



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 8TH FEBRUARY, 2018

Location

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

Contact Point

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(DISTRIBUTED 1/2/18)

AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Alan Jones Evans
Charles Wyn Jones
Peter Read
Gethin Glyn Williams

Aled Ll. Evans
Huw Gruffydd Wyn Jones
Paul John Rowlinson

Aled Wyn Jones
Berwyn Parry Jones
Cemlyn Rees Williams

Independent (5)

Councillors

John Brynmor Hughes
Dewi Wyn Roberts
Angela Russell

Richard Medwyn Hughes
John Pughe Roberts

Llais Gwynedd (1)

Councillor
Alwyn Gruffydd

Lib / Lab (1)

Councillor
Sion W. Jones

Gwynedd United Independents (1)

Vacant Seat

Lay Member

Mrs Sharon Warnes

Ex-officio Members

Chair and Vice-Chair of the Council

AGENDA

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

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

4. MINUTES

5 - 11

The Chairman shall propose that the minutes of the meeting of this committee, held on 30 November 2017, be signed as a true record.

5. REVENUE BUDGET 2017/18 – THIRD QUARTER REVIEW

12 - 30

To submit the report of the Head of Finance.

6. CAPITAL PROGRAMME 2017/18 – THIRD QUARTER REVIEW

31 - 37

To submit the report of the Head of Finance.

7. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

38 - 46

To submit the report of the Head of Finance.

8. 2018/19 BUDGET AND 2018/19 – 2020/21 FINANCIAL STRATEGY

47 - 87

To submit the report of the Head of Finance.

9. TREASURY MANAGEMENT - TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2018/19

88 - 112

To submit the report of the Head of Finance.

10. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

113 - 118

To submit the report of the Chair of the Audit and Governance Committee outlining the feedback from the meeting of the Working Group on 22 January 2018.

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| 11. INTERNAL AUDIT OUTPUT 18/11/17 - 26/1/18 | 119 - 140 |
| To submit the report of the Audit Manager. | |
| 12. INTERNAL AUDIT PLAN 2017/18 | 141 - 146 |
| To submit the report of the Audit Manager on the progress made on the 2017/18 Internal Audit Plan. | |
| 13. DRAFT INTERNAL AUDIT PLAN 2018/19 | 147 - 154 |
| To submit the Draft Internal Audit Plan for the year 1 April 2018 – 31 March 2019. | |

AUDIT AND GOVERNANCE COMMITTEE 30/11/17

Present: Councillor R. Medwyn Hughes (Chair)

Councillors: Aled Ll. Evans, Alwyn Gruffydd, Aled Wyn Jones, Berwyn Parry Jones, Huw G. Wyn Jones, Sion Wyn Jones, Peter Read, Dewi Wyn Roberts, John Pughe Roberts, Paul Rowlinson, Angela Russell, Cemlyn Williams and Gethin Glyn Williams.

Lay Member: Sharon Warnes

Others invited: Peredur Jenkins (Cabinet Member for Finance)

Also in Attendance: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Revenue and Risk Manager), Luned Fôn Jones (Audit Manager), Aled Davies (Head of Adults, Health and Well-being Department - for Items 5 and 6 on the agenda), Ffion Madog Evans (Senior Finance Manager - for Items 9 and 10 on the agenda), Dewi Wyn Jones (The Council's Business Support Service Manager - for Item 11 on the agenda), Iwan Evans (Head of Legal Service / Monitoring Officer - for Item 12 on the agenda) and Bethan Adams (Member Support Officer).

Apologies: Councillors John Brynmor Hughes, Charles Wyn Jones and W. Gareth Roberts (Cabinet Member for Adults, Health and Well-being).

Welcome

Councillor Alwyn Gruffydd and Sion Wyn Jones, who were attending their first meeting, were welcomed.

1. DECLARATION OF PERSONAL INTEREST

Councillor Berwyn Parry Jones declared a personal interest in item 13 on the agenda - Non-Domestic Rates - Discretionary Relief, as he was a member of the Board of Cartrefi Cymunedol Gwynedd.

The member was of the opinion that it was a prejudicial interest, and withdrew from the meeting during the discussion on the item.

2. MINUTES

The Chair signed the minutes of the previous meeting of this Committee, held on 28 September 2017, as a true record.

3. DEPRIVATION OF LIBERTY SAFEGUARDS (DoLS) ARRANGEMENTS

It was noted in accordance with the Committee's decision at its meeting on 28 September 2017, the Head of Adults, Health and Well-being was present to discuss DoLS arrangements.

The Head of Adults, Health and Well-being Department noted that the Senior Enablement Manager had intended to attend the meeting but she was giving a presentation to Vaughan Gething AM, Cabinet Secretary for Health and Social Services, on the integration work with health at Ysbyty Alltwen.

The Head of Adults, Health and Well-being noted that he was giving the Committee assurance that the Department was taking this matter seriously and was committing the staffing resources that could be contributed towards the work. He explained that responding to the workload arising from DoLS assessments was challenging and that the Government may have sensed that the arrangements were more onerous than what was originally

intended. He noted that moving to work within five Well-being Areas had impacted the delivery of the assessments. It was confirmed that arrangements were in place to release officers who held the *Best Interest Assessors (BIA)* accreditation for a day each month to carry out one assessment. It was noted that the waiting list for an assessment was gradually reducing, but that officers had to respond to emergency cases and there were many occasions where there was a need to revisit after carrying out a basic assessment.

Attention was drawn to the fact that the possible impact of prioritising this work over other elements of the Department's daily work needed to be considered. It was emphasised that staffing arrangements and capacity in the Safeguarding and Quality Assurance Team were in place and that he was confident that the work's momentum would increase to seek to reduce the waiting list.

During the ensuing discussion, the Head of Adults, Health and Well-being Department responded to the members' enquiries as follows:

- Information could be shared on the performance of completing DoLS assessments at the end of Quarter 3 with members of the Committee;
- Although 29 of the Department's staff had qualified as BIA officers, there was long-term sickness absence, part-time work agreements, maternity leave and appointments to other posts which meant that there were approximately 20 officers who were available to complete assessments;
- There was a full complement of staff at the Safeguarding Unit and it would be possible to assess whether the current assessments had been successful within approximately six months;
- The situation in terms of a waiting list for DoLS assessments was commonplace amongst councils across Wales. Some councils had committed new resources in order to significantly bring down their waiting lists.
- Focusing resources on reducing the waiting list could impact somewhat on the timetable of integrating services with health. There was a long waiting list for services in South Meirionnydd and it was difficult to recruit qualified care staff. Changing the timetable could have an impact therefore there was a need to strike a balance. It was accepted that the number on the waiting list for DoLS assessments was a risk but prioritising the work would impact other waiting lists. There was a need to weigh up and be logical;
- There was no ideal solution but priority would be given to emergency cases. The high risk cases would be identified and responded to. It was emphasised that most on the waiting list for DoLS assessments were revisits.

The Audit Manager noted that the timetable for revisits could vary, with some cases meriting a re-assessment within a month of the original assessment, depending on the needs of the individual. He added that the Council was holding training for private residential homes, leading to an increase in the number of referrals for DoLS assessments, therefore it was inevitable that the waiting list would increase.

The Head of Adults, Health and Well-being Department corroborated the above observations, noting that needs could change and when one case would arise in some private residential housing, approximately 30 applications for DoLS assessments would be submitted, and once they were submitted, they needed to be given appropriate attention.

RESOLVED:

- (i) to accept the report;**
- (ii) that the Controls Improvement Working Group receives an update from the relevant Senior Managers within six months on the DoLS arrangements.**

4. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Vice-Chair of the Committee on a meeting of the above-mentioned working group held on 23 October 2017 to consider the 'Plas Maesincla' audit that

had received a category B rating along with audits that received a category C rating, namely-

- a) Tan y Marian
- b) Plas Ogwen.

Officers had been invited to attend the meeting to discuss the matters that had arisen from the audits and the work undertaken since the audit reports had been published in order to reinforce the internal controls in question.

It was reported that in accordance with the Committee's decision at a meeting on 28 September, the Cabinet Member for Adults, Health and Well-being and the Head of the Adults, Health and Well-being Department had attended the Working Group meeting to consider the themes that were often highlighted in Residential Homes' audits.

A member referred to paragraph 2.7.9 of the report - "The Head of Adults, Health and Well-being Department expressed that 7 of 11 Gwynedd Council homes had received observations or recommendations by CSSIW in terms of staffing levels. 2 of the 7 are a lack of compliance. It is expected that 10 of 11 will receive observations on their staffing levels - the only exception is Plas Maesincla." It was asked what would be done to respond to this.

In response, the Head of Adults, Health and Well-being Department noted that more reports had been received from the Care and Social Services Inspectorate Wales (CSSIW). He referred to one residential home that complied with the requirements in terms of staffing levels because beds were kept empty. He explained that staff maternity leave and the density of the needs of two individuals meant that the beds needed to be kept empty in order to comply in terms of staffing levels. He noted that one other residential home had made changes to deal with matters arising from a CSSIW audit and this inevitably leads to an overspend.

The Head of Department elaborated that he had attended the Cabinet meeting on 21 November 2017 to discuss the Department's overspend. He noted that the staffing rota at residential homes had not evolved to respond to the increasing number of individuals coming to residential homes with profound needs. He explained that internal audit work raised matters that needed to be addressed, which was a good thing in order to be able to respond and ensure the quality of the service. He noted that there was a need to change medication arrangements at the residential homes and that a bid was currently going through the bidding process in terms of increasing the rota. It was confirmed that more resources would be placed in some residential homes in order to respond to specific problems, and decisions would have to be made with Managers and Deputy Managers prioritising work on the floor of the homes, rather than completing administrative work but this could lead to criticism by external auditors.

In response to a question by a member regarding empty beds, the Head of Adults, Health and Well-being Department noted that the available beds at the Council's residential homes varied from 21 to 40. The residential home referred to had approximately 30 beds, with six empty beds and a waiting list of between 10 and 15 individuals. He noted that care could possibly be provided in an alternative way and that capacity was needed in the home for individuals with more profound needs.

RESOLVED to accept the report.

6. INTERNAL AUDIT OUTPUT 16/9/17 - 17/11/17

Submitted - the report of the Audit Manager outlining the Internal Audit section's work for the period. It was noted that 15 reports on audits from the action plan and one grant audit had been completed.

Reference was made to the follow-up work. It was noted on 17 November 2017 that acceptable action had been taken on 46.34% of the agreed steps, i.e. 95 out of 205. Thus far, updates had only been requested for 112 of the agreed actions, and there had been acceptable action on 95 of them, namely 84.8%.

Each individual report was considered and, during the discussion, reference was made to the following matters –

Health and Safety - Ysgol Dyffryn Ardudwy

A member noted that the Headteacher possibly did not understand the importance of health and safety matters and that he needed support.

A member referred to the Health and Safety inspections of other primary schools, noting that they highlighted a lack of knowledge by Headteachers across the schools in terms of health and safety arrangements.

A member enquired about who was responsible for checking that Health and Safety arrangements were in place. In response, the Audit Manager noted that the Council's Property Unit had a role to play in terms of asbestos arrangements and that the schools' governing bodies had a role to ensure that arrangements were in place.

In response to a member's observation about the fact that the Headteachers of primary schools had not received IOSH Managing Safely training, the Audit Manager noted that arrangements were in place for Headteachers to attend the training.

In response to a member's question, the Audit Manager noted that specific templates were available for schools in terms of undertaking risk assessments, and support was available from a Health and Safety Officer in the Education Department in addition to an officer in the Corporate Support Department.

RESOLVED:

- (i) to accept the report on the work of Internal Audit for the period of 16 September 2017 to 17 November 2017 and to support the agreed actions that have already been submitted to the managers of the relevant services;**
- (ii) that the Chair and Vice-chair of the committee, Councillors Berwyn Parry Jones and Huw G. Wyn Jones along with Sharon Warnes to serve on the Working Group to consider the audits that have received opinion category 'C';**
- (iii) that it was the responsibility of any member unable to attend the Working Group to arrange a substitute.**

7. INTERNAL AUDIT PLAN 2017/18

The report of the Audit Manager was submitted, providing an update on the current situation in terms of completing the 2017/18 internal audit plan.

It was reported that the Internal Audit Unit, up to 17 November 2017, had completed 43.07% of the plan, and that 28 of the 65 audits in the 2017/18 plan had been released in a finalised version. The Audit Manager noted that she was confident that the target for quarter 3 would be reached. Attention was drawn to amendments made to the Plan.

RESOLVED to accept and note the contents of the report as an update of progress against the 2017/18 audit plan.

8. REVENUE BUDGET 2017/18 – SECOND QUARTER REVIEW

Submitted - the report of the Head of Finance Department noting, in accordance with the requirements of the Local Government (Wales) Measure 2011, that the Audit and Governance Committee was expected to scrutinise some financial matters including budget monitoring reports, where appropriate.

The Cabinet Member for Finance set out the context and elaborated on the content of the report submitted to the Cabinet on 21 November 2017. He noted that there was close

collaboration between the Finance Department and the Departments in order to ensure robust management. He explained that the relevant Cabinet Members and the Heads of Departments who were overspending were present at the Cabinet meeting to discuss the situation. He provided details on the content of the minutes of the Cabinet meeting which were shared with the members at the meeting.

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

- The member would have to contact the Head of Highways and Municipal Department to receive confirmation of the percentage received when selling recycling material. It was explained that the prices received for recycling material had dropped in recent years and this was not unique to this Council;
- The reasons for the overspend were noted in the report and it did not mean a lack of service provisions;
- The figures in terms of how many had taken advantage of the opportunity to have up to four garden waste bins were not known to them, the member should contact the Head of Highways and Municipal Department to receive confirmation. It was explained that the fee charged for collecting garden waste meant that the residents' choice to receive it would be cost neutral for the Council, and it would mean a saving whether residents would take advantage of the provision or not. Following the decision of the Full Council, as a result of the Gwynedd Challenge consultation, to reduce the frequency of grass cutting, the Highways and Municipal Department were overspending because the Department was cutting grass more often than what had been decided;
- In terms of predicting transportation costs in the Education Department due to children moving into the area, the difficulties which meant that it was hard to predict were noted. The pattern of the number of pupils from secondary to primary could be predicted in terms of transportation, but there was an exception in terms of pupils with additional learning needs when the local school did not have the necessary provision and support. It would mean that pupils would travel further, with a number travelling from South Meirionnydd to Ysgol Hafod Lon. It was noted that the Education Department and the Environment Department were to consider the matter with a view of discovering alternative solutions;
- There had been a reduction in the grant the Council received to provide free breakfast at schools, and as a result, the Council charged a fee of £4 per week for the care element in the mornings in order to be able to continue with the provision that was available in some schools;
- In context, of the gross expenditure of over £5m, the overspend of £146,000 under the 'Catering and Cleaning' heading in the Education Department was not a substantial sum;
- The Councillors and the Council were aware of the financial situation and this Council's wise financial planning was acknowledged as good practice by the Wales Audit Office and others.

