

Contents

Agenda	2
2 - Minutes of the last meeting	7
8 - Pay Policy Statement for 2015-16	20
Appendix A	22
Appendix B	30
9 - 2015-16 Budget	33
Appendices	39
10 - Treasury Management	63
Appendices A-C	66
Appendix CH	94
Appendices D-DD	112
11(a) - Proposed changes to the sections of the Constitution which relate to the Local Government Pension Scheme	116
Appendix 1	118
11(b) - Amendments to the Constitution	128
13 - Committees Calendar 2015-16	131
Appendix 1	132
14 - The Council's Political Balance	133
15 - Appointment of Independent Members to the Standards Committee	136
16(c) - Response to Notice of Motion re TTIP from Derek Vaughan MEP	137



Adran y Prif Weithredwr
Chief Executive's Department
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Cyfarfod / Meeting

Y CYNGOR
THE COUNCIL

Dyddiad ac Amser / Date and Time

1.00pm, DYDD IAU, 5 MAWRTH, 2015

1.00pm, THURSDAY, 5 MARCH, 2015

***NODER / NOTE**

Bydd y cyfarfod yn cael ei we-ddarlledu / This meeting will be webcast

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

Lleoliad / Location

Siambr Dafydd Orwig
Swyddfa'r Cyngor, Caernarfon

Pwynt Cyswllt / Contact Point

Eirian Roberts

(01286) 679018

maireirianroberts@gwynedd.gov.uk

(DOSBARTHWDYD / DISTRIBUTED 26/02/15)

Dilwyn Williams
Prif Weithredwr / Chief Executive

www.gwynedd.gov.uk

26 Chwefror / February 2015

Annwyl Gyngorydd,

CYFARFOD O GYNGOR GWYNEDD – 5 MAWRTH 2015

FE'CH GWYSIR TRWY HYN i gyfarfod o **GYNGOR GWYNEDD** a gynhelir am **1.00PM**, **DYDD IAU** nesaf, **5 MAWRTH 2015 YN SIAMBR DAFYDD ORWIG, SWYDDFA'R CYNGOR, CAERNARFON**, i ystyried y materion a grybwyllir yn y rhaglen a ganlyn.

Dear Councillor,

MEETING OF GWYNEDD COUNCIL – 5 MARCH 2015

YOU ARE HEREBY SUMMONED to attend a meeting of **GWYNEDD COUNCIL** which will be held at **1.00PM** on **THURSDAY** next, **5 MARCH 2015** in **SIAMBR DAFYDD ORWIG, COUNCIL OFFICES, CAERNARFON** to consider the matters mentioned in the following agenda.

Yr eiddoch yn gywir/Yours faithfully,



Prif Weithredwr/Chief Executive

Bydd yr ystafelloedd a ganlyn ar gael i'r grwpiau gwleidyddol yn ystod y bore:-
The following rooms will be available for the political groups during the morning:-

Plaid Cymru - Siambr Dafydd Orwig
Annibynnol/Independent – Siambr Hywel Dda
Llais Gwynedd – Ystafell Gwyrfai
Democratiaid Rhyddfrydol/Liberal Democrats - Ystafell Peris
Llafur/Labour – Cefn Siambr Dafydd Orwig/Rear of Siambr Dafydd Orwig

AGENDA

1. APOLOGIES

To receive any apologies for absence.

2. MINUTES

The Chairman shall propose that the minutes of the last meeting of the Council held on 4 December, 2014 be signed as true record (attached).

3. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

4. THE CHAIRMAN'S ANNOUNCEMENTS

To receive any Chairman's announcements.

5. CORRESPONDENCE, COMMUNICATIONS OR OTHER BUSINESS

To receive any correspondence, communications or other business brought forward at the request of the Chairman.

6. URGENT BUSINESS

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

7. QUESTIONS

To consider any questions the appropriate notice for which have been given under the Procedural Rules.

8. PAY POLICY STATEMENT FOR 2015/16

To submit the report of the Cabinet Member for Resources (attached)

9. MATTERS TO BE DECIDED BY THE COUNCIL

CABINET – 19 FEBRUARY 2015

2015/16 BUDGET

To submit the report of the Cabinet Member for Resources (attached).

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

To submit the report of the Cabinet Member for Resources (attached).

11. THE CONSTITUTION

(A) 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 Cabinet Member for Resources (attached).

(B) AMENDMENTS TO THE CONSTITUTION

To submit the report of the Leader (attached).

12. HUNANIAITH'S LANGUAGE STRATEGY

To receive a presentation on the Strategy.

13. COMMITTEES CALENDAR 2015/16

To submit the report of the Head of Democratic Services (attached).

14. THE COUNCIL'S POLITICAL BALANCE

To submit the report of the Leader (attached).

15. APPOINTMENTS OF INDEPENDENT MEMBERS TO THE STANDARDS COMMITTEE

To submit the report of the Monitoring Officer (attached).

16. NOTICES OF MOTION

- (A) In accordance with the Notice of Motion received under the Procedural Rules, Councillor Craig ab Iago will propose as follows:-

“I call on Gwynedd County Council to support the Traws Link Cymru campaign to reopen the railway line between North and South Wales. Reopening the line would require significant investment and collaboration with all levels of Government. This project would bring investment to Gwynedd which would greatly benefit the local economy and Wales’ economic prospects. It would secure a sustainable transport option for employment and tourism. I propose that Gwynedd Council supports the undertaking of a professional feasibility study and agrees to write to the Minister, Edwina Hart and the First Minister, Carwyn Jones to endorse the Council’s view.”

The procedural motion was received from the member in accordance with the Procedural Rules requesting that the matter be discussed on the day instead of being referred to the relevant committee.

- (B) In accordance with the Notice of Motion received under the Procedural Rules, Councillor R.H.Wyn Williams will propose as follows:-

“I call on this Council and other county councils throughout Wales, as well as the Welsh Government, to support the call for the Westminster Government to scrap the Trident project in order to secure a fairer society by prioritising spending on poverty prevention, care, education, health and the economy”.

The procedural motion was received from the member in accordance with the Procedural Rules requesting that the matter be discussed on the day instead of being referred to the relevant committee.

- (C) To submit, for information, a letter from Derek Vaughan, MEP, in response to Councillor Elin Walker Jones’ notice of motion to the last meeting regarding the Transatlantic Trade and Investment Partnership (TTIP) (attached).

THE COUNCIL, 4.12.14

Present: Councillor Dewi Owen (Chairman);
Councillor Dilwyn Morgan (Vice-chairman).

Councillors: Stephen Churchman, Annwen Daniels, Anwen Davies, Edward Dogan, Dyfed Edwards, Elwyn Edwards, Thomas Ellis, Alan Jones Evans, Aled Evans, Jean Forsyth, Gweno Glyn, Simon Glyn, Gwen Griffith, Selwyn Griffiths, Alwyn Gruffydd, Siân Gwenllian, Annwen Hughes, John Brynmor Hughes, Louise Hughes, Jason Humphreys, Peredur Jenkins, Aeron Jones, Anne Lloyd Jones, Brian Jones, Charles W.Jones, Dyfrig Jones, Elin Walker Jones, Eric Merfyn Jones, John Wynn Jones, Linda Wyn Jones, Llywarch Bowen Jones, Sion Wyn Jones, Dilwyn Lloyd, June E.Marshall, Dafydd Meurig, Michael Sol Owen, W.Roy Owen, Peter Read, E.Caerwyn Roberts, John Pughe Roberts, Liz Saville Roberts, W.Gareth Roberts, Mair Rowlands, Angela Russell, Mike Stevens, Gareth Thomas, Ioan Thomas, Ann Williams, Eirwyn Williams, Elfed Williams, Gethin Glyn Williams, Gruffydd Williams, Hefin Williams, John Wyn Williams, Owain Williams, R.H.Wyn Williams, Mandy Williams-Davies, Robert J.Wright and Eurig Wyn.

Also in attendance: Dilwyn Williams (Chief Executive), Iwan Trefor Jones (Corporate Director), Dafydd Edwards (Head of Finance Department), Geraint George (Head of Strategic and Improvement Department), Iwan Evans (Head of Legal Services/Monitoring Officer), Aled Davies (Head of Regulatory Department), Rhun ap Gareth (Senior Solicitor/Deputy Monitoring Officer), Arwel E. Jones (Senior Manager - Corporate Commissioning Service), Dafydd Gibbard (Senior Corporate Property Manager), Dewi Morgan (Senior Manager Audit and Risk), Nia Davies (Planning Manager), Eirian Roberts and Lowri Haf Evans (Member Support and Scrutiny Officers).

Apologies: Councillors Craig ab Iago, Endaf Cooke, Lesley Day, Gwynfor Edwards, Huw Edwards, Trevor Edwards, Eryl Jones-Williams, Beth Lawton, Linda Morgan, W.Tudor Owen, Nigel Pickavance, Dyfrig Siencyn.

The meeting was opened with a prayer from Councillor Thomas Ellis.

1. MINUTES

The Chairman signed the minutes of the previous meeting of the Council held on 9 October 2014 as a true record.

2. DECLARATION OF PERSONAL INTEREST

Members had received a briefing note from the Monitoring Officer in advance regarding the following matters:-

Council Tax Reduction Scheme (item 11 on the agenda)
Council Tax: Discretion to allow discounts (item 12 on the agenda)

- Councillor Liz Saville Roberts declared a personal interest in item 11 on the agenda as a close family member received a reduction in Council Tax.

The member was of the opinion that it was not a prejudicial interest and she participated fully in the discussion on the item.

- Councillors Anwen Davies, Thomas Ellis, Eirwyn Williams and Owain Williams declared a personal interest in item 12 on the agenda as they owned empty houses.
- Councillor Dilwyn Lloyd declared a personal interest in item 12 on the agenda as he had recently sold an empty house.
- Councillor Mandy Williams-Davies declared a personal interest in item 12 on the agenda as her husband had inherited a house, which was currently empty.
- Councillor Llywarch Bowen Jones declared a personal interest in item 12 on the agenda as his daughter had a holiday home.
- Councillor Gethin Williams declared a personal interest in item 12 on the agenda as a family member had a close personal connection.

The members were of the opinion that they were prejudicial interests, and they withdrew from the meeting during the discussions on those items.

3. CHAIRMAN'S ANNOUNCEMENTS

(a) Welcome

A welcome was extended to the new member for the Bowydd a Rhiw Ward, Councillor Annwen Daniels.

(a) Condolences

The Chairman paid tribute to the late Arwel Jones, former Chairman of the Council who had represented the Diffwys a Maenofferen Ward until 2008, and condolences were extended to his family in their loss.

Condolences were expressed to the following:-

Councillor Stephen Churchman on the loss of his father.

Councillor Dafydd Meurig on the loss of his father.

Councillor Tudor Owen on the loss of his mother.

Councillor Anwen Hughes on the loss of her mother.

The family of Meinir Wyn Jones, former Head Teacher of Ysgol Dyffryn Nantlle and Ysgol Brithdir and a national winner in the field of *cerdd dant* and folk singing.

It was also noted that the Council wished to remember others within the county's communities who had lost loved ones recently.

The Council members stood as a mark of respect.

(b) Best Wishes

Reference was made to Councillor Huw Edwards's illness and it was noted that members sent him their best wishes.

(c) Congratulations

The following were congratulated:-

Snowdonia National Park Authority on being successful in two National Award ceremonies in the previous week:-

- At a ceremony in London on 27 November, the Authority and Harrison Design Ltd. were 'Highly Commended' by the Landscape Institute in the category of Medium Scale Public Developments for the Lôn Gwyrfaï project.
- The following day, the Authority was successful in the awards evening of the Royal Town Planning Institute Cymru, when they won the principal award for the Ysgol Llanegryn project.

Elfyn Evans from Dinas Mawddwy, the first Welshman to participate in the World Rallying Championships and he came eighth in his first year and he was fifth in the Wales Rally.

