure needs for 2015/16 are £236.82m (an increase of 2.1%) and we will be receiving a grant of £168.31m from the Welsh Government (a reduction of 4%).
- 5.2 Since our assumptions for 2015/16 in February 2014, our figures have been modified for the Welsh Governments unfavourable settlement (£2.7m), which is counterbalanced by a lower level of inflation (£1.6m) mainly, and other factors (£1.1m net).
- 5.3 It is expected that the income from Council Tax will be between £57.31m (with an increase of 3.5%) and £58.14m (increase of 5%), therefore we are facing a deficit of between £11.20m (on 3.5%) and £10.36m (on 5%) in 2015/16.

## **6 DEALING WITH THE GAP IN 2015/16**

- 6.1 In its medium-term strategy, the Council has established a balanced budget for 2014/15 in order to buy the necessary time to draw up a considered and sensible savings programme to be implemented as soon as possible.
- 6.2 The 2014/15 budget included one-off use of £1.7m of the Council's general balances in order to bridge and make time to prioritise inclusively.
- 6.3 Since then, there has been satisfactory progress with the efficiency savings programme, which means that it is possible to call upon £6.5m of savings which are already in progress in order to meet the financial gap.
- 6.4 The Strategic Review of the Highways field also presents an opportunity to contribute towards closing the gap in 2015/16. Although we will have to wait until a subsequent meeting of the Cabinet to consider the report on the review before coming to a final conclusion, for the purposes of financial planning, it is estimated that we could make a saving of £550,000 as an additional amount to the £6.5m savings.
- 6.5 We also anticipate that there will be savings available in 2015/16 by achieving £305,000 worth of "early cuts" in some support services and on some corporate budgets.
- 6.6 Regarding the other historical savings to be achieved in 2015/16 (projects from the £16m programme and the 1% Strategy), the latest analysis shows that "old" projects had been planned to save £614,210 during 2015/16, but the original target for many schemes will have to be adjusted, reducing the £336,040 total as reported to the Achieving Savings Panel. Adjustments like these are inevitable, of course, when achieving so many challenging savings, and the £336,040 was because the following corporate projects had fallen slightly short of substantially higher targets:
- VOIP                    £118,550
  - RAISE                   £116,300
  - e-Procurement   £11,580
  - Residual Gap       £89,610
- 6.7 Therefore, taking all the above matters into account, including savings from schools of £952,000, the savings will meet £8.63m of the gap arising in 2015/16, leaving £2.57m to be found should we increase Council Tax by 3.5%.

## **7 THE COUNCIL TAX**

- 7.1 In light of this gap, the key decision which needs to be made in the wake of the above considerations is to establish the exact level of Council Tax to be recommended to the Council for 2015/16.
- 7.2 In the assumptions made to date in our medium term financial strategy, a figure of 3.5% has been used, based on the average Welsh increase, but that average is now increasing.
- 7.3 Of course, the key to all of this is to strike an appropriate balance between the need to spend on services for the most vulnerable in our society and the appropriate increase to be levied on the residents of Gwynedd.

- 7.4 3.5% would produce £1.94m of additional income towards the gap, and this would equate to a Council Tax increase of £38.89 in a Band D property or a little under 75p a week (the tax raised by the community councils and the Police Authority would of course be additional to this). A little over 17% of households in Gwynedd receive some element of assistance towards their Council Tax, and over 60% of properites in Gwynedd ar in bands lower than band D.
- 7.5 Every 0.1% higher than 3.5% would alter the financial gap we would need to find by around £55,370 (and therefore 0.5% would mean changing the financial gap by £276,854 and 1% would mean changing the financial gap by £553,707).
- 7.6 The increase in Gwynedd’s Council Tax, together with the average increase across Wales since 2008/09 is shown below.

<b>Year</b>	<b>Gwynedd</b>	<b>Wales</b>
<b>Total 2008-15</b>	<b>28.6%</b>	<b>25.2%</b>
2014/15	3.9%	4.2%
2013/14	3.5%	3.1%
2012/13	3.5%	1.9%
2011/12	3.9%	3.1%
2010/11	3.9%	3.7%
2009/10	3.9%	3.9%
2008/09	3.8%	3.7%

- 7.7 We do not yet know what the exact average increase across Wales for 2015/16 will be, but the latest information I have is that only two authorities are planning to increase less than 3.75% with 12 authorities considering an increase of 4.5% or higher.
- 7.8 From the information the Head of Finance has obtained from conversations with officers in other authorities, he estimates that the average across Wales will be around 4.3%, while the median will exceed 4.5%. Therefore, I consider that 4.5% is reasonable as a step towards addressing the massive shortfall that we are facing.
- 7.9 The choice between taxation and maintaining services is always difficult, of course, and it is a matter for all members to weigh up and arrive at the balance they consider to be appropriate.
- 7.10 In keeping to the projections made last year when establishing the present financial strategy and increasing the Council Tax level by 3.5%, this would leave a gap of £2.57m to be found. The only way to find this would be to have more savings, and as the Council is already maximising efficiency savings, this balance would have to be found by cutting service budgets in 2016/17.
- 7.11 These savings would not be available on 1 April 2015. Therefore, we would need to depend on balances to bridge the period until the decisions to implement cuts from April 2016.
- 7.12 Meeting the gap entirely from Council Tax would mean an increase of over 24% which is obviously above a reasonable threshold.

7.13 Therefore, appropriate consideration should be given to the following range of options:

<b>Council Tax Increase %</b>	<b>Weekly increase £</b>	<b>Annual increase £</b>	<b>Council Tax 2015/16</b>	<b>Cuts in 2016/17 / use of Balances in 2015/16</b>
3.50%	£0.75	£38.89	£1,149.96	£2,572,389
4.00%	£0.85	£44.44	£1,155.51	£2,295,536
4.50%	£0.96	£50.00	£1,161.07	£2,018,682
5.00%	£1.07	£55.55	£1,166.62	£1,741,829

## **8 BALANCES**

- 8.1 It is forecast that we will have general balances of about £7m at the end of this financial year, representing about 2.2% gross revenue expenditure.
- 8.2 We have noted on more than one occasion that due to the turbulent financial environment we are facing in the years ahead, that it is appropriate to keep sums in reserve in order to deal with any problems that could arise.
- 8.3 Nothing has happened in the meantime to change this opinion. In fact, in the absence of any statement from the Welsh Government about grants for the future, the risk has increased. Therefore, the need to ensure that we have appropriate balances to meet any financial shocks is more relevant.
- 8.4 However, in view of the funding gap which we face, and in order to give ourselves time to consider prioritising the cuts inclusively, it is recommended that we use between £1.7m and £2.6m of general balances for bridging until we can discover the remaining necessary savings in 2016/17.
- 8.5 We have a number of specific reserves established by the Council to meet specific Council expenditure needs. These are of course part of the Council's budget. In order to ensure that every Council member is aware of them, a breakdown is in Appendix 2.
- 8.6 I review the level of these reserves continually, of course, and after considering how much room there is for the Council to change its priorities within these reserves, noting where we will not spend to achieve some original intentions, and move any released resources to meet the need for resources to pay for redundancy payments.
- 8.7 In their report "Meeting the Financial Challenges facing Local Authorities in Wales" (issued 27 January 2014) the Wales Audit Office stated (in paragraph 1.8):

"Councils can use reserves to help them to balance their budgets where savings plans do not achieve the expected results or where income is less than anticipated. However, financing recurrent expenditure from reserves would not normally be appropriate. A prudent level of useable reserves is a key element of financial stability; the minimum appropriate level will vary dependent on an authority's known and potential liabilities and its spending plans. There are signs that a few councils are over-relying on general reserves to deal with budget

shortfalls, rather than seeking more sustainable approaches, which often involve making unpopular decisions.”

8.8 Therefore, regularly financing recurrent expenditure from general balances (useable reserves) should be avoided. However, as long as Gwynedd Council makes its difficult decisions during 2015 in order to attain sustainability in the medium term, then the proposed use of a portion of general balances during 2015/16 will be good practice.

## 9 CAPITAL

9.1 Whilst local authority revenue budgets face constraints, capital budgets are also under pressure.

9.2 In the light of the revenue constraints we face and the fact that our Asset Strategy includes a significant element of prudential borrowing (which places pressure on the revenue budget to pay for the borrowing costs), I have undertaken a light touch review of the Asset Strategy.

9.3 As a result, I have slightly adjusted what was agreed last year in order to reflect some necessary changes that have arisen, due to changes in the proposed profile for individual schemes. These are detailed in Appendix 3 which shows the proposed changes.

9.4 We will fund the programme as follows:

**Table 3  
Funding capital programme 2015/16 – 2016/17**

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Requirements</b>	<b>19,179</b>	<b>21,270</b>
<b>To be funded through:</b>		
Capital provision in the settlement	6,637	6,637
School grants	5,503	5,514
Capital receipts	930	230
Contribution from revenue	3,860	1,245
Prudential borrowing	2,249	7,644
<b>Total to be financed</b>	<b>19,179</b>	<b>21,270</b>

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

## **B) THREE YEAR FINANCIAL STRATEGY 2015/16 - 2017/18**

### **10 PLAN TO ADDRESS THE FINANCIAL GAP 2015/16 - 2017/18**

- 10.1 For a number of years, whilst establishing its budget, Gwynedd Council has been planning ahead to prepare for what might be on the horizon. This has paid dividends, and in fact this is why we can buy a little time in order to decide where best to make savings in order to have the least impact on the people of Gwynedd. Not every Council is in a position to do this.
- 10.2 Gwynedd Council's practices have been used as a good example in a national report on financial planning recently published by the Welsh Audit Office.
- 10.3 In order to continue on this course, in addition to establishing a budget for 2015/16, an effort has also been made to project the financial situation for the following two years, so that we can set the 2015/16 position in its wider context and plan how we are going to meet the challenges ahead.
- 10.4 The grant figure we will receive from the Welsh Government is the most uncertain figure for 2016/17 onwards. As the grant represents around 75% of the Council's income, obviously this figure is key to the projections. We know from the Chancellor's statement and the statements made by Welsh Government Ministers that there is a challenging future ahead for Local Government in Wales.
- 10.5 The strategy for the next three years sets out a realistic picture of what could lie ahead for us, but neither the assumptions used nor the conclusions have changed since the projections presented in February and September 2014.
- 10.6 The table below shows the results of the projections made, noting those savings which are already being planned and delivered:

**Table 4**  
**Financial planning projection for the 3 years 2015/16 – 2017/18**

	2014/15	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m	£m
Additional Spending needs	6.4	6.1	10.2	6.7	29.4
Grant loss (increase)	6.7	7.1	3.5	6.1	23.4
The Gap	13.1	13.2	13.7	12.8	52.8
Council Tax	-2.7	-2.5	-1.9	-2.0	-9.1
Planned Deficit	10.4	10.7	11.8	10.8	43.7
Old savings schemes	-8.6	-0.5	-0.2	0.0	-9.3
New savings schemes	0.0	-8.2	-2.7	-3.8	-14.7
To be found / use of balances	1.8	2.0	8.9	7.0	19.7
					34.4

- 10.7 It was reported a year ago that we might be facing a financial gap of over £51m over the 4 year period 2014/15 – 2017/18 with projections for grant reduction responsible for £20m of this sum. By now, a grant reduction of over £2.3m is expected, therefore the gap has increased to around £53m.
- 10.8 If the Council was content to increase the Council Tax 4.5% in 2015/16 and 3.5% in 2016/17 and 2017/18, along with the steps intended to be taken together with the savings which are already being realised, this would still mean that we would need to look for additional savings worth around £34m in the three years from 2015/16 onwards.
- 10.9 On the basis of planning therefore, we would still need to find around £34m over the next three years. During 2015, whilst prioritising cuts, we must come to a conclusion on the probable increase in Council Tax for the years ahead. Are we going to keep to our strategy of increasing the Council Tax 3.5%, or are we going to increase it further in view of the implications of finding such a large funding gap on our services?
- 10.10 We have already asked schools to shoulder £4.3m worth of the gap and are in the process of maximising the efficiency savings we could find, but will have to fall back on cuts as a last resort (in order to ensure the least effect on the people of Gwynedd).

**Table 5**  
**Coping with a gap of £34m**  
**Possible Scenarios 2015/16 – 2017/18**

	<b>Efficiency already approved</b>	<b>Additional efficiency</b>	<b>Leave all options open</b>
<b>Council Tax</b>	-	-	£2m
<b>Schools</b>	£1m	£4m	£4m
<b>Efficiencies</b>	£13m	£17m	£17m
<b>Cuts</b>	£20m	£13m	£11m
	£34m	£34m	£34m

- 10.11 It is therefore recommended for now that all the options should be kept open and work within the following framework:

Council Tax Policy	Consider increase in the Council Tax in the range of 3.5% - 5%
Schools Budget	Set a target of £4.3m for the schools budget
Efficiency Savings	Maximise the efficiency savings that can be achieved
Cuts	Figure remaining

- 10.12 Whilst bridging the 2015/16 deficit from the balances, we will have to ensure that we move forward in 2015 to establish priorities, as we will have to fall back on cuts in subsequent years.



- 10.13 We should be glad that the Council's forward planning arrangements means that we are not yet in a position of having to face cuts – a position which is not necessarily replicated in every Council, but we must face the fact that we will face this in the medium term, especially if the local government grant continues to reduce.
- 10.14 It will therefore be necessary for the Cabinet to take advantage of any opportunity that arises in the meantime to achieve savings, such as the "early cuts" mentioned above, the Strategic Review of Highways, etc.

## **11 EQUALITY IMPACT ASSESSMENT**

- 11.1 The budget outlined above endeavours to continue to provide appropriate outcomes for all the county's citizens, but as the increase in our income is not enough even to meet inflation costs, we must find savings.
- 11.2 The greatest risk in terms of having a disproportionate effect upon those with protected characteristics is in the area of savings. The Equality and Human Rights Commission have already identified this risk and since 2010 has reminded local authorities of their duty to assess the effect of their financial decisions.
- 11.3 We will continue to develop our arrangements for assessing the equality impact of our financial decisions in conjunction with the Equality and Human Rights Commission and other local authorities, by sharing good practice and identifying effective steps for the future.
- 11.4 Our aim is to ensure that our financial decisions conform with the requirements of the Equality legislation, namely:
- Eliminate illegal discrimination, harassment and victimisation and any other conduct prohibited by the Act.
  - Promote equality of opportunity between people who share a relevant protected characteristic and those who do not.
  - Encourage good relations between those who share a protected characteristic and those who do not.

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

- 11.5 In planning our budgets, consideration is given to equality on each level, by utilising data and evidence in relation to demography and trends at a strategic level, and in the same way (but more specifically) in coming to decisions on individual savings schemes. Data and evidence has already been collected for our Equality Strategic Plan and we will continue to build upon this information by analysing new data (such as the results of the 2011 Census), monitoring services and engagement.
- 11.6 We have clear processes for finding any savings required which include a full assessment of any savings which could have a detrimental impact in equality terms. We will analyse each individual scheme, noting if we consider that the department needs to conduct an impact assessment when developing the scheme. In accordance with the Equality and Human Rights Commission's request, we will produce an annual report on this process and publish it on our website.

- 11.7 The one exception to this are the Schools savings. As a result of the recent timing in presenting the proposals, I will report orally on this in the meeting.
- 11.8 However the budget does not just try and meet inflation costs, it also tries to ensure that unavoidable financial pressures being placed on services due for example to greater demands being placed upon them due to increasing numbers of clients and so on are recognised in the budgetary decisions.
- 11.9 Each service has the right to submit a request for resources if it considers that additional funding is required to ensure that services continue. The sums seen under the "service pressures" heading is recognition that we must ensure sufficient funding to ensure that our financial arrangements do not have a detrimental impact on the level of service provided.
- 11.10 Full details are given in Appendix 1 and it can be seen that £658,000 of the total of £876,000 is going towards social care, and this is on top of the £460,000 demography provision made to recognise the need to provide for an increased number of elderly clients.

## 12 CONCLUSIONS

- 12.1 This report sets out the factors that should be considered when establishing the 2015/16 budget and confirms that the strategy to cope with the financial position facing the Council for the next three years should continue.

### 2015/16 BUDGET

- 12.2 It is recommended that we need to address a revenue expenditure requirement of £236.82m which includes a provision of £876,000 for pressures on services.
- 12.3 Provision is also made for one-off pressures of £373,000 by attributing the whole of the reserves for this purpose.
- 12.4 After receiving a grant of £168.31m from the Welsh Government and with Council Tax income of £55.37m without any increase, this will leave a gap of £13.14m to be found in 2015/16.
- 12.5 It will be possible to cope with this gap via a combination of steps as follows:

Council Tax Increase %	3.50%	4.00%	4.50%	5.00%
2015/16 Expenditure requirements	£236,819,647	£236,819,647	£236,819,647	£236,819,647
Less Government Grant income	£168,311,989	£168,311,989	£168,311,989	£168,311,989
Less Council Tax income	£57,308,682	£57,585,535	£57,862,389	£58,139,242
Deficit	£11,198,976	£10,922,123	£10,645,269	£10,368,416
Savings which will be achieved	£8,626,587	£8,626,587	£8,626,587	£8,626,587
Balance to be met from Balances	£2,572,389	£2,295,536	£2,018,682	£1,741,829

- 12.6 The remainder can be bridged from balances until we are able to prioritise cuts to meet it.

- 12.7 This will mean setting a net budget, after using balances, of £228,193,060.
- 12.8 An analysis of the budget per service is given in Appendix 4.
- 12.9 It is also recommended that a capital programme of £19.18m should be established for 2015/16 together with £21.27m for 2016/17.

### **LONGER TERM STRATEGY**

- 12.10 In relation to the position over the next three years, we should plan to find the funding gap of over £34m projected by keeping all options open (including the possibility of raising the Council Tax by more than 3.5% and finding savings from the schools budget) and we should continue to find the majority of the gap by maximising the efficiency savings that we can deliver.
- 12.11 An inclusive system should be established to prioritise where we would have to cut services.
- 12.12 In the meantime, advantage must be taken of any opportunity which arises to deliver savings.

## BIDS TO BE APPROVED FOR 2014/2015

## A. PERMANENT REVENUE BIDS

Ref	Bid Details	Amount	Recommendation	Recommended Sum
OED 1	<b>Deprivation of Liberty Safeguards Arrangements</b> A bid following the increase in the number of individuals requiring assessments, either in care homes or in the community, in order to authorise the steps taken to safeguard them. The bid includes the cost of a coordinator £48k, solicitor and administration £54k, legal costs £47k and medical assessment costs £37k.	£186,000	Recommend funding the following costs: £49k – solicitor; legal costs £47k and £47K medical assessment costs, to meet the huge increase in demand for assessments.	£133k
OED 2	<b>Transfer responsibility for Learning Disabilities services</b> Transfer responsibility for 3 care packages to Gwynedd from other authorities on the grounds of 'Ordinary Residence'.	£163,000	Recommend approving the bid to fulfil the responsibility.	£163,000
OED 3	<b>Transition Age</b> To fund care packages for 12 individuals transferring from the Children's Service to the Adult Learning Disabilities Service.	£242,000	Recommend approving the bid, but the net effect on the number of children receiving care within the Children and Families Department should be checked.	£242,000
OED 4	<b>Whittlestone Case</b> The Whittlestone court case determined that any hours spent 'sleeping-in' was part of a worker's weekly hours of work. Based on this, it is anticipated that the sleeping-in allowances currently paid will be insufficient, and it is estimated that this could lead to an additional cost of up to £688,000.	£688,000	While acknowledging that there is a risk arising from the court case, its impact is still unclear. Recommend not to fund the bid as further clarity is required on possible solutions.	

Ref	Bid Details	Amount	Recommendation	Recommended Sum
OED 5	<b>Overspend in Home Care</b>	£526,000	Recommend approving a sum of £120k, which is the deficit following the addition of the demography funding to the budget.	£120,000
SaG 1	<b>Gwynedd and Anglesey Play Officer</b> The Council has a statutory duty to ensure sufficient play opportunities for children. Anglesey Council has already refused to fund the post.	£28,000	Recommend not to fund the bid, although the Council must ensure that it meets its statutory requirements in this field.	
Cyll 1	<b>Financial statements for joint committees and harbour authorities</b> To fund the additional costs arising from the requirement to audit and support the accounting of the financial statements of joint committees and harbour authorities.	£33,000	Recommend refusing the bid, and note that the endless demands on the Finance Department could ultimately impact on other duties.	
Cyll 2	<b>Strengthen the resources to support Information Technology</b> A bid to fund more IT support to mitigate the risk to the Council in this field, arising from the requirement to fulfil its duties and the substantial increase in use. Since 2003 the number of devices that the infrastructure team supports has significantly increased, a 296% increase in computers, a 680% increase in servers, a 3,200% increase in data storage and 280% more of the Council's establishments connected to the broad band network. The technology used has also become far more complex. The situation has reached a crisis point, and there is a real risk to the Council in terms of its support to existing technology, and means that no support can be provided for any further technological developments. A business case outlines the proposed changes to posts.	£335,000	Recommend approving the bid partially, £156k only to start addressing the robustness of the service and to create 4 new posts.	£156,000

<b>Ref</b>	<b>Bid Details</b>	<b>Amount</b>	<b>Recommendation</b>	<b>Recommended Sum</b>
Priff 1	<b>Cycle paths</b> Undertake cleaning and maintenance and cut hedges on the County's cycle paths	£15,000	Recommend refusing the bid as this relates to an increase in service.	
Add 1	<b>Net increase in the transport costs of pupils/students</b> The current January 2015 contracts (on the basis of 188 days in the 2015/16 financial year) show a net deficit of £220k in the taxi/mini bus budget. Based on the current bus contracts, an underspend of £97k is forecast. The net effect of this is an increase of £123k, but following further challenge from the Finance Unit, the size of the bid has decreased to £62k	£62,000	Recommend funding the bid to meet the increase in the transport costs of pupils/students.	£62,000
<b>Total</b>		<b>£2,278,000</b>	<b>Total</b>	<b>£876,000</b>

**B. CAPITAL BIDS**

<b>Ref</b>	<b>Bid Details</b>	<b>Amount</b>	<b>Recommendation</b>	<b>Recommended Sum</b>
AD 1	<b>Security within school sites</b> A bid to fund a feasibility study to identify essential works in Ysgol Dyffryn Nantlle, and general minor works.	£60,000	Recommend refusing the bid as steps have already been taken to address the risk.	
Econ 1	<b>Voluntary Development Fund</b> Funding to support capital projects by social and voluntary organisations and enterprises. The budget is managed under the successful banner of <i>Cist Gwynedd</i> . <i>Cist Gwynedd</i> includes a package of grants to support community and voluntary activities.	£140,000	Further discussion in the Cabinet is required prior to a decision.	£140,000
Econ 2	<b>Tomen y Bala</b> A bid for funding to rebuild the retaining wall which has fallen down in parts and poses a danger to the public. There is a need to confirm the requirements, develop a brief and obtain tenders, including the preparation of detailed plans and ensure that planning permission is in place. It should be noted that Cadw has already agreed, but input is required to the project. There is no budget for Tomen y Bala and it is totally dependent on central grants/funding to complete the work.	£40,000	Recommend funding the bid even though the motte is on private land as the Council is responsible for the wall.	£40,000
<b>Total</b>		<b>£240,000</b>	<b>Total</b>	<b>£180,000</b>

### C. ONE-OFF BIDS

Ref	Bid Details	Amount	Recommendation	Recommended Sum
SaG	<b>Performance Management Support System</b> A bid to fund a new performance management system for the Council. The old system, Ffynnon, is no longer available for free from the Welsh Government.	£150,000	Further discussion in the Management Group is required prior to a decision.	£150,000
SaG 2	<b>Maintain the 'Rhaeadr' e-newsletter</b> Maintain the new development, known as 'Rhaeadr', to communicate the Council and Cabinet's work to the frontline elected members	£35,000	Recommend funding the bid for a year, to allow the Service to consider alternative methods of provision.	£35,000
Add 1	<b>Maesgeirchen Transport</b> A bid for funding to bridge the overspend arising from the continuation of the current transport arrangements until an alternative solution has been found.	£120,000	Recommend funding the bid in order to allow time for the Regulatory Department to complete its review of public transport.	£120,000
Add 2	<b>Overspend on the Integration Budget</b> It is estimated that the Integration budget of £5.8m (managed by schools) will have an overspend of approximately £750,000 in 2015-16, with the current administration arrangements leaving any overspend in the hands of the Education Department. Schools have not received any forewarning of the overspend and it is too late for them to implement a reduction in expenditure by the beginning of the Summer Term 2015. Approving the bid would allow schools time to plan to reduce expenditure from 1 September 2015.	£312,000	Recommend that the Education Department meets the overspend in 2015/16 from its reserves.	



<b>Ref</b>	<b>Bid Details</b>	<b>Amount</b>	<b>Recommendation</b>	<b>Recommended Sum</b>
AD 1	<p><b>Occupational Health</b> A one-year bid to continue to fund a post to maintain the Occupational Health Provision and Statutory Health Surveillance Programme for staff, in order to fulfil duties such as conducting health and well-being tests, processing retirement applications and undertaking basic consultations with staff. The Unit also provides statutory health surveillance for specific cohorts within the Council workforce such as expressway workers, recycling and refuse workers, land maintenance workers and any night-shift workers. The post has previously been funded from reserves.</p>	£31,000	Recommend approving the sum of £31k for 2015/16 in order to allow time for the Department to make arrangements for prioritising work.	£31,000
AD 2	<p><b>Shaw Trust Work Placements</b> Contribute to the salaries of two individuals within the Council for one year only, in order to find a solution to the budget deficit following the Shaw Trust's decision to withdraw its financial support.</p>	£15,000	Recommend approving the sum of £15k for 2015/16 to allow the time for the Department to revisit the policy and identify other opportunities to fund the posts.	£15,000
AD 3	<p><b>The status of the Council's DBS posts</b> A one-year bid to continue funding the status of the Council's DBS posts before restructuring the arrangements.</p>	£22,000	Recommend approving the sum of £22k for 2015/16 in order to allow time for the Department to implement new arrangements following the <i>Ffordd Gwynedd</i> exercise.	£22,000
<b>Total</b>		<b>£685,000</b>	<b>Total</b>	<b>£373,000</b>

## EXTRACT FROM THE FINAL ACCOUNTS – EARMARKED RESERVES

The note below highlights the sums set aside in earmarked reserves in order to provide finance for liabilities which will be spent in future, together with the general balances.

<b>Gwynedd Totals £'000</b>	<b>Categories of Reserves, together with summary explanations of their use</b>
<b>3,777</b>	Schools Reserve - entirely under the local management of school governing bodies.
<b>2,407</b>	Capital Receipts - money received from sale of property, set aside to build/maintain other property, etc.
<b>20,187</b>	Capital Scheme Requirements - money set aside for approved schemes to build roads, bridges, and schools, including "21st Century Schools".
<b>3,781</b>	Renewals Funds - to replace 'depreciating' vehicles, etc, allowing us to ensure continuance of services for the benefit of our citizens.
<b>8,017</b>	Business Transformation fund - for transformation initiatives, schemes and interventions to achieve service reform and savings.
<b>5,000</b>	Invest to Save fund - to finance one-off expenditure to facilitate service improvements which will contribute towards total efficiency savings of £35m over 4 years.
<b>7,255</b>	Redundancy Cost Commitments – significant staff redundancies will be unavoidable due to continuing austerity, and must be financed.
<b>2,015</b>	Self-Insurance - the Council is sufficiently large to make savings by setting aside money to meet some claims, rather than paying premiums to companies.
<b>7,823</b>	Other specific service needs and requirements - money set aside in reserves for - Contributions held in respect of Partnerships including: <ul style="list-style-type: none"> <li>• Joint Local Services Board (Gwynedd and Anglesey);</li> <li>• Special Educational Needs Joint Committee (with Anglesey);</li> <li>• Planning Policy Joint Committee (with Anglesey).</li> </ul> One-off Revenue Schemes including: <ul style="list-style-type: none"> <li>• Carbon Footprint Reduction Project;</li> <li>• To mitigate the impact of the Westminster Government's Welfare Reform Act;</li> <li>• To deal with severe weather and other emergencies;</li> <li>• Unitary Development Plan;</li> <li>• Homelessness Prevention Schemes;</li> <li>• Housing Environmental Warranty (required on LSVT).</li> </ul> and others to ensure continuance of services in the county.
<b>60,262</b>	Total Earmarked Reserves
<b>7,000</b>	General Balances – set aside for general risks, unknown risks, potential overspending, bridging, etc.
<b>67,262</b>	Overall Reserves at 31 March 2014.

A complete detailed list of the individual reserves is in the Council's statement of accounts.