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

9. CAPITAL BUDGET 2017/18 – SECOND QUARTER REVIEW

Submitted - the report of the Head of Finance Department noting that in accordance with the requirements of the Local Government (Wales) Measure 2011, that the Audit and Governance Committee was expected to scrutinise some financial matters including budget monitoring reports, where appropriate.

The Cabinet Member for Finance set out the context and elaborated on the content of the report submitted to the Cabinet on 21 November 2017. It was noted that there had been an increase of £0.217m in the funding sources since the last review. It was explained there were firm plans in place to invest approximately £33.4m in 2017/18 with £5.4m of it funded through

grants, which reflected the departments' hard work in attracting grants. Attention was drawn to an increase in other borrowing, and that it did not cause additional liabilities to the Council's revenue budgets, this was a technical change in the Government's funding arrangements.

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

10. RECOMMENDATIONS AND PROPOSALS FOR IMPROVEMENT OF EXTERNAL AUDIT REPORTS

The Senior Revenue and Risk Manager set the context, noting that the Committee was responsible for considering external audit reports (national, and local to Gwynedd), the recommendations included in them, and the implications of these to governance, managing risk or management. The members were reminded that the Committee's role was to satisfy itself that arrangements and processes were in place in order to ensure that the improvement proposals were being implemented. It was added that the report included information in narrative form under the headings in line with the Chief Executive's request.

The Council's Business Support Manager referred to Appendix 1 of the report which included a chronological list of the inspections undertaken by external auditors between 2012/13 and 2016/17 along with their improvement proposals, and the progress made by the Council against these proposals. It was explained that the relevant Department's observations was noted under the 'Progress against improvement proposals' heading, with the independent opinion of officers from the Council's Business Support Unit noted under the 'Conclusion' heading. It was explained that the improvement proposals noted as "completed" were removed from the list and it was intended to report on the progress to the Committee within six months.

The Head of Finance Department referred to improvement proposal 2 under the 'Financial resilience of local authorities in Wales 2015-16' report - "Local Authorities should develop corporate income generating and fee charging policies" that had been noted as "in progress". He noted that work associated with the improvement proposal would permanently be in progress and that he, the Chief Executive and the Cabinet look at strategic headings.

The Council's Business Support Manager noted that he accepted the observation that many improvement proposals could be permanently in progress and that similar ones had been removed.

A member noted that the improvement proposal had been "completed" because a policy was in place and it should not be re-submitted before the Committee.

RESOLVED to accept the report, subject to noting that improvement proposal 2 under the 'Financial resilience of local authorities in Wales 2015-16' report has been "completed".

11. REVIEW OF THE CONSTITUTION

The background and context of the report were presented by the Monitoring Officer, noting that since adopting the Constitution in its current form in July 2014, adaptations had been made quite regularly, mainly due to legislative changes or developments such as the recent scrutiny review. However, when using the new Constitution, it was appropriate to reflect on the document in its entirety and see whether changes were needed to reflect the Authority's procedures and experience.

It was explained that the report included recommendations for amendments. Some of them were matters of bringing the house into order or clarity with others suggesting alternative routes for decision-making arrangements, etc. It was noted that the recommendations had been discussed with a Sub-group of the Audit and Governance Committee. He guided the

members through Appendix 1 which included the specific amendments recommended and he elaborated on the content.

In regards to the recommendation to amend paragraph 15.3.5 of the Constitution to set up a provision that would, on the one hand, create a system of supporting members' ability to respond to the budget but, on the other, would mean that the Chief Finance Officers specifically had the opportunity to respond and consult on improvement. The Head of Finance Department noted that his door was open to discuss any amendment and the provision in the Constitution would mean that a meaningful discussion could be had at the Full Council meeting when determining the budget.

RESOLVED to recommend that the Full Council amends the Constitution in accordance with the report subject that the amendment to paragraph 9.12.3 comes into force after the Councils annual meeting in May 2018.

12. NON-DOMESTIC RATES - DISCRETIONARY RELIEF

The Senior Revenue and Risk Manager submitted the report, noting that it had been decided at the Committee's meeting on 28 September 2017 to set up a working group to investigate the Council's Policy on allowing discretionary relief. It was explained that the report notified the Committee of the Working Group's discussion and outlined the Working Group's recommendations in regards to forming a new policy framework for the Council.

He drew attention to the Working Group's conclusions, noting that the Working Group was eager for the new framework to give an overriding consideration to the financial position of charities, and was eager for the Finance Department to look into the feasibility of placing a floor and ceiling on the support provided through discretionary relief.

In response to an observation by a member regarding the amendment to relief category 11, the Senior Risk and Revenue Manager noted that leisure hostels that were open to everyone would receive mandatory relief with some "local use" used by Gwynedd tax-payers being eligible for discretionary relief.

A member noted in reference to relief category 9 that a number of charity shops included a restaurant as part of grant applications in order to make them sustainable and they were able to take advantage of this, whereas local businesses could not. In response, the Senior Revenue and Risk Manager noted that the Council was holding discussions with the District Valuer's Office in terms of distributing buildings according to use in order to make a separate valuation of all uses of the building. The Head of Finance Department added that it was a matter beyond the Council's control and it would take time to change this.

In response to an enquiry by a member regarding whether the National Pool should form guidelines and how free the Council was to implement its own policies, the Senior Revenue and Risk Manager noted that the Localism Act 2011 included a discretion for local authorities to make their own decisions. He explained that Regulations were in place which enabled the Council to hold back the National Pool's contribution to the discretionary relief, rather than transfer it. He noted that the External Auditor, as part of its annual work, looked at the Council's return to the Pool, and assessed whether it complied with the requirements.

RESOLVED to submit the observations of the Working Group as recommendations for the Cabinet Member for Finance to consider when adopting a new Policy Framework.

The meeting commenced at 10:05am and concluded at 12:25pm.

CHAIR

Agenda Item 5

MEETING:	Audit and Governance Committee
DATE:	8 February 2018
TITLE:	Revenue Budget 2017/18 – Third Quarter Review (December 2017)
PURPOSE:	Monitoring Report on the Latest Financial Position
ACTION:	Receive the information, consider the risks arising from the forecast expenditure against the budget, and scrutinise the Cabinet's decisions regarding budget management by the Council and its departments.
CONTACT OFFICER:	Dafydd L Edwards, Head of Finance
CABINET MEMBER:	Councillor Peredur Jenkins, Cabinet Member for Finance

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters including budget monitoring reports, as appropriate.
2. The attached report (Revenue Budget 2017/18 – Third Quarter Review) was submitted to the Cabinet on 16 January 2018.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised, together with the relevant decision notice which is on the next page.
4. The Audit and Governance Committee is requested to note the situation and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet's decisions and comment as necessary.

Appendices:

Cabinet Decision Notice 16/01/2018

Revenue Budget 2017/18 – Third Quarter Review report (Cabinet 16/01/2018)

**GWYNEDD CABINET
DECISION NOTICE**

Date of Cabinet Meeting: 16 January 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution.

31 January 2018

SUBJECT

Item 9: REVENUE BUDGET 2017/18 - THIRD QUARTER REVIEW (DECEMBER 2017)

DECISION

To accept the report on the third quarter review of the Revenue Budget (situation on 31 December 2017) and consider the latest situation of each department/service's budget, and ask the Cabinet Members and the relevant heads of department to take appropriate steps on matters under their leadership/management.

It was resolved that (£270k) from the underspend on Council Tax Reduction, (12k) one-off underspend on bids and (803k) from grants received and favourable conditions on other Council budgets, would have been collected and transfer it to the Financial Strategy Reserve to assist with unavoidable one-off pressures on the Council's budgets, with an element of it returned to compensate for the possible impact of school taxis overspend at year end.

REASONS FOR THE DECISION

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

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

16 January 2018

Cabinet Member: Councillor Peredur Jenkins, Finance Cabinet Member

Subject: Revenue Budget 2017/18 –
Third Quarter Review (December 2017)

Contact Officer: Dafydd L Edwards, Head of Finance

1. The decision sought

The Cabinet is requested to:

- Accept the report on the end of the third quarter review (31 December 2017 position) of the Revenue Budget, and consider the latest financial position in respect of all departments / services, and request the Cabinet Members and the heads of the relative departments take appropriate steps in respect of the matters under their leadership/management.
- Harvest (£270k) of the underspend from Council Tax Reduction, (£12k) one-off underspend on bids, and (£803k) as a result of receipt of a grant, and favourable circumstances on other Council budgets, and transfer it to the Financial Strategy Reserve to assist with unavoidable one-off pressures on the Council's budgets, with an element to be earmarked to compensate for the effect of a possible overspend on school taxi transport at the end of the year.

2. Introduction / Background

It is the Cabinet's responsibility to take steps, as necessary, to ensure appropriate management over the Council's budgets (e.g. approving substantial transfers or additional budgets).

The second quarter review report was presented to the Cabinet on 21 November 2017. The report before you today is presented earlier than usual, in preparation for the challenge of tightening the timescale for completing the final accounts of Local Authorities.

This third quarter review report is presented based upon the Council revenue budget for 2017/18, and a summary of the position by Department is outlined in **Appendix 1**.

In **Appendix 2**, further details are given in respect of the main matters and budget headings where substantial variances are forecasted, together with specific recommendations where appropriate.

3 Update since the Second Quarter

Overall, the third quarter review is similar to the second quarter, with the financial position of most departments having improved, and their success in endeavoring to manage their budgets is appreciated. However, there has been an increase in the overspend in Children and Families.

3.1 Children and Families Department

The overspend trend seen earlier in the year continues, with an overspend on placement services and operations. The Head of Finance and the Head of Children and Families are already in discussions to try to find a solution for 2018/19.

3.2 Corporate

A reduction in the Council Tax Reduction claims, bids that will not be used this year, and an underspend as a result of receipt of a grant and recent favourable circumstances. It is recommended that it is transferred to the Financial Strategy Reserve to assist with unavoidable one-off pressures on the Council's budgets, with part of this being to compensate for the effect of the possible overspend on school taxi transport at the end of the year.

4. Current Matters

4.1 Adults, Health and Wellbeing Department

The proposal is that the Head of Department and the Cabinet Member for Adults, Health and Wellbeing present a report to Cabinet shortly, re-packaging savings schemes in order that they may be realised.

4.2 Education Department

In the second quarter review, the Cabinet Member for Education was requested to ensure that the Head of Education in conjunction with the Head of Environment review the increase in spend on school taxi transport to manage the position. Whilst policies and transport arrangements are being reviewed and a programme is being established with a view to improving the financial position, there will be a need to transfer bridging finance to the Department at the end of the year, when the overspend amount will be more certain.

5. General

Overall, the third quarter review of the budgets reflects acceptable financial management by a number of the Council's departments, but a combination of decisive implementation steps are recommended for the Education, Adults, Health and Wellbeing, Children and Families, and Highways and Municipal Departments, to ensure management of their budgets by 31 March 2018.

6. Next steps and timetable

Act upon the presented recommendations and submit a follow up report to the Cabinet at the end of the financial year.

Local member's views

Not relevant

Opinion of the Statutory Officers

Monitoring Officer:

No observations in relation to propriety.

Head of Finance:

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

Appendices

Appendix 1 - Summary of each department's position

Appendix 2 - Budget details and substantial variances

Revenue Budget 2017/18 - Summary of position by Department

	Third Quarter Review				Second Quarter Review £ '000
	Proposed Budget 2017/18	Gross Over / (Under) spend 2017/18	Recommended Adjustments	Adjusted Overspend / (Underspend)	
	£'000	£ '000	£'000	£ '000	
Adults, Health and Wellbeing	50,612	98	0	98	216
Children and Supporting Families	13,960	595	0	595	396
Education	89,927	238	0	238	264
Economy and Community	11,468	(61)	0	(61)	(33)
Highways and Municipal	23,333	404	0	404	600
Environment	7,717	(61)	0	(61)	(100)
Gwynedd Consultancy	1,107	(9)	0	(9)	35
Corporate Management Team and Legal	691	(67)	0	(67)	(71)
Finance (and Information Technology)	776	(72)	0	(72)	(68)
Corporate Support	314	(88)	0	(88)	(100)
Corporate Budgets <i>(Variances only)</i>	*	(1,583)	1,085	(498)	(365)
Totals (net)	199,905	(606)	1,085	479	774

Revenue Budget 2017/18 - Third Quarter Review						
Adults, Health and Wellbeing Department	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Adults Services						
Older Peoples Services						
Residential and Nursing - Homes	10,478	10,404	(74)	0	(74)	47
Home Care	6,223	6,139	(84)	0	(84)	(206)
Other	2,678	2,407	(271)	0	(271)	(254)
	19,379	18,950	(429)	0	(429)	(413)
Physical Disability Services						
Residential and Nursing	492	485	(7)	0	(7)	(14)
Home Care	994	1,045	51	0	51	69
Other	713	554	(159)	0	(159)	(136)
	2,199	2,084	(115)	0	(115)	(81)
Learning Disability Services	14,934	14,552	(382)	0	(382)	(219)
Mental Health Services						
Residential and Nursing	1,492	1,745	253	0	253	220
Other	1,983	1,874	(109)	0	(109)	(95)
	3,475	3,619	144	0	144	125
Other Services (Adults)						
Management	418	402	(16)	0	(16)	(5)
Older People and Physical Disability Team	2,378	2,430	52	0	52	30
	2,796	2,832	36	0	36	25
Adults Services Total	42,783	42,037	(746)	0	(746)	(563)

Revenue Budget 2017/18 - Third Quarter Review						
Adults, Health and Wellbeing Department	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Provider Services (showing net budget)</u>						
Residential Care	9	280	271	0	271	184
Day Care	5	18	13	0	13	60
Community Care	2	341	339	0	339	331
Other	0	(79)	(79)	0	(79)	(66)
<u>Total Provider Services</u>	16	560	544	0	544	509
<u>Other Services</u>						
Housing Services	4,393	4,430	37	0	37	49
Departmental Central Services (including the Department's savings schemes)	3,420	3,683	263	0	263	221
<u>Total Other Services</u>	7,813	8,113	300	0	300	270
<u>Adults, Health and Wellbeing Total</u>	50,612	50,710	98	0	98	216

Adults, Health and Wellbeing

Older Peoples Services - an increase in income and a number of factors responsible for a reduction in the costs, including a reduction in the number in residential care and fewer packages with the need for two home carers.