Elen Evans from Dinas Mawddwy for winning over fifty caps playing rugby for Wales Women.

Elain Llwyd from Cwmtirmynach for winning the chair at the Wales Young Farmers' Eisteddfod.

4. QUESTIONS

(The Cabinet Members' written answers had been distributed to the members in the group meetings on the morning of the Council meeting.)

(1) A question from Councillor Alwyn Gruffydd

"Why did the Gwynedd Council Leader refuse an invitation to join the leaders of Pembrokeshire, Carmarthenshire, Ceredigion, Conwy, Anglesey, Bridgend and Wrexham Councils to sign a letter calling for the Welsh Government's Minister for Natural Resources, Carl Sargeant, AM, to take advantage of the current Planning Bill to protect and promote the Welsh language?"

Answer- Councillor Dyfed Edwards, Council Leader

"I wish to thank Councillor Alwyn Gruffydd for the question.

"We are at present in a period of consultation on the content of the Planning Bill. The relevant Cabinet Member, Councillor John Wyn Williams, will present a full and comprehensive response to the contents of the Bill and submit the response for the Cabinet to consider this month and the response will then be sent in full to the Minister. This is the appropriate manner to respond to the Planning Bill during the consultation period."

A supplementary question from Councillor Alwyn Gruffydd

"Taking into account that he had refused to join the other leaders, Plaid Cymru issued a press statement some two weeks after it became apparent that the Gwynedd Leader had not joined the other leaders which stated that the Gwynedd Plaid Cymru Group was pressing the Welsh Government to ensure that the Welsh language was included in any new legislation when examining planning matters and went on to say that Plaid Cymru stated clearly and unequivocally that the Gwynedd Plaid Cymru Team had led on the work of pressing and lobbying for the

amendments to the new Planning Bill. Accepting these words, and they are to be commended, where does the refusal to sign a simple letter approving these principles leave the Plaid Cymru Group? As far as I can see, the Leader and the Group are not singing from the same hymn sheet. It also raises questions regarding the credibility of this if the group agrees with refusing to sign the letter and it raises a basic question regarding the future of the leadership of the group. Does the Leader see his future as Leader of the Plaid Cymru Group and Leader of this Council, as he obviously does not satisfy the aspirations of his own group or of this Council or the people of Gwynedd as a whole?"

Answer - Councillor Dyfed Edwards, Council Leader

"I am nearly of a mind to offer the member a leaflet to re-join Plaid Cymru because it appears that he is taking more of an interest in this Group than his own Group and he wishes to influence what is happening in this Group. The only way of achieving this constitutionally is to join a political party. This again highlights a matter where there is a difference of opinion between myself and Councillor Alwyn Gruffydd. Alwyn Gruffydd believes that the way to influence and to achieve goals is to make as much noise as you can, by kicking and screaming and having as much public attention as possible. This is the path that Alwyn Gruffydd is going to follow. It is all well and good if Alwyn Gruffydd wishes to follow this path. As the Plaid Cymru statement highlights, it shows very clearly that we as politicians in Plaid Cymru have held a series of meetings with Ministers, with the First Minister, via our representatives on the relevant committee in the Senedd in Cardiff, in an attempt to influence this Bill. Kicking and screaming will not have any influence. It is extremely difficult to have an influence unless, of course, you are in government and we are trying our best to do that. This is the way we operate and this is the most effective way of representing our aspirations and also to represent this Council. I am glad that these are the principles that we adhere to."

(2) A Question from Councillor Craig ab Iago (and asked by Councillor Selwyn Griffiths in the absence of the member)

"What steps have been taken by the Council to ensure that the Welsh language is central to the new Planning Bill?"

Answer - Councillor John Wyn Williams, Cabinet Member for Planning

"We are continuously lobbying with officers and the Assembly Members and the Welsh Government on language matters. We responded to the draft Bill and now we are in the process of responding to the Bill itself and we will have done this before the end of the year. Council officers, myself as Cabinet Member, the Leader and the Assembly Members have been lobbying for a long time on the language issue and the Planning Bill. On the 27th of last month I was before the Assembly's Communities Scrutiny Committee that was examining the Planning Bill. There were four councillors there from the whole of Wales and they had received an invitation to attend and there were a few officers being questioned separately from us. Aled Davies was there. We used this opportunity also to discuss what we wanted in the Bill regarding the Welsh language. Council officers have put together the legal wording to the relevant clauses in the Bill that would give legislative power to the Welsh language, i.e. providing rights for the language that would influence everything else that they do from that time onwards as a National strategic framework and local strategy etc. This was the way forward and the Scrutiny Committee has requested that we send these clauses to them because they have a great interest in them and other councils have asked in the meantime to see the

clause because they also are very willing to support the clause. This is the type of work that we do and will continue to do, namely to lobby continuously regarding the Welsh language and the Planning Bill.

A Supplementary Question from Councillor Selwyn Griffiths

“Can you provide assurance that the officers will continue with this lobbying work?”

Answer - Councillor John Wyn Williams, Cabinet Member for Planning

“Yes.”

(3) Question – from Councillor Sion Jones

“How did the Cabinet Member for the Economy decide on the best candidate to be the Gwynedd Business Champion?”

Answer – Councillor John Wynn Jones, Cabinet Member for the Economy

“We have a Small Businesses Champion which does not mean businesses in general and that is important. In these challenging economic times, I decided that Gwynedd Council should show its support to the 12,000 plus small businesses in the County, those which employ fewer than ten people, by appointing a Champion. When looking for an enthusiastic person who could identify with the predicament of these businesses, I decided that Siân Gwenllian was that person as she had worked for a small business for seven years and had worked freelance for long periods over the last 25 years. During her time with the Council, Siân has shown that she has a genuine interest in this field. Having worked with Sian on the Cabinet, I know that she is hard-working, will listen carefully to what the small business sector has to say and will be willing to look for the answers to any obstacles which could arise in their involvement with the Council. I look forward to working with her and to building on the work which the Council already has underway in this field.”

A supplementary question by Councillor Sion Jones

“Would the Cabinet Member be willing to look at the matter again and examine the options further?”

Answer – Councillor John Wynn Jones, Cabinet Member for the Economy.

“It is the questioner’s prerogative to have his own opinion about whom he believes is worthy and it is also my prerogative at present to decide. He will also be able to make decisions when he is a member of the Cabinet”.

5. A PRESENTATION BY THE CABINET MEMBER FOR CUSTOMER CARE

Submitted – a presentation by Councillor Ioan Thomas, Cabinet Member for Customer Care providing details of developments in the fields of customer care, democracy and legal, language, property, information technology, the website, services for residents (Siop Gwynedd and Galw Gwynedd) and libraries.

The Cabinet Member responded to a series of questions/observations by members regarding:-

- The launch of the Hunaniaith Language Strategy. The Cabinet Member was asked to arrange a presentation on the Strategy at the next meeting.
- According to the Office of National Statistics, it was predicted that Welsh would be a minority language in Gwynedd by 2026.
- The cost of the new website.
- The latest in terms of developing community and town council websites. The Cabinet Member agreed to make further enquiries and to come back to the member.
- Finding savings by reducing the number of photocopying machines across the Council.
- Difficulties in contacting planning officers through Galw Gwynedd. The Cabinet Member noted that he had been given to understand that this problem had been resolved now but that he would be happy to deal with any cases of failing to be able to access officers.
- Problems relating to disabled access to Porthmadog Library because of the height of the curbs. The Cabinet Member agreed to make further enquiries and to come back to the member.
- Disappointment that Gwynedd had not received any proportion of the financial package of £1 million that was recently allocated by the Government to various language schemes across Wales.

The Cabinet Member was thanked for his presentation.

6. GWYNEDD CHALLENGE

Submitted – a verbal presentation by the Cabinet Member for Resources, reminding members of the financial challenge facing the Council.

The Cabinet Member thanked the Chief Executive and the Gwynedd Challenge Team for their commitment in getting the message across to the residents of Gwynedd.

It was noted that the reference to a deficit of £50m in the table on page 2 of the presentation should be corrected to read £52m.

Concern was expressed that a letter had been sent to the schools warning them that they would be facing a deficit in their budgets next year which could mean that they would be required to make teachers redundant and that would be prior to the Council allocating its budget for 2015/16.

In response, the Chief Executive provided a full explanation of the cuts to schools and he noted:

- The target of £4.3m given to schools was equal to 6% of the budget, whilst other services, such as the Children Service, had received a much higher target of 16%.
- The Council had to have a balanced budget and not making cuts in schools would mean much heavier cuts in other services.
- No decision had been made to make teachers redundant but rather to ask the schools to consider how best to realise the £4.3m and to consider the implications of that against the other options available to the Council.
- This was not all to do with making teachers redundant and there were other budgets that schools could examine, e.g. reducing the carbon footprint etc.
- The schools had received a warning of possible cuts and it was expected that any prudent and financially-aware head teacher would be making reserve plans to address the worst situation.

- As the process of making teachers redundant took a long time, some schools were planning appropriately by immediately commencing the process by stating that they could be looking for voluntary redundancies, in case this would need to happen later on. It would be too late to do that in February after the budget had been set and the schools would be entering the next financial year with a budget that was illegal. He did not expect any school to make anyone redundant until the financial situation was known for certain.
- It was accepted that mentioning redundancies created instability and concern among staff, but in the current climate, no assurance could be given to anyone that their jobs were safe.
- It was acknowledged that it could appear to be rather odd to warn schools that they would have less money prior to that decision being made, but it had been customary, since the start of the lifetime of the Council, for the Education Service to write to the schools at this time of the year with the latest information available. Every school head should understand that this was a projection of what would happen in future and schools could either ignore the situation or start to plan for it.
- The Cabinet Member for Education had sent a letter to the chairman of every governing body, explaining what had been sent to schools and what they needed to do. The councillors had not received a copy of the letter because the Education Department expected them as governors to be in receipt of the information but it would only be a small matter to circulate information to them at the same time as the schools from now on if they so wished, and the Cabinet Member would take this message back to the department.
- The deficit in schools' budgets would not come entirely from cuts but also as a result of a reduction in the number of children.

The Cabinet Member for Education elaborated on the role and purpose of the Schools Savings Target Working Group that had been established to develop plans for achieving the schools savings target over the next three years.

The following matters were also raised:-

- The importance of ensuring that members received all necessary information with regard to the challenge facing the Council was emphasised.
- Reference was made to the difficulties of attending members' workshops because of other responsibilities.
- It was noted that after Ysgol Rhosgadfan had spent some thousands on upgrading the school's broadband connection, GwE had installed a new system there this year at a cost to the school, and it was emphasised that heads should receive information about such plans beforehand to save them having to spend twice on the same resource.
- It was noted that councillors were criticised for accepting the cuts but their hands were tied and the importance of conveying this message to the public was emphasised.
- In response to an enquiry, Iwan Trefor Jones, Corporate Director, explained that the Twenty First Century Schools Programme was currently being reviewed. The revised guidelines were still awaited from the Government but the Council would be required to review the strategy around spring of next year.
- Disappointment was expressed that so few members of the public had attended meetings of the Gwynedd Challenge and it was suggested that the need to register for the evening meetings had reduced the numbers that had attended. In response, the Cabinet Member noted that he envisaged that more members of the public would participate in the next series of meetings which would be discussing the cuts. Also, in response to a comment that not enough time had been allocated

for a full discussion at the first series of meetings, the Cabinet Member Resources assured members that adequate time would be earmarked for the detailed discussion needed. All members were urged to attend these workshops.