**APPENDIX 3**

**CAPITAL PROGRAMME FOR 2015/16 – 2016/17**

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Buildings Repairs & Maintenance (dealing with the backlog and avoiding future deterioration)	3,096	2,553
Fire and Asbestos work	400	500
Carbon Management	0	400
Schools Organisation	11,820	13,796
Replacing temporary classrooms which have come to the end of their life	449	779
Street Lighting	50	50
Safety fences on roads	134	134
Dealing with flooding on roads	100	100
Playing fields	35	35
The Council's Waste Strategy	50	0
Vehicle renewals	0	58
Transport feasibility schemes	100	100
Cycle routes	20	20
Information Technology renewals	501	388
Electronic Documents and Records system	244	155
Housing Grants	2,000	2,000
To be distributed (capital "bids")	180	202
<b>Total</b>	<b>19,179</b>	<b>21,270</b>

**APPENDIX 4**

**PROPOSED BUDGETS BY SERVICE 2015/16**

Budget 2015/16	Base Budget 2014/15	Inflation	Precepts Increments and Pensions	Interest and Borrowing Costs	Demography Income and Various	Transfer to the Settlement	Service Pressures	Savings	Base Budget 2015/16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>DEPARTMENTS</b>									
Corporate Management Team	2,407	22	4	0	329	0	0	(663)	2,099
Strategic and Improvement	4,761	32	13	0	90	40	185	(399)	4,722
Finance	6,491	83	(5)	0	(4)	0	116	(514)	6,167
Human Resources	2,756	29	2	0	77	0	68	(270)	2,662
Trunk Roads	(87)	0	0	0	0	0	0	0	(87)
Highways and Municipal	23,307	(49)	13	0	66	0	0	(1,753)	21,584
Regulatory (Planning, Transport and PP)	8,690	(30)	13	0	(47)	(21)	(132)	(560)	7,913
Gwynedd Consultancy	54	7	0	0	171	0	0	(245)	(13)
Central Education	13,494	203	14	0	(202)	(45)	182	(175)	13,471
Schools Budget	69,796	578	(52)	0	119	0	(250)	(952)	69,239
Economy and Community	7,550	(14)	28	0	179	0	(65)	(436)	7,242
Adults, Health and Wellbeing	44,816	630	137	0	382	0	507	(1,963)	44,509
Children and Supporting Families	13,507	104	1	0	(112)	134	0	(895)	12,739
<b>Departmental Total</b>	<b>197,542</b>	<b>1,595</b>	<b>168</b>	<b>0</b>	<b>1,048</b>	<b>108</b>	<b>611</b>	<b>(8,825)</b>	<b>192,247</b>
Corporate and Capital matters	34,794	1,206	6	(250)	33	205	(246)	198	35,946
<b>GROSS TOTAL =</b>	<b>232,336</b>	<b>2,801</b>	<b>174</b>	<b>(250)</b>	<b>1,081</b>	<b>313</b>	<b>365</b>	<b>(8,627)</b>	<b>228,193</b>
<b>Balances and Specific Reserves</b>	<b>(2,179)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160</b>	<b>0</b>	<b>511</b>	<b>0</b>	<b>(1,508)</b>
<b>NET TOTAL =</b>	<b>230,157</b>	<b>2,801</b>	<b>174</b>	<b>(250)</b>	<b>1,241</b>	<b>313</b>	<b>876</b>	<b>(8,627)</b>	<b>226,685</b>

<b>MEETING</b>	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	<b>17 FEBRUARY 2015</b>
<b>TITLE</b>	<b>TREASURY MANAGEMENT REVISION OF THE TREASURY MANAGEMENT POLICY STATEMENT  TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2015/16</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 of 3<sup>rd</sup> March 2011. Changes have now been made to the practice papers and the schedules and the revised documents are attached as Appendices A, B and C. The main changes are as follows:
  - Inclusion of a risk matrix which will be used to define the instruments and counterparties to be used for investment purposes rather than a defined list each year.
  - Changes to committee and management structures since 2011.
  - Changes to the organisation chart of posts involved with treasury management.
  
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 CH**.

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 2015/16 is detailed herewith as **Appendix CH**.
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 2015/16 at its meeting on 24<sup>th</sup> March 2015.
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 new system of governance for local authority capital expenditure, based largely on self regulation. The Prudential Code for Capital Finance in Local Authorities has been developed by CIPFA as a professional code of practice, with statutory backing, to support local authorities in taking decisions to spend capital. Key objectives are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. Local authorities, before the beginning of each financial year, are required to set certain prudential indicators for the forthcoming and following years. Following the recent review, CIPFA has now introduced a new prudential indicator, "Upper limits on the proportion of net debt to gross debt" to highlight where an authority may be borrowing in advance of its cash requirement. The indicators, which are based on the capital and revenue budget proposals contained elsewhere on the agenda, are shown here in **Appendix D**.
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 DD** therefore also incorporates the Annual MRP Statement for 2015/16.

8. Members of the Audit Committee and the Cabinet Member for Resources were invited to a briefing meeting on 30 January 2015 with Arlingclose, the Council's Treasury Advisors, to discuss Treasury Management. Members were reminded of CIPFA's Code of Practice for Treasury Management as well as their roles and responsibilities as members for the Treasury Management function. The advisors highlighted the various current treasury risks, and spoke in detail about the credit and counterparty risks, interest rate risks and inflation risk. They also discussed the Council's debt portfolio, net borrowing position, and the prudential indicators.

### **Recommendation**

8. **The Audit Committee is asked to recommend that the Full Council on 5<sup>th</sup> March should adopt the Treasury Management Policy Statement (Appendices A, B and C), the Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16 (Appendix CH), the Prudential Indicators (Appendix D), the Minimum Revenue Provision Statement (Appendix DD) and the pooling arrangement with the Pension Fund for daily cash flow investment.**

**GWYNEDD COUNCIL**

**TREASURY MANAGEMENT POLICY STATEMENT**

1. This Council defines its treasury management activities as:

*"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council and any financial instruments entered into to manage these risks.
3. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.



**GWYNEDD COUNCIL**

**TREASURY MANAGEMENT PRACTICES**

Treasury Management Practices (TMP's) set out the manner in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

**TMP1 TRESAURY RISK MANAGEMENT**

The Head of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy and suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

**1.1 Credit and counterparty risk management**

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved Instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

**1.2 Liquidity risk management**

This Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.

This Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

**1.3 Interest rate risk management**

This Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

#### **1.4 Exchange rate risk management**

This Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income and expenditure levels.

This objective is achieved through careful use of instruments, its methods and approved techniques for finance and investments, mainly to create stability and certainty for costs and revenue, but by keeping enough flexibility at the same time to take advantage of unexpected changes or favourable changes in level or exchange rates structure. The above always is conditional on discussing any consequences in relation to policy or budget, and if required; will need to be recommended.

#### **1.5 Refinancing risk management**

This Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

#### **1.6 Legal and regulatory risk management**

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1.1 Credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

#### **1.7 Fraud, error and corruption, and contingency management**

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

## **1.8 Market risk management**

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

### **TMP2 PERFORMANCE MEASUREMENT**

This Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

### **TMP3 DECISION-MAKING AND ANALYSIS**

This Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

### **TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1, *Treasury Risk management*.

### **TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

This Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Head of Finance will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The Head of Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The Head of Finance will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The Head of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the Head of Finance in respect of treasury management is set out in the schedule to this document. The Head of Finance will fulfil all such responsibilities in accordance with the Council's policy statement and TMP's and, if a CIPFA member, the Standard of Professional Practice on treasury management.

### **TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

This Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

the Full Council and Audit Committee will receive:

- an annual report on the strategy and plan to be pursued in the coming year;

the Audit Committee will receive:

- a mid-year review; and
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's Treasury Management Policy Statement and TMP's.

The Audit Committee will receive regular monitoring reports on treasury management activities and risks.

The Audit Committee, will have responsibility for the scrutiny of treasury management policies and practices.

The present arrangements and the form of these reports are detailed in the schedule to this document.

### **TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

The Head of Finance will prepare, and the Cabinet will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be

those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1 Treasury Risk management*, *TMP2 Performance measurement*, and *TMP4 Approved instruments, methods and techniques*. The Head of Finance will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with *TMP6 Reporting requirements and management information arrangements*.

This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

#### **TMP8 CASH AND CASH FLOW MANAGEMENT**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the Head of Finance, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Head of Finance will ensure that these are adequate for the purposes of monitoring compliance with *TMP1.2 Liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

#### **TMP9 MONEY LAUNDERING**

This Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

#### **TMP10 TRAINING AND QUALIFICATIONS**

This Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Head of Finance will recommend and implement the necessary arrangements.

The Head of Finance will ensure that Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibilities to ensure that they have the necessary skills to complete their role effectively. The present arrangements are detailed in the schedule to this document.

#### **TMP11 USE OF EXTERNAL SERVICE PROVIDERS**

This Council recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs

and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Head of Finance, and details of the current arrangements are set out in the schedule to this document.

## **TMP12 CORPORATE GOVERNANCE**

This Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Head of Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

**GWYNEDD COUNCIL**

**TMP1 RISK MANAGEMENT**

**1.1 CREDIT AND COUNTERPARTY RISK**

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

**1.1.1 Criteria to be used for creating and managing approved counterparty lists and limits.**

- a) The Head of Finance will formulate a suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct an authorised counterparty list comprising time, type, sector, investment and specific counterparty limits.
- b) Treasury management staff will add or delete counterparties to or from the authorised counterparty list in line with the policy on criteria for selection of counterparties.
- c) The Council will use credit ratings to derive its list of counterparties for placing investments with. The Council and Arlingclose, its Treasury Advisors, will continue to maintain a counterparty list and will assess and update the credit standing of the institutions on a regular basis. This assessment will take into account factors such as:
  - i) the individual credit ratings;
  - ii) credit default swaps;
  - iii) potential support from a well-resourced parent institution; and
  - iv) share price.
- ch) Arlingclose, the Council's Treasury Advisors will provide a monthly update of all ratings relevant to the council and updates of any changes during the month.
- d) The approved counterparty list is determined by the following criteria: -

<b>Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£4m 5 years	£8m 20 years	£8m 50 years	£4m 20 years	£4m 20 years
AA+	£4m 5 years	£8m 10 years	£8m 25 years	£4m 10 years	£4m 10 years
AA	£4m 4 years	£8m 5 years	£8m 15 years	£4m 5 years	£4m 10 years
AA-	£4m 3 years	£8m 4 years	£8m 10 years	£4m 4 years	£4m 10 years
A+	£4m 2 years	£8m 3 years	£4m 5 years	£4m 3 years	£4m 5 years
A	£4m 13 months	£8m 2 years	£4m 5 years	£4m 2 years	£4m 5 years

A-	£4m 6 months	£8m 13 months	£4m 5 years	£4m 13 months	£4m 5 years
BBB+	£2m 100 days	£4m 6 months	£2m 2 years	£2m 6 months	£2m 2 years
BBB or BBB-	£2m next day only	£4m 100 days	n/a	n/a	n/a
None	£1m 6 months	n/a	£4m 25 years	£50,000 5 years	£4m 5 years
Pooled funds	£8m per fund				
Loans to Local Registered Providers to build housing			£10m 25 years		
Business loans to local companies			£3m in total 10 years		

### 1.1.2 Approved method for changing limits and adding or removing counterparties

Credit ratings will only be used as a starting point when considering credit risk. The Council will make use of generally available market information, such as the factors noted above in 1.1.1c above. The Head of Finance is responsible for applying the stated credit rating criteria in 1.1.1d, for selecting approved counterparties, will add or delete counterparties as appropriate to and from the approved counterparty list, and will adjust lending limits and periods when there is a change in the credit assessment of individual counterparties or in banking structures e.g. on mergers or takeovers. This is delegated on a daily basis to staff in the treasury management function.

Counterparties will be included on the authorised list when they are recommended by the Council's Treasury Management Advisors in accordance with the credit criteria in the annual Treasury Management Statement.

Loans to local Registered Providers to build housing will be part of the approved housing capital programme. The amount and term in table are the maximum amount and the terms and conditions for each loan will be subject to authorisation by the Head of Finance.

### 1.1.3 Details of Credit Rating Agencies' Services or other Services which provide current credit ratings and updates on changes.

This Council uses credit ratings from the following credit rating agencies supplied via its treasury management advisers:

- a) Fitch Ratings;
- b) Moody's Investors Services; and
- c) Standard & Poor's.



## 1.2 LIQUIDITY RISK

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted cost, and that the Council's service objectives will be thereby compromised.

### 1.2.1 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section will try to minimise the balance held in the Council's main bank accounts at the close of each working day by lending surplus cash to its counterparties in order to increase the amount of interest it receives. The Head of Finance may decide that a specific minimum amount of money should be kept on call. He can also place limits on the maximum length of loans made.

### 1.2.2 Details of:

#### a) Standby facilities

At the end of each financial day any unexpected surplus funds are moved to the High Interest Bank Account which is available from the Council's main bank. These are instantly accessible if the Group Bank Account becomes overdrawn.

#### b) Bank overdraft arrangements

A £1m overdraft at 1% above Barclays Base Rate has been agreed as part of the bank tender. The overdraft is assessed on a group basis for the Council's accounts.

#### c) Short-term borrowing facilities

The Council can access temporary loans through approved brokers on the London money market. The approved borrowing limit for short term debt is £15m.

#### ch) Insurance/guarantee facilities

The Council is insured with Zurich Municipal. More details are given in section 1.8.3.

## 1.3 INTEREST RATE RISK

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the organisation has failed to protect itself adequately.

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

### 1.3.1 Trigger points and other guidelines for managing changes to interest rate levels

Please refer to the annual treasury strategy which will outline the views for the year.

### 1.3.2 Minimum/maximum proportions of variable rate debt/interest

- the maximum proportion of interest on borrowing which is subject to variable rate interest. 50%
- the minimum proportion of interest on borrowing which is subject to variable rate interest. 0%

### **1.3.3 Minimum/maximum proportions of fixed rate debt/interest**

- the minimum proportion of interest on borrowing which is subject to fixed rate interest. 50%
- the maximum proportion of interest on borrowing which is subject to fixed rate interest. 100%

### **1.3.4 Policies concerning the use of financial derivatives for interest rate management.**

#### **a) Forward Dealing**

Consideration will be given to dealing from forward periods dependent upon market conditions. Forward dealing will only be undertaken with the prior approval of the Head of Finance.

#### **b) Callable Deposits**

Consideration will be given to using callable deposits. Callable deposits will only be undertaken with the prior approval of the Head of Finance.

#### **c) LOBO's (borrowing under lender's option/borrower's option)**

Consideration will be given to using LOBO's. LOBO's will only be undertaken with the prior approval of the Head of Finance.

## **1.4 EXCHANGE RATE RISK**

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the organisation has failed to protect itself adequately.

### **1.4.1 Approved criteria for managing changes in exchange rate levels**

As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The Council will adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Council will eliminate all foreign exchange exposures as soon as they are identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

## **1.5 REFINANCING RISK**

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

### **1.5.1 Debt / other capital financing maturity profiling, policies and practices**

Any debt rescheduling is likely to take place when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The rationale for rescheduling would be one or more of the following:

- a) savings in interest costs with minimal risk;
- b) balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio; and
- c) amending the profile of maturing debt to reduce any inherent refinancing risks.

Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy, and will be reported to the Cabinet Member for Resources following its action. If he believes it is a matter of substance, it will also be reported to the Audit Committee.

### **1.5.2 Projected capital investment requirements**

The accountancy section will prepare a three year plan for capital expenditure for the Council. This will be in accordance with the Government's capital consent guidelines. The capital plan will be used to prepare a three year revenue budget for loan charges of principal repayments, interest and expenses that will take account of the plans for capital expenditure, loan repayments and forecasts of interest rate changes.

### **1.5.3 Policy concerning limits on revenue consequences of capital financing.**

The revenue budget for loan charges is based on the capital plan and prudential borrowing plans. The main source of borrowing for the council is the PWLB.

## **1.6 LEGAL AND REGULATORY RISK**

The risk that the Council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses according.

### **1.6.1 References to relevant statutes and regulations**

The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:

- a) CIPFA's Treasury Management Code of Practice 2011;
- b) CIPFA Standard of Professional Practice on Treasury Management;
- c) Local Government and Housing Act 1989;
- ch) Council's Standing Orders relating to Contracts;
- d) Council's Financial Regulations; and
- dd) Council's Scheme of Delegated Functions.

### **1.6.2 Procedures for evidencing the Council's powers and or authorities to counterparties**

The Council will prepare, adopt and maintain, as the cornerstones for effective treasury management:-

- a) a Treasury Management Policy Statement, stating the overriding principles and objectives of its treasury management activities and, as an integral part of that statement,

- b) Treasury Management Practices, setting out the manner in which the Council will achieve those principles and objectives, and prescribing how it will manage and control those activities.

### **1.6.3 Required information from counterparties concerning their powers and authorities**

Lending shall only be made to counterparties on the Authorised list. This list is compiled following advice from the Council's treasury management advisers, who have fully researched the background and credit of counterparties by using credit ratings from Fitch Ratings, Moody's Investor Services and Standard and Poor. This assessment takes into account a number of factors, which are listed in 1.1.1c above.

### **1.6.4 Statement on the Council's political risks and how they are managed**

The Head of Finance shall take appropriate action with the Council, the Chief Executive and the Council Leader to respond and manage appropriately political risks such as change of majority Group, Leadership etc.

## **1.7 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT**

The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

### **1.7.1 Details of systems and procedures to be followed, including Internet services.**

- a) Loan procedures will be defined in the Council's Financial Regulations.
- b) The Scheme of Delegation to Officers will set out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by the Head of Finance or authorised persons.

#### **Occurrence:**

- a) A detailed register of loans and investments is maintained on spreadsheets in the Treasury Management system.
- b) This is independently checked to the ledger balance.
- c) Adequate and effective cash flow forecasting records are maintained on the Treasury Management system to support the decision to lend or borrow.
- ch) A written acknowledgement of the deal is sent promptly to the lending institution.
- d) Written confirmation is received from the PWLB for each loan.
- dd) All transactions placed through the brokers are confirmed by a broker note showing details of the loan arranged.

#### **Completeness:**

- a) The loans register is updated to record all lending and borrowing. This includes the date of the transaction, date of maturity, interest rate etc.

#### **Measurement:**

- a) The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Treasury Management system.

- b) The Treasury Management system automatically calculates the interest payments due on PWLB and other long term loans. This is then used to check against the actual amount paid to these lenders.
- c) Average weighted capital loans fund interest rates and debt management expenses are calculated quarterly using information from the financial ledger and accrual prints from the Treasury Management system.
- ch) These interest and expense rates are then used to calculate the principal, interest and debt management expense charges.

**Timeliness:**

- a) The Treasury Management system prompts the Pensions and Treasury Management Accountant that money borrowed or lent is due to be repaid.

**Regularity:**

- a) All lending is only made to institutions on the Approved List.
- b) All loans raised and repayments made go directly to and from the institutions bank account.
- c) Authorisation limits are set for every institution (see 1.1.3).
- ch) Brokers have a list of named officials authorised to perform loan transactions.
- d) There is adequate insurance cover for employees involved in loans management and accounting.
- dd) The control totals on the Treasury Management system for borrowing and lending are regularly reconciled with the ledger balance sheet codes by the Pensions and Investments Officer.
- e) There is a separation of duties in the Section between the repayment of a loan and its checking and authorization.
- f) Bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- ff) The treasury management team and the income team have an up to date financial code list.

**Security:**

- a) Treasury Management systems can only be accessed by authorised staff.
- b) Payments can only be authorised by an agreed cheque signatory. The list of signatories having previously been agreed with the current provider of our banking services.

**Substantiation:**

- a) The Treasury Management system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end. Working papers are retained for audit inspection. A debt charge and investment income listing is produced every time the debt charges and investment income are recalculated for budget monitoring purposes. A debt charge and investment listing is also produced at the financial year end and this document is retained for audit inspection

**1.7.2 Emergency and contingency planning arrangements**

- a) The Treasury System software can be accessed from any PC in the Council subject to authorised use.
- b) If the electronic banking system fails, then CHAPS payments instructions can be given over the phone. Bank balances can also be obtained over the phone.

### **1.7.3 Insurance cover details**

The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees.

## **1.8 MARKET RISK**

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

### **1.8.1 Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Gilts, CDS, etc.)**

Refer to the matrix in paragraph 1.1.1 for the relevant limits.

## **TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT**

### **2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS**

An annual report is presented to the Audit Committee for treasury management matters at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. The content of the annual report is comprehensive, covering the whole of the financial activities of the treasury operation and include annual measurements of performance. The Council's Treasury Management consultants review our existing debt portfolio twice yearly and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.

### **2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT**

#### **2.2.1 Frequency and processes for tendering**

The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

#### **2.2.2 Banking services**

Banking services will be retendered or renegotiated every 5 years (with an option to extend on an annual basis for two years) to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

#### **2.2.3 Money-broking services**

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services.

#### **2.2.4 Consultants'/advisers' services**

The Council has appointed professional treasury management consultants and procures leasing advice as and when required.

#### **2.2.5 Policy on External Managers (Other than relating to Superannuation Funds)**

This Council does not use an external investment fund manager to manage a proportion of surplus cash.

## **2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE COUNCIL'S TREASURY MANAGEMENT ACTIVITIES**

**2.3.1** Performance measured against Annual Treasury Strategy Statement targets;

**2.3.2** Compliance with CIPFA Code of Treasury Practice;

**2.3.3** Expenses contained within approved budget.

## **2.4 BENCHMARKS AND CALCULATION METHODOLOGY:**

### **2.4.1 Debt management**

a) Average rate on all external debt;

b) Average rate on external debt borrowed in previous financial year.

### **2.4.2 Investment**

The performance of in house investment earnings will be measured against 7 day LIBID.

## **TMP3 DECISION-MAKING AND ANALYSIS**

### **3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:**

#### **3.1.1 Records to be kept**

The Treasury section transactions are recorded on a computer- mainly through Exel spreadsheets.

#### **The following records will be used relative to each investment:**

a) A printout of the bank balance at the start of each day. (The cleared balance shown on the printout is used as a starting point for the daily cash projection);

b) A cashflow sheet is filled in and signed by the person who has completed it. The sheet is then checked by another person. (The cashflow sheet is used for daily cash projections, as it details the opening bank balance and all investments coming in or payments going out of the accounts);

c) Dealing telephone conversations are recorded. (Old tapes are kept in a locked cupboard until all the investments on the tape have matured);

ch) When investments are made the deals are documented on lending sheets. Separate lending sheets are completed for all individual investments. The lending sheet shows the date the investment is made, the counterparty involved, the broker, the amount invested, duration of the loan and the rate of interest;

d) Written confirmation of the terms of the deal should be received from the broker and /or the counterparty;

dd) All the investment details are then input onto the computer.

#### **The following records will be used relative to each loan:**

a) A PWLB Advances form needs to be filled in. The application needs to be authorised by the Head of Finance or Senior Manager (Finance) before the transaction can be carried out;

- b) A written confirmation of the deal should be received from the PWLB. The confirmation should include information such as the date of the advance, the fee paid, the principal, period for repayment and the annual rate of interest;
- c) The loan details are then input onto the computer.

### **3.1.2 Processes to be pursued**

- a) Cash flow analysis;
- b) Ledger reconciliations;
- c) Quarterly review of borrowing requirement;
- ch) Monitoring projected loan charges and interest and expenses costs;
- d) Review of opportunities for debt rescheduling;
- dd) Collation of monthly performance information.

### **3.1.3 Issues to be addressed**

#### **3.1.3.1. In respect of every decision made the Council will:**

- a) above all be clear about the nature and extent of the risks to which the Council may become exposed;
- b) be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;
- c) be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interest, and to deliver good housekeeping;
- ch) ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded;
- d) be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

#### **3.1.3.2 In respect of borrowing and other funding decisions, the Council will:**

- a) consider the alternative interest rate bases available, the most appropriate period to fund and repayment profiles to use;

#### **3.1.3.3 In respect of investment decisions, the Council will:**

- a) consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.



## **TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

### **4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION**

#### **4.1.1 The approved activities of the Treasury Management operation are as follows:**

- a) borrowing funds;
- b) investing surplus funds;
- c) debt management, including rescheduling;
- ch) managing interest rate exposure;
- d) consideration, approval and use of new financial instruments and treasury management techniques;
- dd) managing the daily cash flow and long-term forecasting thereof;
- e) banking activities; and
- f) leasing;

### **4.2 APPROVED INSTRUMENTS FOR INVESTMENTS**

#### **4.2.1 All investments will comply with the Local Authorities Capital Finance Approved Investment Regulations 1990 SI 426 and subsequent amendments. The instruments used are specified in the matrix in paragraph 1.1.1.**

#### **4.2.2 The Head of Finance will be responsible for constructing a list of institutions in which the Council's funds may be invested, together with any specific counterparty limits relating thereto.**

### **4.3 APPROVED TECHNIQUES**

This Council does not use forward dealing up to 364 days.

### **4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE**

#### **4.4.1 Finance will only be raised in accordance with the Local Government and Housing Act, 1989, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:**

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing (not operating leases)	●	●
<b>Other Methods of Financing</b>		
Government and EC Capital Grants		
Lottery monies		
PFI/PPP		
Operating leases		

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Head of Finance has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

## **TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS**

### **5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS**

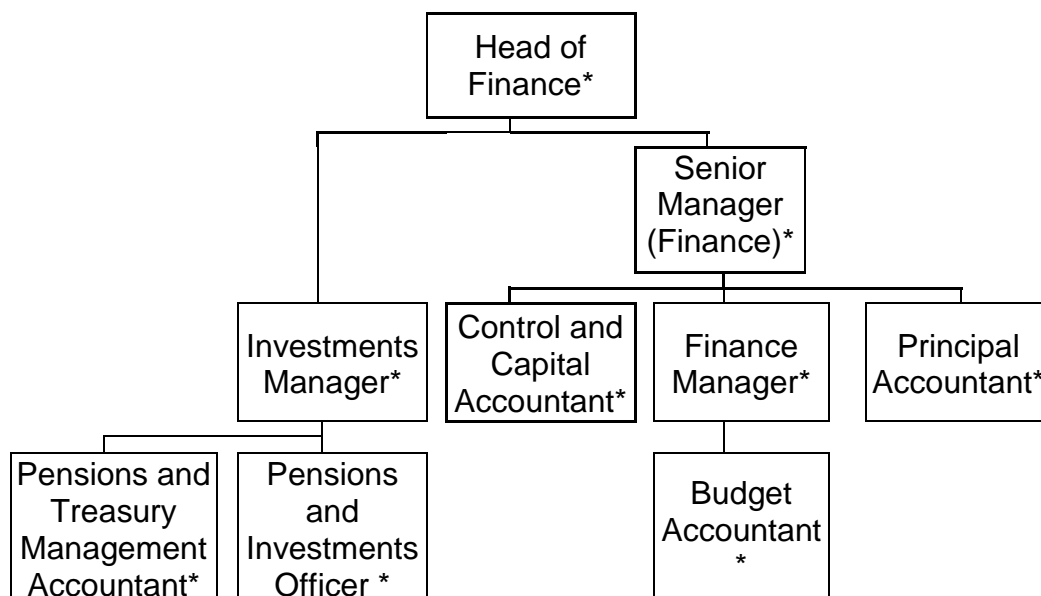
- a) The Audit Committee will receive and review reports on treasury management policies, practices and activities as well as the proposed annual treasury management strategy.
- b) The Portfolio Leader will receive reports on any debt rescheduling and will refer the report to the Council Board if he believes it is a matter of substance.
- c) The Audit Committee will receive the annual report on the actual treasury management strategy against that which was expected.
- ch) The Head of Finance will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.
- d) The Head of Finance will approve the segregation of responsibilities.
- dd) The Head of Finance will receive and review external audit reports and put recommendations to the Audit Committee.
- e) Approval of the selection of external service providers and agreeing terms of appointment will be decided by the Head of Finance in accordance with Financial Regulations.

### **5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES**

The Head of Finance or the Senior Manager (Finance) authorises all new long-term borrowing. Once authorisation has been given the Pensions and Investments Officer or the Pensions and Treasury Management Accountant will then carry out the transaction.

Transactions relating to pre-existing agreements are delegated to the Pensions and Investments Officer or the Pensions and Treasury Management Accountant. Short term borrowing and investment is authorised by one of the authorised signatories.

### 5.3 TREASURY MANAGEMENT ORGANISATION CHART



\* Authorised Signatories

### 5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

#### 5.4.1. Head of Finance

The Head of Finance will:

- a) Recommend treasury management policy to the Council for approval;
- b) Review treasury management policy, monitor compliance and report to the Audit Committee;
- c) Submit treasury management policy reports to the Audit Committee as required;
- ch) Submit budgets and budget variations in accordance with Financial Regulations and guidance;
- d) Receive and review management information reports;
- dd) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- e) Ensure that at all times those engaged in treasury management follow the approved policies and procedures.
- f) Ensure the adequacy of internal audit, and liaising with external audit.

The Head of Finance has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

The Head of Finance may delegate his power to borrow and invest to members of his staff. All transactions must be authorised by at least one authorised signatory.

The Head of Finance will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Head of Finance to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the

proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations

#### **5.4.3 Investments Manager**

The responsibilities of this post will be: -

- a) To prepare a draft Treasury Management Policy for approval, reviewing the same on a regular basis, and monitoring compliance;
- b) To prepare Management Information Reports for approval, reviewing the same on a regular basis, and monitoring compliance;
- c) Preparing reports and statistics on Treasury Management Performance;
- ch) To supervise all activities of the Pension and Investments Officer, Pensions and Investment Accountant and other staff undertaking Treasury Management Duties;
- d) Recommend the appointment of external service providers in accordance with Council standing orders.