Physical Disability Services - an underspend on direct payments and supported accommodation has assisted in reducing the effect of the overspend seen on home care.

Learning Disability Services - backdated income from health is responsible for the increase in the underspend. All areas within the field are underspending except for supported packages which are overspending as a result of slippage in realising the savings schemes.

Mental Health Services - two new residential cases, but an underspend on vacant positions and receipt of a grant on other services has somewhat mitigated the position.

Provider Services - a continuation of the overspend trend mainly stemming from costs relating to staffing matters. Travelling costs account for £101k of the overspend in community care.

Other Services - Central Services - the forecasts reflect the risk that it will not be possible to realise £436k of savings, with a number of the savings schemes having slipped from 2016/17. It is proposed that the Head of Department and Cabinet Member for Adults, Health and Wellbeing present a report to Cabinet shortly re-packaging the savings schemes so that they can be realised. Vacant positions and receipt of income has reduced the reported overspend to £263k.

Revenue Budget 2017/18 - Third Quarter Review						
Children and Families Department	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	511	492	(19)	0	(19)	(21)
Operational Services	1,995	2,151	156	0	156	138
Placement Services						
Out of County Placements	1,947	2,272	325	0	325	213
Agency Fostering	928	1,014	86	0	86	114
Internal Fostering	1,675	1,730	55	0	55	31
Other Support services	1,572	1,651	79	0	79	43
	6,122	6,667	545	0	545	401
Post-16 Services	913	903	(10)	0	(10)	(34)
Specialist Services/Derwen	1,565	1,627	62	0	62	43
Youth Justice Services	234	195	(39)	0	(39)	(31)
Early Years Services	126	73	(53)	0	(53)	(54)
Other Services	2,494	2,447	(47)	0	(47)	(46)
Children and Families Total	13,960	14,555	595	0	595	396

Children and Families

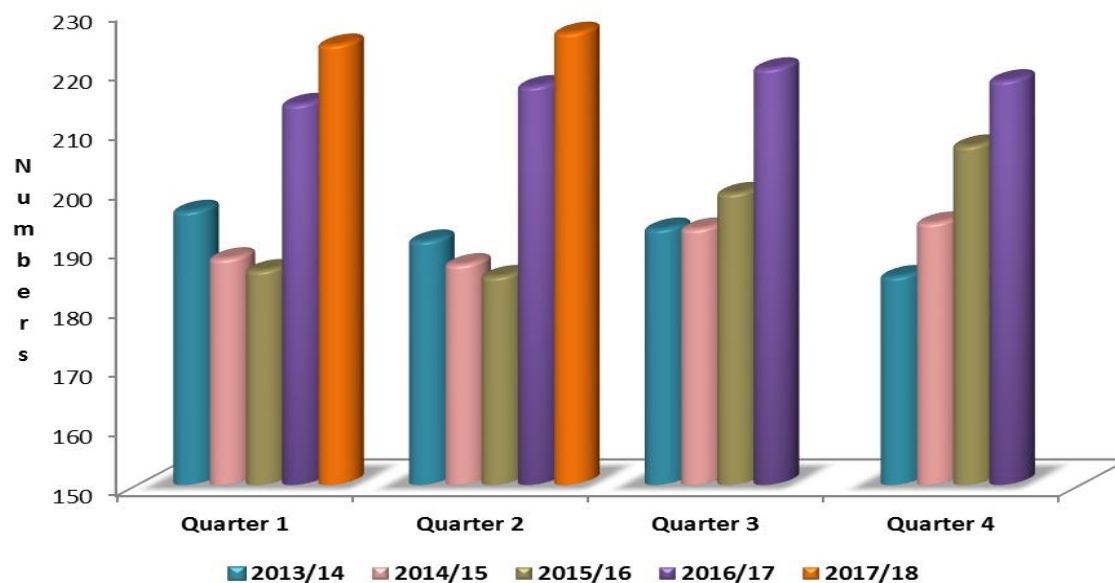
Operational Services - the overspend continues, with an increase in the overspend to £156k as a result of staffing costs in excess of the budget level, together with an increase in the number of children in care but not in fostering placements.

Placement Services - an increase in the overspend on out of county placements to £325k following on from two new expensive cases with no contribution from health. An increase in the overspend on fostering allowances and residential order allowances in the quarter. There was no new agency fostering during the quarter and therefore a reduction in the overspend to £86k. There is pressure on the service on account of the number of cases, as highlighted in the chart below, and together with the failure to realise savings has resulted in the overspend.

Early Years Services - it is forecasted that there will be a (£53k) underspend following receipt of a new child care grant.

The Cabinet Member for Children and Young People and Head of Department are requested to take decisive steps to try to reduce the overspend by ensuring that the budget is under control by the end of the financial year.

Children in Care 2013/14 to 2017/18



Revenue Budget 2017/18 - Third Quarter Review						
Education Department	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Delegated Schools	73,208	73,208	0	0	0	0
Transport	4,246	4,486	240	0	240	264
Redundancy and Early Retirement	358	351	(7)	0	(7)	6
Out of County	953	917	(36)	0	(36)	0
Catering and Cleaning	294	492	198	0	198	146
Nursery Education	600	596	(4)	0	(4)	(4)
School Improvement Grant	564	529	(35)	0	(35)	(40)
Management	1,534	1,453	(81)	0	(81)	(66)
Additional Learning Needs and Inclusion	3,088	3,102	14	0	14	14
Further Education	24	17	(7)	0	(7)	(7)
Education Contribution to Joint-Committees	1,202	1,168	(34)	0	(34)	(34)
Other	3,856	3,846	(10)	0	(10)	(15)
Education Total	89,927	90,165	238	0	238	264

Education

The latest forecasts suggest a reduction in the overspend to £238k, as compared to the £264k reported in the second quarter. The main fields contributing to the position are:

Transport - the overspend trend continues since the second quarter review, but a reduction in the forecasts to £240k, with a shortfall of £54k on the sale of post-16 transport ticket sales, an underspend of (£9k) on school buses, but an overspend of £195k on school taxi transport following an increase in the applications since the budget was established. In the previous reviews the Education Head, in conjunction with the Environment Head, was requested to review the increase in the spend on school taxi transport and then act to manage the position. Whilst the transport policies and arrangements are being reviewed with a view to improving the financial position, it is recommended that bridging finance is transferred to the Department at the end of the year, when the overspend sum is more certain.

Catering and Cleaning - an increase in the overspend is forecasted to £198k, mainly on costs stemming from sickness and staffing matters, together with a delay in realising the savings from the Free Breakfast scheme. A reduction was also seen in the last forecasts in the income from school meals.

Management - an increase in the underspend forecasts of (£66k) to (£81k) during the quarter as a result of staff turnover and success in attracting income and grants.

Revenue Budget 2017/18 - Third Quarter Review						
Economy and Community Department	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	875	875	0	0	0	0
Community Learning	3,458	3,414	(44)	0	(44)	(40)
Tourism and Heritage	1,434	1,444	10	0	10	12
Economy and Community	2,117	2,109	(8)	0	(8)	(4)
Healthy Communities	3,584	3,565	(19)	0	(19)	(1)
Economy and Community Total	11,468	11,407	(61)	0	(61)	(33)

Economy and Community

The underspend forecasts have by now increased to (£61k) from the (£33k) forecasted in the second quarter review. Within this position it is forecasted that some services will overspend, including Marine, Galleries and Museums, but balanced by an underspend in other fields such as Healthy Communities and Sport Development, Country Parks, Business Support and Halls. In preparation for 2018/19 savings, the Department has realised some savings early this year.

Community Learning - an underspend of (£44k) is forecasted, which is a combination of an underspend of (£28k) on the Youth Services as there is a reduction in the youth club provision, staff turnover is responsible for an underspend of (£20k) on Community Regeneration, and a £4k overspend on Libraries.

Revenue Budget 2017/18 - Third Quarter Review						
Highways and Municipal Department (including Trunk Roads Agency)	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk Roads)	9,930	10,076	146	0	146	275
Engineering Services	401	482	81	0	81	89
Municipal Services						
Waste	9,324	9,466	142	0	142	213
Other	3,692	3,758	66	0	66	49
Municipal Provider Units	(14)	(45)	(31)	0	(31)	(26)
<u>Highways and Municipal Total (including Trunk Roads Agency)</u>	23,333	23,737	404	0	404	600

Highways and Municipal (including Trunk Roads Agency)

Highways Services - The forecasts suggest there will be an increase in the external contracts income, together with a reduction in the slippage on the Highways and Lighting savings.

Engineering Services - a combination of the failure to realise savings schemes, staffing matters and loss of an external contract are responsible for the overspend of £81k forecasted.

Waste - a reduction in the overspend as the income forecasts are by now more promising, but an overspend stemming from higher operating costs and increasing costs of handling and transporting recyclable materials.

Municipal Services - Other - an increase in street cleaning operating costs.

Progress is evident in the financial position since the second quarter review, but it is expected that the Highways and Municipal Cabinet Member and the Head of Department continue to take decisive steps to ensure that they operate within the budget by the end of the financial year.

Revenue Budget 2017/18 - Third Quarter Review						
Environment Department	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	541	538	(3)	0	(3)	(3)
Planning Services						
Development Control	363	363	0	0	0	(12)
Other	(51)	(64)	(13)	0	(13)	(3)
	312	299	(13)	0	(13)	(15)
Street Works and Transport Services						
Forward Planning	2,434	2,435	1	0	1	0
Road Safety	228	213	(15)	0	(15)	(6)
Traffic and Statutory Arrangenets	527	520	(7)	0	(7)	(12)
Parking and Parking Enforcement	(1,444)	(1,449)	(5)	0	(5)	1
Integrated Transport	1,969	1,929	(40)	0	(40)	(18)
Enforcement and Traffic	135	141	6	0	6	(44)
	3,849	3,789	(60)	0	(60)	(79)
Countryside and Access Services	1,014	1,027	13	0	13	21
Joint Planning Policy Unit	288	288	0	0	0	0
Public Protection Services	1,675	1,673	(2)	0	(2)	(14)
Catering, Cleaning and Caretakers	3	2	(1)	0	(1)	(1)
Property	35	40	5	0	5	(9)
Environment Total	7,717	7,656	(61)	0	(61)	(100)
Environment						
A continuation of the underspend trend across the majority of the Department's services, which is a combination of vacant positions and income in excess of target.						
Street Works and Transport Services - Integrated Transport is responsible for (£40k) of the Department's underspend, with lower costs on contracts. Despte this, increasing costs are forecasted following the re-tendering of the bus contracts of one operator recently.						

Revenue Budget 2017/18 - Third Quarter Review						
Consultancy Department	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(62)	(119)	(57)	0	(57)	(40)
Building Services	34	59	25	0	25	70
Flood Risk Management Unit Services	935	935	0	0	0	0
Building Control	200	223	23	0	23	5
Consultancy Total	1,107	1,098	(9)	0	(9)	35

Consultancy

Roads and Engineering Services - the latest forecasts suggest an increase in the underspend to (£57k), following the Department's success in attracting additional income from a combination of internal and external work.

Building Services - a reduction in the overspend as a result of attracting more income for work from external bodies and an underspend on staff costs.

Revenue Budget 2017/18 - Third Quarter Review						
Central Departments	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	691	624	(67)	0	(67)	(71)
Finance (and Information Technology)	776	704	(72)	0	(72)	(68)
Corporate Support	314	226	(88)	0	(88)	(100)
Central Departments Total	1,781	1,554	(227)	0	(227)	(239)

Central Departments

Corporate Management Team and Legal - an underspend of (£67k) forecasted with (£46k) of this stemming from receipt of additional income by the Legal Department, (£9k) of savings realised early in the Emergency Planning field, with the remainder being a general underspend.

Finance (and Information Technology) - the trend continues since the second quarter review with a one-off underspend on jobs across the Department, together with attracting income in excess of the budget.

Corporate Support - the underspend of (£88k) forecasted is a combination of one-off staffing savings stemming from staff turnover, together with the Department's success in attracting external income in excess of the budget level in the Occupational Health field, Translation, and Publishing.

Revenue Budget 2017/18 - Third Quarter Review						
Corporate (Only reflecting the variances)	Proposed Budget 2017/18	Estimated Final Position 2017/18	Estimated Overspend / (Underspend) 2017/18	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Quarter 2
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	0	0	0	0
Council Tax Reduction	*	*	(270)	270	0	0
Net Interest Receipts	*	*	57	0	57	(7)
Bids returned by Departments	*	*	(12)	12	0	0
Other	*	*	(1,358)	803	(555)	(358)
Corporate Total	*	*	(1,583)	1,085	(498)	(365)

Corporate

Council Tax Reduction - the underspend trend on the Council Tax Reduction scheme continues, with a reduction in the number of applications following a pattern seen at present by other North Wales Local Authorities.

Net Interest Receipts - an overspend is forecasted stemming from the present economic climate, together with the need to borrow externally to meet the current spending requirements.

Other - the latest forecasts suggest it will be possible to release (£803k) as a result of receipt of a grant from the Welsh Government after setting the budget, together with unforeseen changes in circumstances when setting the budget.

It is recommended that (£270k) of the Council Tax Reduction is harvested, (£12k) one-off underspend on bids, and (£803k) as a result of favourable circumstances on other Council budgets, with these being transferred to the Financial Strategy Reserve to assist with unavoidable one-off pressures on the Council's budgets, with an element to be used to compensate for the effect of the possible overspend on school taxi transport at the end of the year.

Agenda Item 6

MEETING: Audit and Governance Committee

DATE: 8 February 2018

TITLE: Capital Programme 2017/18 –
Third Quarter Review (December 2017)

PURPOSE: Monitoring Report on the Expenditure and Financing of
the Capital Programme

ACTION: Receive the information, consider the risks regarding
the Capital Programme, and scrutinise the Cabinet's
decisions

CONTACT OFFICER: Dafydd L Edwards, Head of Finance

CABINET MEMBER: Councillor Peredur Jenkins, Cabinet Member for Finance

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters including budget monitoring reports, as appropriate.
2. The attached report (Capital Programme's Third Quarter Review) was presented to the Cabinet on 16 January 2018 for decisions regarding the revised programme and its financing.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised, together with the relevant decision notice which is on the next page.
4. The Audit and Governance Committee is asked to note the position and any risks regarding the Council's capital programme, scrutinise the Cabinet's decisions, and comment as necessary.