- It was enquired whether the answer was for volunteers to do the work that employed officers usually did. The Cabinet Member replied that it was proposed to examine further collaboration with the third sector.
- More frequent meetings of the Council were called for to enable the Cabinet Members to explain the cuts which will commence in three months time. In response, the Cabinet Member noted that no single cut had yet been planned. A request had been made for departments to submit ideas so that consideration could be given to what cuts are possible and all these options would be presented to all the councillors. A member noted that she had a letter from one unit stating that they were facing cuts of £48,000. In response, the Chief Executive explained that one of the efficiency plans was currently being discussed with the voluntary sector and there may have been some misunderstanding. He agreed to look into the matter on behalf of the member.
- A request was made to look again at the decision to reduce funding for Womens' Aid and Domestic Abuse. In response, the Chief Executive explained that the decision had not yet been made. The Corporate Scrutiny Committee had recommended that the plan to do away with one aspect of the service provided by Womens' Aid should be referred to scrutiny and the Cabinet would consider this at their meeting on 16th December.

The Cabinet Member for Resources was thanked for his presentation.

7. TREASURY MANAGEMENT: AMENDMENT TO THE 2014/15 INVESTMENT STRATEGY

Submitted – the report of the Cabinet Member for Resources, requesting that the Council reviews and updates the approved counterparties schedule, which was part of the Investment Strategy as a result of the changes in regulation for banks.

In response to questions from members:-

- The Head of Finance Department explained that he had no concern with any of the banks on the list and if a concern arose regarding individual banks, the Council would receive daily information and guidance and would act upon those immediately.
- The Cabinet Member noted that the Council did not have any information regarding which banks in this country dealt with Israel and, therefore, the Council had no policy at all regarding the use made of those banks.

RESOLVED to adopt the amendments to the Treasury Management Strategy Statement and the Investment Strategy for 2014/15 (Appendix A of the report) for the three months from 1 January 2015 to 31 March 2015.

8. COUNCIL TAX REDUCTION SCHEME 2015/16

Submitted – in the absence of the Cabinet Member for Poverty Prevention, the Leader provided a report requesting the Council to confirm the continuation of the current Local Scheme for providing assistance towards payment of Council Tax for the year beginning 1 April 2015.

RESOLVED

- (a) To continue to implement the Council's Local Scheme for the year commencing 1 April, 2015 as it was during 2014/15. Therefore, the following conditions (i – iii below) will apply regarding the discretionary elements:
- i) To apply a 100% disregard for war disablement pensions, war widows' pensions and war widowers' pensions, for both pensioners and working age claimants.
 - ii) Not to increase the extended reduction periods for pensioners and working age claimants from the standard four weeks in the Prescribed Scheme.
 - iii) Not to increase the backdate period for pensioners and working age claimants from the standard three months contained within the Prescribed Scheme.
- (b) Where appropriate, that the Council delegates powers to the Head of Finance Department, in consultation with the Cabinet Member for Poverty Prevention, to make minor amendments to the scheme for 2015/16, on condition that it will not change the substance of the scheme.

9. COUNCIL TAX: DISCRETIONARY POWERS TO ALLOW DISCOUNTS 2015/16

Submitted – the report of the Cabinet Member for Resources, requesting formal confirmation for 2014/15 and thereafter of previous decisions not to allow any discounts for second homes and to disallow discounts on empty properties.

During the discussion:-

- In response to an enquiry, the Head of Finance Department explained that there was no appeal procedure against the six months' rule regarding Class C empty properties and the rule existed as a reasonable time limit to encourage people to bring empty properties back into use.
- Reference was made to the increasing problem of people registering their holiday homes as a business in order to avoid paying the tax and it was suggested that there was a need to establish a sub-committee to examine this or to refer the matter to a scrutiny committee. It was also suggested that it would be a good thing to have a Fair Taxes Champion in the Council. The Cabinet Member responded that the Council was lobbying for a measure in the act to make it obligatory to have planning permission to transfer a second home into a business unit.
- Dissatisfaction was expressed after it was understood that it would take three years before the legislation could be enacted that would allow councils to charge more than the usual 100% Council Tax on second homes. The Cabinet Member responded that this was an observation that should be passed on to the relevant Minister in Cardiff.
- It was suggested that doubling the Council Tax for second homes could put people out of business by undermining the tourist industry that provided work for local people.

RESOLVED

- (a) That Gwynedd Council, for 2015/16, allows **NO** discount under Section 12 of the Local Government Finance Act 1992 to the two classes of second homes (classes A and B), as defined in the Council Tax (Prescribed Class of Dwellings) (Wales) Regulation 1998.
- (b) That Gwynedd Council, for 2015/16, allows **NO** discount in respect of empty homes (class C).

10. JOINT LOCAL DEVELOPMENT PLAN – REVISED TIMETABLE IN THE DELIVERY AGREEMENT

Submitted – the report by the Cabinet Member for Planning, recommending that the Council approved the revised agenda for preparing the Joint Local Development Plan to reflect the change in circumstances and to conform to statutory requirements.

In response to a question regarding the proposed housing growth level in the draft Deposit Plan and the effect of this on local communities, and an amendment (which was seconded) to reject the timetable, the Monitoring Officer warned that it was only the timetable that was before the Council and that the timetable was bound by legal agreements and a process that had been agreed between both councils and the Welsh Government in 2010 and there would be serious implications of not following that process.

A registered vote was called for on the amendment.

The Monitoring Officer explained that an amendment had to change the wording rather than negate the original proposal and refusing to accept the revised timetable would not lead the Council anywhere. There was a procedure in terms of where and how to contribute to the procedure and the process with a joint-committee of both counties also keeping an overview of the process.

A registered vote was called for on the original proposal.

In accordance with Procedural Rules, the following vote was recorded on the original motion:-

In favour of the motion: (33) Councillors Stephen Churchman, Annwen Daniels, Dyfed Edwards, Thomas Ellis, Alan Jones Evans, Gwen Griffith, Selwyn Griffiths, Siân Gwenllian, Annwen Hughes, John Brynmor Hughes, Peredur Jenkins, Anne Lloyd Jones, Charles W.Jones, Dyfrig Jones, John Wynn Jones, June Marshall, Dafydd Meurig, Dilwyn Morgan, Dewi Owen, Michael Sol Owen, Caerwyn Roberts, John Pughe Roberts, Gareth Roberts, Mair Rowlands, Mike Stevens, Gareth Thomas, Ioan Thomas, Gethin Glyn Williams, Hefin Williams, John Wyn Williams, R.H.Wyn Williams, Mandy Williams-Davies and Eurig Wyn.

Abstentions: (1) Councillor Elin Walker Jones.

Against: (18) Councillors Anwen Davies, Elwyn Edwards, Aled Evans, Gweno Glyn, Simon Glyn, Alwyn Gruffydd, Louise Hughes, Jason Humphreys, Eric Merfyn Jones, Llywarch Bowen Jones, Sion Wyn Jones, Liz Saville Roberts, Angela Russell, Ann Williams, Elfed Williams, Gruffydd Williams, Owain Williams and Robert J. Wright.

RESOLVED to approve the revised timetable for the preparation of the Joint Local Development Plan to reflect the change in circumstances and to comply with legislative requirements.

11. NOTICES OF MOTION

- (A) It was reported that a notice of motion had been received, along with a procedural motion, in accordance with the Procedural Rules, from Councillor Elin Walker Jones, requesting that the following proposal be discussed at the full Council instead of being referred to a committee.

RESOLVED to discuss the motion at this meeting.

The following motion was proposed and seconded:-

"Gwynedd Council is stating its absolute objection to the Transatlantic Trade and Investment Partnership (TTIP). The TTIP is a trading agreement between the United States and Europe, which is negotiated behind closed doors and undemocratically. The TTIP is seeking to reduce regulatory barriers for big businesses – things like food safety law and environmental legislation, banking regulations and the powers of individual nations. Services such as the NHS are in danger – the TTIP is a mandate for private companies to take over services. At present, the negotiations still include the NHS. The negotiations are endangering democracy as private companies will be entitled to prosecute governments if those governments' policies cause profit losses. This is a mandate for large companies to take the reins, as opposed to the democratic, elective system we currently have.

We call on the European Union to suspend all negotiations on the TTIP; to publish the negotiating mandate, and to allow an appropriate investigation of the agreement by the European Parliament, National Parliaments and the National Assembly for Wales.

We call on the Council Leader to write to our members of parliament in Europe to express our objection urgently."

During the discussion:-

- The proposer referred to websites and articles that highlighted the objection of several bodies to TTIP.
- The proposal was supported on the basis that this trading agreement was a threat to democracy.

A registered vote was called for on the proposal.

In accordance with Procedural Rules, the following vote was recorded on the motion:-

In favour of the motion: (47) Stephen Churchman, Annwen Daniels, Anwen Davies, Dyfed Edwards, Elwyn Edwards, Thomas Ellis, Alan Jones Evans, Aled Evans, Gweno Glyn, Simon Glyn, Gwen Griffith, Selwyn Griffiths, Alwyn Gruffydd, Siân Gwenllian, Annwen Hughes, Jason Humphreys, Peredur Jenkins, Anne Lloyd Jones, Charles W.Jones, Dyfrig Jones, Elin Walker Jones, Eric Merfyn Jones, John Wynn Jones, Llywarch Bowen Jones, Sion Wyn Jones, Dafydd Meurig, Dilwyn Morgan, Dewi Owen, W.Roy Owen, E.Caerwyn Roberts, Liz Saville Roberts, W.Gareth Roberts, Mair Rowlands, Mike Stevens, Gareth Thomas, Ioan Thomas, Ann Williams, Elfed Williams, Gethin Glyn Williams, Gruffydd Williams, Hefin Williams, John Wyn Williams, Owain Williams, R.H.Wyn Williams, Mandy Williams-Davies, Robert J.Wright and Eurig Wyn.

Abstentions: (0)

Against: (0)

RESOLVED to accept the motion.

- (B)** It was reported that a notice of motion had been received, along with a procedural motion, in accordance with the Procedural Rules, from Councillor Siân Gwenllian, requesting that the following proposal be discussed at the full Council instead of being referred to a committee.

RESOLVED to discuss the motion at this meeting.

The following motion was proposed and seconded:-

“This Council notes the following:

- **It has been estimated that the UK Treasury loses as much as £12 billion a year to tax avoidance by multinational companies.**
- **The use of tax havens by UK companies is out of control, with 98 of the FTSE 100 companies using tax havens as standard procedure.**
- **Large multinational companies pay as little as 5% in corporate taxes globally, whilst smaller business pay as much as 30%.**

This Council believes:

- **As a local authority, we have a duty to provide the best possible public services.**
- **Our ability to provide high-quality local services would be greatly improved through increased revenue by the government as a result of addressing tax avoidance.**
- **Everyone who profits from public expenditure should contribute their fair share.**
- **The United Kingdom must lead the way in creating a fairer tax system and addressing tax avoidance.**

This Council resolves:

- **To support the campaign for tax justice and supports the proposal below:**

While many ordinary people face a decrease in their household income and an increase in living costs, some multinational companies are avoiding billions of pounds in tax through a tax system that is unable to make them pay their fair share. Local governments in developing countries and the United Kingdom alike would benefit from a fairer tax system where multinational companies pay their fair share, enabling authorities around the world to provide high-quality public services. We call on the United Kingdom government to act and put an end to the injustice of tax avoidance by large multinational companies.”

It was noted that high profile cases of tax avoidance were undermining trust in the taxation system and was hitting businesses which paid fairly and which paid their share and it was proposed and seconded that the following wording be added to the original proposal:-

“This Council calls on the Government of the United Kingdom to:-

- (1) Close gaps such as the Eurobond exemption, namely to prevent companies from moving profits out of the country.*
- (2) To increase transparency in the taxation system.*
- (3) To address the problem of insolvent companies which avoid filing corporate taxes.*
- (4) To ensure that developed countries participate fully in the international efforts to address the problem of tax avoidance.”*

During the discussion:-

- Concern was expressed that 186 of the Council’s employees were on zero hours contracts.
- It was suggested that the original proposal should stand as it was so as not to complicate the matter.
- It was noted that the Local Authority Pension Fund Forum promoted and campaigned for transparency along these lines and wanted to change the situation

in terms of corporate taxation and Gwynedd Council, by being part of this organisation, was collaborating with the pension funds of other authorities to bring pressure and to appropriately influence this important matter.