#### **5.4.4 Pensions and Investments Officer**

The responsibilities of this post will be: -

- a) Assisting the Investments Manager to prepare a draft Treasury Management Policy and Management Information Reports;
- b) Assisting the Investments Manager to prepare reports and statistics on Treasury Management Performance;
- c) Execution of transactions;
- ch) Adherence to agreed policies and practices on a day-to-day basis;
- d) Maintaining relationships with third parties and external service providers;
- dd) Monitoring performance on a day-to-day basis;
- e) Submitting management information reports to the responsible officer;
- f) Identifying and recommending opportunities for improved practices;
- ff) In the absence of the Pensions and Investment Accountant, carrying out the day-to-day cash flow function.

#### **5.4.5 Pensions and Treasury Management Accountant**

The responsibilities of this post will be: -

- a) Carrying out the daily cashflow assessment and ensure that sufficient cash is available for daily transactions.
- b) Ensuring that new investments and deposits comply with the Treasury Management Strategy.
- c) Completing documentation and secure authorisation for investment of cash surpluses.
- ch) Keeping records of all transactions.
- d) Recording transactions on the financial systems.
- dd) Producing treasury management information in compliance with accounting standards for the Council's annual Statement of Accounts.

#### **5.5 ABSENCE COVER ARRANGEMENTS**

Refer to the organisation chart at 5.3 above and role responsibilities at 5.4 above.

#### **5.6 LIST OF APPROVED BROKERS**

The following brokers may be used by the Council:-

- a) Prebon Yamane (UK) Ltd;
- b) Icap Ltd;
- c) Sterling Brokers Ltd;

- ch) Tradition Brokers;
- d) RP Martin Broker;
- dd) King and Shaxson.

#### **5.7 POLICY ON BROKERS' SERVICES**

The Council will attempt to spread business between brokers. This, however, is secondary to the need to obtain the best possible rates.

#### **5.8 POLICY ON TAPING OF CONVERSATIONS**

The Council records all conversations with brokers or counterparties confirming deals or passing payment and other instructions. The tapes are kept in a locked cupboard until all the investments on the tape have matured.

#### **5.9 DIRECT DEALING PRACTICES**

The Council does deal direct with some counterparties. It has been found that direct dealing can bring additional benefits such as better interest rates.

#### **5.10 SETTLEMENT TRANSMISSION PROCEDURES**

This is a four stage process, involving at least three different members of staff. Each person has to sign against the relevant heading on the "Taliadau CHAPS" form to confirm that they have carried out their part of the work. The four stages are as follows:

- a) The Pensions and Treasury Management Accountant (or whoever has done the cashflow in her absence), inputs the data into Barclays Business Internet Banking (BBIB). The data includes the counterparty's name, bank account details and the amount of money to be transmitted to them. Once she has completed this, she then signs beside the "Input" heading on the form. She then takes the form to the Pensions and Investments Officer (or someone else in her absence);
- b) The Pensions and Investments Officer (or someone else in her absence), checks the calculations to ensure that all the details on this form are correct. She has to check that the bank or building society is on our list of counterparties and that we do not breach our maximum deposit limit with them. She also has to check the sort code and bank account details against the laminated list of counterparties. Once she has completed checking the details, if everything is correct she then signs the "Checked" part of the form. She then gives the form to one of the authorised officers;
- c) The authorised officer will have to log on to BBIB, to check that the details have been input correctly and to verify the payment. The officer then signs the "Verified" part of the form and passes the form on to another authorised officer;
- ch) Another authorised officer logs on to BBIB and checks that the details are correct and authorises the payment. The authorised officer checks that the status of the payment is "completed" on the View Payments screen, signs the "Authorised" part of the form and gives it back to the Pensions and Treasury Management Accountant (or whoever has done the cashflow in her absence), who then files the form.

In some instances, due to staff shortages, part b) and c) have been carried out by the same person. However, for steps a), c) and ch), BBIB will not allow the same person to do more than one step.

The transmission has to be completed before 2.30pm on the same day.

#### **5.11 DOCUMENTATION REQUIREMENTS**

For each deal undertaken a lending sheet will be filled in giving details of the loan number, counterparty, amount, period, interest rate, dealing date, payment date(s), broker, bank account details and also the reason for making the loan for the specified period. This is then signed by the Pensions and Treasury Management Accountant and then by an authorised officer.

#### **5.12 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS.**

The Head of Finance is responsible for dealing with funds on behalf of third parties (e.g. school trust funds). He is mindful of the implications of the Financial Services Act 1986 when dealing with these funds.

### **TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

#### **6.1 CONTENT AND FREQUENCY OF BOARD REPORTING REQUIREMENTS**

##### **6.1.1 Annual Treasury Management Strategy Statement**

The Treasury Management Strategy sets out the expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Council for approval at or before the commencement of each financial year. The Strategy is based upon the current views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The Treasury Management Strategy is concerned with the following elements:

- a) the current treasury management portfolio position;
- b) the treasury limits in force which will limit the treasury risk and activities of the Council;
- c) prospects for interest rates;
- ch) capital borrowings and the borrowing portfolio strategy including the Capital Financing Requirement;
- d) temporary investments strategy;
- dd) the extent of debt rescheduling opportunities;
- e) surplus cash.

Should it be necessary to make any amendments to the strategy then the Head of Finance will submit the changes for approval to the Council Board.

##### **6.1.2 Borrowing Limits**

The Council approves before the beginning of each financial year the following treasury limits:

- a) the amount of the overall borrowing limit which may be outstanding by way of short term borrowing;
- b) the maximum proportion of interest on borrowing which is subject to variable rate interest.

The Head of Finance is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Head of Finance shall submit the changes for approval to the Council Board.

## **6.2 CONTENT AND FREQUENCY OF MANAGEMENT INFORMATION REPORTS**

### **6.2.1 Treasury Management Report**

An annual report is presented to the Audit Committee at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report includes the following:-

- a) a comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- b) details of transactions executed;
- c) measurements of performance.
- ch) degree of compliance with Treasury Limits.

### **6.2.2 Monitoring**

A mid year review of treasury management for the period to 31 August is presented to the Audit Committee for information and scrutiny in September. Regular monitoring reports on treasury management activities and risk are presented to the Audit Committee as required.

### **6.2.3 Scrutiny**

The Audit Committee scrutinises the treasury management policies and practices as well as the Annual Strategy and Investment Strategy prior to their submission to the Council Board.

### **6.2.4 Debt Rescheduling Report**

If any debt rescheduling is undertaken it will be reported to the Portfolio Leader following its action. If he believes it is a matter of substance, it will also be reported to the Board.

### **6.2.5 Other Management Reports**

Management information reports will be prepared quarterly by the Pensions & Investments Officer and will be presented to the Head of Finance.

These quarterly reports will contain the following information:-

- a) monthly measurement of investment performance against the 7 day LIBID (average for the month) during the financial year;
- b) a summary to date of all borrowing undertaken during the financial year. Measurement of performance can only be made after the end of the financial year.

## **TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

### **7.1 STATUTORY/REGULATORY REQUIREMENTS**

The accounts are drawn up in accordance with CIPFA's Code of Practice on Local Authority Accounting in Great Britain that is recognized by statute as representing proper accounting practices.

### **7.2 ACCOUNTING PRACTICES AND STANDARDS**

Due regard is given to the Codes of Practice and Accounting Standards as they apply to Local Authorities in Great Britain. The Council adopts in full the

principles set out in CIPFA's 'Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance' (the 'CIPFA Code and Guide').

### **7.3 SAMPLE BUDGETS / ACCOUNTS**

A budget for interest, expenses and loan charges costs is prepared as part of a budget setting exercise, and is monitored quarterly.

### **7.4 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS.**

#### **7.4.1 Loans**

The information requirements of External Auditors are as follows:

- a) Reconciliation of the balance of loans outstanding at the end of the financial year to the financial ledger;
- b) Maturity analysis of the loans outstanding;
- c) Reconciliation of loans interest and premiums paid to the financial ledger by loan type;
- ch) Reconciliation of interest accruals report from PWLB and Market Loan Schedules to the ledger;
- d) Calculation of loans fund interest and debt management expenses;
- dd) Details of all new borrowing undertaken during the year;
- e) Details of all debt rescheduling undertaken during the year.

#### **7.4.2 Investments**

The information requirements of External Auditors are as follows:

- a) Reconciliation of the investments outstanding at the end of the financial year to the financial ledger;
- b) Reconciliation of the interest received during the year;
- c) Reconciliation of the interest accrued at the end of the financial year.

## **TMP8 CASH AND CASHFLOW MANAGEMENT**

### **8.1 ARRANGEMENTS FOR PREPARING CASH FLOW PROJECTIONS**

Cash flow projections are prepared daily and on an annual basis. The annual cash flow projections are monitored on a quarterly basis and are adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates.

### **8.2 CONTENT AND FREQUENCY OF CASH FLOW BUDGETS**

The following are included in the cash flow projections:

#### **Payments**

- a) Payroll runs –monthly;
- b) Pensions Paid - monthly;
- c) Housing Benefit Subsidy - weekly;
- ch) Creditors - three times a week;
- d) PWLB & Market Loans principal and interest – various;
- dd) Precepts - various.

#### **Income**

- a) Assembly income- various (RSG monthly);
- b) Housing Benefit Subsidy – monthly;
- c) Council Tax and NNDR – various.

### **8.3 LISTING OF SOURCES OF INFORMATION**

- a) TR126(a)'s or payroll for payruns;



- b) TR126(b)'s or payroll for pensions;
- c) Remittance Advice received at least a week in advance from the Welsh Assembly informing us of the amount and the date the money will be credited to the Council's bank account;
- ch) TR126(a)'s for creditor details;
- d) Information on Council Tax and NDR received from the Revenues Department;
- dd) Prior to each financial year, the Welsh Assembly send a schedule for payments of RSG. The RSG is paid over to us in instalments over the course of the year. The schedule shows the date each instalment is paid and the amount that will be paid;
- e) Treasury Management Record for interest and loans premium payments. Also the PWLB send us Schedules of Loan Repayments a couple of weeks in advance of the due date;
- f) Prior to each financial year, details are received from the North Wales Police Authority, Fire Authority, Natural Resources Wales etc.

#### **8.4 BANK STATEMENTS PROCEDURES**

Statements for all income accounts are uploaded daily from banking system. The transactions are then coded and the document used to input the information into the cash receipting system. The cash receipting interface which is run daily after close of business then updates the general ledger and relevant sub-systems. All income transactions to the bank are checked daily to the general ledger and a reconciliation statement is produced at the end of each month.

#### **8.5 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS**

Unless there are other agreed terms of trade with creditors, our policy is normally to pay creditors within 30 days of the invoice date. However, in line with Welsh Assembly requirements payments are currently made within 10 days to businesses to assist their cash flow in the difficult financial climate. This policy will be reviewed in light of any changes to Welsh Assembly requirements. Certificated payments to sub-contractors must be paid within 14 days.

#### **8.6 ARRANGEMENTS FOR MONITORING DEBTOR AND CREDITOR LEVELS**

Interested parties in service departments are provided with monthly reports detailing debts outstanding. Rates of collection and analysis of aged debts are monitored quarterly by producing and providing reports to the Head of Finance and the Central Efficiency Unit. The bad debt provision is calculated annually based on the aged debt analysis at year end.

Creditors section provides the Head of Finance with quarterly statistics of invoices sent by each department and the percentage paid within 10 days and 32 days.

#### **8.7 PROCEDURES FOR BANKING OF FUNDS**

As per the financial regulations all cash and cheques received by an Officer on behalf of the Council is either banked directly or via the Council's cashiers on a daily basis or within a timescale stipulated by the Head of Finance with no deductions permitted.

### **TMP9 MONEY LAUNDERING**

## **9.1 PROCEDURES FOR ESTABLISHING IDENTITY AND AUTHENTICITY OF LENDERS**

The Council does not usually accept loans from individuals. The small number of loans which are accepted by the Council from individuals are not material. Before accepting these loans the Council will confirm the identity of the lender. All material loans are obtained from the PWLB, other local authorities or from authorised institutions under the Banking Act 1987: (the names of these institutions appeared on the Bank of England quarterly list of authorised institutions until 1.12.2001 when the Financial Services Authority (FSA) took over the responsibility for maintaining a register of authorised institutions. This register can be accessed through their website on [www.fsa.gov.uk](http://www.fsa.gov.uk)).

## **9.2 METHODOLOGIES FOR IDENTIFYING SOURCES OF DEPOSITS**

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. Loans are also made to qualifying local businesses under the Local Loans Fund Scheme.

## **TMP10 TRAINING AND QUALIFICATIONS**

### **10.1 STAFF**

#### **10.1.1 DETAILS OF APPROVED TRAINING COURSES**

Details of staff training needs will be identified as part of the training needs analysis undertaken during the Staff Appraisal.

#### **10.1.2 RECORDS OF TRAINING RECEIVED BY TREASURY STAFF**

The Investment Unit keep a record of training sessions attended.

#### **10.1.3 CAREER DEVELOPMENT/SUCCESSION ARRANGEMENTS**

Treasury Management seminars will be attended as appropriate.

#### **10.1.4 APPROVED QUALIFICATIONS FOR TREASURY STAFF**

The Head of Finance is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury management activities are committed towards compliance with the Code.

### **10.2 COUNCILLORS**

#### **10.2.1 ACCESS TO TRAINING**

In accordance with the CIPFA Code appropriate training will be provided for Councillors with responsibility for Treasury Management as required.

## **TMP11 USE OF EXTERNAL SERVICE PROVIDERS**

### **11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS**

#### **11.1.1 Banking services**

- a) Name of supplier of service is Barclays Bank Plc.
- b) Contract commenced on 01 October 2010 and runs for 5 years until 30 September 2015 with an option to extend on an annual basis for 2 additional years.

- c) Cost of service is variable depending on volumes. The tender prices charged will remain fixed for the duration of the first 12 months of the contract. Thereafter the charges will increase in line with the Retail Price Index.

### **11.1.2 Money-broking services**

Name of suppliers of service:

- a) Prebon Yamane (UK) Ltd;
- b) Icap Ltd;
- c) Sterling Brokers Ltd;
- ch) Tradition Brokers;
- d) RP Martin Brokers;
- dd) King and Shaxson.

### **11.1.3 Consultants'/advisers' services**

#### **Treasury Consultancy Services**

Name of supplier of service is Arlingclose Limited.

#### **Leasing Consultancy Services**

Name of supplier of the service is Arlingclose Limited.

## **11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES**

See TMP2, Paragraph 2.2

## **TMP12 CORPORATE GOVERNANCE**

### **12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION**

- a) Annual Accounts;
- b) Annual Budget;
- c) 3 Year Capital Plan;
- ch) Treasury Management Policy;
- d) Treasury Management Strategy;
- dd) Annual Treasury Report;
- e) Access to minutes.

## Treasury Management Strategy Statement 2015/16

### 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

There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for an 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the *August Inflation Report*.

## 2.2 Credit outlook

The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, **the credit risk associated with making unsecured bank deposits will increase** relative to the risk of other investment options available to the Authority.

## 2.3 Interest rate forecast

The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%.

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 0.67%, and that no new long-term loans will be required.

### 3. Local Context

- 3.1 The Authority had £110.5m of borrowing and £48.3m of investments as at 31 December 2014. 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>31.3.14 Actual £'000</b>	<b>31.3.15 Estimate £'000</b>	<b>31.3.16 Estimate £'000</b>	<b>31.3.17 Estimate £'000</b>	<b>31.3.18 Estimate £'000</b>
<b>Borrowing CFR</b>	<b>173,308</b>	<b>175,228</b>	<b>179,510</b>	<b>185,052</b>	<b>185,069</b>
Less: External borrowing *	(114,581)	(110,758)	(110,559)	(108,584)	(106,034)
<b>Internal borrowing</b>	<b>58,727</b>	<b>64,470</b>	<b>68,951</b>	<b>76,468</b>	<b>79,035</b>
Less: Usable reserves	(68,664)	(65,610)	(60,280)	(58,280)	(56,280)
Less: Working capital	(38,287)	(23,102)	(23,082)	(23,077)	(23,070)
<b>Investments</b>	<b>(48,224)</b>	<b>(24,242)</b>	<b>(14,411)</b>	<b>(4,889)</b>	<b>(315)</b>

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

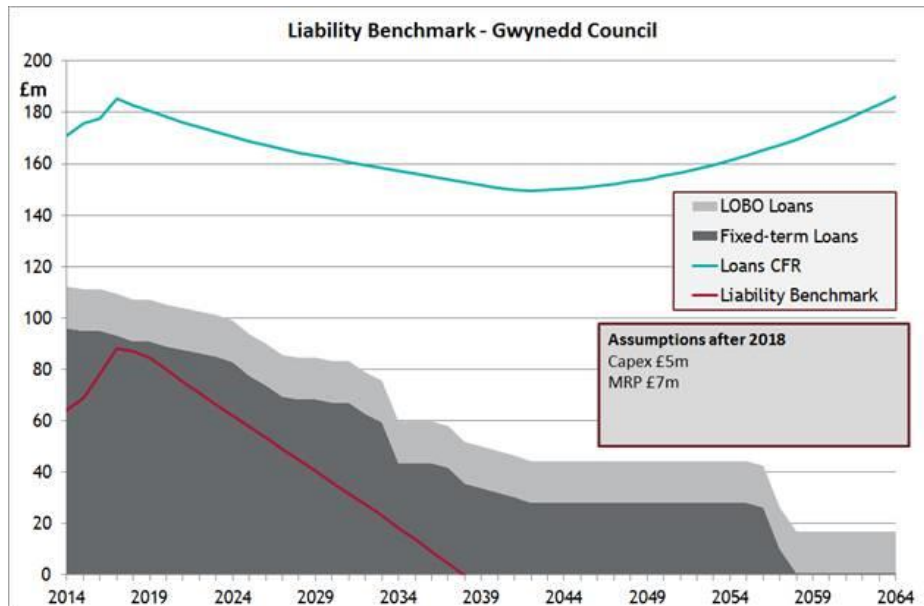
- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying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

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 2015/16.

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 £111 million of loans, a decrease of £1 million on the previous year, as part of its strategy for funding previous years’ capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2015/16. The Authority may however borrow to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £190 million.

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

4.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to

be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

- 4.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.5 In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.
- 4.6 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board
  - UK local authorities
  - any institution approved for investments (see paragraph 5.3 below)
  - any other bank or building society authorised by the *Prudential Regulation Authority* to operate in the UK
  - special purpose companies created to enable joint local authority bond issues.

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 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 2015/16. Total borrowing via LOBO loans will be limited to £16.2m.



#### 4.8 **LGA Bond Agency**

The Local Capital Finance Company 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 three 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;
- up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

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. Some bank lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

### 5. **Investment Strategy**

5.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £45 and £78 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 2015/16 at its meeting on 24 March 2015.

#### 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 2015/16. The majority of the Authorities 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 counterparties in table 2 below, subject to the cash 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	£4m 5 years	£8m 20 years	£8m 50 years	£4m 20 years	£4m 20 years
AA+	£4m 5 years	£8m 10 years	£8m 25 years	£4m 10 years	£4m 10 years
AA	£4m 4 years	£8m 5 years	£8m 15 years	£4m 5 years	£4m 10 years
AA-	£4m 3 years	£8m 4 years	£8m 10 years	£4m 4 years	£4m 10 years
A+	£4m 2 years	£8m 3 years	£4m 5 years	£4m 3 years	£4m 5 years
A	£4m 13 months	£8m 2 years	£4m 5 years	£4m 2 years	£4m 5 years
A-	£4m 6 months	£8m 13 months	£4m 5 years	£4m 13 months	£4m 5 years
BBB+	£2m 100 days	£4m 6 months	£2m 2 years	£2m 6 months	£2m 2 years
BBB or BBB-	£2m next day only	£4m 100 days	n/a	n/a	n/a
None	£1m 6 months	n/a	£4m 25 years	£50,000 5 years	£4m 5 years
Pooled funds	£8m 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 or 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 the 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. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while 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 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.

#### 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 investments without credit ratings or rated below [A-]	£8m
Total investments 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 £65 million on 31st March 2015. In order that no more than 10% 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:

**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.

	<b>Target</b>
Portfolio average credit score	7.0

### 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>2015/16</b>	<b>2016/17</b>	<b>2017/18</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 the whole financial year. Instruments that mature during the financial year are classed as variable rate.

#### 6.4 **Maturity Structure of Borrowing**

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

	<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 total principal sum invested to final maturities beyond the period end will be:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Limit on principal invested beyond year end	£40m	£30m	£25m

### **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, 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 2015/16 is £0.5 million, based on an average investment portfolio of £74.6 million at an interest rate of 0.67%. The budget for debt interest paid in 2015/16 is £6.5 million, based on an average debt portfolio of £114.2 million at an average interest rate of 5.71%. 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:**

- The UK economic recovery slowed towards the end of 2014, with economic and political uncertainty weighing on business investment. However, the Q3 growth rate of 0.7% remains slightly above the long run average, suggesting the recovery remains robust.
- Household consumption is key to the recovery in 2015. While we expect consumption growth to slow, given softening housing market activity and slower employment growth, the fall in inflation and resulting rise in both real (and nominal) wage growth and disposable income should support spending.
- Inflationary pressure is currently low (annual CPI is currently 0.5%) and is likely to remain so in the short-term. The fall in oil prices has yet to feed fully into the prices of motor fuel and retail energy and CPI is expected to fall further. Supermarket price wars are also expected to bear down on food price inflation.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth is strengthening, but remains relatively weak in historical terms, despite large falls in unemployment. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.
- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- The ECB has introduced outright QE as expected. While this may alleviate some of the anxiety about the economic potential of the Eurozone, political risk remains significant (e.g. Greek election). Therefore fears for the Eurozone are likely to maintain a safe haven bid for UK government debt.

### **Forecast:**

- We continue to forecast the first rise in official interest rates in Q3 2015, but the risks to this forecast are very much weighted to the downside. The February Inflation Report will be key to our review of the possible path for Bank Rate.
- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.

- Market sentiment (derived from forward curves) has shifted significantly lower in the past three months; market expectations are now for a later increase in interest rates and a more muted increase in gilt yields.
- The short run path for gilt yields has flattened due to the sharp decline in inflation expectations. We project gilt yields on an upward path in the medium term.
- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
<b>Official Bank Rate</b>													
Upside risk				0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.75
Downside risk			0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00
<b>3-month LIBID rate</b>													
Upside risk	0.10	0.20	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.55	0.60	0.80	0.90	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.95	2.00
Downside risk	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	0.95	0.95	0.95	0.95	1.00
<b>1-yr LIBID rate</b>													
Upside risk	0.10	0.20	0.20	0.30	0.30	0.30	0.30	0.30	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.95	1.00	1.20	1.30	1.45	1.55	1.70	1.80	1.95	2.05	2.20	2.35	2.40
Downside risk	0.15	0.20	0.30	0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.80	0.80	0.80
<b>5-yr gilt yield</b>													
Upside risk	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.50	0.50
Arlingclose Central Case	1.10	1.20	1.30	1.40	1.50	1.65	1.80	1.95	2.10	2.20	2.35	2.40	2.50
Downside risk	0.35	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.75
<b>10-yr gilt yield</b>													
Upside risk	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.50	0.50	0.55	0.55
Arlingclose Central Case	1.60	1.70	1.80	1.90	2.00	2.15	2.30	2.45	2.60	2.70	2.85	2.90	3.00
Downside risk	0.35	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.65	0.70	0.70	0.75	0.80
<b>20-yr gilt yield</b>													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	2.10	2.20	2.30	2.35	2.45	2.50	2.65	2.75	2.90	3.00	3.15	3.20	3.30
Downside risk	0.35	0.40	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.85	0.85	0.90	0.90
<b>50-yr gilt yield</b>													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	2.15	2.25	2.35	2.40	2.50	2.55	2.70	2.80	2.95	3.05	3.20	3.25	3.35
Downside risk	0.35	0.40	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.85	0.85	0.90	0.90

## Annex B – Existing Investment & Debt Portfolio Position

	<b>31.12.14</b> <b>Actual Portfolio</b> <b>£m</b>	<b>9 months to</b> <b>31.12.14</b> <b>Average Rate</b> <b>%</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>		
Short-term investments	48.3	0.70
<b>Total Investments</b>	<b>48.3</b>	<b>0.70</b>
<b>Net Debt</b>	<b>62.2</b>	

## Appendix D - Prudential Indicators 2015/16

### 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>2014/15 Revised £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
<b>Total Capital Expenditure</b>	<b>41,337</b>	<b>36,064</b>	<b>24,203</b>	<b>14,681</b>
Capital Receipts	1,866	1,461	230	835
Government Grants	21,323	12,727	8,372	3,961
Revenue	7,487	10,188	2,502	2,500
Supported Borrowing	4,122	4,126	4,126	4,126
Prudential borrowing	6,539	7,562	8,973	3,259
<b>Total Financing</b>	<b>41,337</b>	<b>36,064</b>	<b>24,203</b>	<b>14,681</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>31.03.15 Revised £'000</b>	<b>31.03.16 Estimate £'000</b>	<b>31.03.17 Estimate £'000</b>	<b>31.03.18 Estimate £'000</b>
<b>Total CFR</b>	<b>175,228</b>	<b>179,510</b>	<b>185,052</b>	<b>185,069</b>

The CFR is forecast to rise by £9.841m 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>31.03.15 Revised £'000</b>	<b>31.03.16 Estimate £'000</b>	<b>31.03.17 Estimate £'000</b>	<b>31.03.18 Estimate £'000</b>
Borrowing	110,758	110,559	108,584	106,034
Finance leases	0	0	0	0
PFI	0	0	0	0
<b>Total Debt</b>	<b>110,758</b>	<b>110,559</b>	<b>108,584</b>	<b>106,034</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>2014/15 Revised £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
Borrowing	185,000	185,000	190,000	190,000
Other long-term liabilities	0	0	0	0
<b>Total Debt</b>	<b>185,000</b>	<b>185,000</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>2014/15 Revised £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
Borrowing	195,000	195,000	200,000	200,000
Other long-term liabilities	0	0	0	0
<b>Total Debt</b>	<b>195,000</b>	<b>195,000</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>2014/15 Revised %</b>	<b>2015/16 Estimate %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>
General Fund	5.54	5.68	5.81	5.73

## 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>2015/16 Estimate £</b>	<b>2016/17 Estimate £</b>	<b>2017/18 Estimate £</b>
General Fund - increase in annual band D Council Tax	0	0	0

## 9. Adoption of the CIPFA Treasury Management Code

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



## **Appendix DD – Annual Minimum Revenue Provision Statement 2015/16**

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 2015, the budget for MRP has been set at £7.41m.

## REPORT TO THE CABINET

19 February 2015

**Cabinet Member:** COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

**Subject:** THE REVENUE BUDGET 2014/15 –  
THIRD QUARTER REVIEW

**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 Revenue Budget (2014/15 forecasts on the basis of the position as at 31 December 2014), and consider the latest financial position 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.

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### 2. Introduction / Background

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

The first quarter review was submitted to the Cabinet on 15 July 2014, and the second quarter review on 25 November. This report updates the forecasts following the third quarter review.

A summary of the position by each Department is outlined in **Appendix 1**. The probable overspend position of the Adults, Health and Wellbeing Department has almost halved since the second quarter forecasts. It can be seen that the general picture shows firm management of departmental budgets, although action needs to be taken in order to prevent trends in the Education budget.

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

### **3. Adults, Health and Wellbeing Department – overspend of £599k**

There was a significant reduction of the previous overspend level due to a combination of circumstances and good efforts by the Department to manage budgets. However, some fields continue to put significant financial pressure on the Council, in particular the expenditure on Older People Home Care. The Adults Department is taking steps to try and strengthen the related financial control, and in particular to ensure there will be sound management at the beginning of the 2015/16 financial year.

### **4. Education Department – overspend of £361k**

There was quite a substantial increase in expenditure since September on Integration for Pupils with Additional Learning Needs. It appears that the demand had escalated and the position is the subject of a review by the new Head of Department. It will be reported further on the result and financial implications of this review in our out-turn report.

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

An 'out-turn' report will be presented to the Cabinet in June in order to agree on the final position for 2014/15. The out-turn report will recommend final transfers between different budgets.

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

Not relevant

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#### **Opinion of the Statutory Officers**

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

It is good to note that the majority of the report confirms sound financial management across the Council. On top of that, the improvement that can be seen in terms of the Department of Adults and Wellbeing is to be welcomed although some overspend is cause for concern in other directions. All this confirms once again the importance of careful management on commitment and spending patterns across the Council.