Appendices:

Cabinet Decision Notice 16/01/2018

Capital Programme 2017/18 - Third Quarter Review report (Cabinet 16/01/2018)

**GWYNEDD CABINET
DECISION NOTICE**

Date of Cabinet Meeting: 16 January 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution.

31 January 2018

SUBJECT

Item 10: CAPITAL PROGRAMME 2017/18 - THIRD QUARTER REVIEW (DECEMBER 2017)

DECISION

To accept the report on the third quarter review (December 2017 position) of the capital programme, and approve the revised financing as shown in part 4 of the report, that is:

- (£21,000) decrease in the use of the capital reserve
- £567,000 increase in the use of grants and contributions
- £27,000 increase in the use of capital receipts
- £71,000 increase in the use of revenue contributions
- £132,000 increase in the use of renewal funds and others

REASONS FOR THE DECISION

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

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

16 January 2018

Cabinet Member: Councillor Peredur Jenkins - Finance Cabinet Member

Subject: Capital Programme 2017/18 –
Third Quarter Review (December 2017 position)

Contact Officer: Dafydd L Edwards - Head of Finance

The decision sought / Purpose of the report

To accept the report on the third quarter review (December 2017 position) of the capital programme, and approve the revised financing as shown in part 4 of the report, that is:

- (£21,000) decrease in the use of borrowing
 - £567,000 increase in the use of grants and contributions
 - £27,000 increase in the use of capital receipts
 - £71,000 increase in the use of revenue contributions
 - £132,000 increase in the use of renewal and other reserves
-

1. Introduction / Summary

This technical report is presented as part of the 2017/18 budget monitoring procedure. The main purpose of the report is to present the revised capital programme and to approve the relevant financing sources. There is a summary in parts 3 and 4 of the report, with the recommendation in part 5:

Part 3: Analysis by Department of the £47.718m capital programme for the 3 years 2017/18 – 2019/20.

Part 4: The sources of finance for the net increase of approximately £0.776m since the previous review.

The Cabinet has the authority to adapt the capital programme. Approval is sought for the programme (part 3) and financing (part 4).

The remainder of the report is for information:

- Appendix A: Main changes per source of finance
- Appendix B: Movement from 2017/18 to 2018/19
- Appendix C: First 9 months expenditure in 2017/18

2. Main Findings:

The main conclusions that arise from the revised position are:

- There are firm schemes in place to invest approximately £30.6m in 2017/18, with £5.8m of it being financed by attracting specific grants.

3. CAPITAL PROGRAMME 2017/18 to 2019/20

See below the revised proposed capital programme.

DEPARTMENT	END OF DECEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE PREVIOUS REVIEW £'000
	2017/18	2018/19	2019/20	TOTAL	
	£'000	£'000	£'000	£'000	
Education	12,837	615	-	13,452	24
Environment	5,532	4,925	-	10,457	55
Corporate Support	43	109	-	152	-
Finance (and Information Technology)	547	709	-	1,256	-
Economy and Community	910	152	200	1,262	(9)
Adults, Health and Wellbeing - Housing Unit	3,063	3,608	-	6,671	1
Adults, Health and Wellbeing - Other	947	-	-	947	-
Children and Families	207	-	-	207	50
Highways and Municipal	6,172	3,686	2,377	12,235	412
Consultancy	162	125	-	287	243
Corporate	222	570	-	792	-
TOTAL	30,642	14,499	2,577	47,718	776

4. CHANGES TO THE SOURCES OF FINANCE

The budget for the three-year programme shows an increase of £0.776m since the second quarter review position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF DECEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE PREVIOUS REVIEW £'000
	2017/18	2018/19	2019/20	TOTAL	
	£'000	£'000	£'000	£'000	
Supported Borrowing	6,675	6,399	-	13,074	-
Other Borrowing	8,116	804	992	9,912	(21)
Grants and Contributions	5,831	927	200	6,958	567
Capital Receipts	1,137	292	-	1,429	27
Departmental & Corporate Revenue	2,356	-	-	2,356	71
Capital Fund	(842)	3,248	-	2,406	-
Renewals & Other Funds	7,369	2,829	1,385	11,583	132
TOTAL	30,642	14,499	2,577	47,718	776

5. RECOMMENDATION

The Cabinet is asked to:

- accept the 2017/18 to 2019/20 revised capital programme and
- approve the relevant sources of finance (para. 4 above).

6. Reasons for recommending the decision

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

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

These are recommendations to ensure definite sources of funding for the 2017/18 – 2019/20 capital schemes.

7. Relevant considerations

These are technical issues regarding the financing of schemes and relevant implications and debates have already been addressed when the individual schemes were adopted. Please note that the significant capital schemes are scrutinised at the responsible Cabinet Member's Performance Scrutiny meetings, and reference is made to these in the relevant Performance Reports.

8. Next steps and timetable

To implement the recommendations to finance the programme.

View of the Local Member

Not relevant.

Views of the Statutory Officers

Monitoring Officer:

Nothing to add from a propriety perspective.

Head of Finance:

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

Appendix

Appendices A, B and C.

MAIN CHANGES PER SOURCE OF FINANCING:

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

	2017/18 £'000	2018/19 £,000
Other Borrowing		
<ul style="list-style-type: none"> • Various minor schemes 	(21)	
Grants and Contributions		
<ul style="list-style-type: none"> • Coastal Protection (Consultancy Department) – a grant received from the Welsh Government for coastal protection work to extend the sea wall in Borth y Gest. 	53	103
<ul style="list-style-type: none"> • Improvements to Public Conveniences (Highways and Municipal department) - additional grants received from the Welsh Government via the Tourism Amenity investment Support (TAIS) Rural Development Programme for improvements to public conveniences in Bethesda, Beddgelert, Bala, Harlech and Aberdaron. 	134	
<ul style="list-style-type: none"> • Improvement Scheme for Amenity Sites in Caerylchu and Llandygai (Environment Department) – a grant from the Welsh Government towards improvements to both recycling sites. 	105	
Capital Receipts		
<ul style="list-style-type: none"> • Various minor schemes 	27	
Departmental Revenue		
<ul style="list-style-type: none"> • Various minor schemes 	71	
Renewals and Other Funds		
<ul style="list-style-type: none"> • Adaptations to Coed Ffridd Arw (Highways and Municipal Department) – an increase in the use of the renewals reserve to extend the provision of recycling bunkers, locate a weighbridge and extend the provision for separating cans from plastics. 	134	

Budget Re-profiling – Main Schemes:

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

	2017/18 £'000	2018/19 £'000
Repair and Maintenance to Council Buildings and Carbon Management Schemes (Environment Department- Property Unit)	(1,641)	1,641
Vehicles Renewals (Highways and Municipal Department)	(1,226)	1,226
Housing Grant Schemes (Adults, Health and Wellbeing Department – Housing Unit)	(758)	758
Computer Renewal Schemes (Finance and Information Technology Department)	(360)	360
21 st Century Schools (Education Department)	(269)	269
Resurfacing of Car parks (Environment Department)	(219)	219

Note:

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

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

APPENDIX C**Capital Expenditure First 9 Months 2017/18**

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed December)	ACTUAL EXPENDITURE FOR THE 9 MONTHS TO
	2017/18 £'000	13/12/2017 £'000
Education	12,837	8,746
Environment	5,532	2,156
Corporate Support	43	28
Finance (and Information Technology)	547	354
Economy and Community	910	801
Adults, Health and Wellbeing - Housing Unit	3,063	882
Adults, Health and Wellbeing - Other	947	470
Children and Families	207	48
Highways and Municipal	6,172	1,986
Consultancy	162	32
Corporate	222	-
TOTAL	30,642	15,503

Note: The percentage that has been spent this year (51%) is comparably lower than the position this time last year (59%).

Agenda Item 7

MEETING:	Audit and Governance Committee
DATE:	8 February 2018
TITLE:	Savings Overview: Progress report on realising savings schemes
PURPOSE:	Report on the Latest Position
ACTION:	Receive the information, consider the general risks arising from slippages, and scrutinise the Cabinet's decisions regarding the Savings Overview.
CONTACT OFFICER:	Dafydd L Edwards, Head of Finance
CABINET MEMBER:	Councillor Peredur Jenkins, Cabinet Member for Finance

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters as appropriate.
2. The attached report (Savings Overview: Progress report on realising savings schemes) was submitted to the Cabinet on 16 January 2018.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised, together with the relevant decision notice which is on the next page.
4. The Audit and Governance Committee is requested to note the position and the relevant risks regarding the Savings Overview, consider the Cabinet's decisions and comment as necessary.

Appendices:

Cabinet Decision Notice 16/01/2018

Savings Overview: Progress report on realising savings schemes (Cabinet 16/01/2018)

**GWYNEDD CABINET
DECISION NOTICE**

Date of Cabinet Meeting: 16 January 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution. **31 January 2018**

SUBJECT

Item 14: SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVING SCHEMES

DECISION

To note the encouraging progress towards realising the 2015/16 - 2017/18 savings schemes.

REASONS FOR THE DECISION

In the Council's Financial Strategy, the Council had planned £7,414,751 of savings for the year 2017/18. It is the responsibility of the relevant members of the Cabinet to realise the individual schemes, and the Cabinet Member for Finance keeps an overview of the whole picture in order to identify any problems with the procedure, or with any specific department. It was noted that there had been "slippages" in three Departments; however, on the whole satisfactory progress was made in 2017/18.

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

Date	16 January 2018
Cabinet Member	Councillor Peredur Jenkins
Subject	Savings Overview: Progress report on realising savings schemes
Contact Officer	Dafydd L Edwards, Head of Finance

DECISION SOUGHT

To note the encouraging progress towards realising the 2015/16 – 2017/18 savings schemes.

1. INTRODUCTION / BACKGROUND

The progress of realising the savings which are in the 2015/16 – 2017/18 Savings Strategy is reported here.

In the Council's Financial Strategy, we had planned for savings of £7,414,751 in 2017/18. Realising the individual schemes is the responsibility of the relevant Cabinet members, and the Cabinet Member for Finance keeps an overview of the whole picture in order to identify any problems with the procedure, or any specific department.

The individual Cabinet Members' performance reports to the meetings on 2nd, 9th and 16th January have already detailed, as necessary, on the individual savings schemes within their own portfolios.

2. 2016/17 (and previous) DEPARTMENTAL SCHEMES

Appendix 1 summarises the achievements of each department against the savings target set for them for the year 2016/17, and updates the position in respect of the schemes that remain to be realised. Of the 144 schemes, 142 have been realised in full or in part, and it is expected that the few schemes that remain will be fully realised shortly. In financial terms (£), this means that 99% of the 2016/17 schemes have by now been realised. It is also pleasing to note that only one scheme from 2015/16 remains un-realised, and a method of realising this scheme soon has been identified.

3. 2017/18 DEPARTMENTAL SCHEMES

Likewise, **Appendix 2** summarises the present forecast in respect of realising the 2017/18 schemes and savings. Of the 122 schemes, 103 have been realised and a further 7 are on track to be realised on time. In financial terms (£), this means that 77% of the financial savings have by now been realised, with a further 3% on track to be realised.

The “slippage” figures include the substantial challenge in realising a number of schemes in the Adults Department and the Children’s Department.

In my previous report to Cabinet on 19 September, there was reference to the proposal by the Head of the Adults Department to submit a report outlining his wish to amalgamate a number of the individual schemes within various headings. This would include an alternative way of recording the financial benefit arising from working in a more efficient manner. By now, I understand that it is proposed that this report will be presented to Cabinet on 13 February 2018 and if the proposal is approved, it is expected that a substantial amount of the savings within the 2017/18 schemes will be realised on time.

The Children’s Cabinet Member’s report, presented to Cabinet on 9 January, refers to the challenge of realising this year’s savings schemes and, possibly, the remainder of the savings from the “Improving Benefits by Transforming Children’s Services” scheme as had been forecasted. It is clear that financing child care is an area of concern to many local authorities, and I encourage the Children’s Cabinet Member to submit the results of the review as referred to in his report as soon as possible, to enable Cabinet to consider the need for the Children’s Department to submit an alternative proposal to realise the relative financial savings.

There is one scheme in the Highways Department that continues to cause concern, and steps are being taken to submit a report for consideration by the Scrutiny Committee, and possibly to support an alternative means of fully realising this saving.

4. CONCLUSION

Generally, I am very satisfied with progress seen recently to realise the savings from the historical schemes that had slipped. Further, the forecast in respect of the remaining 2017/18 schemes is also on the whole very promising. Naturally, it will of course be necessary for the Cabinet Members to continue to monitor the savings schemes and I am aware that this work is progressing. Therefore, I request that the Cabinet notes the encouraging progress towards realising the 2015/16 – 2017/18 savings schemes.

View of the Local Member

Not relevant

Views of the Statutory Officers

Monitoring Officer:

No observations from a propriety perspective.

Head of Finance:

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

Appendices:

Appendix 1 – 2016/17 Savings Schemes Overview by department

Appendix 2 – 2017/18 Savings Schemes Overview by department

OVERVIEW OF 2016/17 SAVINGS SCHEMES BY DEPARTMENT

APPENDIX 1

Department	Total Savings 2016/17 and historical savings (H) to be realised	Realised schemes	Schemes being implemented, but with slippage	Schemes not fully developed or have failed	Comments by the Head of Finance
	£ (number)	£ (number)	£ (number)	£ (number)	
Education	94,089 (3)	55,408 (2)	38,681 (1)	-	Work to realise the “Education Contract and Employment Unit” scheme has been expanded and continues. Whilst the system is operational since April 2017, it is forecast that the savings will be realised in 2018/19.
Schools	2,095,000 (1)	2,095,000 (1)	-	-	The 2016/17 savings have been realised.
Environment	656,480 (21)	656,480 (21)	-	-	All of this year’s schemes have been realised.
Corporate Support	575,039 (16)	575,039 (16)	-	-	All of this year’s schemes have been realised.
Finance	374,601 (17)	374,601 (17)	-	-	All of this year’s schemes have been realised.
Economy and Community	801,283 (17)	801,283 (17)	-	-	All of this year’s schemes have been realised.
Adults, Health and Wellbeing	1,559,219 (30)	1,463,619(30*)	95,600 (4*)	-	Progress has been seen over recent months in the realisation of historic savings schemes, and the Department operated within its revenue budget in 2016/17. Work is progressing to realise what remains of the 4 schemes that remain partly in portal 5.2 (implementing, but behind schedule).