- A fair and balanced taxation system was called for so that small businesses and ordinary families did not have to make up for the deficit and face cuts in public services.

The proposer of the original motion agreed to amend the proposal on these lines with the consent of the Council and the seconder.

A vote was taken on the amended motion, and it was carried.

RESOLVED to accept the original motion with the following addition:

“This Council calls on the Government of the United Kingdom to:-

- (1) Close gaps such as the Eurobond exemption, namely to prevent companies from moving profits out of the country.**
- (2) To increase transparency in the taxation system.**
- (3) To address insolvent companies which avoid filing corporate taxes.**
- (4) To ensure that developed countries participate fully in the international efforts to address the problem of tax avoidance.”**

The meeting commenced at 1.00pm and concluded at 4.20pm.

Meeting	Full Council
Date	5 March 2015
Title	Pay Policy Statement for 2015/16
Purpose	To approve a Pay Policy Statement in accordance with Section 38(i) of the Localism Act 2011
Author	Chief Executive – Dilwyn Williams
Cabinet Member	Councillor Peredur Jenkins

1. BACKGROUND

- 1.1 Each year the full Council is required to adopt a Pay Policy Statement for the coming year.
- 1.2 The Council has tasked the Chief Officers' Appointment Committee to formulate the pay policy and to report back to the full Council. This Committee met on 24th February and unanimously adopted the pay policy at Appendix A for the approval of the Council today.
- 1.3 The initial change to the previous policy relates to lower paid staff. Last year the Council resolved to delete the two lowest pay points on its pay structure as a step towards introducing the "Living Wage" as a minimum wage. The recommendation is that the Council deletes the lowest point on its pay structure (point 7), which means that the minimum wage the Council pays would increase from £7.11 per hour to £7.19 per hour. The details associated with this change are incorporated in the Cabinet report of 19th February, which is attached at Appendix B. This proposal is not only entirely consistent with the fairness agenda but also builds on last year's action and takes a further step towards the "Living Wage".
- 1.4 Since establishing last year's pay policy, we have deleted the posts of Head of Customer Care, Head of Legal and one Corporate Director post whilst the current posts of Head of Human Resources and Head of Strategic and Improvement will be deleted and one new Head of Department post created as from the 1st April this year. All these steps have amounted to a saving of over £700,000 in a full year but in order to realise these savings, a number of responsibilities had to be reallocated to other Heads of Department.

The Hay Group was commissioned to evaluate those roles where there had been an increase in responsibilities. In brief, the report notes whilst the evaluation shows that there has been a change in the size of the various posts, with the exception of one, there is not sufficient change in order to justify raising the level of salary to the next band. The only post which has changed according to the Hay Group's assessment is the post of the Head of

Finance which has risen substantially because of the reallocation of responsibilities.

- 1.5 Of course, within the current policy, the salaries of Chief Officers are benchmarked to the market and in the face of movements in the market, there is a requirement to consider any updating. The Council decided last year that it would review in 2015/16. The Hay Group assessment suggests that the benchmarks have, by now, increased circa £1,500 for Heads of Department posts.

However, in the face of the current financial climate and its effect on a number of Council staff, I do not consider it to be an appropriate time to do so at present. I have discussed the matter with the Heads and Directors and they are unanimously in agreement with me that it would not be appropriate to review the benchmarks at the moment. The Chief Officers' Appointments Committee's recommendation is that consideration is next given to re-grading real pay to benchmark levels when reviewing the 2016/17 Pay Policy and annually thereafter.

- 1.6 Welsh Government recently revised the Local Authority Regulations (Standing Orders)(Wales) 2006 and implemented the amendments on the 1st July 2014 and as a consequence the following requirement was introduced:

"The relevant authority must determine the level of salary to be paid to a Chief Officer and any change to the level of that salary".

The effect of this revision is that the full Council must vote on all changes to Chief Officers' salaries, not only those determined locally. This includes any pay rises for Chief Officers that the Joint National Council has adjudicated nationally for Chief Officers and it will not be possible to pay those rises until approval from the full Council.

The negotiation on a national pay rise for Chief Officers has led to an increase of 2% on their salaries as from the 1st January, 2015. Receipt of this rise in pay is a contractual obligation to Chief Officers in the same way as it is for the remainder of the Council's staff.

2. RECOMMENDATIONS

- 2.1 That the full Council adopts the Pay Policy Statement at Appendix 'A'.
- 2.2 That the Council approves an amendment to the 2014/15 Pay Policy Statement in light of the fact that the nationally agreed pay rise for Chief Officers has been back-dates to the 1st January 2015.



Pay Policy Statement – 2015/16

INTRODUCTION

The Council is required by Section 38(1) of the Localism Act 2011 to prepare pay policy statements. These statements must articulate the Authority's own policies towards a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees. Pay policy statements must be prepared for each financial year. They must be approved by full Council.

PAY POLICY FOR CHIEF OFFICERS

The Council defines its chief officers as being its Chief Executive, Strategic Directors and Heads of Department. *The Council employs Chief Officers under JNC terms and conditions which are incorporated in their contracts. The JNC for Chief Officers negotiates on national (UK) annual cost of living pay increases for this group. Chief Officers employed under JNC terms and conditions are contractually entitled to any national JNC determined pay rises and this Council will therefore pay these as and when determined in accordance with current contractual requirements.*

Salaries

The policy appertaining to the salaries of Heads of Department and Strategic Directors was originally adopted by the full Council in October 2009 and subsequently in June 2012 as part of the overall Policy's annual review.

It is based on an independent report by the Hay Group and is based on their job evaluation scheme.

Strategic Directors' salary is set just under the lower quartile of the National Public Sector Market, as shown in January 2012, for jobs of corresponding size (lower quartile means that 75% of the sector are paid more).

The Head of Education's salary is based on the median of the National Public Sector Market for jobs of corresponding size, as shown in January 2012 (median means that 50% of the sector are paid more).

The Head of Finance's salary is based on the lower quartile of the National Public Sector Market for jobs of corresponding size, as shown in January 2012 (lower quartile means that 75% of the sector are paid more).

All other Heads of Departments' salaries are based on the median of the National Public Sector Market for jobs of corresponding size as shown in January 2012 (median means that 50% of the sector are paid more).

Consideration to the reviewing of actual pay in relation to the benchmark levels will take place annually.

The Chief Executive's salary has been set in accordance with the scale of £100,536 - £108,264.

The Council does not pay any bonus payments or performance related pay to its Chief Officers. *The Council's local terms and conditions of service are relevant to Chief Officers, as for all other staff, unless otherwise noted within individual policies.*

The salaries of the Council's Chief Officers are available on the Council's website on the following link -www.gwynedd.gov.uk/employmentbenefits (See Appendix 1)

LOWER PAID

The Council's pay policy for its remaining staff is based on the Council's equal pay policy and its collective agreement with the recognised trade unions as introduced on the 1st April 2008. The Council's pay structures are subject to equal pay audits.

The Council has adopted the GLPC Job Evaluation Scheme criteria as the basis for setting salary grades for all posts employed under the Local Government Workers' Conditions of Service. The Council is committed to pay salaries in accordance with equal Pay legislation and the "single status" agreement between local government employers and the recognised trade unions in 1997.

The Council defines its lowest paid, as spinal pay point 8 on the national pay scale as agreed by the National Joint Council. The Council does not pay any bonus payments nor pay which is based on workers' performance.

The relationship between the remunerations of its Chief Officers and its other employees is designed to secure the ability of the Council to be able to recruit and retain the best suitable candidates to its various posts, whilst maintaining the differentials as defined by the job's evaluation scheme.

The Hutton Review of Fair Pay in the Public Sector recommends a maximum ratio of no more than 1:20 between the highest and the lowest paid. The ratio within the Council is 1:7.8.

LOCAL CONDITIONS OF SERVICE

Salary on Commencement in Post

The number of increments within each grade reflects the possible period of development in post that could be relevant to individuals on that grade. Members of staff will be appointed to the salary point within the grade which reflects the

time required for development in order that they are able to undertake the full responsibilities and duties of the post.

Normally, each employee is appointed to the lowest pay point within the appropriate pay grade. If an employee is already being paid above the lowest pay point or if there is sufficient evidence to demonstrate that the employee is already fully competent to fulfil a number of aspects relating to the post, a manager can, in consultation with the Head of Human Resources, appoint on a higher pay point within the appropriate pay grade.

If there is a capacity within the job grade, all members of staff will receive an annual pay increment on the 1st April dependent upon those terms noted in the Council's Policy on Dealing with Underperformance and on condition that they have been appointed to their current post for more than six months prior to that date.

Re-location Expenses

The scheme is relevant to staff appointed as a result of an advertisement or following an internal re-organisation where they have to move house.

The employee's present home must be more than 20 miles from his/her administrative centre in order to consider an application to reimburse costs.

In such circumstances, the cost of the removal of furniture and belongings will be reimbursed subject to accepting the lowest of three estimates as well as the full cost of storing furniture for up to three months. A contribution of up to £3,270 to cover legal expenses, estate agent fees, change of carpets and curtains and other incidental costs of removal will be paid subject to the receipt of supporting invoices.

Market Supplement

The grading of posts is based on the Council's job evaluation scheme as this ensures that the pay system is based on equality as defined in the Equal Pay Act 1970 and ensures consistency in pay decisions. For these reasons any deviation from this system may create a risk to the Council that must be tightly regulated and must be for significant and clear reasons. There must be clear and detailed evidence in order to justify any deviation from this arrangement.

However, there may be occasions when market forces lead to recruitment and/or retention problems related to a particular post. The Council may in exceptional circumstances, and in order to attract and retain an individual to a particular post, offer an additional temporary supplement to the salary grade identified through the Authority's grading scheme.

In this respect a market supplement will only be used when there is adequate documented evidence of failure to attract and/or retain an employee to a post. A market supplement is not a permanent addition to the salary. Should circumstances related to the market rate of the post change, or where a member of staff is transferred by the Council to a different post that does not attract a market supplement, their entitlement to the payment will cease and the supplement will be withdrawn in line with agreed notice.

The Council, at its meeting on the 9 October, 2014, approved a market supplement provision of up to £3,000 for Chief Officers where it can be justified by a business case. There is no ceiling set in respect of market supplement levels for other posts.

Honoraria (Undertaking Additional Responsibilities)

An additional payment can be approved when an employee agrees to temporarily undertake some specific additional duties and responsibilities which are beyond the normal duties and responsibilities of their substantive post. The proportion of higher level of duties and responsibilities must be significant, evaluated at a higher salary level and over an extended period prior to being able to offer temporary additional remuneration.

On-Duty, Standby and Call-Out Payments

The Council is committed to providing services according to the needs of the people of Gwynedd. This means that at times it is necessary for staff to be called upon to carry out work at times outside their normal working pattern and at unsociable times. The Council meets the need for these services by:

- *having suitably trained staff on duty to take calls and to decide upon the relevant course of action*
- *having a suitably trained workforce on standby and able to be called out at short notice to respond to emergency work*
- *rewarding the above staff at suitable rates that recognise the inconvenience and disruption that this work causes.*

On duty is defined as a period of time when an officer is on duty outside of their normal hours of work for a specific period of time and is available to respond to calls from residents, emergency services, etc.

Standby is defined as a specific period of time that an officer is available for call out outside of their normal hours of work.

In some cases on duty or being on standby will form a part of officers' basic salary and their contract of employment will specifically state this. They will not be entitled to any extra payment whilst on duty or on standby.

Payment for other officers will be by way of an additional, separately identified payment that will reflect the level of inconvenience and disruption to the officers' normal home life that is incurred. Officers will receive a minimum of two hours at the appropriate rate of pay for each time they are called out (including travelling time).