##### **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.

**MEETING: AUDIT COMMITTEE**

**DATE: 17 FEBRUARY 2015**

**TITLE: REVENUE BUDGET 2014/15 –  
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 18 December 2014, and there has been subsequent consideration in the Working Group on 16 January (see relevant item).
2. The report submitted today, which is the third quarter budget review, is fairly consistent with that previously reported (see Appendix 1).
3. However, the Audit Committee's Chairman has agreed to consider the report before we report to the Cabinet.
4. It is intended to present the Audit Committee's comments "on the table" at the Cabinet meeting on 19 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.

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

	Third Quarter Review				
	Gross Overspend / (Underspend) 2014/15	Transfer to/(from) Reserves or Balances	Use of other Sources	Net Overspend / (Underspend) 2014/15	Net Overspend / (Underspend) from the Second Quarter Review
	£ '000	£ '000	£ '000	£ '000	£ '000
<b>Adults, Health and Wellbeing</b>	599	0	0	599	1,189
<b>Children and Families</b>	(217)	0	0	(217)	(167)
<b>Education</b>	827	0	(466)	361	91
<b>Economy and Community</b>	110	0	(87)	23	44
<b>Highways and Municipal</b>	167	0	0	167	76
<b>Regulatory</b> (Planning, Transportation and Public Protection)	19	0	0	19	2
<b>Gwynedd Consultancy</b>	85	0	(30)	55	61
<b>Chief Executive</b>	(110)	0	0	(110)	(65)
<b>Human Resources</b>	(33)	0	0	(33)	(31)
<b>Finance</b>	(34)	0	0	(34)	(35)
<b>Strategic and Improvement</b>	(78)	0	0	(78)	(76)
<b>Corporate Budgets</b>	(561)	0	0	(561)	(20)
<b>Total Variances (net)</b>	774	0	(583)	191	1,069

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Adults, Health and Wellbeing Department Summary Position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area;-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Older People's Service	18,739	18,512	18,891	379	0	0	379	606
Learning Disability Services	13,249	13,277	13,449	172	0	0	172	260
Mental Health Services	3,318	3,335	3,486	151	0	0	151	207
Physical Disability Services	2,087	2,082	2,022	(60)	0	0	(60)	(45)
Others (Adult)	3,178	3,207	3,252	45	0	0	45	25
Provider Service	0	277	522	245	0	0	245	308
Housing Service	5,020	5,142	4,919	(223)	0	0	(223)	(165)
Customer Care and Registration Service	16	308	275	(33)	0	0	(33)	(20)
Departmental Support Service	4,006	4,247	4,170	(77)	0	0	(77)	13
<b>Total Variances</b>	<b>49,613</b>	<b>50,387</b>	<b>50,986</b>	<b>599</b>	<b>0</b>	<b>0</b>	<b>599</b>	<b>1,189</b>

**In General**

It is seen that the overspend of £1,189k forecasted in the second quarter has been almost halved to £599k. This follows the very good work undertaken in some areas in strengthening budgetary control and reducing expenditure. This work is continuing but it is clear from the recent forecasts that there will be a substantial overspend at the end of the year and, in the absence of departmental resources in reserve, assistance will be sought from the Cabinet. A recommendation will be made during the last quarter of the year.

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

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>18,739</b>	<b>18,512</b>	<b>18,891</b>	<b>379</b>			<b>379</b>	<b>606</b>

By now an overspend of £379k is forecasted, which is a reduction of (£227k) since the second quarter, and consists mainly of, an overspend of £179k on Independent Homes (reduction of (£149k)), due to a net reduction of 13 "nursing placement" cases, and additional contributions of (£43k) (increase of £125k) due to a combination of re-assessing the contributors' circumstances and receipt of contributions from other sources. Also included is an overspend of £578k on Home Care (increase of £52k) which is also the subject of demographic adjustment and a related bid in the 2015-16 budget.

Area:- **Learning Disability Services**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>13,249</b>	<b>13,277</b>	<b>13,449</b>	<b>172</b>			<b>172</b>	<b>260</b>

Following substantial work by the Service in reviewing care packages and re-negotiating the Health Service's contributions, there is now a reduction of (£88k) in the overspend level since the second quarter.

Area:- **Mental Health Services**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>3,318</b>	<b>3,335</b>	<b>3,486</b>	<b>151</b>			<b>151</b>	<b>207</b>

Again a net reduction of (£56k) in the overspend level mainly due to the overspend in Residential and Nursing being reduced by (£45k) to £195k, an underspend of (£33k) on Support Schemes (an improvement of (£13k)), one-off staff savings of (£35k) (an improvement of £7k) but an overspend of £75k on Supported Residence (an increase of £9k) as a result of reviewing the situation of two cases.

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

Area:-	Physical Disability Services	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>2,087</b>	<b>2,082</b>	<b>2,022</b>	<b>(60)</b>			<b>(60)</b>	<b>(45)</b>

The latest position is fairly consistent with that forecasted in the second quarter with the reduction of (£15k) being mainly due to reduced expenditure of (£12k) on Direct Payments.

Area:-	Others (Adult)	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>3,178</b>	<b>3,207</b>	<b>3,252</b>	<b>45</b>			<b>45</b>	<b>25</b>

An increase of £20k in overspend since the second quarter consisting mainly of one-off staff costs.

Area:-	Total Adults	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>40,571</b>	<b>40,413</b>	<b>41,100</b>	<b>687</b>			<b>687</b>	<b>1,053</b>

A substantial reduction of £366k in total since the second quarter with the Department continuing to try to further improve the financial position.



**REVENUE BUDGET 2014/15 - THIRD QUARTER****DEPARTMENT: ADULTS, HEALTH AND WELLBEING****Area:- Provider Service**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>0</b>	<b>277</b>	<b>522</b>	<b>245</b>			<b>245</b>	<b>308</b>

A reduction of (£63k) in the overspend level of £308k forecasted in the second quarter and including an overspend of £92k on Residential Care (reduction of (£12k)) mainly due to higher staff costs.

This also includes an overspend of £173k on Community Care which is a reduction of (£60k) since the second quarter. The previous overspend level was due to higher staff and transport costs. By now, staff costs have reduced significantly in the second half of the year, but that transport costs will probably show an overspend of about £115k by the end of the year.

Although the service is continuing to try to resolve the issue, it appears that decisive steps need to be taken as soon as possible with the relevant arrangements made to avoid starting the new financial year in a similar position.

This problem has been reported for some time and, under the circumstances, the Service should be asked to ensure that appropriate arrangements are in place to control the budget before the beginning of the new financial year.

Also included here is an underspend of (£18k) on Management and Administration costs, an underspend of (£13k) on Day Care and an overspend of £11k on Supported Residence.

**Area:- Housing Service**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>5,020</b>	<b>5,142</b>	<b>4,919</b>	<b>(223)</b>			<b>(223)</b>	<b>(165)</b>

An increase of (£57k) in the underspend level since the second quarter, consisting mainly of an underspend of (£80k) on Private Sector Housing due to one-off staff savings together with the receipt of additional income, an underspend of (£73k) on Homelessness which itself includes an underspend of (£120k) on Temporary Residence and an overspend of £61k on Hostels due to reduced rental income. Also included is an underspend of (£21k) on the Service's staff costs together with an underspend of (£41k) on Travellers' Centre due to savings on operating costs and additional income receipts.

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

Area:-	Customer Care and Registration Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>16</b>	<b>308</b>	<b>275</b>	<b>(33)</b>			<b>(33)</b>	<b>(20)</b>

A number of services under various headings mainly showing on-off staff savings.

Area:-	Departmental Support Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>4,006</b>	<b>4,247</b>	<b>4,170</b>	<b>(77)</b>			<b>(77)</b>	<b>13</b>

A reduction of (£90k) in net expenditure since the second quarter review consisting mainly of one-off staff savings (£57k), an underspend of (£6k) by the Information Technology Unit and an underspend of (£11k) by the Contracts Unit.

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Children and Families Department Summary Position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operational Service	1,705	1,673	1,780	107	0	0	107	117
Placement Service	7,696	7,669	7,373	(296)	0	0	(296)	(352)
Post-16 Service	970	970	1,039	69	0	0	69	119
Other	4,108	4,254	4,157	(97)	0	0	(97)	(51)
<b>Total Variances</b>	<b>14,479</b>	<b>14,566</b>	<b>14,349</b>	<b>(217)</b>	<b>0</b>	<b>0</b>	<b>(217)</b>	<b>(167)</b>

Reflecting an increase of (£50k) in the Department's underspend level.

**REVENUE BUDGET 2014/15 - THIRD QUARTER****DEPARTMENT: CHILDREN AND FAMILIES**

Area:-	Operational Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>1,705</b>	<b>1,673</b>	<b>1,780</b>	<b>107</b>			<b>107</b>	<b>117</b>

A reduction of (£10k) from the previous forecasted overspend level due to reduced costs of additional temporary staff.

Area:-	Placement Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>7,696</b>	<b>7,669</b>	<b>7,373</b>	<b>(296)</b>			<b>(296)</b>	<b>(352)</b>

A reduction of (£56k) from the previous forecasted underspend consisting of an underspend of (£69k) by the Placements Team mainly due to one-off staff savings, an underspend of (£261k) on Out-of-county Placements and an underspend of (£100k) on other Fostering and Adoption (which is a reduction of £74k since the second quarter arising from increased number of children in care in the third quarter).  
Also included is an overspend of £100k on Agency Fostering which is an increase of £43k since the second quarter due to one additional case and extending the period of other cases, and an overspend of £34k on Support Workers and Other Services.

Area:-	Post-16 Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>970</b>	<b>970</b>	<b>1,039</b>	<b>69</b>			<b>69</b>	<b>119</b>

The previous overspend position of £119k has now been reduced by (£50k) to an overspend of £69k mainly due to one specific case coming to an end.

**REVENUE BUDGET 2014/15 - THIRD QUARTER****DEPARTMENT: CHILDREN AND FAMILIES**

Area:-	Other	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>4,108</b>	<b>4,254</b>	<b>4,157</b>	<b>(97)</b>			<b>(97)</b>	<b>(51)</b>

An increase of (£46k) in net underspend on a number of headings including Specialised Services (£17k), Service Management (£8k), Youth Justice Service (£18k) and (£55k) on Court and Legal Costs.

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Education Department Summary Position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport	4,505	4,210	4,396	186	(97)	0	89	3
Redundancy and Early Retirement	342	320	574	254	(254)	0	0	0
Integration	458	319	727	408	0	0	408	243
Additional Learning Needs Units (ALN)	947	1,140	1,332	192	(115)	0	77	44
Inclusion Strategy	803	803	738	(65)	0	0	(65)	(30)
Large Classes Fund	318	318	268	(50)	0	0	(50)	(50)
Other	13,990	14,615	14,517	(98)	0	0	(98)	(119)
Delegated Schools	67,621	67,617	67,617	0	0	0	0	0
<b>Total Variances</b>	<b>88,984</b>	<b>89,342</b>	<b>90,169</b>	<b>827</b>	<b>(466)</b>	<b>0</b>	<b>361</b>	<b>91</b>

**REVENUE BUDGET 2014/15 - THIRD QUARTER****DEPARTMENT: EDUCATION**Area:- **Transport**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>4,505</b>	<b>4,210</b>	<b>4,396</b>	<b>186</b>	<b>(97)</b>		<b>89</b>	<b>3</b>

The gross expenditure has increased since the second quarter and includes an overspend of £127k on School Buses, an overspend of £25k due to a deficiency in Post-16 Transport income and an overspend of £35k on School Taxis. It is intended to use £97k from reserves to reduce the net overspend to £89k.

Area:- **Redundancy and Early Retirement**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>342</b>	<b>320</b>	<b>574</b>	<b>254</b>	<b>(254)</b>		<b>0</b>	<b>0</b>

A gross overspend position of £254k, which is an increase of £3k since the second quarter and reflects redundancy/early retirement costs in schools where pupil numbers have fallen. The Department intends to use a specific reserve fund to finance the overspend but, because this source is not infinite, it follows that should the trend continue, there will be further financial pressures in the future.

Area:- **Integration**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>458</b>	<b>319</b>	<b>727</b>	<b>408</b>			<b>408</b>	<b>243</b>

The overspend position arose initially in the second quarter as a result of the academic year commencing in September and the position has deteriorated by now with an additional overspend of £165k arising in the third quarter. The Department continues to assess the reasons behind the overspend and to consider the various options to fund the deficiency within the resources of the Department for the current year.

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

Area:-	Additional Learning Needs Units (ALN)	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>947</b>	<b>1,140</b>	<b>1,332</b>	<b>192</b>	<b>(115)</b>		<b>77</b>	<b>44</b>

One centre has been shut and, as a consequence, an overspend by various other units, mainly due to a higher than expected overspend on supply teachers. It is proposed to use (£115k) from reserves to reduce the net overspend to £77k.

Area:-	Inclusion Strategy	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>803</b>	<b>803</b>	<b>738</b>	<b>(65)</b>			<b>(65)</b>	<b>(30)</b>

The overspend position has increased by (£35k) since the second quarter mainly reflecting one-off staff savings.

Area:-	Large Classes Fund	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>318</b>	<b>318</b>	<b>268</b>	<b>(50)</b>			<b>(50)</b>	<b>(50)</b>

An underspend position due to reduced level of commitments for the time being.



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

Area:-	Other	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>13,990</b>	<b>14,615</b>	<b>14,517</b>	<b>(98)</b>			<b>(98)</b>	<b>(119)</b>

A reduction of £21k in the underspend level since the second quarter, including variances on a number of headings, particularly A338an underspend of (£10k) on Management, an underspend of (£16k) on office arrangements and an underspend of (£16k) on Further Education.

Area:-	Delegated Schools	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>67,621</b>	<b>67,617</b>	<b>67,617</b>	<b>0</b>			<b>0</b>	<b>0</b>

Devolved Budgets under local school management.

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Economy and Community Department Summary Position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area;-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Support	126	105	159	54	(54)	0	0	0
Skills and Enterprise	41	41	7	(34)	0	0	(34)	(34)
Halls	169	206	245	39	(3)	0	36	17
Country Parks	68	99	141	42	0	0	42	40
Maritime	68	68	53	(15)	0	0	(15)	0
Youth Service	1,121	1,198	1,168	(30)	0	0	(30)	(23)
Leisure Amenities	4,173	4,266	4,313	47	(27)	0	20	50
Library Service	1,956	1,967	1,994	27		0	27	0
Others	4,981	5,182	5,162	(20)	(3)	0	(23)	(6)
<b>Total Variances</b>	<b>12,703</b>	<b>13,132</b>	<b>13,242</b>	<b>110</b>	<b>(87)</b>	<b>0</b>	<b>23</b>	<b>44</b>

**REVENUE BUDGET 2014/15 - THIRD QUARTER****DEPARTMENT: ECONOMY AND COMMUNITY****Area:- Business Support**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>126</b>	<b>105</b>	<b>159</b>	<b>54</b>	<b>(54)</b>		<b>0</b>	<b>0</b>

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

**Area:- Skills and Enterprise**

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

An underspend position of (£34k) consistent with that of the second quarter reflecting one-off staff savings.

**Area:- Halls**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>169</b>	<b>206</b>	<b>245</b>	<b>39</b>	<b>(3)</b>		<b>36</b>	<b>17</b>

An overspend position which has increased by £19k in the third quarter, reflecting additional temporary staff costs and a reduction in fee income from Neuadd Buddug and Neuadd Dwyfor.

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

Area:-	Country Parks	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>68</b>	<b>99</b>	<b>141</b>	<b>42</b>			<b>42</b>	<b>40</b>

A slight increase in overspend since the second quarter and includes an overspend of £13k on Parc Padarn, mainly due to reduced income from visitors and an overspend of £28k on Parc Glynllifon mainly due to a reduction in rental income from the units during the period of working on a capital scheme.

Area:-	Maritime	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>68</b>	<b>68</b>	<b>53</b>	<b>(15)</b>			<b>(15)</b>	<b>0</b>

An underspend position of (£15k) reflecting the success in achieving reduced expenditure at a time when income from the various related areas was reducing.

Area:-	Youth Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>1,121</b>	<b>1,198</b>	<b>1,168</b>	<b>(30)</b>			<b>(30)</b>	<b>(23)</b>

Previous underspend has increased to (£30k) mainly due to savings schemes being achieved in advance, together with one-off staff savings.

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

Area:-	Leisure Amenities	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>4,173</b>	<b>4,266</b>	<b>4,313</b>	<b>47</b>	<b>(27)</b>		<b>20</b>	<b>50</b>

The gross overspend position of £47k is a reduction of (£29k) on that of the second quarter, which is mainly due to loss of income from food sales in the leisure centres.

Area:-	Library Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>1,956</b>	<b>1,967</b>	<b>1,994</b>	<b>27</b>			<b>27</b>	<b>0</b>

An overspend of £27k has arisen in the third quarter mainly due to higher temporary staff costs together with loss of income from room hire.

Area:-	Others	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>4,981</b>	<b>5,182</b>	<b>5,162</b>	<b>(20)</b>	<b>(3)</b>		<b>(23)</b>	<b>(6)</b>

Includes a number of variances on various headings.

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Highways and Municipal Department's Summary Position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Highways Service	11,034	10,949	10,919	(30)	0	0	(30)	(45)
Open Spaces	747	688	729	41	0	0	41	3
Treatment and Transfer Sites	1,424	1,534	1,640	106	0	0	106	21
Waste Collection and Recycling	4,008	3,889	3,923	34	0	0	34	37
Trade Waste	(46)	94	136	42	0	0	42	26
Other (Waste)	5,006	4,599	4,585	(14)	0	0	(14)	(33)
Other (Highways and Municipal)	4,125	4,578	4,566	(12)	0	0	(12)	67
<b>Total Variances</b>	<b>26,298</b>	<b>26,331</b>	<b>26,498</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>167</b>	<b>76</b>

**In General**

A net overspend position of £167k is forecasted and the Department is taking steps to try and clear the deficit by year-end.

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

Area:-	Highways Service	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>11,034</b>	<b>10,949</b>	<b>10,919</b>	<b>(30)</b>			<b>(30)</b>	<b>(45)</b>

An reduction of (£15k) in the previous underspend of (£45k) mainly reflecting one-off staff savings as a result of completing some saving schemes in advance.

Area:-	Open Spaces	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>747</b>	<b>688</b>	<b>729</b>	<b>41</b>			<b>41</b>	<b>3</b>

An overspend of £41k, including additional one-off staff costs arising from changes to the establishment, additional expenditure on health and safety together with a reduction in the income level forecasted.

The Service is taking steps to try and clear the overspend position as soon as possible.

<b>Relating to Waste</b>		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
Area:-	Treatment and Transfer Sites	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>1,424</b>	<b>1,534</b>	<b>1,640</b>	<b>106</b>			<b>106</b>	<b>21</b>

A net overspend of £21k was forecasted in the second quarter, and includes a number of variances on numerous headings and, particularly, the substantial reduction in income from the sale of recyclable materials. The situation has now worsened with a further reduction of £65k from sales of plastics due to the reduction in the price of oil, and an additional overspend of £19k on transfer and treatment sites.

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

Area:-	Waste Collection and Recycling	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>4,008</b>	<b>3,889</b>	<b>3,923</b>	<b>34</b>			<b>34</b>	<b>37</b>

A slight improvement in the overspend level as a result of additional income received in relation to holiday homes.

Area:-	Trade Waste	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>(46)</b>	<b>94</b>	<b>136</b>	<b>42</b>			<b>42</b>	<b>26</b>

An increase of £16k in the overspend since the second quarter reflecting disposal costs being higher than expected relative to the income level received. It is intended also to review and update the relevant fee structure for the 2015-16 income.

Area:-	Other (Waste)	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		<b>5,006</b>	<b>4,599</b>	<b>4,585</b>	<b>(14)</b>			<b>(14)</b>	<b>(33)</b>

A net underspend position of (£14k) including a number of variances on various headings.



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

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Total Relating to Waste</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>10,392</b>	<b>10,116</b>	<b>10,284</b>	<b>168</b>			<b>168</b>	<b>51</b>

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Other (Highways and Municipal)</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>4,125</b>	<b>4,578</b>	<b>4,566</b>	<b>(12)</b>			<b>(12)</b>	<b>67</b>

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Regulatory (Planning, Transportation and Public Protection) Department Summary position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Development Control	497	506	455	(51)	0	0	(51)	(30)
Car Parks	(730)	(796)	(836)	(40)	0	0	(40)	(28)
Integrated Transport	1,790	1,777	1,961	184	0	0	184	65
Public Protection	2,074	2,193	2,141	(52)	0	0	(52)	(15)
Countryside and Access	1,414	1,456	1,490	34	0	0	34	36
Cycling Development	30	30	10	(20)	0	0	(20)	(12)
Road Safety	440	411	395	(16)	0	0	(16)	(8)
Other	5,933	6,245	6,225	(20)	0	0	(20)	(6)
<b>Total Variances</b>	<b>11,448</b>	<b>11,822</b>	<b>11,841</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>2</b>

**REVENUE BUDGET 2014/15 - THIRD QUARTER****DEPARTMENT: REGULATORY**

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Development Control</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>497</b>	<b>506</b>	<b>455</b>	<b>(51)</b>			<b>(51)</b>	<b>(30)</b>

An increase of (£21k) on this heading since the second quarter and consists, in all, additional income of (£77k) received for different services but also higher employment costs following changes to the establishment.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Car Parks</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>(730)</b>	<b>(796)</b>	<b>(836)</b>	<b>(40)</b>			<b>(40)</b>	<b>(28)</b>

An increase in net underspend mainly due to a reduction of (£19k) in operating costs and an increase of (£21k) in income under various headings.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Integrated Transport</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>1,790</b>	<b>1,777</b>	<b>1,961</b>	<b>184</b>			<b>184</b>	<b>65</b>

There was a gross overspend of £435k in the second quarter, but, with the intention to use a sum of (£370k) from other sources in reserve to assist the situation, the net overspend was reduced to £65k.

By now, there is a further reduction of (£64k) in the costs of some contracts together with an additional grant of (£165k) having been received, and other income of (£21k) also having been received, reducing the gross overspend to £184k, and with the favourable financial position of the remainder of the Department assisting the situation.

**REVENUE BUDGET 2014/15 - THIRD QUARTER****DEPARTMENT: REGULATORY**

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Public Protection</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>2,074</b>	<b>2,193</b>	<b>2,141</b>	<b>(52)</b>			<b>(52)</b>	<b>(15)</b>

An underspend position of (£52k) which is an increase of (£37k) during the third quarter. On the whole, the position reflects an underspend on staff costs, an underspend on supplies and services and receipt of additional grant income.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Countryside and Access</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>1,414</b>	<b>1,456</b>	<b>1,490</b>	<b>34</b>			<b>34</b>	<b>36</b>

As a result of a reduction in grant from Natural Resources Wales, the Service has already reduced its staffing establishment and restricted its expenditure on supplies and services so as to keep its overspend down to £34k.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Cycling Development</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>30</b>	<b>30</b>	<b>10</b>	<b>(20)</b>			<b>(20)</b>	<b>(12)</b>

An underspend position arising from one-off staff savings as a result of savings scheme being achieved earlier than expected.

**REVENUE BUDGET 2014/15 - THIRD QUARTER****DEPARTMENT: REGULATORY****Maes:- Road Safety**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>440</b>	<b>411</b>	<b>395</b>	<b>(16)</b>			<b>(16)</b>	<b>(8)</b>

An underspend position consisting mainly of staff and supplies savings.

**Maes:- Other**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>5,933</b>	<b>6,245</b>	<b>6,225</b>	<b>(20)</b>			<b>(20)</b>	<b>(6)</b>

This consists of a number of small variances on various headings, giving a total net underspend of (£20k).

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Consulatncy Department's Summary Position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Consultancy Service (Roads and Engineering)	(305)	(179)	(93)	86	(30)	0	56	98
Building Service	161	129	142	13	0	0	13	(37)
Other	1,268	1,303	1,289	(14)	0	0	(14)	0
<b>Total Variances</b>	<b>1,124</b>	<b>1,253</b>	<b>1,338</b>	<b>85</b>	<b>(30)</b>	<b>0</b>	<b>55</b>	<b>61</b>

**CYLLIDEB REFENIW 2014/15 - TRYDYDD CHWARTER****DEPRATMENT: CONSULTANCY**

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Consultancy Service (Roads and Engineering)</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>(305)</b>	<b>(179)</b>	<b>(93)</b>	<b>86</b>	<b>(30)</b>		<b>56</b>	<b>98</b>

For the time being, an overspend position of £56k is foreseen, which is a reduction of (£42k) since the second quarter, mainly achieved through a combination of small increases in receipt of fee income and reduced expenditure. If the net overspend of £56k continues to the end of the financial year, the Department proposes making further use of reserves to alleviate the position.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Building Service</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>161</b>	<b>129</b>	<b>142</b>	<b>13</b>			<b>13</b>	<b>(37)</b>

An overspend position of £13k, which is a change of £50k from the (£37k) forecasted in the second quarter, and although including some efficiency savings that were realised early, it mainly reflects additional one-off costs to re-structure the Unit.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Maes:- Other</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>1,268</b>	<b>1,303</b>	<b>1,289</b>	<b>(14)</b>			<b>(14)</b>	<b>0</b>

An underspend of (£14k) and which includes an underspend of (£11k) by the Flooding Risk Management Unit due to one-off staff turnover savings, together with an underspend of (£3k) by Building Regulations as a result of generating additional fee income.

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Central Department's Summary Position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's Department	676	538	428	(110)	0	0	(110)	(65)
Human Resources	121	153	120	(33)	0	0	(33)	(31)
Finance	1,403	1,090	1,056	(34)	0	0	(34)	(35)
Strategic and Improvement	757	607	529	(78)	0	0	(78)	(76)
<b>Total Variances</b>				<b>(255)</b>	<b>0</b>	<b>0</b>	<b>(255)</b>	<b>(207)</b>



**REVENUE BUDGET 2014/15 - THIRD QUARTER**

		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Chief Executive's Department</b>	<b>Gross Expenditure Income and Recharges</b>	2,045							
		(1,369)							
	<b>Net Total</b>	<b>676</b>	<b>538</b>	<b>428</b>	<b>(110)</b>			<b>(110)</b>	<b>(65)</b>

An increase of (£45k) in the underspend position is forecasted since the second quarter and consists mainly of staff savings as a consequence of the latest related restructuring, together with a net underspend of (£22k) in the Communications Unit arising from one-off staff savings, an underspend on supplies and services and reduced income.

		Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Human Resources</b>	<b>Gross Expenditure Income and Recharges</b>	4,109							
		(3,988)							
	<b>Net Total</b>	<b>121</b>	<b>153</b>	<b>120</b>	<b>(33)</b>			<b>(33)</b>	<b>(31)</b>

Although the net position shows an underspend of (£33k), it mainly consists of an overspend of £17k on Management costs (particularly £15k on Sheltered Placements) a net overspend of £8k by the Print Unit (a reduction of (£22k) since the second quarter), an underspend of (£43k) by the Support Unit mainly due to one-off staff savings and an underspend of (£15k) by the Catering and Cleaning Support Unit also due to one-off staff savings.

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Finance</b>								
<b>Gross Expenditure</b>	11,304							
<b>Income and Recharges</b>	(9,901)							
<b>Net Total</b>	<b>1,403</b>	<b>1,090</b>	<b>1,056</b>	<b>(34)</b>			<b>(34)</b>	<b>(35)</b>

A net underspend position of (£34k) is forecasted which reflects a number of variances, including an overspend of £121k on supplies and services for Rate Collection, mainly software and court fees, reduction of £27k in net income as a consequence of reduced Housing Benefit and Council Tax Subsidy, an underspend of (£68k) by the Cashier and Income Unit mainly due to staff savings and an underspend of (£75k) in the Accountancy Unit's staff costs together with attracting additional income of (£39k).

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Strategic and Improvement</b>								
<b>Gross Expenditure</b>	9,895							
<b>Income and Recharges</b>	(9,138)							
<b>Net Total</b>	<b>757</b>	<b>607</b>	<b>529</b>	<b>(78)</b>			<b>(78)</b>	<b>(76)</b>

A net underspend position of (£78k) due to a number of variances across the Department, including an underspend of (£77k) on supplies and services, additional income of (£57k) received and additional expenditure of £55k on staff costs.

**REVENUE BUDGET 2014/15 - THIRD QUARTER**

<b>Corporate Summary Position</b>	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
<b>Area:-</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Savings Target	0	0	221	221	0	0	221	259
Benefits	0	0	(245)	(245)	0	0	(245)	(104)
Net Interest Received	0	0	(31)	(31)	0	0	(31)	(31)
Council Tax	0	0	(204)	(204)	0	0	(204)	(148)
Capital Costs	0	0	(93)	(93)	0	0	(93)	0
Repayment of Value Added Tax	0	0	(150)	(150)	0	0	(150)	0
Other	0	0	(59)	(59)	0	0	(59)	4
<b>Total Variances</b>	<b>0</b>	<b>0</b>	<b>(561)</b>	<b>(561)</b>	<b>0</b>	<b>0</b>	<b>(561)</b>	<b>(20)</b>

**In General**

A recommendation on the use of this total underspend will be made at the end of the last quarter.