Department	Total Savings 2016/17 and historical savings (H) to be realised	Realised schemes	Schemes being implemented, but with slippage	Schemes not fully developed or have failed	Comments by the Head of Finance
	£ (number)	£ (number)	£ (number)	£ (number)	
Children and Families	753,000 (11)	753,000 (11)	-	-	All of this year's schemes have been realised.
Highways and Municipal	1,934,100 (20) (H) 40,000 (1)	1,934,100 (20)	- (H) 40,000 (1)	-	All of the 2016/17 have been realised, but there has been slippage with the historical scheme – "Rationalise Recycling Banks". By now, it is anticipated that there will be a revised method of realising the saving.
Consultancy	146,000 (4)	146,000 (4)	-	-	All of this year's schemes have been realised.
Corporate Management Team	-		-	-	No schemes programmed for 2016/17.
Cross-departmental	212,600 (3)	212,600 (3)	-	-	All of this year's schemes have been realised.
TOTAL	9,201,411 (144) (H) 40,000 (1)	9,067,130 (142*)	134,281 (5*) (H) 40,000 (1)	-	In financial terms (£), 99% of the 2016/17 savings schemes have been realised, and slippage (rather than failure) is forecast with the remainder.

(*A proportion of schemes in more than one gateway)

OVERVIEW OF 2017/18 SAVINGS SCHEMES BY DEPARTMENT

APPENDIX 2

Department	Total Savings 2017/18 £ (number)	Realised schemes £ (number)	Schemes on track to be realised timely £ (number)	Schemes being implemented, but with slippage £ (number)	Schemes not fully developed or have failed £ (number)	Comments by the Head of Finance
Education	417,116 (5)	358,816 (4)	-	58,300 (1)	-	Making satisfactory progress towards achievement. There has been a small slippage in implementing the "Reduced hours and / or introduce a fee for the care element within the free breakfast scheme for primary school children".
Schools	990,000 (1)	691,010 (1)	-	-	-	Following a Cabinet decision on 13 December 2016, the secondary schools proportion of this scheme, that is £298,990, is being bridged by the Council for two years.
Environment	962,483 (25)	861,773 (21)	75,710 (2)	25,000 (2)	-	Making satisfactory progress towards achievement but some work is required to move forward the "Smallholdings Rent Review" scheme (£20,000) and there is a delay until 2018/19 before implementing the "Public Protection – charge a fee for giving advice" scheme.

Department	Total Savings 2017/18	Realised schemes	Schemes on track to be realised timely	Schemes being implemented, but with slippage	Schemes not fully developed or have failed	Comments by the Head of Finance
	£ (number)	£ (number)	£ (number)	£ (number)	£ (number)	
Corporate Support	408,469 (11)	408,469 (11)	-	-	-	All of the year's schemes have been realised.
Finance	115,215 (9)	115,215 (9)	-	-	-	All of the year's schemes have been realised.
Economy and Community	848,208 (20)	848,208 (20)	-	-	-	All of the year's schemes have been realised.
Adults, Health and Wellbeing	1,412,000 (29)	728,760 (22)	76,740 (2)	606,500 (9*)	-	A substantial realisation challenge remains, with a range and high percentage of the schemes continuing in portal 5.2 (implementing, but behind schedule). As a result of operating in a more efficient way, the Head has attributed savings to the various schemes and is to submit a proposal to consider merging a number of schemes on a theme basis (there will be a report to the Cabinet on 13 February).
Children and Families	339,500 (4)	25,000 (1)	-	314,500 (3)	-	A substantial challenge to realise the savings has become apparent of late, with a high percentage of the savings and schemes in the "children in care placements" field now in portal 5.2 (implementing, but behind schedule).

Department	Total Savings 2017/18 £ (number)	Realised schemes £ (number)	Schemes on track to be realised timely £ (number)	Schemes being implemented, but with slippage £ (number)	Schemes not fully developed or have failed £ (number)	Comments by the Head of Finance
Highways and Municipal	1,831,450 (13)	1,587,450 (9*)	98,000 (3*)	96,000 (1)	50,000 (1)	Making satisfactory progress. Some work needs to be done with the Recycling Centres scheme (£96,000) to move this forward, and a report will be presented to Cabinet shortly. A report will also be presented to the Scrutiny Committee in respect of the "Reduction in the Frequency of the Municipal Grass Cutting and Collection" scheme (£50,000) where it will possibly be necessary to find an alternative method of realising the saving.
Consultancy	105,000 (4)	105,000 (4)	-	-	-	All of the year's schemes have been realised.
Corporate Management Team	7,000 (1)	7,000 (1)	-	-	-	The scheme has been realised.
Sub-total	7,436,441 (122)	5,736,701 (103*)	250,450 (7*)	1,100,300 (16)	50,000 (1)	In financial terms (£), 77% of the year's savings schemes have been realised, and 3% with a "green" assessment (portal 5.3).
Less						
Cross- departmental	-21,690	-21,690				Over achievement adjustment.
Sub-total	7,414,751	5,715,011	250,450	1,100,300	50,000	
Schools	-298,990					2 year Bridging adjustment.
TOTAL	7,115,761	5,715,011	250,450	1,100,300	50,000	

(*A proportion of schemes in more than one gateway)

MEETING:	AUDIT & GOVERNANCE COMMITTEE
DATE:	8 FEBRUARY 2018
TITLE:	2018/19 BUDGET AND 2018/19 – 2020/21 FINANCIAL STRATEGY
PURPOSE:	To submit the budget which the Cabinet intends to recommend to the Council for scrutiny by the Audit and Governance Committee
ACTION REQUIRED:	To scrutinise the information, including the medium-term financial plan, before the Cabinet recommends the 2018/19 budget to the full Council
CONTACT OFFICER:	DAFYDD L EDWARDS, HEAD OF FINANCE
CABINET MEMBER:	COUNCILLOR PEREDUR JENKINS

- 1.** At its meeting on 13 February, the Cabinet will consider the attached report and come to a conclusion regarding the budget to be proposed to the Council, which will include a recommendation regarding the Council Tax increase for 2018/19.
- 2.** Bearing in mind that it is good practice to set the budget in the context of the long term position, it is also intended to consult with the Council on the financial strategy for the period 2018/19 – 2020/21.
- 3.** The Cabinet will give consideration to the report soon after the meeting of the Audit and Governance Committee, and following this scrutiny, we will report to the Cabinet on the conclusions of the Committee.
- 4.** The Audit and Governance Committee will be given the opportunity to consider the financial propriety of the proposals and relevant risks, and then present comments to the Cabinet on the options.

REPORT TO THE CABINET
13 February 2018

Cabinet Member: Councillor Peredur Jenkins, Cabinet Member for Finance

Subject: 2018/19 Budget and 2018/19 - 2020/21 Financial Strategy

Contact Officer: Dafydd L Edwards, Head of Finance

Decision sought

(a) Recommend to the Council (in its meeting on 1 March 2018) that:

1. A budget of £242,862,930 should be set for 2018/19, to be funded by £175,127,330 of Government Grant and £67,735,600 Council Tax income, with an increase of 4.8%.
2. Establish a capital programme of £8.389m in 2018/19 to be funded from the sources noted in clause 9.4 of the report.

(b) Note the Medium Term Financial Plan in Part B, and adopt the strategy which is in part 32-34 of the Plan.

Summary

1. The Council has to set a balanced budget for 2018/19 and, in accordance with the usual practice, the annual budget is presented (Part A of the following report) within the context of a medium term financial strategy (Part B), ensuring that the budget prepares for the position to come, rather than meeting the requirements of one year alone.
2. This year, the Council profits from previous years' medium term planning, as we are able to balance the budget without making any new decisions which would cut services for our citizens, although the Tax will have to be increased by 4.8%.
3. It is recommended that the Tax is increased by 4.8% in 2018/19 in order to protect services for the people of Gwynedd, as it will be necessary to plan to find up to £20m of savings by 2019/20 and 2020/21.
4. Having consulted in a series of workshops during January/February, and with the Audit Committee (8 February), it is a matter for the Cabinet to consider the 2018/19 – 2020/21 financial strategy, recommending an appropriate budget to the Council for 2018/19.

A) 2018/19 BUDGET

5. The proposed budget for 2018/19 can be summarised as follows –

Savings to address the 2018/19 Gap	
	£
Approved Efficiency Savings	1,484,650
Approved Cuts	368,460
Further Efficiency Savings	896,430
Total Savings to close the Gap	<u>2,749,540</u>

Establishing the Budget and 2018/19 Tax level	
	£
2017/18 Base Budget	231,299,720
Additional Expenditure Requirements	<u>14,312,750</u>
2018/19 Expenditure Requirements before Savings	245,612,470
less Government Grant Income	-175,127,330
less 2018/19 Savings	<u>-2,749,540</u>
Council Tax yield: 4.8% increase	<u>67,735,600</u>

Balanced budget for 2018/19	
	£
2018/19 Expenditure requirements before Savings	245,612,470
2018/19 Savings Total	<u>-2,749,540</u>
2018/19 Net Budget	<u>242,862,930</u>
To be funded from -	
Grant Income	175,127,330
Council Tax	<u>67,735,600</u>
2018/19 Net Budget	<u>242,862,930</u>

6. By 2018/19, we will need to increase our expenditure to £245.6m in order to “stand still”, including £1.55m to meet pressures on the services’ budgets (details of the ‘bids’ are in Appendix 1). Consideration is given to development priorities separate to this, through the Council’s Plan. Presented here are the unavoidable commitments that the departments are facing now.
7. In order to meet the financial gap, it will be possible to attribute £2.75m of savings, and then Council Tax will have to be increased 4.8%.
8. Before completing a more thorough review of the Asset Strategy, we have established a programme on the basis of the minimum required for 2018/19, as noted in clause 9.4, which will mean a programme of £8.389m in 2018/19. The programme continues to spend on capital schemes on a higher level than the resource we receive from the Welsh Government to support our capital programme, but it is not considered that the relevant level of borrowing will overstretch the Council.

B) MEDIUM TERM STRATEGY - SUMMARY

9. The modelling work (in Part B of the detailed report) confirms we need to ensure that our procedures are flexible enough in order to realise up to £20m savings over the two years 2019/20 and 2020/21. With this in mind, it is recommended to continue with the current savings strategy where the Cabinet will decide on different targets for the Council’s departments, the heads of department presenting possible savings to meet those targets, and the scrutiny committees challenging the plans on behalf of the people of Gwynedd, before a public consultation on options to be implemented annually.

Reasons for recommending the decision

10. The strategy attempts to protect the services the Council provides for the people of Gwynedd and recommend a Council Tax increase in order to achieve that aim this year. By ensuring savings, they are intended to be achieved in those areas which will have the least effect upon our citizens.

Relevant considerations

11. It is a matter for the Council to consider the budget and set the Council Tax for 2018/19 on the basis of the issues noted in the following report.

Opinion of local member

Not a local matter

Views of the Statutory Officers**Monitoring Officer:**

Although it is a matter for the Full Council to make a final decision on the budget, it is important that the Cabinet gives them a clear recommendation regarding its expenditure plans and the draft budget, and this report achieves that. Once the Council has agreed on the financing sources, then the Cabinet will be responsible for the expenditure and the priorities within that budget.

On the other hand, the financial strategy is a matter for the Cabinet to decide, but by doing that, it would be desirable for it to be inclusive and consult with the Council. I support the intention to do that.

Head of Finance:

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

2018/19 BUDGET

1 BACKGROUND

- 1.1 This detailed report notes the factors that influence the revenue budget proposed for 2018/19, and outlines the main changes since 2017/18.
- 1.2 The medium term financial strategy is presented for the period up to 2020/21 in Part B.

2 WELSH GOVERNMENT GRANT

- 2.1 The Welsh Government has announced the settlement to finance local government for 2018/19, and has provided indicative figures for the following year. The details for 2018/19 are noted in the table below:

Revenue Support Grant 2017/18 & 2018/19

	Total Welsh Authorities £	Gwynedd Council £
2017/18 Government Grant (without amendment)	4,113,620,440	169,014,600
2017/18 Government Grant (amended)	4,205,336,640	174,092,900
2018/19 Government Grant	4,214,066,930	175,127,330
Increase £	8,730,290	1,034,430
Increase %	0.2%	0.6%

- 2.2 It can be seen from the Welsh Government's figures which are in the above table that Gwynedd Council receives an increased grant of £1m by next year (after amending the 2017/18 figure to reflect the transfers into the settlement) which is an increase of 0.6%, with the average increase across Wales being 0.2%.
- 2.3 A number of factors feed the formula, namely the number of pupils, number of income support claimants, etc. The higher increase in grant for Gwynedd and other rural authorities is mainly because the (current) higher costs of running social services (care) in rural authorities has since been incorporated in the revised allocation formula, and also because other factors have gone in our favour this year. It is fair to say that Gwynedd's officers have been prominent in providing the evidence to justify changing the formula to reflect the true cost of care in rural areas, and the second half of this value is included this year.
- 2.4 For information, in addition to the £1,034,440 in the Welsh Government's figures, a further relatively small increase of £51,060 was received due to a related tax base adjustment.

3 COUNCIL REVENUE EXPENDITURE - 2018/19

- 3.1 The table below shows the increase in the expenditure required in order to "stand still" in 2018/19.

Additional Expenditure Requirements

	£	£
Base Budget		231,299,720
Staff Salary Inflation	4,737,040	
Increments net of Turnover	64,870	
Pensions	406,770	
Other Inflation (suppliers)	1,783,200	
Interest on balances	42,750	
Levies	22,980	
Demography	690,630	
Services' Income Adjustments	35,690	
Miscellaneous Budget Adjustments	-2,321,160	
Transfer to the Settlement	5,078,090	
Bids - Pressures on Services	1,550,520	
Bids to be financed from the Council Tax Premium yield	190,930	
Earmark the remainder of the Council Tax Premium yield to Reserves	2,030,440	
	<hr/>	
Net total of increases		14,312,750
		<hr/>
Total 2018/19 expenditure requirements before savings		245,612,470
		<hr/> <hr/>

3.2 Base Budget 2017/18

Although £231m is the net 2017/18 expenditure, it is important to note that the Council's true expenditure is £388m as we receive a multitude of specific grants worth £95m and raise nearly £62m for services which we provide.

3.3 Salary inflation £4.74m

Provision has been made for a 2% salary increase for Council staff, in accordance with the national agreement, with a significantly higher % for some staff on lower grades worth £1.56m to meet the national 'living wage' requirements.

3.4 Increments net of Turnover £65k

Net amount which reflects a higher salary increments level than the value of turnover for all Council staff.