On-duty/standby payments will be updated annually in line with the annual salary increase agreed by the National Joint Council for Local Government Services.

Professional Fees

One fee per annum will be reimbursed to officers in respect of membership to recognised bodies which are relevant to their professional function and where that membership is a requirement by the Council.

Car Users

All staff are denoted as casual car users and reimbursements are paid for business travel on HMRC rates.

Subsistence Payments

Subsistence repayments will be made when travelling out of County for breakfast, dinner, tea and supper up to the maximum of the Council's subsistence allowances on production of receipts. For those whose normal work covers more than one County, e.g. Gwynedd and Môn, "Out of County" is defined as outside that normal area of work.

Working Additional Hours

Employees, in receipt of basic pay at or below point 28 who are required to work additional hours beyond the 37 hour working week are entitled to receive enhancements at the rate of basic pay at time and a half (alternative arrangements in place for those workers with work patterns where those hours worked are on a fortnightly/monthly or annual basis). Employees paid above point 28 who work planned additional hours beyond the 37 hour week, and where prior approval has been given by the Head of Department, will be paid at their basic rate of pay for those additional hours or will be entitled to time off in lieu.

Working Unsociable Hours

Salary is paid at the basic rate on weekends for work within the 37 hours. Enhanced pay is due to those employees who work during the following hours;

- *basic pay and one fifth of hourly rate for work conducted between 8 and 10 in the evening*
- *basic pay and one third of hourly rate for work conducted between 10 at night and 6 in the morning*

Salary is paid in accordance with the national agreement for work conducted on bank holidays and additional statutory days.

First Aid Allowance

An annual allowance is paid to employees who act as designated First Aiders.

Local Election Duties

The Council's fees for payments to its Returning Officer and Deputy Returning Officer for local election duties are included in Appendix 2.

Severance and Retirement

The Council's severance and retirement schemes are applied equally and fairly to all staff regardless of grade, age or gender and are implemented in accordance with the regulations of the relevant pension schemes. There are no exceptions for Chief Officers. The relevant policies are available on the Council's website on the following link - www.gwynedd.gov.uk/employmentbenefits

Financial Detriment Scheme

Financial detriment is defined as a loss due to a change in salary grade and contractual terms and conditions. The Council provides financial assistance to staff who face financial loss (as a consequence of re-structuring or re-designation of responsibilities) for a period of three years from the date that the change in the employment package becomes operational. That financial assistance will cease after three years unless the individual member of staff has in the meantime been appointed to another post where he/she is not facing financial detriment.

Re-employment

The Council does not have a policy which excludes former officers, who were in receipt of severance, redundancy or pension payments, from being re-employed.

The Council will however consider each candidate on their own merits and will appoint with a view of achieving the best efficiency for the service and best value for its ratepayers. Such appointment, if made, would be subject to any abatements stipulated in the Local Government Pension Scheme Regulations.

Appointment of New Chief Officer (Salary of £100,000 and above)

The Full Council will approve any amendment to the salary package of any such post prior to its recruitment. Recruitment to any such post will be advertised externally.

Chief Officers' Salaries

Chief Executive	£100,536 - £108,264
Strategic Directors x 2	£81,665 - £90,739
Head of Education	*£76,412 - £84,903
Head of Finance	£69,319 - £77,021
Head of Customer Care, Democracy and Legal, Economy and Community, Highways & Municipal, Regulatory, Corporate Support and Organisational Development, Children & Supporting Families, Adults, Health and Wellbeing	£64,502 - £71,668
Head of Consultancy	£54,486 - £60,540
Monitoring Officer	£54,660 - £57,361

*A "Market Supplement" is paid in addition to the basic salary for this post

ELECTION PAYMENT SCHEME AS APPROVED BY GWYNEDD COUNCIL

Fees for the general conduct of the election and performance of all duties which a Returning Officer is required to perform under any order or other enactment relating to the election of Councillors		
Returning Officer and Deputy Returning officer Fees	Contested	Uncontested
Returning Officer	117.00	
For the general conduct of the election and performance of all duties which a Returning Officer is required to perform under any order or other enactment relating to the election of Councillors.))
))
For each Electoral Division, Community/Town Council, Community/Town Council Ward)	75.00
))
Deputy Returning Officer	80.00)
))
Specific duties to include attending to receive nomination papers, examining them and adjudicating on their validity; dealing with candidates; notifying candidates of decisions on nominations, publishing statements of persons nominated and attending to receive withdrawals and conducting the counts.))
))
For each Electoral Division, Community/Town Council, Community/Town Council Ward))
By-Elections		
In any by-election where a Deputy Returning Officer is employed to manage the count:		
For each Electoral Division, Community/Town Council, Community/Town Council Ward	32.00	

CABINET REPORT

19 February 2015

Cabinet Member: Councillor Peredur Jenkins

Subject: Pay Policy

**Contact Officer: Dilwyn Williams, Chief Executive
Alwyn E Jones, Head of Human Resources**

Decision Sought/Purpose of the Report

Cabinet Members are asked to recommend to the Council that:

- the pay of the Council's lowest paid staff should be increased by deleting the lowest pay point from the Council's pay structure.
 - this change should be incorporated in the Council's pay policy statement for 2015/16 and also to recommend how the change should be financed.
-

1. INTRODUCTION

1.1 Last year the Council resolved to delete the two lowest pay points on its pay structure as a step towards introducing the "Living Wage" as a minimum wage. This decision followed a previous request by Cabinet members for officers to investigate the implications of implementing the "Living Wage" as part of the Council's pay structure. It was reported at that time that immediate full compliance would entail substantial costs (of the order of £1m per annum) and would create problems with the pay structure in terms of job evaluation.

1.2 The Living Wage is currently set at £7.85 per hour and the national minimum wage for workers over 21 is £6.50 per hour. As a consequence of deleting the two lowest pay points last year and the 2.2% nationally agreed wage increase for local government workers in January of this year, the minimum wage within the Council now stands at £7.11 per hour.

2. **THE PROPOSAL**

- 2.1 The recommendation is that the Council deletes the lowest point on its pay structure (point 7), which means that the minimum wage the Council pays would increase from £7.11 per hour to £7.19 per hour. In terms of pay grades, this would mean the joining of the GS1 (static point 7) and GS2 (static point 8) grades. There would be no structural implications in terms of staff's responsibility for each other's work emanating from the change and it would not undermine the Job Evaluation Scheme.
- 2.2 This increase in pay would benefit 1,060 individuals within the Council with the vast majority of those being part-time workers.

3. **COST AND FINANCING**

- 3.1 The total cost of the proposal is £45,000 – the eventual cost may be marginally lower as the Council may be able to retrieve some of the costs from third parties. The cost will be fully incurred in 2015/16 as the package has been designed such that staff receive all the benefit in one year.
- 3.2 The Head of Human Resources has ensured a memorandum of understanding with Trade Union representatives during the past year. This memorandum is a commitment by the unions to consider and discuss possibilities to reduce costs emanating from local conditions of service. At present, the Council has an agreement to not act on any amendments to the local conditions of service until April 2016 but the intention behind the memorandum of understanding is that the Council will have prepared for any changes in good time for implementation as from the 1st April, 2016.
- 3.3 There is no certainty at this stage in relation to the exact savings that will be realised as a result of the memorandum of understanding. Therefore, the package needs to be financed by other means, but with the savings realised, from the commitment within the memorandum of understanding, available to help meet the expected financial gap in 2016/17.
- 3.4 There are means of financing the relevant cost from further savings realised over and above the target by reducing senior management in the Council. A report on this matter will be submitted to the Cabinet on the 19th February.

4. **CONCLUSIONS AND RECOMMENDATIONS**

- 4.1 Cabinet Members have already expressed a desire to see “fairness” as one of the Council’s thematic priorities in the Council’s Strategic Plan. There are many areas where the Council is already committed to this thematic priority e.g. welfare changes, health inequalities and closing the gap in educational achievement. This proposal is not only entirely consistent with the fairness agenda but also builds on last year’s action and takes a further step towards the “Living Wage”.
- 4.2 Therefore, it is recommended that the Cabinet recommends approval of this proposed change to the next meeting of the full Council and delete the lowest pay point on the pay structure (point 7) as a further step towards the “Living Wage”.

Opinion of the Statutory Officers

Chief Executive:

Co-author of the report

Monitoring Officer:

There is an inextricable joint dependency between the Cabinet’s role in setting policy direction and the full Council’s role in providing the finance and agreeing on a pay policy statement. The two recommendations in the report appropriately acknowledge the two different, but connected, roles. There are no other propriety issues arising from the report.

Chief Finance Officer:

I have worked together with the authors whilst preparing this report and I can confirm the accuracy of the financial content.

MEETING:	Full Council
DATE:	5 March 2015
SUBJECT:	2015/16 BUDGET
AUTHORS:	Councillor Peredur Jenkins, Cabinet Member for Resources Dafydd L Edwards, Head of Finance
PURPOSE:	Set the Council's Budget and determine the 2015/16 Council Tax level

The Cabinet's recommendation to the Council -

- i. Set a budget of £228,193,060 for 2015/16 to be funded by £168,311,990* of Government Grant and an increase of 4.5% in Council Tax which would generate Council Tax income of £57,862,480* with the remaining gap being funded by utilizing £2,018,590* of Council balances.**
(these figures were amended by less than £100 to ensure consistency)*
- ii. Also, to 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.**
- iii. Note the continuation of the medium term strategy to consult on the proposals to address the funding gap facing us over the next three years.**

Summary Report

1. The Council must set a balanced budget for the year ahead (2015/16), ensuring that the expenditure balances with the 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 the 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, the Cabinet has recommended a budget for the Council to consider approving. 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 matters which influence establishing a strategy for the future.

5. The proposals for 2015/16 can be summarised as follows –

2015/16 Expenditure Requirements	£236,819,650
Less Government Grant income	£168,311,990
Less Council Tax income (4.5%)	<u>£57,862,480</u>
Deficit	£10,645,180
Savings which will have been achieved	<u>£8,626,590</u>
Balance to be met from Balances / Cuts	<u><u>£2,018,590</u></u>

6. 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”.
7. 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.
8. There is also a need to meet one-off requirements equivalent to £373,000, funded by using the contingency which was already in the base budget.
9. 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.
10. Part 4 of the appendix shows 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”.
11. The grant that we will receive from the Welsh Government for 2015/16 is reducing by 4% to £168.3m, which is another substantial reduction following the 4.4% reduction in 2014/15.
12. 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.
13. 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.

14. 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. The total savings above of £8,626,590 reduces the "stand still" budget from £236,819,650 to £228,193,060.

2015/16 Budget (after deducting the savings)	£228,193,060
Less Government Grant income	£168,311,990
Less Council Tax income (4.5%)	<u>£57,862,480</u>
Balance to be met from Balances / Cuts	<u>£2,018,590</u>

15. 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 below).
16. Briefly, by raising the Council Tax 4.5% instead of 3.5% by 2015/16, it will be possible to avoid cutting services worth £553,707 for the people of Gwynedd in 2016/17. Therefore, a Council Tax increase of 4.5% is recommended, which is a weekly increase of 96p, or £50 annually, with a Band D tax of £1,161.07 for 2015/16, together with £2,018,590 use of balances.
17. The proposed budget uses £2m of the Council's balances in 2015/16, bridging the position until 2016/17. 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 (reduced from £7m to £5m during 2015/16) if there were other unexpected financial calls.
18. 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 resources which we receive from Welsh Government to support our capital programme, but we don't believe that the present level of borrowing will overstretch the Council.
19. 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, we had an additional grant reduction of over £2.3m, therefore the gap has increased to around £53m.
20. 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.