**REVENUE BUDGET 2014/15 - THIRD QUARTER****CORPORATE BUDGETS****Corporate Savings Target**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>0</b>	<b>0</b>	<b>221</b>	<b>221</b>			<b>221</b>	<b>259</b>

An overspend position on this heading showing an improvement since the second quarter review and includes slippage in achieving some savings schemes this year but others having been achieved earlier than expected.

**Benefits**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>0</b>	<b>0</b>	<b>(245)</b>	<b>(245)</b>			<b>(245)</b>	<b>(104)</b>

To date this year, in accordance with the recent trends, an underspend of (£245k) is forecasted on this heading which is an increase of (£141k) on that forecasted in the second quarter.

**Net Interest Received**

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

It is forecasted that additional interest of (£31k) for the time being will be received, which is consistent with the second quarter review and reflects the favourable position of the market compared to that which was seen earlier in the year.

**REVENUE BUDGET 2014/15 - THIRD QUARTER****CORPORATE BUDGETS**

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Tax</b>	0	0	(204)	(204)			(204)	(148)

Up to now this year, it is forecasted that the amount of additional Council Tax collected will be increased to (£204k).

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital Costs</b>	0	0	(93)	(93)			(93)	0

As a result of receiving additional grant income for the capital programme, the related capital costs budgeted for will be reduced.

	Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Repayment of Value Added Tax</b>	0	0	(150)	(150)			(150)	0

Receipt of a refund for Value Added Tax relating to Trade Waste accounts as a result of a successful claim with H.M. Customs and Excise.

**REVENUE BUDGET 2014/15 - THIRD QUARTER****CORPORATE BUDGETS****Other**

Opening Budget 2014/15	Revised Budget 2014/15	Forecasted Position 2014/15	Gross Overspend / (Underspend)	Use of Other Sources	Recommended Adjustments	Net Overspend / (Underspend)	Net Overspend / (Underspend) Second Quarter Review
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	(59)	(59)			(59)	4

A net overspend position on a number of headings.

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**MEETING:                   AUDIT COMMITTEE**

**DATE:                      17 FEBRUARY 2015**

**TITLE:                     CAPITAL PROGRAMME 2014/15 –  
END OF 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 19 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 the Audit Committee’s comments “on the table” at the Cabinet meeting on 19 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

19 FEBRUARY 2015

**Cabinet Member:** COUNCILLOR PEREDUR JENKINS - RESOURCE CABINET MEMBER

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

**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 2014 position) of the capital programme, and approve the revised financing as shown in part 2.2 – 2.5 of the report, that is:

- a decrease of £95,000 in the use of grants and contributions
  - an increase of £34,000 in the use of capital receipts
  - an increase of £246,000 in the use of revenue contributions
  - an increase of £163,000 in the use of other reserves
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### **Introduction / Summary**

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

**Part 1:** Analysis by Department of the £92m capital programme for the 3 years 2014/15 – 2016/17.

**Part 2:** An explanation of the sources of financing the net increase of approximately £0.348m since the last review.

The Cabinet has the authority to adapt the capital programme, therefore in paragraph 2.6 approval is sought for the proposed programme (part 1) and its financing (part 2).

The remainder of the report is for information.

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

**Part 4:** First 9 months spending profile 2014/15.

### **Main Findings:**

This year's capital programme is over £41m, and the current total for the three year programme is over £92m, which is still a significant achievement by the Council in the current financial climate.

The end of December expenditure level is 58% of the budget, which is comparable to the same period (9 months) last year.



## **Reasons for recommending the decision**

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

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

These recommendations aim to ensure definite sources of funding for the 2014/15 - 2016/17 capital schemes.

## **Relevant considerations**

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

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

## **Next steps and timetable**

To implement the recommendations to finance the programme in order to complete the capital schemes, and report on the financial year end position to the relevant Cabinet meeting next June.

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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 that the Head of Finance can report that the re-profiling will not result in any loss of grant. However, I am sure that the Cabinet will wish to emphasise the importance of spending in line with the profiles, especially in the case of those schemes noted in paragraph 4.1 of the report.

### **Monitoring Officer:**

Nothing to add regarding propriety.

### **Head of Finance:**

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

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## **Appendix**

None

## 1 CAPITAL PROGRAMME 2014/15 to 2016/17

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

### MOVEMENT FROM THE SECOND QUARTER TO THE THIRD QUARTER

DEPARTMENT	END OF SEPTEMBER REVIEW				END OF DECEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW
	2014/15	2015/16	2016/17	TOTAL	2014/15	2015/16	2016/17	TOTAL	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	39	130	0	169	9	160	0	169	0
Education	6,259	17,005	12,915	36,179	5,217	17,649	13,333	36,199	20
Finance	986	866	0	1,852	898	954	0	1,852	0
Economy and Community	5,738	3,868	610	10,216	5,698	4,037	610	10,345	129
Housing	2,986	2,000	0	4,986	2,808	2,211	0	5,019	33
Adults, Health and Wellbeing	2,251	397	0	2,648	1,030	1,641	0	2,671	23
Children and Families	511	0	0	511	550	0	0	550	39
Highways and Municipal	7,545	2,844	989	11,378	6,677	3,609	989	11,275	(103)
Regulatory	18,100	5,340	58	23,498	17,881	5,778	58	23,717	219
Consultancy	581	18	0	599	569	18	0	587	(12)
<b>TOTAL</b>	<b>44,996</b>	<b>32,468</b>	<b>14,572</b>	<b>92,036</b>	<b>41,337</b>	<b>36,057</b>	<b>14,990</b>	<b>92,384</b>	<b>348</b>

## 2 CHANGES TO THE SOURCES OF FINANCE

2.1 There is an increase of £0.348m in the budget in respect of the three year capital programme since the second quarter position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF SEPTEMBER REVIEW			END OF DECEMBER REVIEW			INCREASE / (REDUCTION) SINCE THE LAST REVIEW
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17	
	£000	£000	£000	£'000	£'000	£000	
Supported Borrowing	6,630	6,630	6,543	6,630	6,630	6,543	0
Unsupported Borrowing	7,539	6,980	911	6,539	7,562	1,329	0
Grants and Contributions	18,910	10,217	5,861	18,816	10,216	5,861	(95)
Capital Receipts	2,090	1,203	0	1,866	1,461	0	34
Departmental & Corporate Revenue	3,288	2,526	0	2,508	3,552	0	246
Capital Fund	2,141	2,754	200	866	4,029	200	0
Renewals & Other Funds	4,398	2,158	1,057	4,112	2,607	1,057	163
<b>TOTAL</b>	<b>44,996</b>	<b>32,468</b>	<b>14,572</b>	<b>41,337</b>	<b>36,057</b>	<b>14,990</b>	<b>348</b>
<b>3 YEAR TOTAL</b>			<b>92,036</b>			<b>92,384</b>	

### 2.2 Grants and Contributions

There is a relatively small underspend on a few regeneration schemes by the Economy and Community Department which release £95,000 of grants, including:

- Centre of Blaenau Ffestiniog Regeneration Scheme – the grant to third parties element
- Town and Shop Front Improvements Scheme.

### 2.3 Capital Receipts

An increase in the expenditure on the Glynllifon Workshops scheme by the Economy and Community Department (see also a contribution from departmental revenue in 2.4 below) which has led to a net increase of £34,000 in this method of funding.

### 2.4 Departmental and Corporate Revenue

A net increase of £246,000 in this method of funding, mainly due to:-

- **Llanberis Tunnel Bends Scheme (Regulatory Department) - £138,820 in 2014/15**, by re-prioritising the revenue works budgets.
- **Local Transport Fund Schemes (Regulatory Department) - £56,980 in 2014/15**, by re-prioritising the revenue works budgets.
- **Glynllifon Workshops scheme (Economy and Community Department) - £49,700 in 2014/15**, (see also the use of departmental capital receipts in 2.3 above).

### 2.5 Renewals and Other Funds

An increase of £163,000 in the use of this method of funding, mainly due to an increase in expenditure on two schemes by the Economy and Community Department:-

- **Our Heritage Scheme – £103,860 in 2014/15**
- **Pwllheli Sailing Academy - £75,800 in 2014/15**

## 2.6 Recommendation

The Cabinet is asked to accept the revised capital programme for 2014/15 to 2016/17, and approve the relevant sources of financing (para. 2.2 to 2.5 above), that is:

- a decrease of £95,000 in the use of grants and contributions
- an increase of £34,000 in the use of capital receipts
- an increase of £246,000 in the use of revenue contributions
- an increase of £163,000 in the use of other reserves

## 3. SCHEME EXPENDITURE PROFILES

3.1 The total level of re-profiling in the capital programme from 2014/15 to 2015/16 so far is £10,785,470. The figures in part 1 of the report reflects this, with the main items as follows-

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

- Oriel Gwynedd and Museum (Economy and Community Department) £896,720
- Schools' Temporary Buildings removal (Education Department / Property Unit) £686,550
- Community Care Management Scheme (Adults, Health and Wellbeing Department) £572,500
- Council's Fleet Fund (Highways and Municipal Department) £444,910
- EDRMS (Electronic Document and Records Management System) £395,600
- Carbon Management Schemes for Council Buildings (Regulatory Department/Property Unit) £390,000
- Re-location of Segontiw Day Service (Adults, Health and Wellbeing) - £301,260
- Information Technology Equipment Renewal (Finance) – £200,000.
- Meirionnydd Centre for Reclamation of Materials (Highways and Municipal Department) £184,000

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

- Briwet Bridge, Penrhyndeudraeth (Regulatory Department) £1,882,130  
*(In addition, there is an element of financial risk to the Council following receipt of additional relevant claims, which are subject to further discussions between the parties).*
- Pwllheli Sailing Academy (Economy and Community Department) £1,544,720
- Groeslon School (Education Department) £1,099,000
- Meirion Dwyfor Special School (Education Department) £450,970

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

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

#### 4. CAPITAL EXPENDITURE FIRST 9 MONTHS 2014/15

4.1 The table below analyses the actual departmental capital expenditure for the Council by the end of the third quarter (9 months), against the revised capital programme for 2014/15 (full year) -

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed December) 2014/15 £'000	ACTUAL EXPENDITURE FOR THE 9 MONTHS TO 31/12/2014 £'000
Human Resources	9	0
Education	5,217	2,858
Finance	898	432
Economy and Community	5,698	2,785
Housing	2,808	2,183
Adults, Health and Wellbeing	1,030	367
Children and Families	550	84
Highways and Municipal	6,677	3,970
Regulatory	17,881	10,954
Consultancy	569	156
<b>TOTAL</b>	<b>41,337</b>	<b>23,789</b>

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

4.2 Nearly £23.8m has been spent in the first nine months, which is 58% of the budget.

SUMMARY	END OF DECEMBER REVIEW 2014/15	END OF DECEMBER REVIEW 2013/14	DECREASE
Full year's budget	£41.3million	£46.7million	£5.4million
Expenditure for the first 9 months	£23.8million	£27.2million	£3.4million
Expenditure as a percentage of the budget	58%	58%	0%

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

## GWYNEDD COUNCIL

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>17 FEBRUARY 2015</b>
TITLE	<b>REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP</b>
PURPOSE OF THE REPORT	<b>TO REPORT ON THE MEETING HELD ON 16 JANUARY 2015</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 At its meeting on 18 December 2014, the Audit Committee decided:

- **That the Chairman and Vice-chairman of the committee, along with Councillors Tom Ellis, Dilwyn Morgan and Angela Russell serve on the Working Group to consider the audits that have received a category 'C' opinion along with the follow-up audit of Ports. The Committee agreed that it is the responsibility of any member who cannot be present at the Working Group to arrange that a substitute attends in their place.**
- **To invite the Cabinet Member for the Environment and relevant officers from the Regulatory Department to the next meeting of the Controls Improvement Working Group regarding the Pont Briwet scheme.**

1.2 The executive summaries of 13 reports were submitted to the Audit Committee meeting on 18 December 2014, which represented reports that were released finally between 13 September 2014 and 30 November 2014. Two of these reports had received a 'C' opinion.

1.3 In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit Committee is expected to scrutinise budget monitoring reports, and to consider all aspects of the Council's risk management when appropriate. Therefore, in addition to discussing internal audit reports which had received a 'C' opinion, the working group addressed the Pont Briwet capital scheme. The capital budget was addressed by the Cabinet on 25 November 2014, and the impact of the delay in the scheme was addressed by the Communities Scrutiny Committee on 2 December.

### **2 WORKING GROUP MEETING**

2.1 A meeting of the Working Group was held on 16 January with the Chairman and Vice-Chairman of the Committee and Councillors Tom Ellis and Angela Russell, and Dewi Morgan, Senior Managers Revenue and Risk.

2.2 In addition to the Briwet Bridge Capital Scheme, the Internal Audit reports that the Working Group addressed were:

<b>TITLE</b>	<b>DEPARTMENT</b>	<b>SERVICE</b>	<b>OPINION</b>
Food Hygiene, Health and Safety Inspection Programmes	Regulatory	Public Protection	C
Leisure Centres	Economy and Community	Leisure	C
Follow-up - Ports	Economy and Community	Maritime and Country Parks	Unsatisfactory

## **2.4 Pont Briwet**

- 2.4.1 Aled Davies (Head of Regulatory) and Pat Jones (Co-ordinator of the Pont Briwet Project) attended the meeting in order to update the Working Group on the risks the Council faces as the project to build the new bridge proceeds. The Head of Finance was also present for this item.
- 2.4.2 It was noted that the Communities Scrutiny Committee had reviewed the matter in December to consider the impact that closing the bridge has had on citizens. The Senior Manager Revenues and Risk explained that Internal Audit had examined the scheme in terms of the arrangements to mitigate risks, and was comfortable that there are clauses within the agreement with the contractor that go a long way to protect the Council's interests. It was noted that it is not possible to have a development of this kind without inherent risks, and that there are further risks when the building work is in a difficult geographical position, such as in this case.
- 2.4.3 The Head of Regulatory explained that there are many things that could go wrong with a scheme of this kind, and that this has already been highlighted, with a damaged electricity pylon and an old bomb being discovered in the water. Whilst accepting that work had slipped from the original timetable, and that it is understandable that people are unhappy as a result of this, he expressed his view that a comparatively small fraction of people has exaggerated some of the problems to make them appear much more than they are.
- 2.4.4 The Head of Regulatory also acknowledged that there are financial risks associated with the scheme, but this has been closely monitored by officers from the start. He noted that officers are aware that the closing date for the expenditure of the grants is a key date and every effort is being made to claim the money in its entirety before that date.
- 2.4.5 The Co-ordinator of the Pont Briwet Project said that it was necessary to consider two aspects:
- The Public. Everyone acknowledged that the public have been affected. This aspect has already been addressed by the Communities Scrutiny Committee.
  - The Council. In terms of the Council, time is the greatest risk and an application for a time extension has been made to the Welsh European Funding Office (WEFO). Unfortunately, the programme which funds the Pont Briwet scheme is coming to an end and therefore it is unlikely that it will be possible to slip beyond June 2015.
- 2.4.6 The Working Group was aware that the contractors have submitted claims for further costs. The officers reported that the Council is of the opinion that it is not currently possible to decide on their financial value, but that formal correspondence would focus on the key matters. The officers were confident that the robustness of the formal contract offers the Council a means of dealing with these claims appropriately, and that the matter is receiving legal attention.
- 2.4.7 The officers were questioned on the tendering procedure. The Project Co-ordinator explained that it is the Council who is leading on the tendering process as Network Rail's arrangements did not meet WEFO's conditions. It was noted that discussions with Network Rail are ongoing.
- 2.4.8 A member asked what the timetable is now? The Project Co-ordinator replied that the original contract noted the end of February, and that the whole bridge has been closed to meet that date. The completion date that has now been offered by the contractor is the end of June. It was explained that events such as the pylon have eaten into the provision for inclement weather.
- 2.4.9 The officers acknowledged that lessons had been learnt in terms of how to communicate with the public with a plan of this type.

- 2.4.10 It was explained that a plan within the contract which deals with losses for the Council is the subject of discussions with barristers.
- 2.4.11 The Working Group was aware that the failure to install a temporary bridge, and having to use the convoy system in its place, was the subject of considerable attention locally. The Working Group was also given to understand that the price of a temporary bridge was included in the agreement. It was therefore asked, why wasn't the temporary bridge installed? The Project Co-ordinator replied that a temporary bridge was included in the "indicative plan", but that the principles of "best value engineering" give companies who submit tenders the chance to offer alternative plans. The successful company's proposal did not include a temporary bridge, but rather a deck installed next to the railway. The prices of those companies which offered temporary bridges were much higher, and beyond the budget that was in place. Transport management was not included in the contract, and the officers came to the conclusion that using traffic management on the road through Maentwrog rather than a temporary deck would be a cost neutral. It was emphasised that discussions were held with the community when coming to this decision.
- 2.4.12 It was noted that there are arrangements in the pipeline to consider the effect of building work on local businesses.
- 2.4.13 A member enquired about the effect that opening the new bridge will have on the centre of Penrhyndeudraeth. The Head of Regulatory responded by explaining that his Department has examined the probable impact on the area, but of course feasibility and financial consideration will need to be given to improving the road network in the village. It is the Welsh Government that is responsible for the trunk road, and monitoring work will commence immediately in order to establish whether further work is needed to deal with a higher volume of traffic.
- 2.4.14 The Working Group was of the opinion that the lowest tender does not always offer the best solution. Would a higher tender have been "better", and does the extent of the risk by now mean that accepting a higher tender would ultimately have been more economical? The officers explained that the tender has been assessed and awarded based on both price and quality, and there were no indications to suggest that there was reason to doubt the successful company's ability, as they have the necessary licences etc. Until the Council receives details of additional costs, it will not be possible to put a final price on the financial risk. Nevertheless, the Council officers are confident that the quality of our records to support the Council's view is very good.
- 2.4.15 The Project Co-ordinator explained that there are good project managers and quantity surveyors on the site, with the Head of Regulatory confirming his opinion that the Council has a good and experienced team there. It was noted that the Council went through a formal procurement process before appointing the project managers and quantity surveyors.
- 2.4.16 To close, the Head of Regulatory emphasised the complexity of this project. It is not the same as a normal bridge as there is a railway on it as well. It was necessary to buy in expertise from the outside to assist with the work. This has paid off due to the need to deal with the delay and additional costs.
- 2.4.17 The Working Group was eager for the Committee to receive an update in some months. It was agreed that they would receive updates through the work of Internal Audit.
- 2.4.18 The officers were thanked for attending the meeting and for explaining the situation. The Working Group concluded that it was not possible to quantify the final financial risk, but it appreciated that definite steps have been taken throughout the project to manage the risks reasonably.**



## 2.5 Food Hygiene, Health and Safety Inspection Programmes

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

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

2.5.2 Aled Davies, Head of Regulatory, was present to discuss this item.

2.5.3 The Senior Manager Revenues and Risk presented the background to the report. He explained that the audit was included in the Internal Audit work plan 2014/15 at the request of the Head of Regulatory, after the Environmental Health service received a critical report regarding elements of food hygiene work from the Food Standards Agency. The Senior Manager was pleased to report that a number of problems within the Council which led to this have now been addressed, and the auditor saw that progress has been made since the Food Standard Agency's report. It was also noted that this matter has been addressed by the Communities Scrutiny Committee in July 2014.

2.5.4 The Head of Regulatory said that he saw Internal Audit as a critical friend who offers reassurance if things are right, or highlights problems if necessary.

2.5.5 The Head of Regulatory provided the context of the situation. On one particular aspect, the Council's internal arrangements for recording investigations were not robust during the Food Standard Agency's review, but since the report the Service has been working with the Food Standard Agency to put arrangements in place. The Agency has returned at the beginning of October, and it was reported that they were happy with the progress that was made.

2.5.6 Furthermore, in a performance league table of local authorities on food enforcement work in Which? Magazine, Gwynedd was amongst the best in Wales and in the ten highest throughout Britain. It was explained that the Chief Executive had received an e-mail from them. The Head was eager to emphasise that this was not an excuse to rest on their laurels, and that the service is working on the improvement programme agreed by the Scrutiny Committee. The relevant officers are confident that the follow-up audit will show great improvement.

2.5.7 Members of the Working Group noted that they appreciate the work and understand the importance of getting this right. In terms of context, the Head of Regulatory noted that there are over 2000 businesses that are relevant to the Service's work which were the subject of the Food Standard Agency review. Of course, some establishments which sell food incur higher risks than others.

2.5.8 The Head of Regulatory was questioned about the Flare System which was referred to in the Internal Audit report. He explained that this was the system used by the Public Protection Services, including Environmental Health, to record and produce monitoring reports.

2.5.9 The Head of Regulatory emphasised that this has been a very difficult time for the team, and he was pleased to report that good progress has been made.

**2.5.10 The Head of Regulatory was thanked for his open and forthcoming answers, and he was asked to pass on a message to the whole team from the Audit Committee, congratulating them on their progress and their success in the Which? assessment.**

## 2.6 Leisure Centres

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

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

2.6.2 David Wood (Senior Technical Advisor) and Adam Williams (Deputy Manager of the Tywyn / Bala / Dolgellau Area) from the Leisure Service, Economy and Community Department, were welcomed to the meeting.

2.6.3 The Senior Manager Revenues and Risk presented the background of the audit. It was noted that the audits on the Leisure Centres examined the controls to mitigate a wide range of risks. The risks might not be major ones individually, but as there are so many things that require attention while running leisure centres, such as cash, health and safety, safeguarding etc. they are audited regularly. The Senior Manager also explained the purpose of the Working Group to the Leisure Service's officers.

2.6.4 It was noted that the audit examined a sample of four centres. The Senior Manager noted that perhaps it would be worthwhile to revert to undertaking audits on individual centres from now on, as the standards of implementing the systems in the various centres varied. It was noted that Penllyn Leisure Centre was the one in the sample which had the most room for improvement in terms of risk management.

2.6.5 The Senior Technical Advisor explained that work has been undertaken to examine all leisure centres in the county, and that new arrangements were in place for the Meirionnydd area. He said that the computer system had been rebuilt so as to make it easier for staff to use it. As a result, monitoring systems have been strengthened.

2.6.6 The report included 18 recommendations relevant to the Penllyn Leisure Centre. Officers from the Leisure Service reported to the Working Group that 14 of these have already been implemented, and that only two recommendations have not been implemented in the Bangor Swimming Pool.

2.6.7 Officers were asked about training arrangements for staff. The Senior Technical Advisor replied that it was recognised that perhaps staff had not been fully trained before being placed on the centre's front desk. Therefore, the centres vary - some centres have specific staff for the desk, while in other centres staff undertake all tasks.

2.6.8 It was noted that one matter which is yet to be addressed in the Penllyn Leisure Centre is fire risk assessments. It was unclear who was responsible for what within that centre, but the matter has since been addressed.

2.6.9 In response to a question from a member of the Working Group, it was confirmed that it was necessary for every staff member to have a DBS check.

2.6.10 In order to put the service into context, the Senior Technical Advisor emphasised that the leisure centres bring an income of £2.7m to the Council. Over £600,000 is now paid through direct debit which means that there is less cash in the centres.

2.6.11 The Working Group members appreciated that there is a lot of work for the staff to do at times and that there is pressure on them to act. The officers were asked whether there was anything they felt the Audit Committee could do to support them further. It was noted that there wasn't anything in particular at this time. As a result of re-organisation within the service, it was noted that there are currently 4 area managers, rather than 12 managers on the individual centres, and that a Quality Officer had been appointed to assist all centres.

**2.6.12 The officers from the Leisure Service were thanked for attending the meeting and for confirming that the audit's recommendations were being addressed.**

## 2.7 Follow-up - Ports

2.7.1 The main findings of the audit were as follows:

*Implementation is Unsatisfactory. Of the 33 recommendations made in the report, it was seen only 16 had been implemented fully, 4 had been partially implemented and 13 recommendations had not been implemented. It was not possible for the Auditor to check if one recommendation had been implemented or not.*

2.7.2 Llyr Jones (Senior Economy and Community Manager) and Barry Davies (the Senior Maritime and Country Parks Officer) were welcomed to the meeting.

2.7.3 The Senior Manager Revenues and Risk explained that the Working Group had considered the original report - that received a 'C' opinion – about a year ago, but at the time of the follow-up work, half the recommendations had been fully implemented. A further appearance before the Working Group was an opportunity for the Audit Committee and Internal Audit to support the service to deal with any obstacles that prevent implementing fully.

2.7.4 The Senior Economy and Community Manager said that they were disappointed that the follow-up audit has received an unsatisfactory opinion. In terms of setting a context, it was explained that there were serious storms in January 2014 which caused much damage. Recovery plans were adopted to deal with the damage, and all but one of these recovery plans had been implemented by the main summer season.

2.7.5 It was noted that the post of Senior Harbours Officer has been empty for a year. During this period the job's responsibilities were reviewed before advertising. The post is about to be filled, with the new officer starting their responsibilities on 2<sup>nd</sup> February 2015. The job's responsibilities will include line management of harbour staff, which will deal with the matters connected with the report.

2.7.6 Officers from Economy and Community explained that the current income targets are based on historical income rather than the reality of the current situation. One of the limited options available to the service when in a situation of overspending (a deficit in income) is to refrain from filling posts when they become vacant. This means that implementing recommendations will be more difficult and challenging.

2.7.7 The officers noted that substantial work had been done since September 2014, when the follow-up audit was undertaken. Confirmation was received that ten of the recommendations that had not been implemented fully in September have now been completed.

2.7.8 Despite this, the officers acknowledged that further work was necessary. Reference was made to three recommendations that require further work, namely:

*A16 An invoice should be sent for the correct VAT repayment which is due on the electricity costs of Canolfan Dyfi for the previous year.*

*A26 The risk assessments for harbours should be revised and updated annually, or when a risk changes, with the review date noted on the header of the risk assessment.*

*A32 The harbours' property lists should be updated and maintained, and reviewed annually.*

Implementing these recommendations will be a priority for the Senior Harbours Officer.

2.7.9 The Senior Maritime and Country Parks Officer was pleased that the elements which affected customers are very good, and that it was weaknesses in the administrative arrangements which was unsatisfactory. He said that administrative work does not come naturally to all officers, and that they have been prioritising operational matters.

- 2.7.10 With regard to the future of the service, it was noted that the maritime industry nationally was not currently at its best. The number of boats has reduced, creating a gap in the income. In addition to this, the empty Harbourmaster post has exacerbated the problems. The officers noted that they appreciated the auditor's work, as it has been very thorough. Despite this, attention was drawn to the practicality of some of the recommendations, such as banking every week. It was also noted that it is not possible to pay with a card in the harbours, and that help with these arrangements for collecting income would be appreciated; this would reduce administrative work substantially and reduce this risks of holding cash. The officers were of the opinion that receiving support in securing card payment equipment would be essential.
- 2.7.11 It was explained that there are two full time jobs on the structure in Aberdyfi and Barmouth, but the two are only filled for six months of every year. In response to a question from a member, it was noted that opening the Sailing Academy in Pwllheli should not increase the pressure on the service as a private company would be running the Academy. It was also noted that a direct debit system has been introduced in the Marina.
- 2.7.12 One member of the Working Group enquired about the harbours' safety equipment. Assurance was given that the life jackets are checked annually by a specialist company, but that this was not recorded on the system when the auditor visited. All officers have all the required safety equipment.
- 2.7.13 It was also noted that a successful partnership with a private company has been established to protect the Pwllheli slipway, which demonstrates the opportunities available to work differently.
- 2.7.14 To close, the Senior Economy and Community Manager said that he felt there was value to the report, even though it was not a good feeling to have to go before the Working Group. The report has been useful in showing all staff those areas where there is a need to improve as well as the importance of complying with the Council's procedures.
- 2.7.15 The officers were thanked for attending the meeting and for outlining the latest situation.**

**GWYNEDD COUNCIL**

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>17 FEBRUARY 2015</b>
TITLE	<b>OUTPUT OF THE INTERNAL AUDIT SECTION</b>
PURPOSE OF REPORT	<b>TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 JANUARY 2015</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK</b>
ACTION	<b>TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION</b>

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**1. INTRODUCTION**

1.1 The following report summarises the work of the Internal Audit Section for the period from 1 December 2014 to 31 January 2015.

**2. WORK COMPLETED DURING THE PERIOD**

2.1 The following audit work was completed in the period to 31 January 2015:

<b>Description</b>	<b>Number</b>
Reports on Audits from the Operational Plan	8
Other Reports (memoranda etc)	1
Grant Reviews	2
Follow-up Audits	4

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 2015, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
The Succession Plan and Workforce Planning	Corporate		A	Appendix 1
Treasury Management	Finance	Investment and Treasury Management	B	Appendix 2
Welsh Church Fund	Economy and Community	Community Regeneration	A	Appendix 3
Yr Hafan, Pwllheli	Economy and Community	Maritime and country parks	B	Appendix 4
Industrial and Technology Units	Economy and Community	Tourism, marketing and customer care	A	Appendix 5
Shift arrangements at Residential Homes	Adults, Health and Wellbeing	Residential and Day	B	Appendix 6
Looked After Children - Education and Health Assessments	Children and Family Support	Children and Families	B	Appendix 7
Collaboration - Road Safety Partnership	Regulatory	Transportation and Street Care	A	Appendix 8

2.2.2 The opinion categories within the reports affirm the following:

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



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

- **Pont Briwet** (*Regulatory*). The aim of the audit was to ensure that Gwynedd Council has identified all risks that would reasonably be expected on the project to construct the new Pont Briwet time of the audit; that is, whilst the construction is underway. The audit verified that the arrangements for managing and mitigating any identified risks were satisfactorily, including the risk of any additional costs to the Council as a result of claims by the contractor and further delays in completion of the work.