- 3.5 Pensions – Automatic Enrolment £407k**
Because of Gwynedd Pension Fund's excellent investment performance, we succeeded in not having to increase the Council's employers pension contribution rates in the last triennial valuation.
However, the effect of the automatic enrolment legislation means that more workers are joining the pension scheme, with employers' contributions on those salaries being an additional cost. This £407k is the full-year effect of statutory change from October 2016.
- 3.6 Other inflation £1.8m**
Net amount which includes provision for the effect of the 'living wage' (minimum pay) on the costs and fees of our private suppliers, together with a significant increase in inflation on fuel and energy budgets.
- 3.7 Interest on Balances £43k**
Projection of a further reduction in interest receivable in 2018/19, as long-term investments come to an end, while interest rates continue at the current low rate.
- 3.8 Levies £23k**
In December 2017, North Wales Fire Authority decided to raise the levy 1% on the constituent authorities, which increases the requirement on Gwynedd Council of £62k, while there was an increase of £11k in special drainage levies for 'Natural Resources Wales', but a decrease of £50k in the Snowdonia National Park Authority levy.
- 3.9 Demography £691k**
Total amount which reflects +£232 due to an increase in the number of pupils in Schools, and +£458k due to an increase in the number of people receiving care from the Adults' Service.
The net figure of +£232k for schools hides different positions in different sectors, namely secondary +£405k, primary -£159k, middle -£79k, and special +£66k. However, the demography effect on schools by 2018/19 has been complicated as -£457k of the demography effect on some secondary schools was deferred in 2017/18. Having included that, the schools net position is -£225k.
In 2017/18, a specific grant was received to meet adults care demography. A similar grant is expected by 2018/19, therefore the Adults' demography amount has been earmarked in a corporate budget until we receive confirmation of the grant.
- 3.10 Adjustments to Services' Income Budgets £36k**
Net amount which has adjusted services' income targets, including -£100k Adults (Welsh Government has raised the non-residential weekly fees cap), -£65k Environment (which mainly reflects the favourable parking fees position, road closures, etc), -£15k Corporate Support (favourable income for Translation and Occupational Health), -£10k Legal (favourable position for claiming costs), and +£226k Highways (loss of an income opportunity in light of the transfer of staff to the Highways Agency).
- 3.11 Adjustments to Miscellaneous Budget -£2.3m**
A total which reflects a significant number of adjustments in provisions across the Council, but mainly reversing 2017/18 one-off bids, decrease the corporate budget for Council Tax Reductions, and remove the contingency budget.

3.12 **Transfers to the settlement £5.1m**

Several responsibilities will transfer into the Welsh Government's grant settlement for the Council by 2018/19. The budgets that will transfer to the Council's budget, together with the relevant responsibilities, will be assigned to the relevant departments.

Therefore, there will be an increase of £2.9m in the Adults, Health and Wellbeing Department's budget to reflect the transfer of £2,062,930 Welsh Independent Living Grant, together with £724,480 Social Care Workforce Grant, and £114,390 Carers' Respite Care Grant.

There will also be a £218,500 increase in the Children and Supporting Families Department's budget to reflect the transfer of the Looked After Children Grant.

Additionally, there will be an increase of £1,958,010 in the Highways and Municipal Department's budget to reflect the transfer of the Waste element of the Single Revenue Grant.

Other responsibilities are transferring to the Council by 2018/19 (including £212,570 for Preventing Homelessness), but the Welsh Governments' grant settlement does not identify those as "transfers to the settlement". Therefore, the Council's budget treats those as 'pressures on services', that is 'bids' in the following paragraph and the relevant appendix.

3.13 **Pressures on Services £1.55m**

Unavoidable 'bids' – refer to **Appendix 1** for details of each individual 'bid'.

It is recommended to approve applications ("bids") worth £1.55m by the Council's departments for permanent additional resources to meet the unavoidable pressures on their services.

It is also recommended to approve £1.51m worth of one-off bids.

Bear in mind that the Council's main priorities (developmental matters in order to make a difference) are being funded and commissioned separately, through the Council's Plan. What is presented here through the "bids" are unavoidable commitments that the departments are facing now.

Every department has the right to identify any expenditure which the Council has to fulfil to ensure the continuation of basic services. This heading is not for new developments, but rather for continuation of current basic services.

Of course, an element of these applications are highlighted whilst reviewing this year's spending patterns. Others are a result of factors where there is a need for expenditure in order to protect outcomes for the public, or to meet statutory requirements. There is also an element of central government creating more pressure and expectations, and then we have to deal with the consequential effects.

These items have been challenged thoroughly by the Corporate Management Team and the Cabinet Member for Finance before being recommended to be approved by the Cabinet.

3.14 **Council Tax Premium £2.2m**

It is recommended to approve two "bids" worth a total of £190,930 to be financed from the Council Tax Premium yield.

It is recommended to earmark the remainder of the Council Tax Premium yield in 2018/19 in a specific fund to be used towards the Council's priorities.

Specific attention is given to this in part 4 below.

4 COUNCIL TAX PREMIUM YIELD ON EMPTY PROPERTIES AND SECOND HOMES

- 4.1 In the full Council meeting on 8 December 2016, it was decided for the 2018/19 financial year to raise a Premium of 50% on second homes and on properties that have been empty for 12 months or more. Therefore, the Council will receive additional Income in 2018/19 by raising a Council Tax Premium on Second Homes and Empty Properties.
- 4.2 As part of the Council's decision on 8 December 2016, it was noted that the Council's intention was to use a 'percentage' of the money received by raising a premium to provide housing for young people in our communities. Despite that, there is no restriction on the Council's choice in terms of the use of the additional income, and the 'percentage' is unspecified, in line with my recommendation to keep that flexibility in case difficult budgetary choices have to be made.
- 4.3 Following detailed exercises in June and September 2017 to contact homeowners and identify second homes and long-term empty properties, responses were received from the majority of owners and fair assumptions were made for the remainder. Further to the Cabinet Member for Finance's decision notice, which came into force on 21 November 2017, the 2018/19 'Tax Base' was presented to the office of the Welsh Government.
- 4.4 On the basis of that tax base, it is estimated that a Premium of 50% worth around 1,721 in the terms of a 'Band D' property, and as a result the Premium should yield around £2.2 million of additional income. All of the income and relevant expenditure to be met must be incorporated into the 2018/19 budget.
- 4.5 There are two 'first demands' for the money received from the Premium, being two property inspectors in the Taxation Service and an Affordability officer in the Housing Service.
- 4.6 On several occasions when presenting and responding on the matter, the Head of Finance has noted that two 'Property Inspector' posts in the Taxation Service will have to be financed, in order to ensure that the appropriate income will be collected. The Cabinet's minutes of 22 November 2016 noted *"To comply, the Finance Department would require funding to carry out inspection work; therefore, the matter must be looked at in detail"*. Two additional posts are requested by 2018/19 at a total cost of £52,600.
- 4.7 Also, the 21 November 2017 Cabinet has already approved the Housing Service's requirement for £46,110 per year for three years (a total of around £140,000) to *'Increase Supply and Affordability'*, by appointing an additional officer within the Strategic Housing Team, so that the Council will be able to *"take full advantage of grant funding that can be claimed from the Government to increase the number of social and affordable housing in Gwynedd"*.

- 4.8 It is recommended that the Council supports these two 'first demands'. This means there will be around £2m of additional income to be prioritised, after financing Housing's three years above, all from the 2018/19 Council Tax Premium yield.
- 4.9 It is recommended that the total sum of around £2m remaining of the 2018/19 Council Tax Premium be earmarked in a specific fund to be used on the Council's priorities, including providing housing for young people.
- 4.10 It is recommended to wait in order to identify the true tax yield from the Premium, and the threat of financial cuts for services by 2019/20, before attributing the tax yield from the Premium in 2019/20 and following years. It would be prudent for members to retain flexibility for the future, in case the Council needs to make difficult financial choices in 12 months.

5 DEALING WITH THE SCHOOLS' BUDGET IN 2018/19

- 5.1 Whilst developing a draft budget for 2018/19, it became clear that concern was being raised about the schools budget. Since the announcement of the local authority grant settlement, Welsh Government's direction towards "additional funding" and schools protection had raised the financial expectation of Heads and Governors for 2018/19. It was explained to the Schools Finance Forum that Welsh Government had made some misleading announcements regarding the schools financial position, and a way ahead was agreed in order to avoid transferring further savings for Gwynedd schools this year.
- 5.2 The schools budget will face the usual "demography" adjustments which derive from changes in the number of pupils. The position varies from school to school, but on the whole the effect of a reduction in the number of pupils means that the schools budget in its entirety will reduce £225k. There is nothing unexpected in this – a possible reduction of £333k was warned about this time last year.
- 5.3 Against this it can be seen in the 'bids' part of this report that there is a recommendation to agree to fund a bid of £319k by the Education Department towards the integration budget, which means that 'Education' is gaining. Certainly, having taken inflation of over £1.4m into consideration, the schools budget will be much higher in 2018/19 than the level in 2017/18.
- 5.4 However, a number of problems have arisen in the Education field which would mean that the Council would have to add further to their budget through the bids process, or that the Education Department reduces the schools budget if they are to have a balanced budget in 2018/19. The total of these matters would have meant the transfer of £1.7m savings in the schools budget, and the opinion of the Cabinet members was that this would not be practical. Therefore, it was agreed to recommend the following solutions.
- 5.5 Transport – Higher Expenditure (£516k) – In the 2017/18 budgetary reviews, it was noted that the increased overspend projection on the transport budget was within Education, and something would have to be done about it. By leaving it as it is, this would create the need for additional permanent funding of £286k in 2018/19 (together with £230k to meet the 2017/18 deficit). It is recommended that we could use the corporate underspend to make good this years overspend, but insist that the Education and Environment Departments re-visit their transport policies / arrangements with a view to managing the expenditure within the available budget by 2019/20. In the meantime, in order to buy time to be able to make the change, it is recommended to

bridge £200k of the £286k required in 2018/19 by providing a one-off budget, with the Education Department meeting the remaining £86k.

- 5.6 Integrating - (£347k) – The Additional Learning Needs project (which achieves savings) means that work in the field is being carried out by the Central Unit, rather than the schools. As a result, £347k will transfer from the schools budget to the 'centre' (Education Department). This is a transfer, and whilst the schools budget is reducing, the requirement for schools to spend will also reduce.
- 5.7 Schools Improvement Grant ('EIG') (£618k estimate) - A number of things are financed from the grant, with a significant portion being part of the schools budget. The Education Minister has cut the above specific grant and has "included it in the settlement" in order to state that there is no expectation for the schools budget to reduce. She has also created the impression that there is an expectation that everything financed through the grant is to be maintained. The same money cannot achieve both things and there is a lot of frustration in all local authorities and schools across Wales about this. Whilst reflecting the Minister's aspiration not to reduce the schools budget, in this year's difficult financial position, the Council cannot fill the gap in the grant and the schemes it finances, therefore, a relevant element of the grant reduction will feed through to the schools.
- 5.8 Savings £4.3m – (£263k) – In 2014, it was decided to set a target of £4.3m for schools over 2015/16 – 2017/18, and to collaborate with the Schools Finance Forum to develop plans to achieve the target. Since then, a slippage to 2018/19 was agreed, when the schools reorganisation plans are expected to produce the final £263,000 of the £4.3m target. This saving will not be available until 2020/21 to 2021/22, but rather than transferring the deficit to the schools, it is recommended to re-profile the savings to those years.
- 5.9 Therefore, rather than suffering a "further cut" of £1.7m, the schools will shoulder the relevant element of the £618k estimate of grant reduction which is relevant to them, together with a £347k "technical" transfer which removes the budget and the requirement to spend from them. We understand, of course, that there are reductions in other specific grants, and local factors for individual schools, but with this strategy, on the whole, Gwynedd schools are only expected to find expenditure reductions equivalent to the reduction in the Government's grants by 2018/19.

6 2018/19 FUNDING GAP, SAVINGS AND TAXATION

- 6.1 It can be seen from Part 3 above, that the Council's expenditure requirements (before deducting savings) for 2018/19 are £245.6m. Having dismissed transfers into the settlement of £5.1m, and the £2.2m Premium there is an unavoidable increase of £7m, which is 3% and we will be receiving a grant increase of £1m, which is 0.6%, from the Welsh Government. This means a funding gap of £5,928k.
- 6.2 Since our assumptions for 2018/19 in February 2017, our figures have been modified by significantly higher than expected salary inflation, which to some extent is counterbalanced by the Welsh Government's slightly more favourable than expected settlement. Therefore, the funding gap is much higher than expected.
- 6.3 In order to deal with the gap of £5,928k, efficiency savings of £1,485k can be harvested, and the £369k of cuts which have already been approved for 2018/19. Also, having reviewed the proposed efficiency savings plans, I am convinced that it can be

prudently estimated that we will harvest around £896k of further savings in 2018/19. Therefore, there is a total of £2,750k of savings to be used to reduce the gap of £5,928k.

- 6.4 This means that there is a remaining gap of £3,178k, and it is recommended to meet that gap by raising the Council Tax level. The Tax would need to be raised by 4.8% in order to produce £3,178k of additional income.

2018/19 Savings and Tax Calculation

	£'000	£'000
Additional Expenditure Requirements (amended for Transfers to the Settlement and the Council Tax Premium)		7,013
Less - Grant Increase		<u>1,085</u>
2018/19 Funding Gap		5,928
Less Savings -		
- Approved Efficiency Savings	1,485	
- Approved cuts	369	
- Further Savings to be approved	<u>896</u>	<u>2,750</u>
Remaining gap to be met from the 4.8% Council Tax increase		<u><u>3,178</u></u>

7 COUNCIL TAX

- 7.1 It is a key decision for the Council's members to make, in light of the above considerations, to establish the exact level of Council Tax for 2018/19. 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.
- 7.2 In the original assumptions made in our medium term financial strategy, a figure of 3.5% was used, as an estimate of the average increase in Wales. By 2016/17, it was decided to increase the tax 3.97%, in order to avoid implementing some cuts. By 2017/18, it was decided a year ago, as a number of factors had gone in our favour, to balance the 2017/18 budget with a 2.8% increase in the tax level.
- 7.3 This year, it is recommended to increase the tax 4.8%, which would produce tax of £67.74m (including £2.22m of Premium yield and £3.18m of additional income towards the gap). This would equate to a Council Tax increase of £59.57 in a Band D property, or £1.15 a week. The tax raised by the community councils and the Police Authority would of course be additional to this.
- 7.4 Over 16.3% of households in Gwynedd receive some element of assistance towards their Council Tax, and over 60.5% of properites in Gwynedd are in bands lower than band D. Every additional 0.1% of tax would adjust the financial gap we would need to find by around £62,500. Therefore, 0.5% would mean adjusting the financial gap by

around £312,300 whilst 1% would mean adjusting the financial gap by around £625,000.