21. 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
Use of balances / savings to be found	1.8	2.0	8.9	7.0	19.7
					34.4

22. Therefore, it is recommended that we should continue to work on the basis of the same framework of options 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	The balance remaining

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

24. 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 ensure that the unavoidable cuts will reflect the priorities of the people of Gwynedd.

25. Whilst we are already addressing these needs, 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 to deliver savings, such as the “early cuts”, Highways Strategic Review, etc.

Reasons for recommending the decision

26. The whole strategy attempts to protect the services which the Council provides for the people of Gwynedd, whilst keeping the Council Tax increase to the minimum which is consistent with that aim.
27. It also aims 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.
28. It is recommended that the Council increases Council Tax by 4.5% in 2015/16, in order to reduce the cuts which will have to be faced in 2016/17.
29. We foresee that 12 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 funding gap that we are facing.

Relevant considerations

30. As noted above, charging less Council Tax would increase the level of cuts which will be required over 2015/16 – 2017/18.
 31. 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 more cuts would be the consequence of that, of course.
 32. It is a matter for the Council to adopt 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 it is the Cabinet's recommendation to increase Council Tax by 4.5%.
 33. In an inclusive process, I have consulted with the Council's members through a series of seminars over the days leading up to the Cabinet meeting on 19 February. The Cabinet's recommendation was in the context of the Audit Committee's decision to support the proposed budget and 4.5% tax increase presented there on 17 February, and also there was strong support from the 42 Council members who attended the series of four seminars in favour of raising the tax by 4.5%, rather than 3.5%, in order to prevent adding another £553,700 to a total of around £13m in cuts.
-

Opinion of local member

Not a local matter

Views of the Statutory Officers

Chief Executive:

Once again this year, 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 proposal 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 detailed 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 proposed for 2015/16.
- 1.2 In addition, it updates the medium term financial strategy established last year for the period up to 2017/18 in the face of the continuing difficult financial climate.

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**

	Total Welsh Authorities	Gwynedd Council
*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 in order to “stand still” in 2015/16.

Table 2
2014/15 Budget

	£'000
Base Budget 2014/15	231,620
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
Total requirement	<u>236,820</u>

- 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 more 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 (into the national teachers’ pension scheme, separate from 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 Childrens’ 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 £55 to £60 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 local government 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, there is agreement that it will 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 review, 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 to 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.
- **21st 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 (21st 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 and approved by the Cabinet. The total 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 contingency budget set aside for this purpose.

3.15 **Pay Policy**

Consideration is currently being given (see another report on the agenda of the Council meeting) 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. This was reported to the Cabinet on 19 February, and a recommendation is before the Council.

If it is intended to act upon this recommendation, provision for this will have been set aside 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 21st Century schools, more than satisfy the "promise".
- 4.5 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".

4.6 Bear in mind also that the schools' budget will face the usual adjustments that arise from changes in pupil numbers, with some schools benefiting and others 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 derived from pupil numbers (demography).

4.7 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 for Resources encouraging them to demonstrate how best to find £4.3m over 2015/16 – 2017/18 with the lowest impact on pupils' educational achievement.

4.8 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.

4.9 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, which is to be discussed again.

Schools' Devolved Budgets: the Working Group / Forum's suggestions	Financial Year Saving 2015/16 £	Total 2015/16 – 2018/19 £
Primary Schools		
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
Secondary Schools		
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
Special Schools		
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
TOTAL	952,000	4,300,000

- 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 presented) 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, it was agreed that the Working Group should continue to review education services and schools' organisation in order to find the balance of the savings target, and the Cabinet has asked them to continue to consider and recommend the best way to achieve the full £4.3m.
- 4.12 For 2015/16, it was noted that if schools' savings could be limited to the £952,000 mentioned above, there was an agreement in the Schools' Budget Forum for the Cabinet to exercise discretion, for now, on the basis of a compromise within the maxima in 4.10 above. It was decided to act according with "Model B" (which splits the teaching staff savings approximately 2.3:1 between the sectors) in 2015/16. This will 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 will weaken the pupil : teacher ratio from the current 20.58:1 to 20.63:1, and the effect on individual schools budgets in the range of between no reduction and £2,300.
- 4.14 The £25,771 in the Secondary sector will weaken the average pupil : teacher ratio from the current 15.99:1 to 16.01:1, and the effect on individual schools budgets in the range of between no reduction and £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 With an increase of 4.5%, it is expected that the income from Council Tax will be £57.86m, therefore we are facing a deficit of £10.65m 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 Highways 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 total by £336,040 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 the £952,000 savings from schools, the savings will meet £8.63m of the £10.65m gap arising in 2015/16, leaving £2.02m to be found should we increase Council Tax by 4.5%.

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 increase in Wales, but that average has now increased, with the Wales median likely to be 4.5% in 2015/16.
- 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 A 4.5% increase would produce £2.49m of additional income towards the gap, and this would equate to a Council Tax increase of £50 in a Band D property, or 96p a week (the tax raised by the community councils and the Police Authority would of course be additional to this).
- 7.5 Over 17% of households in Gwynedd receive some element of assistance towards their Council Tax, and over 60% of properties in Gwynedd are in bands lower than band D.
- 7.6 Every 0.1% under 4.5% would increase the financial gap we would need to find by around £55,370. Therefore, 0.5% would mean changing the financial gap by £276,854 whilst 1% would mean changing the financial gap by £553,700.
- 7.7 The increase in Gwynedd's Council Tax, together with the average increase across Wales since 2008/09 is shown below.

Year	Gwynedd	Wales
Total 2008-15	28.6%	25.2%
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%

- 7.8 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 three authorities are planning to increase less than 3%, with 12 authorities considering an increase of 4.5% or higher. Therefore, the median across Wales would be 4.5%, and I consider that an increase of 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 Increasing the Council Tax level by 4.5% would leave a gap of £2.02m to be found. The only way to find this will be to have more savings, and as the Council is already maximising efficiency savings, this balance will have to be found by cutting service budgets in 2016/17.
- 7.11 These savings will not be available on 1 April 2015. Therefore, we will need to depend on use of 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, a Council Tax increase of 4.5% is recommended, which is a weekly increase of 96p, or £50 annually, with a Band D tax of £1,161.07 for 2015/16, together with £2,018,590 use of balances.**

8 BALANCES

- 8.1 We foresee that the Council 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 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 £2.02m of general balances for bridging until we can discover the balance of the savings required in 2016/17.
- 8.5 We have a number of specific reserves established by the Council to meet specific 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 attached 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

	2015/16	2016/17
	£'000	£'000
Capital Requirements	19,179	21,270
To be funded through:		
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
Total to be financed	19,179	21,270

- 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.

10 A MEDIUM TERM 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 an example of good practice in a national report on financial planning recently published by the Wales 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
Use of balances / savings to be found	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, we've had an additional grant reduction of over £2.3m, therefore the gap has increased to around £53m.
- 10.8 If the Council was to increase the Council Tax by 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 For planning purposes, therefore, we 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 that finding such a large funding gap would have 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 can identify, 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

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

10.11 It is therefore recommended for now that all the options should be kept open and to 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	The balance remaining

10.12 Whilst bridging the 2015/16 deficit from the Council's general 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 mean 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 be forced to cut services in the medium term, especially if the local government grant continues to reduce.

10.14 Therefore, it will 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 Despite the recent timing in presenting the schools savings proposals, the relevant impact assessments were also achieved before 19 February, when reports thereon were appropriately submitted to the Cabinet.
- 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 to greater demands from increasing numbers of clients, etc) 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, including a Council Tax increase of 4.5%, as follows:

2015/16 Expenditure requirements	£236,819,650
Less Government Grant income	£168,311,990
Less Council Tax income (4.5%)	<u>£57,862,480</u>
Deficit	£10,645,180
Savings which will be achieved	<u>£8,626,590</u>
Balance to be met from Balances	<u><u>£2,018,590</u></u>

- 12.6 The £2.02m remainder can be bridged from balances until we are able to prioritise cuts to meet it in 2016/17.
- 12.7 This will mean setting a net budget, after using balances, of £228,193,060 (£236.8m less savings of £8.6m). An analysis of the budget per service is given in Appendix 4.**
- 12.8 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

- 12.9 In relation to the position over the next three years, we should plan to address the £34m funding gap 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.
- 12.10 An inclusive system should be established to prioritise where we would have to cut services. In the meantime, we must take advantage 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	Deprivation of Liberty Safeguards Arrangements 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	Transfer responsibility for Learning Disabilities services 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	Transition Age 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	Whittlestone Case 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	Overspend in Home Care	£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	Gwynedd and Anglesey Play Officer 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	Financial statements for joint committees and harbour authorities 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	Strengthen the resources to support Information Technology 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

Ref	Bid Details	Amount	Recommendation	Recommended Sum
Priff 1	Cycle paths 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	Net increase in the transport costs of pupils/students 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
Total		£2,278,000	Total	£876,000

B. CAPITAL BIDS

Ref	Bid Details	Amount	Recommendation	Recommended Sum
AD 1	Security within school sites 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	Voluntary Development Fund 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	Tomen y Bala 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
Total		£240,000	Total	£180,000

C. ONE-OFF BIDS

Ref	Bid Details	Amount	Recommendation	Recommended Sum
SaG	<p>Performance Management Support System 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.</p>	£150,000	Further discussion in the Management Group is required prior to a decision.	£150,000
SaG 2	<p>Maintain the 'Rhaeadr' e-newsletter Maintain the new development, known as 'Rhaeadr', to communicate the Council and Cabinet's work to the frontline elected members</p>	£35,000	Recommend funding the bid for a year, to allow the Service to consider alternative methods of provision.	£35,000
Add 1	<p>Maesgeirchen Transport A bid for funding to bridge the overspend arising from the continuation of the current transport arrangements until an alternative solution has been found.</p>	£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	<p>Overspend on the Integration Budget 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.</p>	£312,000	Recommend that the Education Department meets the overspend in 2015/16 from its reserves.	

Ref	Bid Details	Amount	Recommendation	Recommended Sum
AD 1	<p>Occupational Health 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>Shaw Trust Work Placements 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>The status of the Council's DBS posts 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
Total		£685,000	Total	£373,000

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.

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

	2015/16	2016/17
	£'000	£'000
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
Total	19,179	21,270

APPENDIX 4

PROPOSED BUDGETS BY SERVICE 2015/16

Budget 2015/16	Base Budget	Inflation	Precepts Increments and Pensions	Interest and Borrowing Costs	Demography Income and Various	Transfer to the Settlement	Service Pressures	Savings	Base Budget
	2014/15								2015/16
DEPARTMENTS	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
Departmental Total	197,542	1,595	168	0	1,048	108	611	(8,825)	192,247
Corporate and Capital matters	34,794	1,206	6	(250)	33	205	(246)	198	35,946
GROSS TOTAL =	232,336	2,801	174	(250)	1,081	313	365	(8,627)	228,193
Balances and Specific Reserves	(2,179)	0	0	0	160	0	511	0	(1,508)
NET TOTAL =	230,157	2,801	174	(250)	1,241	313	876	(8,627)	226,685

MEETING	FULL COUNCIL
DATE	5 MARCH 2015
TITLE	TREASURY MANAGEMENT REVISION OF THE TREASURY MANAGEMENT POLICY STATEMENT TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2015/16
PURPOSE	ADOPT THE PROPOSED STRATEGIES
AUTHOR	DAFYDD L EDWARDS – HEAD OF FINANCE
CABINET MEMBER	COUNCILLOR PEREDUR JENKINS

Introduction and Background

1. The Code of Practice for managing Treasury Management in Public Services published by CIPFA, requires the Council to prepare a Policy Statement and practice papers together with detailed schedules setting out the Council's approach to all treasury operations. The primary requirement of the Code is the approval by the Full Council of the Policy Statement, the practice papers and the schedules. These were approved by the Council at its meeting of 3rd 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 24th 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 1st April 2004, introduced a new system of governance for local authority capital expenditure, based largely on self regulation. The Prudential Code for Capital Finance in Local Authorities has been developed by CIPFA as a professional code of practice, with statutory backing, to support local authorities in taking decisions to spend capital. Key objectives are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. Local authorities, before the beginning of each financial year, are required to set certain prudential indicators for the forthcoming and following years. Following the recent review, CIPFA has now introduced a new prudential indicator, "Upper limits on the proportion of net debt to gross debt" to highlight where an authority may be borrowing in advance of its cash requirement. The indicators, which are based on the capital and revenue budget proposals contained elsewhere on the agenda, are shown here in **Appendix D**.
6. With effect from 31st March 2008, the Welsh Assembly Government introduced the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 [the "Amendment Regulations"]. These Regulations introduce certain amendments to those introduced in 2003 [the "Original Regulations"] as part of the implementation of the Prudential Borrowing regime. Amongst the changes introduced is the requirement for an Annual Minimum Revenue Provision (MRP) Policy Statement.
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.