The audit encompassed checking the project risk register and verifying the arrangements in place for managing and mitigating the risks identified.

The main risks that the project faced at the time of the audit were further delays that mean that the project is not completed within the timeframe of the funding body, Welsh European Funding Office (WEFO), as well as uncertainty over the costs of claims by the contractor. However, the Auditor believes that reasonable steps have been taken by the Council to mitigate these risks.

## **2.3 Grants**

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

- Pupil Deprivation Grant (*Education*)
- Families First Grant (*Children and Family Support*)

2.3.2 Although these grants have been reviewed by Internal Audit, this does not mean that external auditors from the Wales Audit Office or other agencies may 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
Plas Ogwen	Adults, Health and Wellbeing	Residential and Day	<b>Acceptable</b>
Leasing Arrangments in Schools	Education	Schools	<b>Acceptable</b>
Laptop Security	Finance	Information Technology	<b>Acceptable</b>
Staff DBS Checks	Corporate		<b>Acceptable</b>

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 30 June 2014**

Software Licences (Schools)

**Completion Target: Quarter ending 31 December 2014**

Overtime Claims Procedures

Arrangements for Registering Births, Deaths and Marriages

**Completion Target: Quarter ending 31 March 2015**

Communities First (New Programme)

Staff Protection Register

Country Parks

**Completion Target: Quarter ending 30 June 2015**

Food Hygiene, Health and Safety Inspection Programmes

Leisure Centres

Officers Gifts and Hospitality

Direct Payments

### **3 WORK IN PROGRESS**

3.1 The following work was in progress as at 1 February 2015.

#### **3.2 Draft reports released**

- Protocol for Member-Officer Relations (*Corporate*)
- Debtors System - Review of Key Controls (*Finance*)

#### **3.3 Work in progress**

- ICT in Secondary Schools (*Education*)
- Mobile Phones (*Corporate*)
- Health and Safety - Lone Working (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Learning and Development Arrangements (*Corporate*)
- Gwynedd Pension Fund - Review of Key Controls (*Finance*)
- Network Convergence (*Finance*)
- Payroll - Multiple Jobs (*Finance*)
- Bank Reconciliation - Review of Key Controls (*Finance*)
- Payroll System - Review of Key Controls (*Finance*)
- Payments System - Review of Key Controls (*Finance*)
- Council Tax System - Review of Key Controls (*Finance*)
- NNDR System - Review of Key Controls (*Finance*)
- IT - Backups and Service Continuity (*Finance*)
- Follow-up - Country Parks (*Economy and Community*)
- Follow-up - Direct Payments (*Adults, Health and Wellbeing*)
- Personal Monies of Home Residents (*Adults, Health and Wellbeing*)
- Galw Gwynedd (*Adults, Health and Wellbeing*)
- Social Services Information System (*Adults, Health and Wellbeing*)
- Collaboration with the Health Board (*Children and Family Support*)
- Flying Start Revenue grant (*Children and Family Support*)
- Children's Services - Commissioning of Care (*Children and Family Support*)
- Depots and Workshops - Stock Control (*Highways and Municipal*)
- Parking Enforcement (*Regulatory*)
- Integrated Transport Unit (*Regulatory*)

### **4. RECOMMENDATION**

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 December 2014 to 31 January 2015, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

## **THE SUCCESSION PLAN AND WORKFORCE PLANNING Corporate**

### Purpose of the Audit

The aim of the audit was to ensure that workforce measures are in place, and that they are used effectively within the Council to confirm the delivery of quality services by the Council, at present and in the future.

### Scope of the Audit

The audit was undertaken by holding meetings with relevant officers from Human Resources together with a sample of three heads, one senior manager and one manager within various Council departments, and obtaining relevant evidence to assess the current arrangements for the benefit of the Council today and for the future.

### Main Findings

It was found that departments consider workforce planning and having a succession plan as being important to be able to monitor the current workforce and the ability to plan for the future. Departments are taking steps to monitor their current situation through regular meetings between managers, senior managers and heads to keep track of any issues arising from the workforce, if any. This also enables them to discuss their plans for the future.

Managers receive monthly reports to allow them to monitor absences against their departmental statistics. This helps to identify any patterns that arise and where Human Resources can offer any assistance required to be able to improve the situations of absence.

Every department has its own individual expertise in terms of work, and so needs vary from department to department, which means that future plans also differ from each other. The departments are taking steps to ensure that the necessary expertise and training for this will be provided for officers within their services. This would also ensure that a supply of this expertise is available in the future in order to maintain a quality service by the Council for the people of Gwynedd.

### Audit Opinion

- (A) The audit opinion is that assurance of propriety can be expressed in the Succession Plan and Workforce Planning as the controls in place can be relied upon and have been adhered to.**

## TREASURY MANAGEMENT

### Finance

#### Purpose of the Audit

The purpose of the audit was to ensure that the Council's treasury management arrangements are appropriate and comply with legislation and the Council's risk management arrangements, as well as ensuring that the service received from the treasury management consultant is appropriate, relevant and meaningful.

#### Scope of the Audit

The audit was conducted by reviewing documentation and treasury management policies together with the Council's risk register, and well as verifying the appointment arrangements and monitoring the performance of the consultant. It was also checked that the monitoring procedures for treasury management activities are appropriate.

#### Main Findings

Overall, robust control was seen in the treasury management process. The Council has a current strategy for managing the treasury, which was adopted by the full Council in March 2014. However the Council's Treasury Management Practices have not been updated since their adoption in March 2011. These Schedules (Treasury Management Practices) were reviewed and it was found that they need to be updated to reflect the current structure of the Council along with reviewing responsibilities for approving and scrutinising the Strategy.

It was confirmed that the Council's consultant provide information about the organisations with whom the Council should invest as well as those institutions with whom the Council should not. A sample of investments were checked and it was discovered that all the investments are in accordance with advice received from the consultant.

It was found that a meeting was scheduled with members of the Audit Committee to discuss and explain the strategy before the Audit Committee. It was found that only a few members had attended this meeting.

#### Audit Opinion

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

- **The 'Schedules - Treasury Management Practices' should be updated to reflect the current structure together with reviewing the responsibilities and duties of approving and scrutinising the Strategy.**
- **The Chair of the Audit Committee should reinforce the importance of the Committee members attending briefings to gain an understanding of the technical aspects involved with the Statement so that the Strategy is appropriately scrutinised before a recommendation is made to the full Council.**

**WELSH CHURCH FUND**  
**Economy and Community**

Purpose of the Audit

To verify that the final accounts of the Gwynedd, Anglesey and Conwy Church Fund for 2013-14, which is managed and administered by Gwynedd Council, gave a true reflection of its performance for the year.

Scope of the Audit

Verify that the final accounts of the fund reconcile with the ledger, bank statements and fund manager progress reports, by selecting a sample of invoices and journals that appear in the fund's transactions for 2013-14 and check that they are relevant to the fund.

Main Findings

It was found that the final accounts of the Gwynedd, Anglesey and Conwy Church Fund 2013-14 gave a true reflection of the performance of the fund for the year. It was found that the final accounts reconcile with the Council's ledger, the Fund's bank statements and the fund manager progress reports for the year. In addition, it was found that the sample of invoices and journals that had been coded to the fund in 2013-14 were relevant to the fund.

Audit Opinion

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

**YR HAFAN, PWLLHELI**  
**Economy and Community**

Purpose of the Audit

Ensure that appropriate arrangements are in place at Yr Hafan, in order to manage and mitigate risks in accordance with the Council's financial rules and other relevant procedures.

Scope of the Audit

To visit Yr Hafan and check that there are appropriate arrangements for the control of various risks. To review the main areas of expenditure and income as entered in the ledger for 2013/14 and 2014/15, as well as checking that adequate budgetary control and health and safety arrangements are in place.

Main Findings

The main findings of the audit were that there is good overall control at Yr Hafan. However, it was found that there is a need to tighten some basic procedures, namely checking the driving licences of staff annually, and to ensure that the appropriate dates are noted on the risk assessments.

Audit Opinion

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

- **Yr Hafan should list debts that can not be recovered by giving clear reasons, and the details should be sent to the Senior Accountant in the Finance Unit so that arrangements can be made to send the list to the Head of Finance or the Head of Finance and the Cabinet Member, in order to receive their authority as necessary.**
- **The Manager of Yr Hafan should receive copies of financial reports relating to Yr Hafan regularly.**
- **The driving licences of Yr Hafan staff should be checked annually and a copy retained, ensuring that only those whose licenses have been checked are authorised to drive Yr Hafan vehicles.**
- **The date on which the risk was last assessed should be noted as the 'assessment date' on the risk assessment, and the date in the future on which the risk should be reviewed should be noted against the 'review date'; that is, in one year or earlier if there is a change in the risk.**
- **Arrangements to sell the old hoist should proceed.**
- **Other staff should be trained on how to administer the direct debit payments so that someone else can complete the work of the Deputy Manager (Administration) when they are not at work, whether direct debit administration or reconciling and banking income.**

## **INDUSTRIAL AND TECHNOLOGY UNITS**

### **Economy and Community**

#### Purpose of the Audit

Ensure that appropriate arrangements are in place for the management and administration of industrial and technology units, in order to mitigate the risks in accordance with the Council's financial rules and other relevant procedures.

#### Scope of the Audit

Select a sample of industrial units and technology that have been let, for testing a range of internal controls. The audit also considered relevant committee reports, and documentation within the Business Support Service.

#### Main Findings

The main findings from the audit was that good arrangements are generally in place for letting out the units, income collection from units, monitoring of health and safety and the maintenance of the units. However, it was found that the total debt of the tenants of the units was approximately £55,000 on 22/09/14, but we found evidence that the Business Support Unit monitors the situation regularly and works with tenants to recover the debt.

#### Audit Opinion

**(A) The audit opinion is that assurance of financial propriety can be expressed in the administration of the Industrial and Technology Units as the controls in place can be relied upon and have been adhered to. Despite this, the Auditor would like to offer the following recommendations:**

- **The assessment sheet should be amended so that it contains a space for the person who has assessed the application to sign it.**
- **The same application assessment procedures should be established when letting out the units of Enterprise Centres, with each application being assessed by completing an assessment form to ensure consistency.**



**SHIFT ARRANGEMENTS AT RESIDENTIAL HOMES**  
**Adults, Health and Wellbeing**

Purpose of the Audit

Ensure that arrangements and procedures in place for the changes in shifts that have taken place in the residential homes.

Scope of the Audit

Check the budget and related documents to ensure that the process of changing the shift pattern has been successfully introduced in the homes.

Main Findings

Strong examples of good practice were found in the shift arrangements in Residential Homes. It was seen that communication and discussions take place regularly in the Homes and there are robust arrangements regarding the 12 hours shift rota. There are sound arrangements for receiving feedback from Staff and Residents on the new arrangements. However, it is necessary to monitor changes to the Homes budget regularly and complete contracts for staff working 12 hour shifts as a matter of priority.

Audit Opinion

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

- **Efforts should be made to complete the contracts of staff working 12 hour shifts as a matter of priority.**
- **There should be a risk register which includes new risks associated with changes to the 12-hour shifts. This should be updated on a regular basis if there is an intention to implement the arrangements at other Council Residential Homes.**

## LOOKED AFTER CHILDREN - EDUCATION AND HEALTH ASSESSMENTS

### Children and Family Support

#### Purpose of the Audit

Ensure that the education and health assessment arrangements of looked after children are in accordance with the instructions and rules of the Welsh Government "Towards a Stable Life and better future".

#### Scope of the Audit

Review that education and health assessments are completed in a timely manner and that they are shared with the relevant authorities for the benefit of the looked after children.

#### Main Findings

Examples of good practice were found within the LAC service, such as the practice of keeping an up to date register of looked after children in the county and out of county and the consistency of the Independent Reviewing Officers in undertaking regular reviews. However, there are some weaknesses such as inconsistencies in arranging the children's initial health and education assessments, and consideration should be given to following up on these earlier in the process.

#### Audit Opinion

**(B) The audit opinion is that partial assurance of financial propriety can be expressed in the education and health assessments of looked after children as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:**

- The details of doctors and dentists of looked after children should be updated correctly on Raise including the date of registration to comply with the requirements of the "Towards a Stable Life and a Brighter Future" guidelines.
- Every effort should be made to ensure that all looked after children receive a health assessment within 28 days of coming into care. The creation of a system for monitoring and following up assessments should be considered in order to comply with the requirements of the "Towards a Stable Life and a Brighter Future" guidelines.
- The forms that are used to complete health assessments should be consistent and include "part B" which confirms that a copy of the assessment has been sent to the child in care's doctor.
- There should be consistency in the information that is recorded on the historic health of looked after children. Any blank section of the form should be filled to confirm whether it is relevant or not.
- Arrangements to destroy / keep documentation should be constant in each area; consideration should be given to following the procedures in place in Arfon.
- Consideration should be given to following up on the Personal Education Plans earlier, to ensure that they are completed within 20 days of the child's placement.
- Instruction should be given to the schools to complete the PEP forms consistently, including adding "not applicable" instead of leaving blank spaces
- Consideration should be given to adding information that is specific to looked after children on the Council's website, including colorful links to highlight other services that are available that are attractive for children.

**COLLABORATION - ROAD SAFETY PARTNERSHIP**  
**Regulatory**

Purpose of the Audit

The purpose of the audit was to ensure that the strategic focus of the Road Safety Partnership is making the best value of the resources available and that the revenue grant funding for road safety is being administered appropriately and in accordance with the terms and conditions of the grant.

Scope of the Audit

The audit encompasses checking the Partnership's governance arrangements as well as procedures for administering the road safety revenue grant for 2014-15 and 2013-14 where relevant.

Main Findings

Since the Government's priorities are set out in the 'Road Safety Framework for Wales' (July 2013), the successful bids by Authorities tend to be for projects that have been aimed at the vulnerable groups identified in the framework. As a result, it was seen that the role of the Partnership in setting direction has diminished but that the sharing of information and expertise between members of the Partnership remains an important and useful function. Gwynedd Council has successfully secured a £92,000 grant towards road safety revenue projects in 2014-15, and it was seen that it is being administered properly.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in the administrative arrangements of the Road Safety Partnership as the controls in place can be relied upon and have been adhered to.**

## GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	17 FEBRUARY 2015
TITLE	DISCLOSURE ARRANGEMENTS – AWARENESS OF THE WHISTLE BLOWING POLICY
PURPOSE OF THE REPORT	TO INFORM THE AUDIT COMMITTEE OF THE RESULTS OF THE SURVEY OF STAFF AWARENESS AND THEIR ATTITUDE TOWARDS THE COUNCIL'S WHISTLE BLOWING POLICY
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	TO ACCEPT THE REPORT, GIVE COMMENTS ON THE CONTENT AND CONSIDER THE IMPLEMENTATION STEPS OUTLINED IN PART 1 OF THE REPORT

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

1.1 To undertake its role as 'those responsible for governance', the Audit Committee needs to:

- **Consider the contents of this report and come to a conclusion on the quality and robustness of the Council's Whistle Blowing arrangements on the basis of the results of the staff questionnaire**
- **Make recommendations to strengthen the arrangements further**
- **Consider whether any message should be relayed to all Council staff on behalf of the Audit Committee based on the results of the questionnaire.**

### **2 BACKGROUND**

- 2.1 The Whistle Blowing policy was drawn up with the intention of encouraging employees to come forward to talk about any serious concerns they had of any malpractice in order to protect the public and staff and the Council's reputation and maintain the confidence of the public. The policy intends to encourage and enable employees to share serious concerns internally rather than choosing to attempt to resolve things externally.
- 2.2 The policy is relevant to all Council staff and contractors that undertake work for the Council on Council property, such as agency workers or builders, suppliers and those who provide services under contract for the Council on their own premises, such as care homes.
- 2.3 The legal framework that protects individuals who 'blow the whistle' is set-out in the Public Interest Disclosure Act 1998 (PIDA). PIDA is acknowledged as a benchmark for 'whistle blowing' in the public interest. The Act came into force in July 1999.
- 2.4 Employees who share concerns in good faith regarding cases of malpractice are protected from prosecution and from dismissal under the Public Interest Disclosure Act 1998.

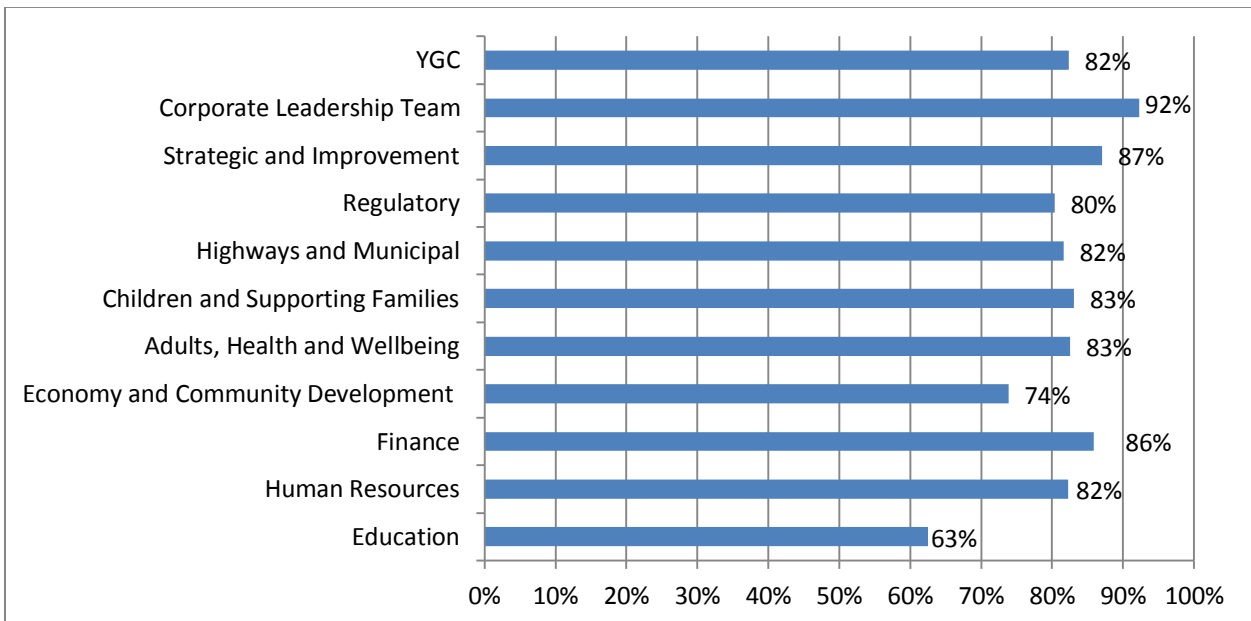
**3. THE PURPOSE AND SCOPE OF THE AUDIT**

- 3.1 The purpose of the audit was to undertake a survey of the awareness of Gwynedd Council staff of the Council’s Disclosure and Whistle Blowing Policy, along with ascertaining the general opinion of Council employees regarding the whistle blowing policy and arrangements by using a specific questionnaire.
- 3.2 A similar questionnaire was circulated by Internal Audit to staff of the main Council offices in 2010 and the further work in 2014 was an opportunity to compare the results of the two exercises to ascertain whether there had been progress in staff awareness of the policy and whether they were more willing to whistle blow since 2010.
- 3.3 Two e-mails were sent to approximately 2200 employees asking and reminding them to complete the questionnaire. 705 (32%) employees participated in the survey.
- 3.4 **As this was an on-line questionnaire, this time it was restricted to office staff only. In 2015/16, it is proposed to undertake a similar exercise with manual workers.**
- 3.5 The questionnaire also sought to discover any concerns that staff have regarding using the Policy and how much confidence they have in the procedure.

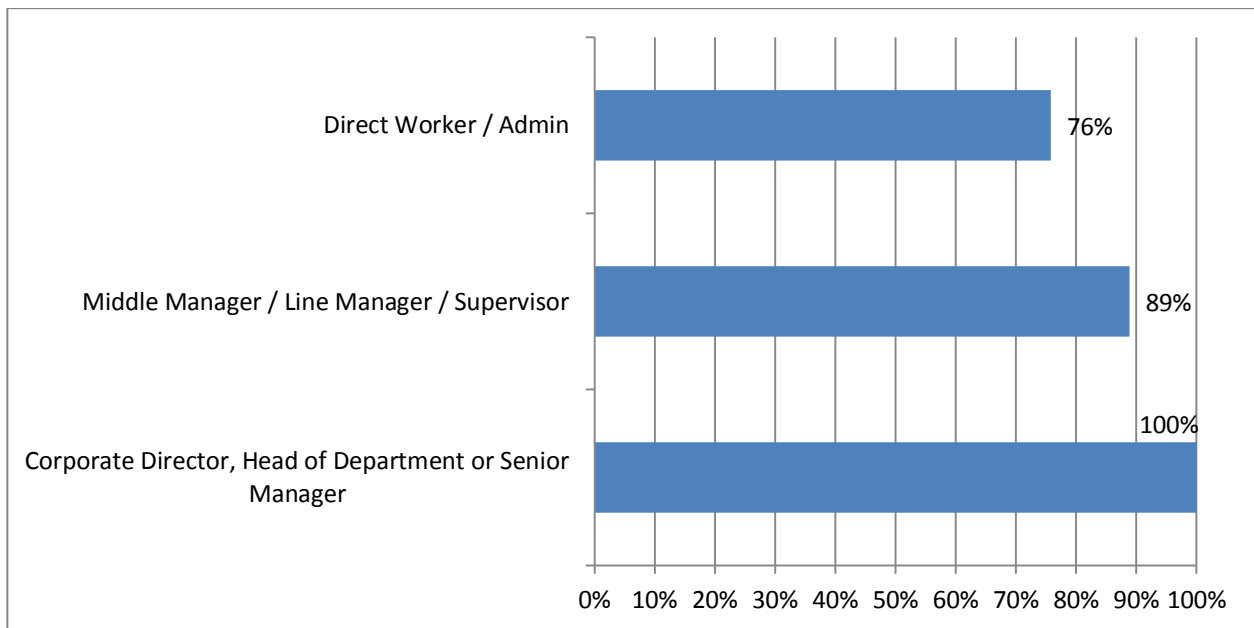
**4. OBJECTIVE 01: THAT THERE ARE APPROPRIATE ARRANGEMENTS TO ENSURE THAT THE COUNCIL’S EMPLOYEES ARE AWARE OF THE WHISTLE BLOWING POLICY.**

**Awareness**

- 4.1 In 2003, only 30% of a sample of 200 staff members who had been questioned were aware that Gwynedd Council had a Whistle Blowing policy. By 2010, this percentage had increased substantially to 79.6% (of a sample of 740).
- 4.2 Now, it is shown that **81%** of staff, from a sample of 705, are aware that the Council has a Whistle Blowing Policy. The tables below show an analysis of the results per Department and per staff category.



**Figure 1: Awareness of the Whistle Blowing Policy per Department**



**Figure 2: Awareness of the Whistle Blowing Policy per staff category**

**4.3 It was seen that:**

- Awareness of the policy was high amongst Senior Management but decreased when moving towards Direct Workers
- There was a great variation between Council departments. The Education Department had the lowest figure, which was 63%. Schools had not been a part of this survey as they followed policies that had been adopted for their own use through their governing bodies but it is expected that support is available to school staff from officers of the Education Department if the need were to arise.
- 13% of those who were not aware of the policy would have disclosed concerns regarding malpractice in the workplace if they had been aware of the Whistle Blowing arrangements. This reinforces the need to raise awareness even further.

## The Method of Promoting the Policy

4.4 The Whistle Blowing policy is promoted in a number of different ways by the Council. The questionnaire asked how (with the option to select more than one method), the employees had become aware of the policy. An analysis of the results below shows:

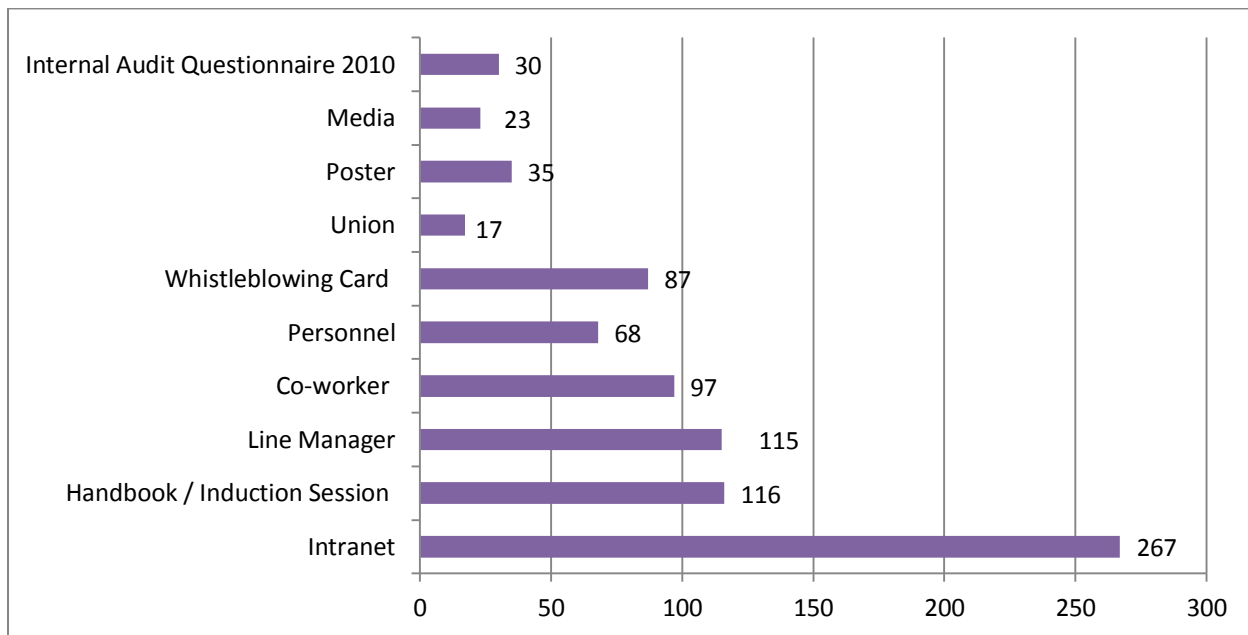


Figure 3: Methods by which the employees had become aware of the policy

4.5 In addition to these options, there was an opportunity for staff to add other methods. Common answers were: awareness of the policy by virtue of their posts, word of mouth, team meetings or by means of a letter appointing them to their posts. The above results show the importance of the Intranet, but on the other hand, a number of employees expressed that it was not easy to find the policies on it.

### Whistle Blowing Card

4.6 In 2009, a comprehensive campaign was held to raise awareness of the policy by sharing whistle blowing contact cards. This means that every Council employee should have received a card (the size of a bank card), which notes on it the Whistle Blowing telephone number, e-mail address and postal address, in order to encourage anyone to 'blow the whistle' should the need arise. This card should have been included as part of an induction pack for all new employees joining the Council.

4.7 The employees were asked directly in the questionnaire whether or not they had received the card. It was found that only **21.7%** of those aware of the policy had stated that they had received the card, which is **less than the 2010 figure (25.5%)**.

5. **OBJECTIVE 02: THAT COUNCIL EMPLOYEES ARE PREPARED TO USE THE POLICY SHOULD THE NEED ARISE.**

Confidence in the System

5.1 In order for Council employees to be confident enough to follow the policy guidelines, the content must be of a high standard. A review was undertaken of the Council’s Whistle Blowing arrangements during May 2014 by the Wales Audit Office. The review included the policy, the Council’s commitment, how the Council had gone about implementing the policy, education and training, awareness, case-load and the policy in action.

5.2 It was expressed that in general, the policy was good and recommendations were submitted to strengthen it. The policy is currently being reviewed.