- 7.5 The increase in Gwynedd's Council Tax, together with the average increase across Wales since 2013/14, is shown below.

Year	Gwynedd	Wales
2017/18	2.80%	3.10%
2016/17	4.00%	3.70%
2015/16	4.50%	4.30%
2014/15	3.90%	4.20%
2013/14	3.50%	3.10%
Total 2013-18	18.70%	18.40%
Average 2013-18	3.74%	3.68%

In 2017/18, Gwynedd Council's Band D Council Tax level was £1,240.96, while the average level of tax for the counties in Wales was £1,162.

- 7.6 We do not yet know what the exact average increase across Wales will be for 2018/19, but the latest information I have is that the average across Wales will be around 4.7%. Having raised 0.3% lower than the Wales average last year for 2017/18, this year by 2018/19 it is reasonable to raise slightly higher than the average, and adhere to the long-term policy.
- 7.7 The choice between maintaining services and taxation 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. However, **as a starting point for discussion, a Council Tax increase of 4.8% is recommended, which would be a weekly increase of £1.15, or £59.57 annually, with a Band D tax of £1,300.53 for 2018/19.**
- 7.8 The following table summarises the relevant totals as the Council sets its budget and tax for 2018/19, on the basis of the above recommendations.

Savings to address the 2018/19 Gap

	£
Approved Efficiency Savings	1,484,650
Approved Cuts	368,460
Further Efficiency Savings	896,430
Total Savings to close the Gap	<u>2,749,540</u>

Establishing the Budget and 2018/19 Tax level

	£
2017/18 Base Budget	231,299,720
Additional Expenditure Requirements	14,312,750
2018/19 Expenditure Requirements before Savings	<u>245,612,470</u>
less Government Grant Income	-175,127,330
less 2018/19 Savings	<u>-2,749,540</u>
Council Tax yield: 4.8% increase	<u>67,735,600</u>

Balanced budget for 2018/19

	£
2018/19 Expenditure requirements before Savings	245,612,470
2018/19 Savings Total	<u>-2,749,540</u>
2018/19 Net Budget	<u>242,862,930</u>
To be funded from -	
Grant Income	175,127,330
Council Tax	67,735,600
2018/19 Net Budget	<u>242,862,930</u>

8 BALANCES

- 8.1 It is foreseen that the Council will have general balances of £5.9m at the end of this financial year, representing around 1.5% of the Council's gross revenue expenditure.
- 8.2 We have noted on more than one occasion that due to the turbulent environment we will be 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, and the Welsh Government's statement about extremely challenging -1% grant settlements for local government in 2019/20 means that the risk continues (if not intensifies). Therefore, the need to ensure that we have appropriate balances to deal with any financial shocks is still relevant (see Part B for the medium term Financial Strategy).
- 8.4 Having committed £1.51m from a specific fund, in order to Finance one-off bids, **it is recommended that we do not use general balances in 2018/19.**
- 8.5 **The Council has a number of specific reserves** established to meet specific expenditure needs. These are also part of the Council's budget of course, and have been scrutinised annually. Attention was given to the specific reserves by the Cabinet on 6 June 2017 and also the Audit Committee on 6 June 2017, when it was approved to transfer over £1m from reserves and provisions towards corporate priorities / requirements. I review the level of these reserves continually, and **it is intended to hold another intensive review by June 2018**, to consider how much scope there will be for the Council to change its priorities within these reserves.
- 8.6 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."
- 8.7 I am convinced that a one-off use £1.51m from a specific fund to finance one-off bids in 2018/19 is a totally appropriate action, and it is recommended that the Council's balances are not used to balance the 2018/19 budget.

9 CAPITAL

- 9.1 Whilst local authority revenue budgets face constraints, capital budgets are also under pressure, and there are revenue implications for capital expenditure which is not funded by specific grants.
- 9.2 In light of the revenue financial 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), a thorough review of the Asset Strategy is already underway.
- 9.3 A proposed programme for 2018/19 individual schemes is set out below:

CAPITAL PROGRAMME FOR 2018/19	
	£'000
Buildings Repair and Maintenance (dealing with the backlog and avoiding further deterioration)	2,477
Fire and Asbestos work	308
Schools Organisation	248
Roads Refurbishment*	1,988
Street Lighting	50
Safety fences on roads	134
Dealing with flooding on roads	100
Playing Fields	35
Vehicle Renewals	93
Transport Feasibility Schemes	100
Cycle Routes	20
Information Technology Renewals	275
Housing Grants	2,000
To be distributed	561
Total	8,389

** additional funding expected from Welsh Government*

- 9.4 We will be funding the programme as follows:

Funding capital programme 2018/19	
	£'000
Capital requirements	8,389
To be funded through:	
Capital provision in the settlement	5,898
Other funding*	1,988
Prudential borrowing	503
Total to be financed	8,389

** additional funding expected from Welsh Government*

- 9.5 It is intended to establish a new asset strategy from 2019/20 going forward, in accordance with the report presented to Cabinet on 16 January 2018 (see the link below). The new asset strategy will be operational for the period from 2019/20 to 2028/29.

<https://democracy.cyngor.gwynedd.gov.uk/documents/s15599/Item%208%20-%20Report%20-%20Developing%20a%20New%20Asset%20Strategy%20for%20the%20period%202019-20%20to%202028-29.pdf>

- 9.6 The procedure for establishing the next strategy was approved which states that workshops will be held to enable all Council members to express an opinion by the end of May 2018, with the results from the workshops being presented to Audit and Governance Committee for their views by the end of July 2018.
- 9.7 The above table therefore reflects the capital requirements (together with the funding) for setting the 2018/19 budget only as the Council is on the threshold of establishing the new 10 year asset strategy.

10 EQUALITY IMPACT ASSESSMENT

- 10.1 The budget outlined above endeavours to continue to provide appropriate outcomes for all the county's citizens, but as there was insufficient increase in our income to meet inflation, etc, we must implement the savings and cuts schemes approved last year, and set targets for some additional schemes.
- 10.2 With savings, there is a possibility for us to have an impact which would disproportionately affect those with protected characteristics, but there were appropriate impact assessments regarding the financial decisions on the savings and cuts when they were decided upon.
- 10.3 Our aim was 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 tried to identify how to make the best of every opportunity to improve equality in addition to trying to avoid or mitigate any negative effects to the best of our ability.

- 10.4 In planning our budgets, consideration is given to equality on every 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, monitoring services and engagement.
- 10.5 We have clear processes for finding savings, which include a full assessment of the impact of savings in terms of equality. We analyse each individual scheme, noting if the department needs to conduct an impact assessment when developing the project. This will be the procedure with further efficiency savings by 2018/19.
- 10.6 The recommended budget does more than meet inflation costs. It also attempts to ensure that unavoidable financial pressures being placed on services (due to greater demands from increasing numbers of clients, etc) are also addressed by making

conscientious and reasonable budgetary decisions (see the additional expenditure requirements in Part 3).

- 10.7 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 the Council provides sufficient funding to ensure that our financial arrangements do not have a detrimental impact on the level of services provided. Full details are given in Appendix 1 and it can be seen that a substantial part (£987,520) of the total sum (£3,162,990) is going to social care, and £319,000 of that will go towards school pupils' special needs.

11 WELLBEING ASSESSMENT

- 11.1 The Future Generation of Future Act came into force in April 2016 and the Council's budget has been reviewed looking at social, economic, environmental and cultural issues that are likely to influence the people of Gwynedd in the future.

- 11.2 Main conclusions regarding the 7 well-being goals:

- Prosperous – Neutral
- Resilient - Positive (long-term approach to funding services)
- Healthier – Neutral
- More Equal - Positive (funding 'welfare' services, and progressive taxation)
- Cohesive Communities – Neutral
- Culture and Language – Positive (by funding bilingual services)
- Globally Responsible – Neutral

- 11.3 This budget reflects the following five ways of working that the Council is required to consider when applying sustainable development.

- Looking to the long term - The budget plans for the future, identifying future needs and demand for services, taking a strategic approach to ensure services are sustainable.
- Taking an integrated approach - The budget proposals encourage ways of working with partners, where that's more sustainable.
- Involving the population in decisions – Part of the budget process and savings strategy includes engagement with residents, customers and partners.
- Working in a collaborative way – Where better services can be provided by collaboration, the budget process and savings strategy encourages this.
- Understanding issues and preventing them – The budget process facilitates an understanding of the financial position, so that issues can be tackled at the source.

- 11.4 Regarding efficiency savings schemes and specific cuts, as part of the savings strategy, there will be specific wellbeing assessments for each individual scheme, and consideration thereof in the arrangements for scrutiny and prioritisation of savings to implement.

- 11.5 Generally, coupled with the Council's Plan, this budget supports the Council to realise strategic objectives.

12 ROBUSTNESS OF ESTIMATES

- 12.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and the adequacy of the proposed financial reserves.
- 12.2 Budget estimates are based on assumptions of future expenditure and income and contain an element of assumption risk. The impact of this risk can be mitigated through contingency plans, contingency budgets and financial reserves.
- 12.3 The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there will be an element of risk as to whether plans will be delivered and targets achieved. Different risks to the budget are considered below:
- 12.4 **Inflation Risk** – This is the risk that actual inflation could turn out to be significantly different to the assumption made in the budget. For 2018/19, inflation has been allowed based on the latest information about pay awards and prices, but there is a risk that inflation will rise again during 2018/19, and uncertainty over the level of the rise. A rise in inflation may add to the Council’s costs, but that could be funded through the use of reserves, if necessary.
- 12.5 **Interest Rate Risk** - Interest rates may affect the budget through the interest earned - i.e. an interest rate rise would increase income. In accordance with the Council’s Treasury Management Strategy, the budget is not reliant on high investment returns. Interest rates continue at a historical low and are not likely to begin increasing until at least 2019/20. Therefore, the interest rate risk is considered low and this is a compensating risk for inflation risk because if one increases the other is likely to increase also.
- 12.6 **Specific Grants Risk** - There are risks attached to the large number of specific grants from WG, Europe or other bodies which support a proportion of Council spending. Some of these may be reduced substantially or cut altogether, and we don’t have a complete picture as the financial year begins. When the grant ceases, so must the associated expenditure, but contract terms may mean that expenditure cannot be cut as quickly as the grant, or severance costs may need to be funded. Further, the activity funded may be so important to the delivery of the Council’s own Priorities that the Council decides to continue with the expenditure. We will mitigate this risk by ensuring that we have the best information available on each grant, but the funding bodies (Government, etc) control this situation.
- 12.7 **Income Risks** – The budget is based on securing a specific increase in fees which is equal in value to the increase in the relevant service costs. If demand for Council Services falls, and income targets are not achieved, that may cause overspending on service budgets. The actual budget position will require careful monitoring during the year and, if necessary, spending may need to be cut back to match reduced income. This will not be possible with some large corporate budgets, where estimated income must be set at a prudent level.

- 12.8 **Savings Risks** – One significant risk in current circumstances is that the Council is over-optimistic regarding the savings that will be achieved. If these projects should run into difficulties and fail to achieve the savings taken out of the budget, significant overspendings could occur. We will mitigate this risk by ensuring that savings schemes are owned by departments and Cabinet members, and by monitoring relevant progress regularly.
- 12.9 **Staff Redundancy Costs** – Some services restructure their staff in order to achieve savings, with staff being released through redundancy. Where appropriate, the cost of redundancies is funded from a central contingency reserve, and an appropriate sum has been earmarked for this purpose, which mitigates this risk.
- 12.10 **Council Tax Premium** – In setting the Council’s Tax base, a prudent assessment was made of the number of second homes and empty properties to include in the calculation. Although the Council does have good records, there is a risk that properties will become ineligible to pay the premium for a number of reasons, including the property being sold or let. Given that this will be the first year for the premium, there is a risk that properties subject to the premium have been over estimated and that the income collected is lower than budgeted. We will mitigate this risk by employing inspectors and by not committing all of the tax yield from the Premium until the situation becomes clearer.
- 12.11 **The Statutory Finance Officer’s Opinion** – Having considered all the risks noted above and the mitigating actions, the Head of Finance (Section 151 Officer) believes that the budgets are robust and achievable.

13 CONCLUSIONS

- 13.1 This report sets out the factors that should be considered when establishing the 2018/19 budget and confirms that the savings strategy to cope with the financial position which the Council is facing should continue for 2019/20 and beyond.

2018/19 BUDGET

- 13.2 It is recommended to address a revenue expenditure requirement of £242,862,930, having added £11.5m (which includes a provision of £1.55m for pressures on services).
- 13.3 After receiving a grant of £175.13m from Welsh Government and depending on £2.75m of savings, Council Tax income will need to increase 4.8% to £67.74m in order to close the 2018/19 funding gap.
- 13.4 It will be possible to balance the budget via a combination of steps, as follows:

2018/19 Expenditure requirements	£245,612,470
Less Government Grant income	- £175,127,330
Less savings which will have been achieved	- £2,749,540
Council Tax Income	<u>£67,735,600</u>

- 13.5 **This will mean setting a net budget of £242,862,930. An analysis of the budget per service is given in Appendix 2.**
- 13.6 **It is also recommended that a capital programme of £8.389m should be established for 2018/19.**

LONGER TERM STRATEGY

- 13.7 **Regarding the position over the following years, it is recommended to continue with the savings strategy in order to identify significant options in order to close the funding gap which could be between £8.5m and £13.8m by 2019/20 (probable sum £12m), and then between a further £2.7m and £6.4m by 2020/21 (probable total over two years of £15.9m).**

2018/19 REVENUE BIDS

Bid Details
EDUCATION DEPARTMENT (G.T.)
<p><u>3 i 19 Bala Learning Campus - £190,700 One Off</u></p> <p>In September 2015, it was decided to "...appoint and finance the Head of the 3-19 Learning Campus from the project savings for at least an year before opening the school in September 2018". However, in June 2017, it was decided to withdraw the offer as, at that time, it would be difficult and inappropriate to implement the proposal in the prevailing circumstances but approval was given for officers to commence a process to identify alternative bids for the school that would address and meet with the requirements of the business case.</p> <p>It is forecasted that the new school will open in September 2019, and accordingly, finance will be required for the period between September 2018 and September 2019. It is proposed that a new head will be appointed 12 months prior to the school opening, with a deputy and business officer appointed in the term before opening.</p> <p><u>How</u> - there is a need to appoint appropriate staff beforehand in order that the remainder of the staffing structure is established, to take responsibility for the comprehensive communication requirement, and to support and lead staff in the current schools. The Head will also play an important role in the process of establishing how the community aspects are developed in the new school.</p> <p><u>Risks</u> - that the new school will not be operational by September 2019 unless the required funding is received.</p> <p><u>Comments</u> – It is suggested that the application is supported to facilitate the success of the scheme. It follows the precedent set in establishing Ysgol Bro Idris.</p>

School Taxi Transport - £200,000 One Off

Taxis and Minibuses

The report "Revenue Budget Review 2017-18 – Identifying Early Risks" submitted to Cabinet notes:

"Transport - early forecasts of an overspend of £200k, with £160k on school taxi transport following an increase in the requests since the budget for 2017/18 was set, as a result of changes in circumstances".