9. All of the following papers were presented to the Audit Committee on 17 February, where proposals were explained and generally accepted, further to questions from Members. The Audit Committee decided to recommend to the full Council as follows:

Recommendation

10. **The Council is asked to 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: -

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				
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:

On Balance Sheet	Fixed	Variable
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing (not operating leases)	●	●
Other Methods of Financing		
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

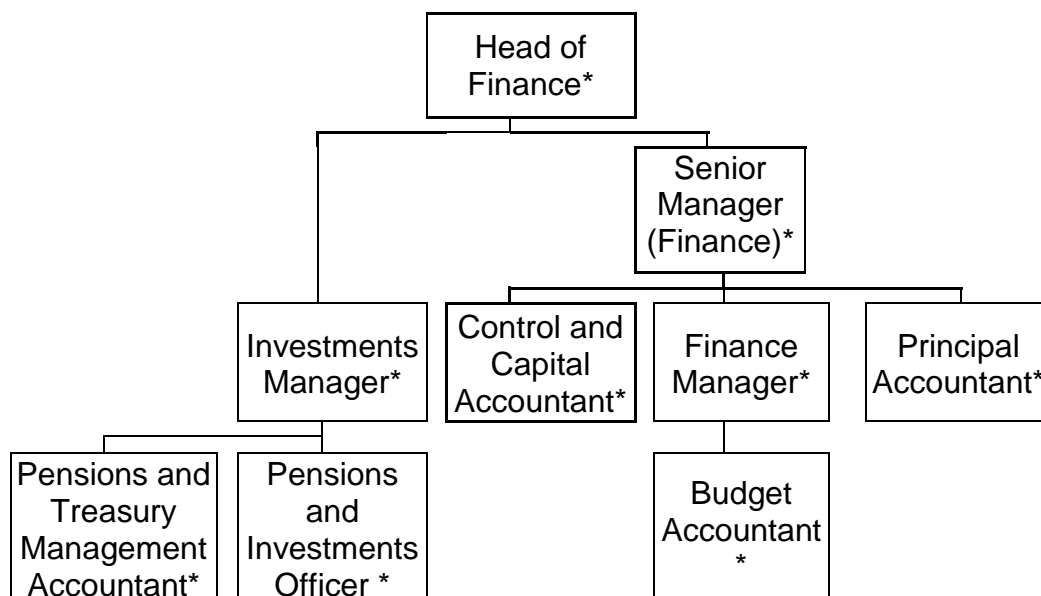
- a) The Audit Committee will receive and review reports on treasury management policies, practices and activities as well as the proposed annual treasury management strategy.
- b) The Portfolio Leader will receive reports on any debt rescheduling and will refer the report to the Council Board if he 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).

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

	31.3.14 Actual £'000	31.3.15 Estimate £'000	31.3.16 Estimate £'000	31.3.17 Estimate £'000	31.3.18 Estimate £'000
Borrowing CFR	173,308	175,228	179,510	185,052	185,069
Less: External borrowing *	(114,581)	(110,758)	(110,559)	(108,584)	(106,034)
Internal borrowing	58,727	64,470	68,951	76,468	79,035
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)
Investments	(48,224)	(24,242)	(14,411)	(4,889)	(315)

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

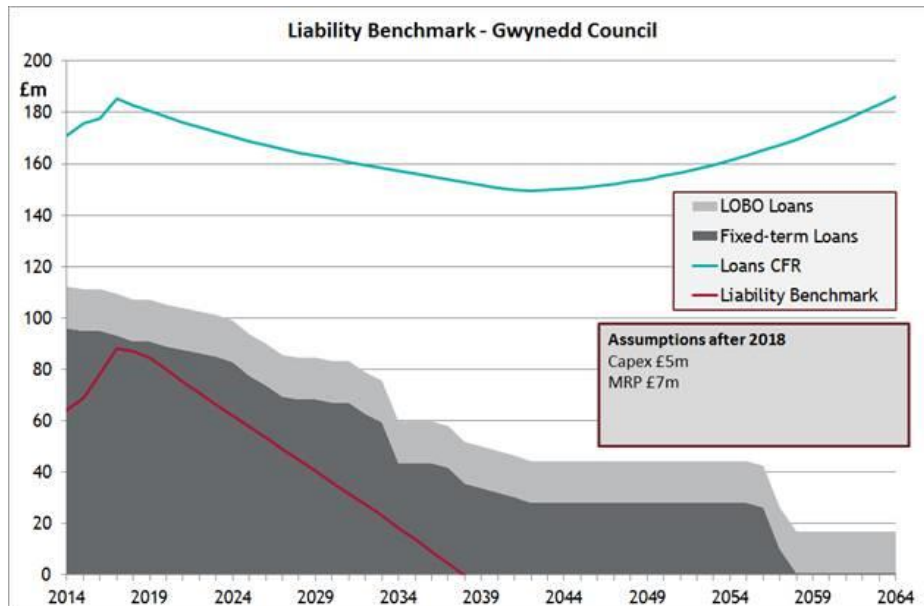
- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying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

	Cash limit
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

	Cash limit
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.

	Target
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.

	Target
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:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

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

6.4 **Maturity Structure of Borrowing**

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

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

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

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

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

	2015/16	2016/17	2017/18
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.

Alternative	Impact on income and expenditure	Impact on risk management
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
Official Bank Rate													
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
3-month LIBID rate													
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
1-yr LIBID rate													
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
5-yr gilt yield													
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
10-yr gilt yield													
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
20-yr gilt yield													
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
50-yr gilt yield													
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

	31.12.14 Actual Portfolio £m	9 months to 31.12.14 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	94.3	6.06
LOBO Loans	16.2	4.22
Total Gross External Debt	110.5	5.80
Investments:		
Short-term investments	48.3	0.70
Total Investments	48.3	0.70
Net Debt	62.2	

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.

Capital Expenditure and Financing	2014/15 Revised £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Total Capital Expenditure	41,337	36,064	24,203	14,681
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
Total Financing	41,337	36,064	24,203	14,681

3. Estimates of Capital Financing Requirement

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

Capital Financing Requirement	31.03.15 Revised £'000	31.03.16 Estimate £'000	31.03.17 Estimate £'000	31.03.18 Estimate £'000
Total CFR	175,228	179,510	185,052	185,069

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.

Debt	31.03.15 Revised £'000	31.03.16 Estimate £'000	31.03.17 Estimate £'000	31.03.18 Estimate £'000
Borrowing	110,758	110,559	108,584	106,034
Finance leases	0	0	0	0
PFI	0	0	0	0
Total Debt	110,758	110,559	108,584	106,034

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

5. Operational Boundary for External Debt

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

Operational Boundary	2014/15 Revised £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Borrowing	185,000	185,000	190,000	190,000
Other long-term liabilities	0	0	0	0
Total Debt	185,000	185,000	190,000	190,000

6. Authorised Limit for External Debt

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

Authorised Limit	2014/15 Revised £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Borrowing	195,000	195,000	200,000	200,000
Other long-term liabilities	0	0	0	0
Total Debt	195,000	195,000	200,000	200,000

7. Ratio of Financing Costs to Net Revenue Stream

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

Ratio of Financing Costs to Net Revenue Stream	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
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.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
General Fund - increase in annual band D Council Tax	0	0	0

9. Adoption of the CIPFA Treasury Management Code

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

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

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

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

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

Capital expenditure incurred during 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 31st March 2015, the budget for MRP has been set at £7.41m.

MEETING	COUNCIL
DATE	5 MARCH 2015
TITLE	PROPOSED CHANGES TO THE CONSTITUTION ARISING FROM THE PUBLIC SERVICE PENSIONS ACT 2013 AND THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (GOVERNANCE) REGULATIONS 2014
AUTHOR	DAFYDD L EDWARDS – HEAD OF FINANCE IWAN G D EVANS – HEAD OF LEGAL
CABINET MEMBER	COUNCILLOR PEREDUR JENKINS

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 attached report to the Audit Committee sets out the background and details. At its meeting on the 19th of February the Audit Committee resolved to recommend to the Council that it:

- (i) Reviews the sections of the Constitution which relate to the LGPS in order to ensure that the Council as the Administering Authority for the Gwynedd Pension Fund comply with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance) Amendment) Regulations 2015.
- (ii) Establish the Gwynedd Pension Fund Local Pension Board in accordance with the report and the Terms of Reference and Governance with delegated powers for the Head of Finance in consultation with the Head Of Legal Services to make minor amendments to the governance arrangements should that be required.

2. Recommendation

- 2.1 To adopt the 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.
- 2.2 Establish the Gwynedd Pension Fund Local Pension Board in accordance with the report and the Terms of Reference and Governance with delegated powers for the Head of Finance in consultation with the Head Of Legal Services to make minor amendments to the governance arrangements should that be required.

MEETING	AUDIT COMMITTEE
DATE	19 FEBRUARY 2015
TITLE	PROPOSED CHANGES TO THE CONSTITUTION ARISING FROM THE PUBLIC SERVICE PENSIONS ACT 2013 AND THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (GOVERNANCE) REGULATIONS 2014
AUTHOR	DAFYDD L EDWARDS – HEAD OF FINANCE IWAN G D EVANS – HEAD OF LEGAL
CABINET MEMBER	COUNCILLOR PEREDUR JENKINS

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 1st 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

Function	A provision of an act or Statutory Instrument	<i>Delegation -</i> (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), Section 3 Public Services Pensions Act 2013	
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. Regulations under Section 3 Public Services Pensions Act 2013	
3. To have regard to and consider the recommendations of the Gwynedd Pension Fund Pension Board		

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.

MEETING	COUNCIL
DATE	6 March 2015
TITLE	AMENDMENTS TO THE CONSTITUTION
PURPOSE	To report on amendments to the constitution.
RECOMMENDATION	That the Council accepts the report
CABINET MEMBER	Cllr Dyfed Edwards, Council Leader
AUTHOR	Iwan G D Evans – Head of Legal Services – Monitoring Officer

1. Introduction

The amended constitution was adopted by the Council on 17 July 2014. Further amendments were reported on in October 2014. In January 2015 the Leader re-organised the Cabinet Members Portfolio's and it is necessary to formally report on this for information to the Council. In addition it has become apparent that the constitution needed a technical amendment to provide clarity on notice periods.

2. Portfolios

The new portfolio's are set out in Appendix 1

3. Minor Amendments

Rule 2.6.2 of the new constitution permits the Monitoring Officer to make minor amendments to the constitution:

“ If, in the reasonable opinion of the Monitoring Officer, a change is:

- (a) a minor variation; or
- (b) required to be made to remove any inconsistency, ambiguity or typographical correction; or

(c) required to be made so as to put into effect any decision of the Council or its committees or the Cabinet,

in which case the Monitoring Officer may make such a change. Any such change made by the Monitoring Officer shall come into force with immediate effect. Such changes shall be reported to the next Full Council meeting for information.”