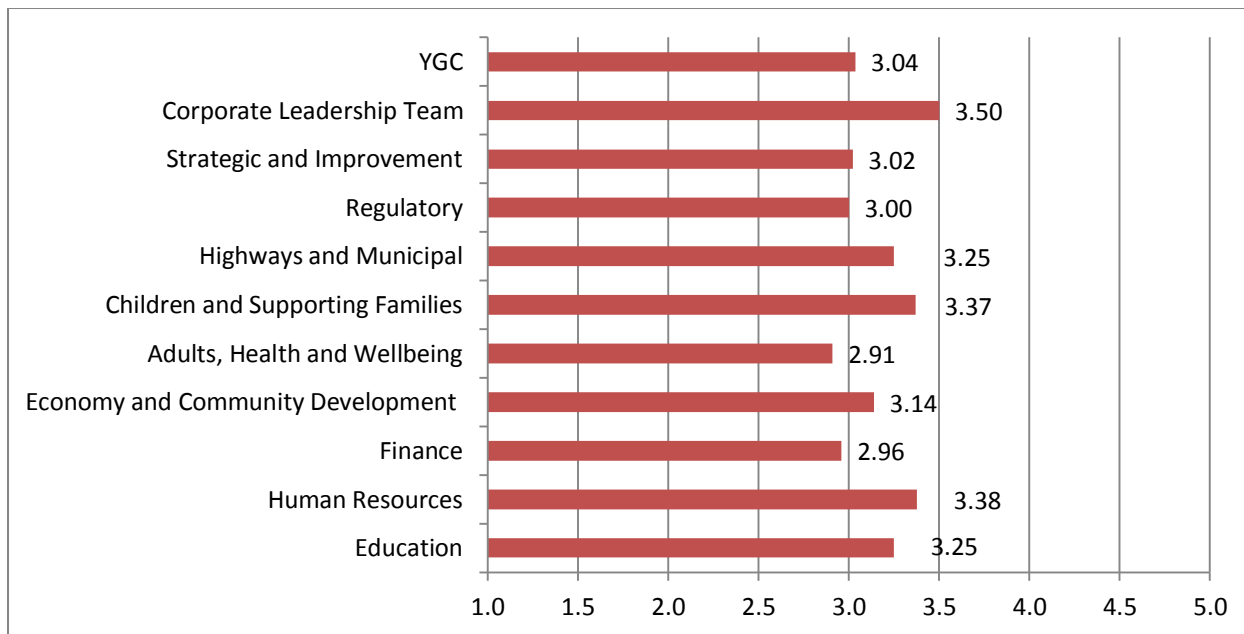
5.3 In the 2010 questionnaire, the Council’s employees were asked to give their views on the current arrangements for whistle blowing by giving it a score of between 1 and 5 (1 being weak and 5 being excellent). **The average score in 2010 was 2.9 out of 5.** For the 2014 questionnaire, the wording of the question was changed to ask for the confidence levels of employees in the procedure, where 1 indicated ‘no confidence’ and 5 indicated ‘complete confidence’. This followed observations of a lack of confidence in the procedure in the 2010 questionnaire. **The average score in 2014 was 3.09,** which showed that in general, Council employees had confidence in the procedure, although they were not completely confident.

5.4 The table below shows the range of responses to this question:

Score	1	2	3	4	5
<b>Number of responses</b>	45	83	259	137	46
<b>Percentage</b>	8%	15%	45%	24%	8%

**Table 1: Staff Confidence in the Arrangements**

5.5 Below is an analysis of this statistic per Department and per Staff Category:



**Figure 4: Analysis of employee confidence levels in the whistle blowing procedure per Department**



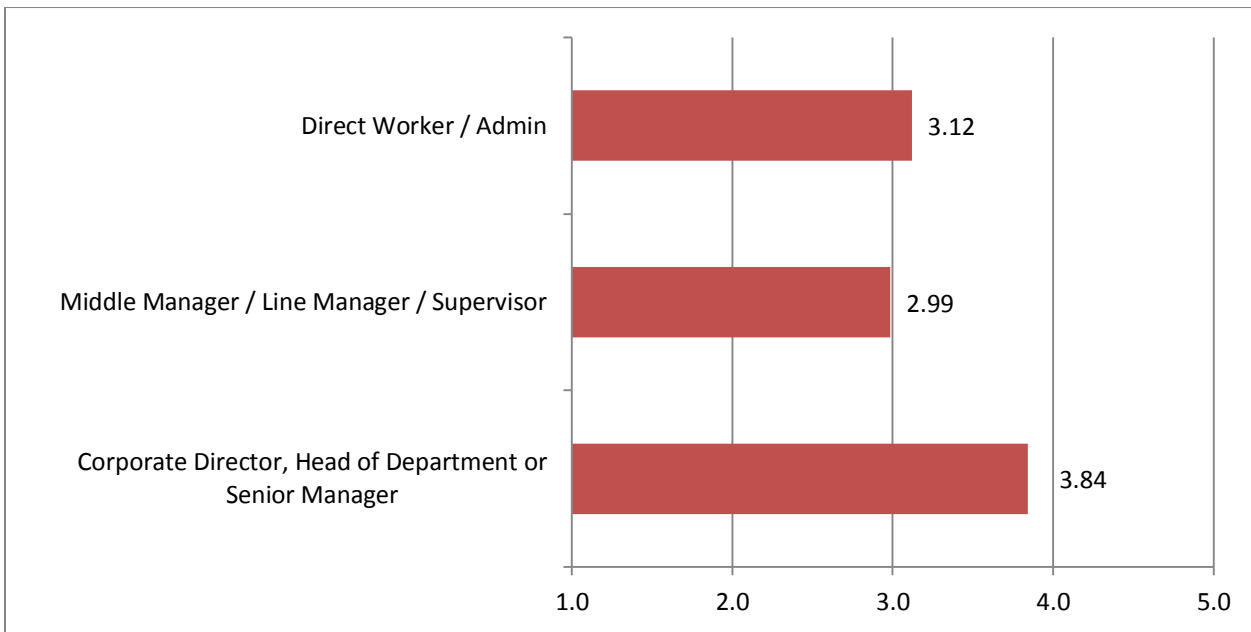


Figure 5: Analysis of employee confidence levels in the whistle blowing procedure per staff category

5.6 Only the Finance Department and the Adults, Health and Well-being Department have given an average score of less than 3, whilst every other Department has given an average score of between 3 and 3.5. It also shows that Middle Management has the least confidence in the arrangements, which is different to what was seen in the 2010 report.

Implementing the Policy

5.7 Only 22 individuals of those who had completed the questionnaire stated that they had been a whistle blower and 10 of them expressed that they were happy with the manner in which the matter had been dealt with. Of the 22 cases – according to those who had responded – six cases had been resolved, 10 had been partially resolved and six had not been resolved at all. However, this is the opinion of the individuals who were the whistle blowers and their responses could stem from a result that was unsatisfactory in their views.

Whistle Blowing in the Future

5.8 The questionnaire listed examples of circumstances (taken from the policy) when employees should become whistle blowers 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 whistle blowing policy? There was an option to choose any number of these examples.

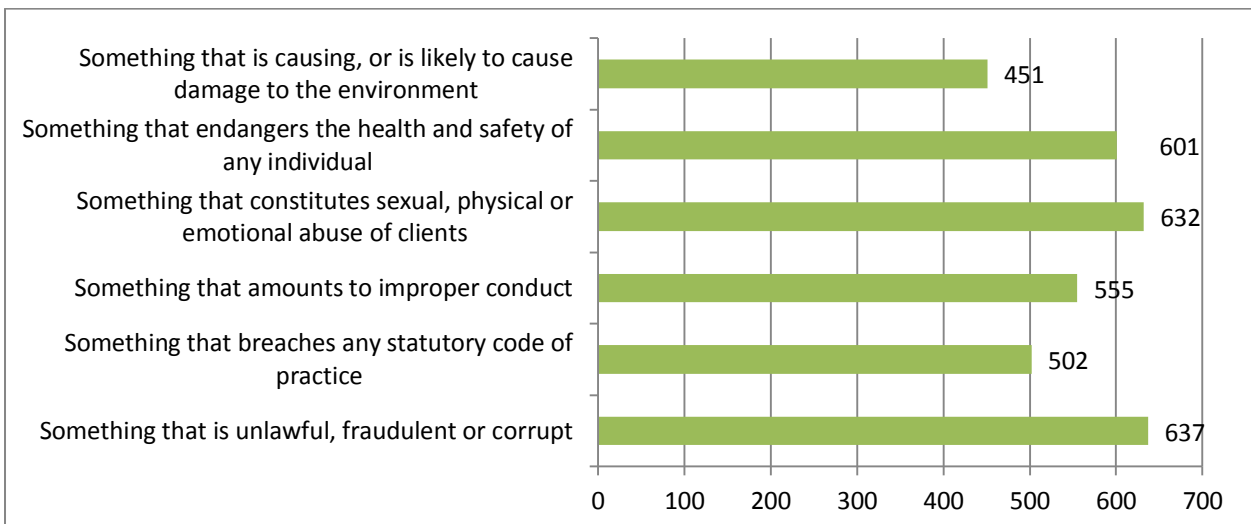


Figure 6: Number of employees who would whistle blow under certain circumstances

5.9 When the responses to the questionnaire were analysed, a score was allocated for 'willingness of employee to become a whistle blower' for every Department and staff category. The score is based on how many of the six examples above, on average, would the responder be willing to blow the whistle about. An analysis of the results is shown below:

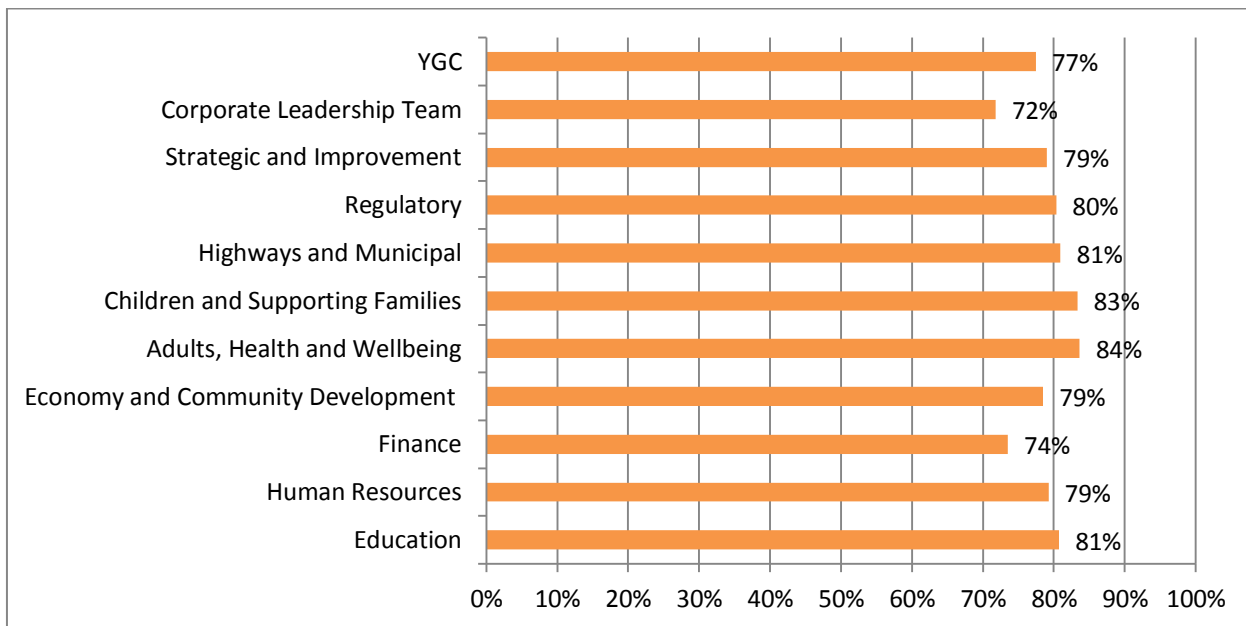


Figure 7: Analysis of the willingness of employees to whistle blow, per Department

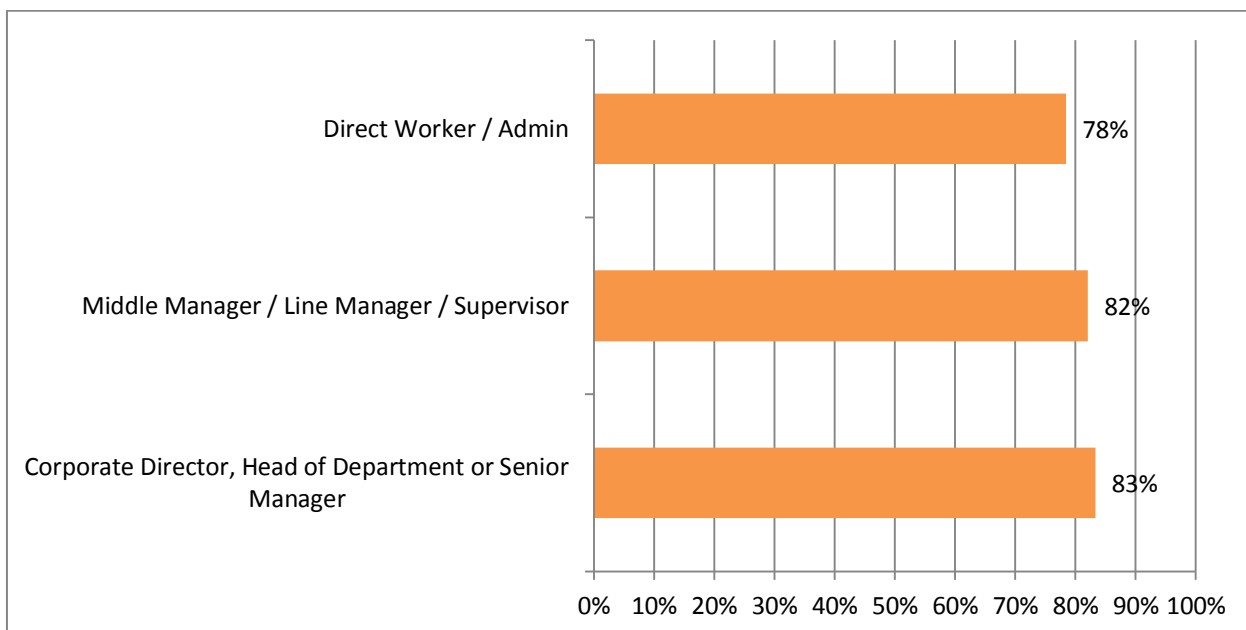


Figure 8: Analysis of the willingness of employees to whistle blow, per staff category

5.10 On average, the tables above show that Council employees feel that they would blow the whistle in **79.9%** of cases. Only 64% of employees would blow the whistle if they discovered anything that would damage the environment but 89.6% would blow the whistle if they discovered anything that was equivalent to either sexual or physical or emotional abuse of clients. On the other hand, this does mean that one out of ten Council employees who had responded to the questionnaire would not blow the whistle if they discovered sexual, physical or emotional abuse of clients.

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

*“Uncertainty as to what would constitute an action that would meet the set out criteria.”*

*“...having a negative effect on my career or making my work life more difficult.”*

*“No faith in the system”*

*“Nothing would be done!”*

*“Because EVERYONE is aware that the person who blows the whistle is worse off because of it ... there is no protection. This is highlighted time after time in the news etc.”*

*““Because I have no faith in the system. Things have been mentioned from co-workers to staff and it’s all been swept under the carpet and left to continue. No point whistleblowing if there’s no-one going to take any notice”.*

*“I’ve been brought up, like everyone else, not to carry tales, therefore it would have to be something major for me to go against this.”*

5.12 Several observations suggested that concerns have been raised in the past which have not been addressed by Senior Management and whistle blowing has led to the initial whistle blower suffering much more than the individual who was the wrong-doer. Lack of confidentiality also prevents employees from presenting their concerns.

**5.13 In view of the above observations, I believe that there is room for Internal Audit and the Audit Committee to undertake further work to examine some of the Council’s procedures in order to look further into the concerns/allegations made. I have already discussed this with the Chief Executive, the Head of Human Resources Department and the Senior Manager, Human Resources.**

#### Ideas on Raising Awareness of the Policy

5.14 The last question of the questionnaire asked for the employees’ opinion on ways to raise awareness of the Council’s policies in general. The large number of responses to this optional question was proof that Council employees believed that whistle blowing was important. Below are examples of proposals on how to raise awareness of the policy:

- Facilitate access to the policies via the Intranet (including promoting the ‘Policy of the Month’)
- Raise awareness by printing guidelines on the back of payslips
- Discuss whistle blowing in the annual appraisal sessions
- Training

## 6. CONCLUSIONS

6.1 The results of the survey suggests that:

- **There has been a small increase in the awareness of Council employees of the Whistle Blowing Policy since the similar previous audit in 2010.**
- **Only 21.7% of employees expressed that they had received a Whistle Blowing contact card but the actual percentage may be higher because the cards were distributed to employees some time ago.**
- **It was seen that the best method of promoting the policy amongst Council employees was via the Intranet but it was suggested several times that the policy was much too difficult to find there.**
- **A few employees shared their experience of using the policy, and unfortunately, they were not encouraging. The employees' confidence in the arrangements cannot be nurtured whilst cases like this arise.**
- **A large percentage of the employees stated that they would be prepared to whistle blow in the future should the circumstances arise, but according to the observations, this would not be an easy decision for them.**

6.2 The report included the following recommendations:

*Recommendation A01: To consider redistributing the whistleblowing contact cards.*

*Recommendation A02: The concerns outlined by the employees should be raised at the meetings of the Managers' College.*

*Recommendation A03: To attempt to reduce staff's concerns regarding whistle blowing and attempt to gain their confidence in the arrangements.*

**GWYNEDD COUNCIL**

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>17 FEBRUARY 2015</b>
TITLE	<b>INTERNAL AUDIT PLAN 2014/15</b>
PURPOSE	<b>TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2014/15 INTERNAL AUDIT PLAN</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER REVENUES &amp; RISK</b>
ACTION	<b>FOR INFORMATION</b>

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**1. INTRODUCTION**

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

**2. SUMMARY OF PROGRESS AGAINST THE PLAN**

2.1 The 2014/15 internal audit plan is included in the appendix with the status of the work as at 31 January 2015 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

<b>Audit Status</b>	<b>Number</b>
Planned	12
Field Work Started	19
Field Work Completed	2
Manager Review	4
Draft Report Issued	3
Final Report Issued	48
Audit Closed	2
Total	<u>90</u>

Cancelled 12

2.2 The performance target for 2014/15 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2015.

2.3 As seen from the table above, Internal Audit's actual achievement up to 31 January was **55.6%** - out of **90** individual audits contained in the 2014/15 revised plan, **48** had been released in a finalised version, and 2 had been closed.

2.4 It can also be seen that work has at least started on 78 out of the 90 audits, which is 86.7%. Although reaching the target of 95% now appears unlikely, every effort is being made to reach as close as possible to the ambition.

### 3. AMENDMENTS TO THE PLAN

- 3.1 I reported to the Committee at its meeting on 18 December 2014 that Internal Audit's efficiency savings plan would mean that the contracts of three temporarily staff would not be renewed after 31 March 2015. At that time, one of those officers already had been offered a job outside Internal Audit; the other two temporary auditors have now also been successful in their efforts to find alternative employment.
- 3.2 As there is no point looking for officers to fill temporary gaps - such individuals would not be available anyway - I recommend modifying the audit plan for the rest of 2014/15 to reflect the reality of the staff resources available. These are not vacant posts, but posts that have been removed from the structure earlier than the planned date of 31 March 2015. The result is that there are 120 fewer days of audit resources available than had been planned for at the beginning of the year.
- 3.3 In addition to the reduction in resources described above, I have received a request from North and Mid Wales Trunk Road Agency to carry out specific audits in their area of work, starting from the middle of February. I calculate that this will use 35 audit days, and the audit plan needs to be modified to reflect this.
- 3.4 In order to reflect these changes, I recommend the following amendments to the 2014/15 Audit Plan:

**Table 1: Audits removed from the plan:**

Title	Reasons and Obligations	Effect (days)
GwE ( <i>Education</i> )	The purpose of this audit was to review compliance with the "new model". Since GwE is not aiming to work to this model until September 2015, this audit will take place in 2015/16.	-20
School Catering ( <i>Education</i> )	Work had not started on this audit, and because audit resources have been cut, it will be scheduled for 2015/16.	-20
Telecare ( <i>Adults, Health and Wellbeing</i> )	It would not have been an appropriate use of resources to carry out this audit in 2014/15 as a system review is taking place within the service.	-15
Independent Living Fund ( <i>Adults, Health and Wellbeing</i> )	The area is also subject to the system review. However, a change in the arrangements for the fund is a major Council risk, and will be prioritised in 2015/16.	-20
Communication with Schools ( <i>Education</i> )	In the opinion of Internal Audit, the audit could move to 2015/16 without an adverse impact on the risks.	-10
Special Educational Needs Joint Committee ( <i>Education</i> )	As the audit had not started, it will be moved to the early months of 2015/16.	-20
Potential Scheme ( <i>Economy and Community</i> )	The scheme has now come to an end. It was therefore considered that work on this area would not be a good use of audit resources.	-25
Council Tax System – iPortal ( <i>Finance / Adults, Health and Wellbeing</i> )	The iPortal system (or iConnect as it is now called) has not been introduced yet, so there was nothing to audit. An audit is expected in 2015/16.	-10
Sailing Academy ( <i>Economy and Community</i> )	This audit was moved to 2015/16 due to the cut in Internal Audit resources. It will be undertaken early in the year.	-15

**Table 2: Audit added to the plan:**

Title	Reasons	Effect (days)
North and Mid Wales Trunk Roads Agency ( <i>North and Mid Wales Trunk Roads Agency</i> )	Additional work at the request of the Trunk Roads Agency	+35

**4. RECOMMENDATION**

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



# Internal Audit Plan 2014/15

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
<b>CORPORATE</b>						
1-CORFF-07/2015	Jobs System - security and accuracy	25.00	0.00	25.00	5.96	Planned
1-CORFF-08/2015ffon	Mobile Phones	30.00	0.00	30.00	17.72	Field Work Started
1-CORFF-08/2015tech	Use of Technology - Value for Money review	25.00	0.00	25.00	3.96	Planned
1-CORFF-09/2015hyff	Exemptions from the corporate training arrangements	15.00	0.00	15.00	12.99	Field Work Started
1-CORFF-09/2015ol	The Succession Plan and Workforce Planning	15.00	0.00	15.00	5.11	Final Report Issued
1-CORFF-11/2015	Protection Arrangements	20.00	0.00	20.00	12.03	Planned
1-CORFF-12/2015	Disclosure Arrangements - Awareness of the Whistleblowing Policy	15.00	0.00	15.00	12.47	Final Report Issued
1-CORFF-14/2015cof	Staff Protection Register	10.00	0.00	10.00	3.07	Final Report Issued
1-CORFF-14/2015unig	Health and Safety - Lone Working	10.00	0.00	10.00	10.16	Field Work Started
1-CORFF-18/2015	Review of State Aid	6.00	0.00	6.00	3.68	Closed
1-CPGV-01/2015a	Protocol for Member-Officer Relations	10.00	0.00	10.00	9.97	Draft Report Issued
1-CPGV-01/2015ags	Contribution to preparation of the Annual Governance Statements	5.00	0.00	5.00	5.69	Final Report Issued
1-CPGV-01/2015f	Corporate Governance - Implementing Committee Decisions	15.00	0.00	15.00	10.42	Field Work Complete
1-CPGV-02/2015	Proactive Anti-Fraud and Anti-Corruption Work	40.00	0.00	40.00	4.97	Planned
2ADN-ADY-SAL/2015	Sickness Arrangements - Referrals to Occupational Health	20.00	0.00	20.00	21.09	Final Report Issued
AO-ARL-05/2015	NFI (National Fraud Initiative)	30.00	0.00	30.00	30.31	Field Work Started
BB-YSG-10/2015	Officers Gifts and Hospitality	20.00	0.00	20.00	18.85	Final Report Issued
<b>Emergency Planning</b>						
BC-PER-01/2015tyw	Inclement Weather Plan	10.00	0.00	10.00	11.15	Final Report Issued
<b>EDUCATION</b>						
<b>Resources</b>						
4-DAT-X-ADD/2015gad	Pupil Deprivation Grant	8.00	-1.00	7.00	12.57	Final Report Issued
4-DAT-X-ADD/2015ol16	Post-16 Provision in Schools Grant	15.00	0.00	15.00	3.11	Planned
4-DAT-X-ADD/2015pres	Consortia School Attendance Grant	0.00	1.00	1.00	0.41	Planned
4-DAT-X-ADD/2015syl	Foundation Stage Revenue Grant	8.00	0.00	8.00	7.55	Final Report Issued



<b>Audit Code</b>	<b>Audit Name</b>	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EADDA02/2015	ICT in Secondary Schools	20.00	0.00	<b>20.00</b>	<b>10.84</b>	Field Work Started
EADDA03/2015	Communication with Schools	10.00	0.00	<b>10.00</b>	<b>3.23</b>	Cancelled
EADDY-01/2015	Special Educational Needs Joint Committee	20.00	0.00	<b>20.00</b>	<b>4.18</b>	Cancelled
<b>Across the department</b>						
EADDA06/2015hlon	New Hafod Lon School	15.00	-15.00	<b>0.00</b>		Cancelled
<b>Catering</b>						
M-GMG-A04/2015	School Catering	20.00	0.00	<b>20.00</b>		Cancelled
<b>GwE</b>						
4-GWE/2015	GwE	20.00	0.00	<b>20.00</b>		Cancelled
<b>Schools</b>						
EADDAYC/2015a	Primary Schools - Workforce Modelling	20.00	0.00	<b>20.00</b>	<b>1.46</b>	Planned
EADDAYC/2015c	Secondary Schools - Governance	20.00	0.00	<b>20.00</b>	<b>21.09</b>	Final Report Issued
<b>NORTH AND MID WALES TRUNK ROAD AGENCY</b>						
3-AMG-ACGC/2015	North and Mid Wales Trunk Roads Agency	0.00	35.00	<b>35.00</b>		Planned
<b>FINANCE</b>						
<b>Audit and Risk</b>						
AM-YS-03/2015	Risk Management Arrangements	20.00	0.00	<b>20.00</b>	<b>0.27</b>	Planned
<b>Financial</b>						
AD-DY-01/2015kc	Debtors System - Review of Key Controls	8.00	0.00	<b>8.00</b>	<b>15.32</b>	Draft Report Issued
AE-TAL-01/2015kc	Payments System - Review of Key Controls	12.00	0.00	<b>12.00</b>	<b>10.09</b>	Field Work Started
AE-TAL-01/2015kcx	Payments System - Closure 2013-14	5.00	0.00	<b>5.00</b>	<b>12.16</b>	Final Report Issued
<b>Investment and Treasury Management</b>						
AN-ACY-05/2015	Treasury Management	20.00	0.00	<b>20.00</b>	<b>18.00</b>	Final Report Issued
<b>Accountancy</b>						
AN-ACY-01/2015	CHAPS Payments	10.00	0.00	<b>10.00</b>	<b>10.88</b>	Final Report Issued
AN-ACY-02/2015asd	Fixed Asset Register (Vehicles)	0.00	10.00	<b>10.00</b>	<b>12.05</b>	Field Work Complete
AN-ACY-02/2015kc	Main Accounting System - Review of Key Controls	10.00	0.00	<b>10.00</b>	<b>15.07</b>	Final Report Issued
AN-ACY-13/2015kc	Bank Reconciliation - Review of Key Controls	10.00	0.00	<b>10.00</b>	<b>7.77</b>	Field Work Started
AN-ACY-13/2015kcx	Bank Reconciliation - Closure 2013-14	5.00	5.00	<b>10.00</b>	<b>10.59</b>	Final Report Issued

<b>Audit Code</b>	<b>Audit Name</b>	<b>Original Plan</b>	<b>Adjustment</b>	<b>Revised Plan</b>	<b>Actual Days</b>	<b>Audit Status</b>
<b>Pensions and Payroll</b>						
AL-CYF-01/2015kc	Payroll System - Review of Key Controls	15.00	0.00	<b>15.00</b>	<b>9.28</b>	Field Work Started
AL-CYF-01/2015kcx	Payroll System - Closure 2013-14	5.00	0.00	<b>5.00</b>	<b>6.18</b>	Final Report Issued
AL-CYF-01/2015mj	Payroll - Multiple Jobs	25.00	0.00	<b>25.00</b>	<b>10.55</b>	Field Work Started
AP-PEN-01/2015kc	Gwynedd Pension Fund - Review of Key Controls	12.00	0.00	<b>12.00</b>	<b>9.58</b>	Field Work Started
AP-PEN-01/2015kcx	Gwynedd Pension Fund - Closure 2013-14	5.00	0.00	<b>5.00</b>	<b>7.07</b>	Final Report Issued
<b>Revenue</b>						
AB-BD-01/2015kc	Benefits System - Review of Key Controls	15.00	0.00	<b>15.00</b>	<b>0.95</b>	Planned
AB-BD-01/2015kcx	Benefits System - Closure 2013-14	5.00	0.00	<b>5.00</b>	<b>5.00</b>	Final Report Issued
AC-TR-01/2015ipo	Council Tax System - iPortal	10.00	0.00	<b>10.00</b>	<b>1.16</b>	Cancelled
AC-TR-01/2015kc	Council Tax System - Review of Key Controls	8.00	0.00	<b>8.00</b>	<b>6.42</b>	Field Work Started
AC-TR-01/2015kcx	Council Tax System - Closure 2013-14	5.00	0.00	<b>5.00</b>	<b>4.99</b>	Final Report Issued
AC-TR-11/2015kc	NNDR System - Review of Key Controls	8.00	0.00	<b>8.00</b>	<b>7.19</b>	Field Work Started
AC-TR-11/2015kcx	NNDR System - Closure 2013-14	2.00	0.00	<b>2.00</b>	<b>2.18</b>	Final Report Issued
<b>Information Technology</b>						
AW-TG-08/2015	IT - Backups and Service Continuity	10.00	0.00	<b>10.00</b>	<b>6.14</b>	Field Work Started
AW-TG-09/2015	Network Convergence	20.00	-15.00	<b>5.00</b>	<b>3.15</b>	Field Work Started
AW-TG-12/2015	IT Systems	20.00	0.00	<b>20.00</b>		Planned
<b>ECONOMY AND COMMUNITY</b>						
<b>Community Regeneration</b>						
BE-POL-10/2015pot	Potential Scheme	25.00	0.00	<b>25.00</b>	<b>3.04</b>	Cancelled
EADDZ-01/2015	Welsh Church Fund	0.00	15.00	<b>15.00</b>	<b>10.81</b>	Final Report Issued
T-TAI-C04/2015	Communities First - The New Scheme	20.00	0.00	<b>20.00</b>	<b>27.80</b>	Final Report Issued
<b>Record offices, museums and the arts</b>						
EDIW-MU-03/2015	Gwynedd Museum and Gallery	15.00	0.00	<b>15.00</b>	<b>20.05</b>	Draft Report Issued
<b>Leisure</b>						
E-DGO-01/2015	Leisure Centres	30.00	0.00	<b>30.00</b>	<b>44.16</b>	Final Report Issued
<b>Maritime and country parks</b>						
EHAMM-01/2015	Yr Hafan, Pwllheli	10.00	0.00	<b>10.00</b>	<b>16.21</b>	Final Report Issued
EHAMT-01/2015	Beaches	10.00	0.00	<b>10.00</b>	<b>10.97</b>	Final Report Issued