I was of the opinion that the Procedure Rules were not consistently clear in defining notice periods. In that it is not always clear which days are incorporated in notice periods. The previous constitution had a provision which specifically addressed this matter and provided clarity. In order to resolve these ambiguities I have included an additional definition which reflects the previous constitution. The following wording has been included in Section 2.2

“Subject to any statutory provision or where the contrary is specifically stated any reference in any rule of procedure to a “day” or “days” means a council working day, and does not include the day on which the notice was given or the day of the meeting to which the notice refers.”

Recommendation

That the Council accepts the report.

Appendix 1

Name	Portfolio	Main Functional Areas
Councillor Dyfed Edwards	Leader	Strategic Leadership; Business Planning. Local Services Board
Councillor Dyfrig Siencyn	Deputy Leader	Policy and Corporate Support, Communication, Engagement, Third Sector
Councillor Mair Rowlands	Children and Young People	Children and Young People; Leisure and Youth
Councillor Gareth Roberts	Adults and Health	Adults and Health
Councillor Gareth Thomas	Education	Education and Schools
Councillor Mandy Williams-Davies	Economy	Economy, Regeneration; Procurement, Maritime, Culture
Councillor Dafydd Meurig	Planning and Regulatory	Regulatory (except the "Carbon" agenda)
Councillor Peredur Jenkins	Resources	Finance, Human Resources; Transformation, Information Technology and Printroom
Councillor Ioan Thomas	Housing, Customer Care, Libraries, Language, Deprivation and Equality	Housing, Customer Care, Libraries Services and programmes regarding Language, Deprivation and Equality
Councillor John Wynn Jones	Environment	Highways and Municipal, Gwynedd Consultancy, Trunk Road Agency, "Carbon" agenda

MEETING	FULL COUNCIL
DATE	5TH MARCH 2015
TITE OF THE REPORT	COMMITTEES CALENDAR 2015/16
PURPOSE	PRESENT A DRAFT OF THE COUNCIL'S COMMITTEES CALENDAR FOR 2015/16
AUTHOR	GERAINT GEORGE, HEAD OF DEMOCRATIC SERVICES

1. BACKGROUND

- 1.1 During the process of creating the Council's Committees Calendar for 2015/16, members were invited through *Rhaeadr* to express their opinion on the timetable for the Council's Committee meetings for 2015/16.
- 1.2 The purpose of this was to ensure that the Council ensures that everyone has the opportunity to participate in the democratic process, therefore making every effort to ensure that meetings are held in suitable locations and at a reasonable time so as to assist members to fulfill their roles effectively. No comments were received in response to the request issued in *Rhaeadr*.
- 1.3 Discussions were held with a draft version of the 2015/16 Committees Calendar with Snowdonia National Park to ensure that there were no clashes in the meetings of both organisations.
- 1.4 The Council's Business Group also discussed the draft committees Calendar, and had no adjustments or comments.

2. 2015/16 COMMITTEES CALENDAR

- 2.1 The Committees Calendar for 2015/16 is presented overleaf.
- 2.2 The meetings have been scheduled on the same basis as last year, 2014-15.

3. RECOMMENDATION

It is recommended that the Full Council adopt the Committees Calendar for 2015/16.

2015/2016	Time of meeting	May	June	July	August	September	October	November	December	January	February	March	April	May
COUNCIL	pm	*14		9			8		10			3		*12
Cabinet	pm	5/19	2/23	14		15	6	3/24	15	19	16	15	12	3
Member Training	am/ pm	6		1		23		25		13	24	23		
(1) Corporate Scrutiny Committee	am/ pm		11				13		3		4		14	
(2) Communities Scrutiny Committee	am/ pm	21				17		17		12		8		
(3) Services Scrutiny Committee	am/ pm		4			22		26		28		24		
Audit Committee	am		30	16		24			1		11			5
Democratic Services Committee	am/ pm		9			29			8			29		
Planning Committee	am/ pm	18	15	6/27		7/28	19	9/30		11	1/22	14	4/25	
Joint Planning Policy Committee	am/ pm		26			25		20		29		11		
Central Licensing Committee	am		22			14			7			7		
Standards Committee	am		29				5			25			18	
SACRE	pm		10					4			10			
Language Committee	am		18				22			14			21	
Local Joint Consultative Committee	am			10										
Employment Appeals Committee	am/ pm	22	19	17		18	16	13	4	22	12	18	15	
Pensions Committee	pm		16			8*		10		26		17		
Porthmadog Harbour Consultative Committee	pm						14					9		
Pwllheli Harbour Consultative Committee	pm						20					22		
Aberdyfi Harbour Consultative Committee	am							12				10		
Barmouth Harbour Consultative Committee	am						15					22		
SCHOOL HOLIDAYS		04 & 25 - 29		21/07 -	31/0 8		26/10- 30/10		23/12 -	02/01	15- 19	25/03-	8/04	02 & 30-

MEETING OF	THE COUNCIL
DATE	5 March 2015
TITLE OF THE REPORT	THE COUNCIL'S POLITICAL BALANCE
PURPOSE	To review the Council's Political Balance
RECOMMENDATION	Allocation of seats on the Council's Committees
AUTHOR	Councillor Dyfed Edwards
RELEVANT OFFICER	Head of Democratic Services

1. INTRODUCTION

1.1 Notice has been received that:

i.) Councillor Charles Wyn Jones no longer wishes to be treated as an Individual Member and that he has joined the Plaid Cymru Group.

1.2 Consequently, the political constitution of the Council is as follows:-

Plaid Cymru	36
Independent	18
Llais Gwynedd	13
Labour	4
Liberal Democrats	2
Individual Member	2
Total	75

1.3 At the end of January, the sad news was received of the death of Councillor Huw Edwards.

2. ALLOCATION OF SEATS ON COMMITTEES

2.1 To remind members, the four main rules included in the Local Government and Housing Act 1989 in relation to the allocation of seats are noted here:-

2.2 (a) Every seat on a committee cannot be allocated to the same political group;

(b) The majority of seats on a committee must be allocated to a political group if the number of persons who are members of that group constitute a majority of the Council's members;

(c) Subject to paragraphs (a) and (b) above, the number of seats on ordinary committees allocated to each political group will be the same as the number of all seats that members of that group has on the Council;

(ch) Subject to paragraphs (a), (b) and (c) above, the number of seats on a committee allocated to each political group will be the same proportion of seats on the committee as the number of seats that members of that group has on the Council.

- 2.3 In order to ensure that these rules are adhered to, the Council has been dealing with committees in different blocks in the past. Also, this makes it easier to ensure that rule (c) in paragraph 2.2 above is adhered to.

3. CHANGES TO THE ALLOCATION OF SEATS ON COMMITTEES

- 3.1 The change to the political balance means that the Plaid Cymru Group gains a seat on the Audit Committee at the expense of the Individual Member.
- 3.2 It also means that the Plaid Cymru Group gains a seat on the Language Committee at the expense of the Individual Member which loses a seat on the Language Committee.
- 3.3 It also means that the Plaid Cymru Group gains a seat on the Local Consultative Joint Committee at the expense of the Individual Member which loses a seat on the Local Consultative Joint Committee.
(See **Appendix A**)
- 3.4 Following a by-election in the Cadnant Ward, Caernarfon, it is possible that there will be further amendments to the political balance of the Council.

4. RECOMMENDATION

The Council is asked to:

- discuss and agree to the change in the allocation of seats on the committees as noted in 3.1 – 3.3 above in accordance with the agreement of the Business Group.

APPENDIX A

SCRUTINY COMMITTEES

	Plaid Cymru	Independent	Llais Gwynedd	Labour	Liberal Democrats	Individual Member
Corporate	9	4	3	1	1	
Communities	8	4	3	1	1	1
Services	9	4	3	1		1
Audit	9	5	3	1		

OTHER COMMITTEES

	Plaid Cymru	Independent	Llais Gwynedd	Labour	Liberal Democrats	Individual Member
Democratic Services	7	4	3	1		
Language	8	4	3			
Planning	7	3	3	1	1	
Central Licensing	7	4	3			1
Employment Appeals	3	1	1	1		1
Appointment of Principal Officers	7	4	2	1	1	

Number of seats	74	37	27	8	4	4	154
------------------------	-----------	-----------	-----------	----------	----------	----------	------------

	Plaid Cymru	Independent	Llais Gwynedd	Labour	Liberal Democrats	Individual Member
Pensions	3	2	1		1	
Local Consultative Joint Committee	6	2	2	1		
Special Educational Needs Joint Committee	3	2	1			1
Joint Planning Policy Committee	4 (3 seats and one substitute)	2	1	1		
SACRE	3	2	2			

Total seats	93	47	34	10	5	5	194
--------------------	-----------	-----------	-----------	-----------	----------	----------	------------

COMMITTEE :	The Council
DATE :	5 March 2015
TEITL :	Appointment of Independent Members to the Standards Committee
AUTHOR :	Iwan Evans, Monitoring Officer
ACTION :	To appoint two independent members to the Standards Committee

1. Background

1.1. The terms of office of two independent members of the Council's Standards Committee, come to an end in February this year. As both have served two terms they are not eligible to be re-appointed for a further term.

1.2 The vacancies were advertised in accordance with the statutory requirements, and a Consultative Panel will interview applicants on 26 February 2015.

1.3 Under the relevant legislation, the Panel must consider the applications and then make a recommendation to the Council as to whom to appoint. The Panel consists of the Chair of the Council, the Chair of the Standards Committee, the Chair of the Democratic Services Committee and, as required by the regulations, a representative of the community and town councils and a 'lay member' with no direct connection to local government. The Panel's role is to consider all applications against the criteria set by the Council. Whilst it is the Council that makes the appointments, it must have regard to the Panel's recommendations.

1.3 Due to the timing of the interviews, the Panel's recommendation will be presented to the Council at the meeting.

2. Recommendation

2.1 To consider and decide upon the Panel's recommendation for appointing two independent members to the Standards Committee.

Dear Dyfed,

Please feel free to share the information below with your colleagues...

Thank you for your email regarding the Transatlantic Trade and Investment Partnership (TTIP).

I would like to reassure you that, contrary to what you may have been told, the European Parliament is not about to vote on any agreement. The negotiations started in June last year, and negotiators are aiming to conclude the deal by the end of 2015. This, however, is highly unlikely due to the complexity of the negotiations. The agreement might not even be presented before the European Parliament in the course of the current term (2014-2019).

As it stands, the EU and the US have not yet started to draft the TTIP. The exploratory phase of the negotiations, in which both sides exchanged ideas without any formal commitment, was only concluded last week. Currently, there is no text available for us - or indeed anyone - to formulate an informed opinion on the TTIP. Negotiators have not yet agreed any proposals on public services or Investor-State Dispute Settlement (ISDS), nor have they agreed on any of the proposals that could potentially benefit UK companies and consumers, such as removing the barriers that prevent UK SMEs exporting to the US.

We are nonetheless paying close attention to TTIP. Although the European Parliament has no formal powers in the negotiations, as they are exclusively conducted by the European Commission, it does have the power to veto the final text. This allows us to influence the process in warning the Commission that we will not support any agreement that fails to address our specific concerns.

As Labour MEPs, we have made it clear that we will oppose any deal that endangers the NHS or prevent a future Labour government from bringing the NHS back into public administration. On this matter, the current UK government can easily obtain the exclusion of the NHS from any future deal, and we must keep pressing it to do so. We will also not support any deal that in any way limits the sovereignty of the British people and the autonomy of its elected representatives, in particular through flawed ISDS mechanisms.

Rest assured that I, together with my Labour colleagues in the European Parliament, share your concerns over TTIP and will continue to push the Commission towards a deal that truly benefits all UK citizens.

Kind regards,
Derek Vaughan MEP
4th Floor
Transport House
1 Cathedral Road
Cardiff
CF11 7JR

contact@derekvaughanmep.org.uk