<b>Audit Code</b>	<b>Audit Name</b>	<b>Original Plan</b>	<b>Adjustment</b>	<b>Revised Plan</b>	<b>Actual Days</b>	<b>Audit Status</b>
<b>Major Projects</b>						
DDAT-AH-01/2015	Sailing Academy	15.00	0.00	<b>15.00</b>	<b>1.24</b>	Cancelled
<b>Strategy and development Programmes</b>						
4-DAT-X-GRANT/2015h	Youth Service - Training Grant	8.00	0.00	<b>8.00</b>	<b>6.69</b>	Final Report Issued
4-DAT-X-GRANT/2015r	Youth Service - Revenue Grant	8.00	0.00	<b>8.00</b>	<b>7.70</b>	Final Report Issued
<b>Tourism, marketing and customer care</b>						
DDAT-BS-02/2015	Industrial and Technology Units	20.00	0.00	<b>20.00</b>	<b>22.33</b>	Final Report Issued
<b>ADULTS, HEALTH AND WELLBEING</b>						
<b>Across the department</b>						
GTG-SYS01/2015	Social Services Information System	20.00	0.00	<b>20.00</b>	<b>8.04</b>	Field Work Started
<b>Supporting People</b>						
GDAPR-SP01/2015	Supporting People	15.00	-15.00	<b>0.00</b>	<b>0.74</b>	Cancelled
<b>Customer Contact</b>						
BD-PW-02/2015	Galw Gwynedd	20.00	0.00	<b>20.00</b>	<b>12.07</b>	Field Work Started
<b>Homelessness and Supported Housing</b>						
T-TAI-D01/2015	Homelessness	25.00	0.00	<b>25.00</b>	<b>24.47</b>	Final Report Issued
T-TAI-G11/2015	Extra Care Housing	10.00	-10.00	<b>0.00</b>	<b>4.66</b>	Cancelled
<b>Adults</b>						
GGWAS-C01/2015	Independent Living Fund	15.00	0.00	<b>15.00</b>	<b>3.07</b>	Cancelled
GGWAS-H07/2015tel	Telecare	20.00	0.00	<b>20.00</b>	<b>7.90</b>	Cancelled
<b>Residential and Day</b>						
5-GOF-CART/2015c	Shift arrangements at Residential Homes	10.00	0.00	<b>10.00</b>	<b>17.13</b>	Final Report Issued
5-GOF-CART1333/2015	Plas Maesincla, Caernarfon	12.00	0.00	<b>12.00</b>	<b>13.85</b>	Final Report Issued
5-GOF-CART1339/2015	Plas Ogwen, Bethesda	12.00	0.00	<b>12.00</b>	<b>15.71</b>	Final Report Issued
GDAPR-H01/2015	Personal Monies of Home Residents	25.00	0.00	<b>25.00</b>	<b>22.78</b>	Manager Review
<b>CHILDREN AND FAMILY SUPPORT</b>						
<b>Children and Families</b>						
5-GOF-X-PL/2015ddg	Flying Start Revenue grant	10.00	0.00	<b>10.00</b>	<b>14.49</b>	Manager Review
5-GOF-X-PL/2015tay	Out of School Childcare Grant	8.00	0.00	<b>8.00</b>	<b>7.95</b>	Final Report Issued

<b>Audit Code</b>	<b>Audit Name</b>	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
BE-POL-11/2015tyg	Families First Grant	10.00	0.00	10.00	12.67	Final Report Issued
GCC-05/2015	Collaboration with the Health Board	30.00	0.00	30.00	38.38	Manager Review
GGWAS-P06/2015	Children's Services - Commissioning of Care	16.00	0.00	16.00	22.30	Manager Review
GGWAS-PLANT8/2015	Looked After Children - Education and Health Assessments	15.00	0.00	15.00	27.68	Final Report Issued
<b>HIGHWAYS AND MUNICIPAL</b>						
<b>Fleet</b>						
PGW-TR-02/2015	Depots and Workshops - Stock Control	10.00	0.00	10.00	5.04	Field Work Started
PPR-GW03/2015	Fleet Management	20.00	0.00	20.00	7.23	Closed
<b>Municipal Works</b>						
M-GMG-C01/2015	Playgrounds	15.00	0.00	15.00	8.90	Final Report Issued
<b>Waste Management and Streetscene</b>						
PBW-03/2015cyt	Waste Disposal Contracts	15.00	0.00	15.00	15.84	Final Report Issued
PBW-03/2015gr	Sustainable Waste Management Grant	25.00	-15.00	10.00	11.38	Final Report Issued
PBW-10/2015saf	Safety at Recycling Centres	20.00	0.00	20.00	6.97	Final Report Issued
<b>REGULATORY</b>						
<b>Environment</b>						
3-AMG-GWLAD/2015llw	Public Footpaths and Recreational Routes	15.00	0.00	15.00	14.89	Final Report Issued
<b>Planning</b>						
BE-POL-19/2015	Joint Planning Policy Committee	10.00	0.00	10.00	13.39	Final Report Issued
DCYN-RD-01/2015pen	Planning Service - Planning Decisions	10.00	15.00	25.00	31.14	Final Report Issued
<b>Public Protection</b>						
2ADN-GGYC-GYC/2015bw	Food Hygiene, Health and Safety Inspection Programmes	0.00	25.00	25.00	30.61	Final Report Issued
<b>Transportation and Street Care</b>						
3-AMG-FFYRDD/2015	Traffic Orders	20.00	0.00	20.00	19.68	Final Report Issued
3-PROJ-TRAF/2015briw	Briwet Bridge	15.00	0.00	15.00	14.65	Final Report Issued
DDAT-CC-01/2015	Integrated Transport Unit	25.00	0.00	25.00	6.26	Field Work Started
PPE-P-01/2015	Parking Enforcement	20.00	0.00	20.00	7.30	Field Work Started
PPR-RS-03/2015	Collaboration - Road Safety Partnership	10.00	0.00	10.00	9.09	Final Report Issued
<b>STRATEGIC AND IMPROVEMENT</b>						

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

**GWYNEDD COUNCIL**

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>17 FEBRUARY 2015</b>
TITLE	<b>DRAFT INTERNAL AUDIT PLAN 2015/16</b>
PURPOSE OF REPORT	<b>TO PRESENT THE DRAFT INTERNAL AUDIT PLAN FOR THE YEAR 1 APRIL 2015 - 31 MARCH 2016</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK</b>
ACTION	<b>TO APPROVE THE PLAN CONTAINED IN THE APPENDIX</b>

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**1. INTRODUCTION**

- 1.1 The draft work plan for Internal Audit for the financial year 2015/16 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 STRATEGY**

- 2.1 The 2012-2015 Internal Audit Strategy was adopted by the Audit Committee in February 2012. This strategy forms the basis of Internal Audit work for the period in question, and it explains how Internal Audit work will offer assurance on the internal controls that are in place at Gwynedd Council.
- 2.2 The preparation of a new strategy for 2015-2018 has started, but the plan presented here is based on the current Strategy. I have no reason to think that the plan as presented here would be inconsistent with any new strategy.
- 2.3 Internal Audit work programme has been planned and prepared in accordance with the steps outlined in the Strategy; the Strategy also explains how it will assist the Council to improve, for the benefit of the citizen. In addition, it outlines the resources that are expected to be available for it, and states the predictions in terms of working with others.

**3. RESOURCES AVAILABLE**

- 3.1 Internal Audit staffing levels has decreased significantly since the presentation of the 2014/15 Audit Plan. Three full-time posts have been deleted from the structure because of the need to find financial savings. Where the original plan 2014/15 envisaged 1,506 productive days, it is projected that approximately 960 days of audit resources will be available to complete the 2015/16 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 In response to the cut in resources, Internal Audit will have to consider the way in which it works and how to undertake a similar number of audits with fewer resources. This will mean gradual changes in the ways of thinking, and whilst I do not expect to see the effects in 2015/16, I do expect that audits can be completed in less time in future years.

#### **4. OPERATIONAL AUDIT PLAN**

- 4.1 Internal Audit Standards expect that Internal Audit will give consideration to the risk management arrangements already in place in the Council in formulating its work programme, and where these arrangements are not strong enough, that Internal Audit undertakes its own risk analysis.
- 4.2 Consideration was given to the corporate, departmental and cross-departmental risk registers in preparing this draft plan. Priority was given to those high risks which, according to the relevant department, are being controlled. This allows Internal Audit to give an independent opinion on the adequacy these internal controls.
- 4.3 After considering the risk registers, consideration was given to matters that must be included in the plan each year:
- A review of the key controls of the Council's major financial systems (in accordance with an agreement with Wales Audit Office)
  - Corporate Governance issues for the Annual Governance Statement, based on the contents of the Local Code of Governance
  - Audits that are required due to funding conditions
  - Areas where constant control weaknesses have been identified
  - Theme-based reviews at Council establishments.
- 4.4 The draft audit plan for 2015/16 that is the result of this work is included in the Appendix. A brief explanation of the reason for including each audit in the draft plan is noted.
- 4.5 Discussions with the heads of department and relevant managers are envisaged before this work commences. Where appropriate, their suggestions will be incorporated into the final plan.

#### **4. RECOMMENDATION**

- 4.1 The committee is requested to approve the draft audit plan for the period 1 April 2015 to 31 March 2016, subject to amendments following further consultation with officers.



# Draft Internal Audit Plan 2015/16

<u>Audit</u>	<u>Reason</u>	<u>Days</u>
<b><u>Education</u></b>		
School Catering	Removed from the 2014/15 plan because of a reduction in resources.	20
Special Educational Needs Joint Committee	Removed from the 2014/15 plan because of a reduction in resources.	20
Education Improvement Grant for Schools	This grant is a combination of several previous grant that were paid by the Welsh Government.	20
GwE	GwE aims to comply with the new model by September 2015. The audit is an opportunity to undertake an independent verification.	20
Dwyfor Meirionnydd Special School	Construction is expected to commence during 2015/16.	15
Schools - Health and Safety of school trips	An opportunity to check that robust arrangements are in place to mitigate the high risks.	20
Schools - Governance	This audit is included in the plan at the request of the Audit Committee. Its purpose is to verify that Governors attend mandatory courses.	20

## **North and Mid Wales Trunk Road Agency**

North and Mid Wales Trunk Road Agency	A request has been received by the Trunk Road Agency for Internal Audit to conduct a series of reviews during the first part of the year.	50
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## **Corporate**

Supporting Ffordd Gwynedd Reviews	As the number of reviews increases, Internal Audit will provide advice and support to staff and managers on issues regarding risk management and internal control.	20
Use of Consultants	The use of external consultants could be an area of risk in terms of value for money.	25
Various Grant	The exact grants to be decided upon during the year, when all the information is to hand.	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
Information Governance - Data Protection Act	There are risks related to information security that require robust mitigation arrangements to be in place.	20
Officers Gifts and Hospitality - High-Risk Services	This audit is included at the request of the Control Improvement Working Group, so that Internal Audit targets high-risk areas, following the "high level" audit in 2014/15.	15
First Aid Payments	A number of staff receive payments to give first aid to colleagues. It is considered that an audit is necessary to verify that the arrangements are appropriate.	7
National Fraud Initiative	The Council will take part in this initiative, which is run by the external auditor.	50
Awareness of Whistleblowing Policy - Manual Workers	A survey of office staff was carried out in 2014/15, and a similar exercise is due with manual workers in 2015/16.	25



<u>Audit</u>	<u>Reason</u>	<u>Days</u>
<b><u>Finance</u></b>		
Benefits - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	10
Pension Fund - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	10
Bank Reconciliation - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	10
Bank Reconciliation - Closure 2014-15	In the plan in accordance with the Joint Protocol with WAO.	5
IT System Security	A range of audits are planned under this heading, to look at specific issues in the field of information technology.	30
MAS - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	10
MAS including Debtors and Payments - Closure 2014-15	In the plan in accordance with the Joint Protocol with WAO.	8
Siebel / eFinancials Interface	There is a need to obtain independent assurance on the security of the interface between these two key systems.	10
Debtors System - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	12
Payroll System - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	12
Payroll System - Closure 2014-15	In the plan in accordance with the Joint Protocol with WAO.	5
Payments System - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	12
Council Tax System - iConnect	It is expected that this system will be introduced during 2015/16.	10
Revenues System - Closure 2014-15	In the plan in accordance with the Joint Protocol with WAO.	10
Discretionary Housing Payments	An audit to ensure the appropriateness of the arrangements, and compliance with policy.	10
Removing Leavers from IT systems	The failure to remove former employees from our computer systems could compromise their safety.	15
Council Tax - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	8
NNDR - Review of Key Controls	In the plan in accordance with the Joint Protocol with WAO.	8
<b><u>Economy and Community</u></b>		
Sailing Academy	An audit of the development of the new centre has been removed from a plan 2014/15 due to a cut in resources.	15
Welsh Church Fund	An independent check will be needed if the fund's income is over £25,000.	10

<u>Audit</u>	<u>Reason</u>	<u>Days</u>
Healthy Living Projects	One of the projects in the Council's Strategic Plan.	20

### **Adults, Health and Wellbeing**

Cefn Rodyn, Dolgellau	All Council homes to be audited within a 3 year cycle (2015/16 is the second year of three).	12
Validity of Invoices from Private Providers	There is significant expenditure on third party care providers. An audit to review the internal controls would be timely in 2015/16. It will include Extra Care Housing, where appropriate.	20
Home Care	An area with a high number of staff working without contact with their managers. Has not been audited for some years.	25
Hafod Mawddach, Barmouth	All Council homes to be audited within a 3 year cycle (2015/16 is the second year of three).	12
Governance of collaborations with 3rd Sector	The increase in joint working with the 3rd sector leaves the Council open to unnecessary risks without robust governance arrangements.	20
Changes to ILF	The upcoming changes to ILF has been identified as one of the Council's main risks.	15
Plas Hedd, Bangor	All Council homes to be audited within a 3 year cycle (2015/16 is the second year of three).	12
Plas y Don, Pwllheli	All Council homes to be audited within a 3 year cycle (2015/16 is the second year of three).	12
Care Worker Training Programmes	Ensuring appropriate training for care workers is a key control to mitigate significant risks within Care services.	20
Housing Waiting List	To verify the arrangements between the Council and Housing Associations.	15

### **Children and Supporting Families**

Maintaining the Estyn action plan after the follow-up	To provide independent assurance that the improvements following the review continue.	20
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### **Highways and Municipal**

Inspections	The inspections routine has been robust, but the arrangements need to be checked due to an increase in highways insurance claims.	20
Maintenance of buildings and sites	This has been identified as a very high risk in the departmental risk register, with reliance on the controls in place to bring these down to low risk. There is therefore a need to check on these controls.	10
Fleet Management	An external review was undertaken during 2015/16. This audit is a way to follow up on the arrangements to manage these risks.	25

### **Regulatory**

Parking Income	This area has not been addressed by Audit for some time.	20
Pont Briwet	A capital scheme of relatively high risk that will be completed during 2015/16.	15
Public Transport	A high risk area that has been the subject of criminal investigations during 2014/15.	25

<u>Audit</u>	<u>Reason</u>	<u>Days</u>
<b><u>Strategic and Improvement</u></b>		
Member Training and Development	This is a key control in ensuring that governance arrangements are robust.	<b>10</b>
<b><u>Leadership Team</u></b>		
Chairman's Fund	This is not an area of high risk, but it has not been checked for many years.	<b>10</b>
<b><u>YGC</u></b>		
Recruitment and Selection	It is timely to verify that the recruitment and appointment procedures are transparent and consistent with the rest of the Council.	<b>15</b>
		<b><u>960.00</u></b>

<b>MEETING</b>	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	<b>17 FEBRUARY 2015</b>
<b>TITLE</b>	<b>PROPOSED CHANGES TO THE CONSTITUTION ARISING FROM THE PUBLIC SERVICE PENSIONS ACT 2013 AND THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (GOVERNANCE) REGULATIONS 2014</b>
<b>AUTHOR</b>	<b>DAFYDD L EDWARDS – HEAD OF FINANCE</b>  <b>IWAN G D EVANS – HEAD OF LEGAL</b>
<b>CABINET MEMBER</b>	<b>COUNCILLOR PEREDUR JENKINS</b>

## 1. Summary

This report asks Members to consider changes to those sections of the Constitution which relate to the Local Government Pension Scheme (LGPS). The proposed changes have been drafted to ensure the Council, as Administering Authority for the Gwynedd Local Government Pension Scheme, complies with the requirements of the Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 relating to the creation of a Local Pension Board.

The changes proposed define the functions, membership and operating structure of the Gwynedd Pension Board (Appendix 3).

## 2. Background

- 2.1 The Public Service Pensions Act (PSPA) 2013, was the culmination of a fundamental structural review of public service pension provision conducted by Lord Hutton on behalf of the government (“the Hutton Review”). Its purpose was to facilitate the introduction of changes to the governance arrangements; valuations methodology; scheme benefit structure; cost sharing arrangements etc. across all public sector pension schemes and for the first time bring them all under a single statutory framework.
- 2.2 With the exception of the regulations relating to governance and cost control, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 (the Governance Regulations), the changes required under the PSPA in relation to the Local Government Pension Scheme (LGPS) have no impact upon the Council’s Constitution and have been fully implemented by Gwynedd Pension Fund.
- 2.3 The Governance Regulations require amendments to the Council’s Constitution. This is because the PSPA sets out a requirement for all public service pension schemes to establish Local Pension Boards by 1<sup>st</sup> April 2015.

- 2.4 The members of the Pensions Committee have received a briefing on the changes to governance arrangements and officers have worked with other Administration Authorities in determining how best to respond to the regulatory requirements.
- 2.5 To ensure this statutory deadline is met and the Gwynedd Local Pension Board is established in accordance with regulations the attached additions and revisions to the Constitution and the pension scheme management arrangements (Appendices 1, 2 and 3) are proposed. The changes cover the following areas:
- 2.5.1 Updating the delegations to the Section 151 Officer in order to include authorising expenditure by the Pension Board (Appendix 1).
- 2.5.2 Updating the functions of the Pensions Committee in order to include have regard to and consider recommendations from the Gwynedd Local Pension Board. (Appendix 2).
- 2.5.3 Establish the Local Pension Board (Appendix 3).
- 2.5.4 To include the functions, membership and operating structure of the Gwynedd Pension Board (Appendix 3)
- The Pension Board reports to the Council as the Administration Authority for the Fund.
  - The Pension Board has an external reporting responsibility to the Pensions Regulator, who in accordance with the PSPA 2013 has a compliance and oversight role across all public sector pension schemes.
  - The Pension Board is constituted as a non-decision making body to assist the Administration Authority in:
    - securing compliance with scheme regulations, other legislation covering governance and administration and the requirements of the Pensions Regulator and
    - securing effective and efficient governance and administration of the Scheme.

### **3. Recommendation**

- 3.1 To recommend to Council revisions to the sections of the Constitution which relate to the LGPS, the aim of which is to ensure that the Council, as Administering Authority for the Gwynedd Local Government Pension Scheme, complies with the Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014.
- 3.2 Establish the Gwynedd Pension Fund Pension Board in accordance with the report, the Terms of Reference and Governance ( Appendix 3)



## **Appendix 1: Proposed Constitution amendment to delegations to the Section 151 Officer**

### **5. Head of Finance Department**

*In the “Scheme of Delegation to Committees” in Appendix 3 to Section 13 of the Constitution, it is noted where functions that are not the responsibility of the Executive have been delegated to Chief Officers. Where no chief officer has been named in that document, the power has not been delegated rather it has been reserved by the committee.*

#### **Functions Delegated by Council**

- 5.1 To be the proper officer for the purpose of Section 151 Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988.

#### **Functions Delegated by Cabinet**

- 5.2 To act on a day to day basis and within the scheme in the following areas:-
- Internal Audit
  - Accountancy
  - Risk Management and Insurance
  - The Pension Fund and the Pension Scheme
  - Treasury Management (including investments)
  - Council Tax and Non-domestic Rates
  - Housing Benefits and Council Tax Reductions
  - Payments
  - Income and creditors
  - Payroll
  - Information Technology.
- 5.3 To be the proper officer for the purposes of Section 115 and 146 of the Local Government Act 1972.
- 5.4 The right to sign a certificate that contracts comply with the Local Government (Contracts) Act 1997.
- 5.5 To nominate benefit anti-fraud officers.
- 5.6 To authorise the write-off of debts up to the amounts noted in the Financial Procedure Rules.
- 5.7 To be the Authorising Officer for the purposes of the Regulation of

Investigatory Powers Act 2000 and may authorise other officers within their service similarly to be an Authorised Officer.

**5.8 Approval of expenditure of the Gwynedd Pension Fund Pension Board**



## Appendix 2: Proposed Constitution wording:

### PENSIONS COMMITTEE

<b>Function</b>	<b>A provision of an act or Statutory Instrument</b>	<b>Delegation -</b> (subject to any restrictions in the Schemes for Delegation to Officers)
1. A function involving local government pensions etc.	Regulations under section 7, 12 or 24 of the Superannuation Act 1972 (p.11), <b>Section 3 Public Services Pensions Act 2013</b>	
2. Functions under current Pension Plans in relation to persons employed by fire and rescue authorities in accordance with Section 1 Fire and Rescue Services Act 2004	Sections 34 and 36 of the Fire and Rescue Services Act 2004. <b>Regulations under Section 3 Public Services Pensions Act 2013</b>	
<b>3.To have regard to and consider the recommendations of the Gwynedd Pension Fund Pension Board</b>		

## **Appendix 3**

# **Terms of reference and governance for the Pension Board of the Gwynedd Pension Fund**

Terms of Reference and Delegated Authorities

### **1) Introduction**

The purpose of this document is to set out the terms of reference for the local Pension Board of the Gwynedd pension fund.

### **2) Role of the Local Pension Board**

2.1 The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to:

- Assist Gwynedd Administering Authority as Scheme Manager; –
- - to secure compliance with the Local Government Pension Scheme (“LGPS”) regulations and any other legislation relating to the governance and administration of the LGPS
  - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
  - in such other matters as the LGPS regulations may specify
- Secure the effective and efficient governance and administration of the LGPS for the Gwynedd Pension Fund

2.2 The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. The Pension Board will also help ensure that the Gwynedd Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. The Scheme Regulations and the Scheme Manager will determine the remit of the Board.

2.3 The Pension Board shall report twice yearly to the Pensions Committee on matters reviewed and suggestions for consideration. Meetings will be held during normal working hours and within County boundaries. The Board will meet on a minimum of two separate occasions annually.

2.4 The Pension Board should always act within its terms of reference.

2.5 The Board is constituted under the Public Service Pension Act 2013 and the Local Government Pension Scheme( Amendment ) ( Governance ) Regulations 2014 and is therefore not subject to the requirements of Section 101 of the Local Government Act 1972. The Board has no remit as a decisions making body.

### **3) Appointment of members of the Pension Board**

3.1 Equal representation between scheme employers and scheme members is required.

Subject to Regulation 107(5) of the Local Government Pension Scheme Regulations 2013 the Pension Board shall consist of 6 members and be constituted as follows:

- 3 employer representatives ( one of whom shall represent the Administering Authority);

- 3 scheme member representatives;
- 

Members will be appointed with the aim so far as reasonably practical of securing that the Board is representative of employer and member groups within the fund.

3.2 Employers and employees will be asked to nominate representatives for the Pension Board. The Administering Authority will convene a panel to select the members of the Pension Board. The Appointment Panel will consist of the Section 151 Officer, Monitoring Officer and Cabinet Member for Finance. The selection of individual Board members within each category will depend on the overall balance of experience and skills within the group.

3.3 Subject to 3.4 and 3.7 appointment will be for four years and there will be no limit on the number of times a member of the Board can be re-appointed.

3.4 Where a Board Member is appointed in an employer or member representative capacity then immediately upon the Board Member ceasing to so represent employers or members in that capacity their membership of the Board shall determine

3.5 The Administering Authority will appoint the Chair and the Vice Chair of the Pension Board from amongst the members of the Board. The roles will be split with one being an employer representative and one being a member representative and this will be alternated on a two year cycle.

3.6 It will be the role of the Chair to ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.

3.7 Each Board member should endeavour to attend all Board meetings during the year. No substitutes will be permitted.

3.8 In the event of persistent non-attendance by any Board member at Board meetings or training, then the tenure of that membership will be reviewed by the other Board members in liaison with the Scheme Manager and the Scheme Manager can decide to terminate the membership. The Scheme Manager has discretion to terminate the membership of any Board member in the event that it considers it necessary or appropriate to do so.

3.9 Reimbursement of reasonable expenses for attendance at meetings and training sessions will be in accordance with the Council's agreed policies and rates for elected members.

3.10 As a non-decision making body the Board has no authority to establish Working Parties or Sub-groups.

#### **4) Quorum**

4.1 A meeting of the Board will be quorate if 3 Board Members are present, including the Chair or Vice Chair and the quorum must include at least, one employer representative and one member representative.

4.2 Each member shall have one vote but if required, the Chair will have the casting vote.

#### **5) Conflicts of Interest**

5.1 Prior to appointment to the Board all members will be required to sign up to the Board's Code of Conduct. As a body representing the public interest the Code of Conduct of members of the Pension Board will be aligned to those applicable to the Members of the Pensions Committee and is available on the Council's website. For the avoidance of doubt "conflict of interest" does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme  
(Section 5(5) of the Public Services Pensions Act 2013).

5.2 Members of the Pensions Board will be required to comply with the requirements of the Code of Conduct when acting in their capacity as Board Members.

## **6) Advisers to the Board**

6.1 The Board has the right to access the support of the experienced advisors and will have access to the advisors to the Administering Authority including the Actuary, Investment Managers, Investment Advisors and other advisors as approved by the Scheme Manager.

6.2 Due regard has to be taken of securing value for money and whether in the first instance Officers could provide the assistance required. Items of expenditure by the Board must have prior approval from the Section 151 Officer.

## **7) Knowledge and Skills**

7.1 A member of the Pension Board must be conversant with:

- The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- Any document recording policy about the administration of the LGPS which is for the time being adopted by the Gwynedd Pension Fund.

A member of the Local Pension Board must have knowledge and understanding of –

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

7.2 The administering authority must ensure that each person appointed to the Board has the relevant experience and capacity to represent employers or members (as appropriate) of the Fund. Initially this will be done through selection by the Administering Authority but, following appointment, it is a Board Members individual responsibility to ensure that they attend all training to enable them to fulfil the knowledge and skills requirements. Full training will be provide and all reasonable costs will be met by the fund.

7.3 In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

7.4 Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

7.5 Pension Board members will comply with the Scheme Manager's training policy.

## **8) Board Meetings – Notice and Minutes**

8.1 The Scheme Manager shall give prior written notice to all Pension Board members of every meeting of the Pension Board. The Notice shall include the agenda, the minutes of the previous meeting and any report to be considered at the meeting. Such Notice, save in the case of urgency be provided to the members no later than 5 clear working days prior to the meeting.

The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board or Board committee, they shall be circulated to all members.

## **9) Remit of the Board**

9.1 The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails.

#### **10) Publication of Pension Board information**

10.1 Scheme members and other interested parties will want to know that the Gwynedd Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

10.2 Up to date information will be posted on the Gwynedd Council website.

10.3 Pension Board papers, agendas and minutes of meetings will be published on the Gwynedd Council website. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

10.4 The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

#### **11) Accountability**

11.1 The Pension Board and its members will be collectively and individually accountable to the Scheme Manager.