The Second Quarter Revenue Budget Review reports an overspend of £228k. The Department could consider financing the overspend from the schools budget, but it is considered that would be unwise bearing in mind the substantial pressures that are facing school budgets.

An increase has been seen in the net costs of transporting pupils/students since establishing the 2017-18 Budget. This increase is divided into two parts:

Part 1 – an increase of £160k in the costs since establishing the 2017-18 budget but prior to the commencement of the new academic year in September 2017

Part 2 – an increase of £126k in the costs since establishing the 2017-18 budget and a net increase since the commencement of the new academic year in September 2017.

The Integrated Transport Unit is undertaking a review into this net increase in the contracts that have finished/started.

How – there will not be an overspend in the Department's revenue budget as the contracts are fully financed.

Risks – failing to meet the needs of "Learner Travel (Wales) Measure 2008".

Comments – It is suggested that the requirement is bridged at £200,000 on a one off basis, with the Education Department financing the remainder and undertaking a review to resolve the matter in 2018/19.

Additional Support for Additional Learning Needs and Inclusion Pupils - £319,000 Permanent

The 'Integration' budget has not been increased in real terms since 2010/11 but the requirements for additional support has continued to increase for various reasons.

The Integration budget can be split into two parts:

1. Statemented/ALN Individual Development Plans.
2. Other ALN.

Historically, the service has coped with the increased demand by operating more efficiently and also financing from its "Other" budget heading, but an overspend of £319k is now forecasted.

How – the increased expenditure is already evident, but the budget to finance is yet to be secured.

Risks – if the bid is refused, the service would face a permanent unexpected cut.

Comments – The bid is reasonable and it is suggested that the application be supported.

Clothing Grant - £17,650 Permanent

The grant was abolished by the Welsh Government for the 2018/19 settlement and accordingly, assumed that there was an expectation that Authorities would support from within their settlement.

The scheme is important for eligible low income families and the bid has been calculated as follows:

Estimated number of eligible children in 2018-19 144 x £105 (i.e. the government grant) = £15,120

Administration fee £2,533

ECONOMY AND COMMUNITY DEPARTMENT (I.T.)

Strategic Economic Development Resources – Joint Financing Fund - £500,000 One Off

An application to ensure that the Council has a matching budget to attract more external income to execute schemes to develop the county's economy.

£4.9M has been invested to support 35 schemes with a total value of £72.3M. According, for every £1 invested by the Council, nearly £14 has been secured.

In 2013, a £900K fund was established to brief and realise schemes that targeted external funding. A substantial proportion has been committed, with more schemes in need of joint funding than the finance currently available

The Department does not have the funding to develop and co-finance strategic economic schemes.

If the Council does not commit the funds, it will not be possible to secure funds from other sources to realise strategic plans, and we will not be party to sub-regional / regional schemes that could lead to failure to meet local needs.

Comments – It is suggested that the application is supported as the fund also attracts external funding to the Council.

ADULTS, HEALTH AND WELLBEING DEPARTMENT (W.G.R.)

Learning Difficulties – Transfer Age - £186,190 Permanent

Financing the packages of 3 individuals transferring from the Children's Department to the Adults Service (Learning Difficulties). This will include Day Care/Support/Direct Payment Package to meet the needs of the individuals and their families.

How – enable families/carers to continue to care for individuals that have severe difficulties, giving them the opportunity to develop skills with the aim of fostering independence.

Risks – failing to meet the statutory responsibilities of the The Social Services and Well-being (Wales) Act 2014, and the possibility that the domestic situations could not cope, leading to the need for special placements at a much higher cost.

Comments – It is suggested that the application is supported, with the relative teams working closely with the Finance Unit to achieve a better understanding of the transfer costs.

Change in the Capital Threshold that forms the basis of Self-Funding Care Service from £30,000 to £40,000 - £250,000 Permanent

An application following on from the decision of the Welsh Government to increase the capital threshold used for assessing residential/nursing care self-funders from £30k to £40k with effect from April 2018.

How – the financial loss to the Council when the threshold was increased from £24k to £30k was over £200k (the final impact is yet to be ascertained).

Risks – without the additional funding, the budget will be inadequate leading to an overspend situation.

Comments – It is suggested that the application is supported.

Registration of Care Workers - £24,560 Permanent and £23,060 One Off

It is a statutory requirement to maintain a register of care sector workers. Senior staff are already with the Care Council but it is expected that the cost will increase by from £30 to £50. It is now necessary for front line staff to also be registered and it is expected that the fee will be £20 for 2018/19.

It is thus envisaged that there is an additional permanent budget need of £22,400 to register Adults and £2,160 in respect of Children.

This requirement will entail additional training and administration time for staff and it is requested that £23,060 is made available on a one off basis to finance a training officer, with the department financing the administration costs estimated at £23,180 from within its existing budget.

How – to fully respond to the statutory requirements and support the workforce.

Risks – failure to employ staff to maintain statutory care services for the most vulnerable.

Increase the Supply and Affordability of Housing- £46,110 Permanent

The Welsh Government has provided capital resources to assist Authorities provide an additional 20,000 houses. The Council's allocation could increase from £4.3m between 2014-17 up to £15.7m between 2017-20. This creates an opportunity to provide affordable homes but also a challenge as it is necessary to develop plans and prepare applications.

The strategic capacity within the Housing Unit has reduced to 1 officer and in view of other existing additional work, there is a risk that this opportunity will be missed without increased capacity to respond. In addition, numerous other grant programmes have been announced.

There is also an opportunity to benefit from Energy Savings programmes in disadvantaged communities, subject to developing proposals to support applications to realise the schemes.

How – appoint a full time person to ensure that we take full advantage of the opportunity and maximise the available funding to improve and increase the housing stock to meet the local need.

Risks – Lose golden opportunities to increase the housing stock, which is desperately required to transform the service.

Comments – It is recommended that the application is supported.

Avoid Homelessness - £202,720 Permanent

The Housing Act (Wales) 2014 places a statutory obligation on the Council to assist in avoiding homelessness or finding alternative accommodation to those under threat of homelessness. There is a duty to prepare temporary accommodation to those who have become homeless.

There has been an increase in the applicants, and it is expected that this will increase further with changes to the Social Benefits.

The Welsh Government transitional grant received since 2015-16 ceases on 31 March 2018, with the expectation that the funds will be transferred to the settlement in 2018-19. A sum of £213k has been indicated.

This additional funding has enabled the service to employ four full time officers and to provide additional funding such as for advance rental payments and other administrative work.

This is an application to seek continued funding to maintain the service.

How – continue to provide the wide range of services within the homelessness sector.

Risks – failure to fulfil a statutory service and having to accommodate more people in more expensive temporary accommodation.

Comments – It is recommended that the application is supported.

Establish Safeguarding and Quality Assurance Team - £84,880 (Second Year Funding)

A bid was presented in 2017/18 to address the concerns of the Care and Social Services Inspectorate Wales (CSSIW) on the Council's arrangements for safeguarding vulnerable adults. By establishing a team to carry out the new duties where there is insufficient capacity at present. Presented here is the second year of funding to deal with the DOLs backlog to fund two social workers posts.

Comments – Item here for consistency only - already approved in 2017/18.

CHILDREN AND FAMILY SUPPORT DEPARTMENT (D.M.)

Children Placements - £170,000 One Off

Whilst there has been an increase in the number of children in care, most of the increase are placed with their parents or with family arrangements where there is no regular financial commitment. There has also been a number of exceptional high risk or unexpected cases which have had to be accommodated out of county due to those risks:

- 1) Placement for 5 children from the same family following a private court case.
- 2) Residential placement for 4 young people, previously in fostering care, within a short period of time.

How – current placement costs fully commit the budget and restrict the ability to arrange further placements without overspending in addition to realising the savings schemes. The bid is based on the average spending patterns on specific cases over the past 11 years.

Risks – not undertaking placements could lead to a situation where we would not be operating within the law where a risk assessment shows that there is a risk for them to remain at home.

Comments - it is suggested that the application is supported.

HIGHWAYS AND MUNICIPAL DEPARTMENT (G.W.G.)

Waste – A Reduction in one Environmental Grant (£430,000) – ESD Local Authority Grant – estimate of 7% - £430,000 Permanent

How – The bid fulfils the need to ensure the service can maintain the requirement to re-cycle. The re-cycling collections are entirely dependent on the Local Authority Grant and a reduction in the grant without the bid would place a significant strain on the service.

Risks – failure to maintain the service currently afforded to Gwynedd residents and reach the Wales Government re-cycling targets.

Comments - It is suggested that the application is supported.

Waste Disposal – Incinerator - £32,520 Permanent

How – the bid fulfils the need to ensure that we can keep up with the re-cycling demand and reduce the dependency of landfill to dispose of waste. The application includes the cost of managing the regional provision that will totally replace land fill.

Risks – failure to maintain the service currently afforded to Gwynedd residents and reach the Wales Government re-cycling targets.

Comments - It is suggested that the application is supported.

ENVIRONMENT DEPARTMENT (D.M.)

Response to the Wylfa Newydd Scheme - £25,000 One Off

Horizon Nuclear power are preparing an application for Development Control Order (DCO) to develop Wylfa Newydd nuclear power station.

Although the development is based on Anglesey, it will provide an opportunity for the local economy but on the other hand, will present a number of challenges for the Council. The Strategy Project Group has already identified challenges and possible concerns for the County.

There is also concern that developments such as the National Grid Project to upgrade the electricity line between Wylfa Newydd and Pentir, and the proposed third bridge over the Menai could happen at the same time.

There is an opportunity for the Council to comment on the draft DCO document. This will also feed into the Local Impact Assessment the Council will prepare as part of the process. There is a capacity shortfall within the Council to cope with the substantial work of preparing responses to this documentation.

It is essential that the Council prepare comments to influence the application for the benefit of Gwynedd residents, but at the same time to protect the interests of the Council and residents and to mitigate any negative effects. It is accordingly necessary to obtain external support to co-ordinate the Council's response and to prepare a Local Impact Assessment. (The support to present the DCO application will not include support for the public enquiry).

How – the consultant is chosen on the basis that he will undertake work on behalf of Anglesey in connection with Wylfa Newydd, and accordingly conversant with the project and possible challenges. He will support officers, assist to co-ordinate the Council's response, and assist with preparing evidence that will support the Council's standpoint where necessary.

Risks – that the Council will not be in a position to fully respond and not best placed to respond to the substantial development challenges.

CORPORATE SUPPORT DEPARTMENT (M.R.)

Learning and Corporate Development Fund - £405,000 One Off

The Learning and Corporate Development Fund has been fully taken up and thus, an application is made to finance corporate training for 3 years, an annual cost of £135k.

Comments – It is suggested that the application is supported.

FINANCE DEPARTMENT (P.J.)

Council Tax Inspector - £52,600 Permanent

In the light of the Council's decision to place a 50% Council Tax premium on second homes and long term vacant properties, there is need to strengthen the arrangements to validate statement by owners, as there is concern that some property owners will try to use various means to avoid paying the premium.

Forecasts suggest that the Premium could realise approximately £2m - £3m for the Council, but there is need to invest in the collection resources to ensure that the income is maximised.

How – it is proposed that two additional inspectors are appointed who would concentrate on aspects relating to the collection of the Premium, making inspections and conducting reviews and desktop enquiries. The application also includes the cost of financing an increase in the salary scale of a taxation officer that will undertake the additional supervision duties.

Risks – it would not be possible for the Council to verify the statements made by property owners, otherwise in means that the imposing of penalties would have to be suspended although they were payable.

Comments – It is suggested that the application is supported.

2018/19 CAPITAL BIDS

Bid Details
ECONOMY AND COMMUNITY DEPARTMENT (I.T.)
<p><u>Voluntary Development Fund - £40,000</u></p> <p>Communities face challenges and opportunities as they respond to social, cultural and economic changes that impact on them. A number of voluntary groups respond to the challenges by maintaining assets and local activities. A number of voluntary groups also respond to these opportunities by developing new schemes – specifically at present the transfer of assets from the public sector to community management.</p> <p>Over the past 2 years, the Council, through the Capital Voluntary Development Fund has supported some communities to develop schemes that have responded to the effects of the savings schemes and the strategic plan.</p> <p><u>How</u> – by providing grants to voluntary groups across the county to develop and realise community projects. Specifically supporting projects relating to the transfer of assets and investing in local community assets.</p> <p><u>Risks</u> – that the Council will not have resources to direct groups that are responding to the savings / cuts agenda.</p> <p><u>Comments</u> – The Voluntary Development Fund is a capital fund, and the department also had a £70k revenue fund. It is suggested that the sum allocated be reduced to £40k for next year and thereafter, warn that the financial situation could entail a further reduction (perhaps to £0k) in the following year.</p>

Padarn Country Park, Llanberis Safety Measures - £50,000

An application to enable the Council to respond to the risks exposed at Vivien Quarry and Dinorwig Woodland. Inspections of the ruins at Vivian Quarry have highlighted the instability of the structures, with the need to develop a Tree Management Scheme for the Park to assess the risks.

How – the additional resource will enable the department to respond to the risks by:

Vivian Quarry (Cost of approx. £35k)

1. Assess the condition of the Vivian Quarry buildings/structures
2. Prepare a Risk Assessment, and identify measures to alleviate
3. Implement urgent measures

Dinorwig Woodland (Cost of approx. £15k)

1. Prepare a Tree Assessment
2. Prepare a Risk Assessment, and identify measures to alleviate
3. Implement urgent measures.

Risks – failure to respond to foreseeable dangers and accordingly, risk of serious injury at the site, together with the possibility that the Council is failing in its duty of care to those who walk on the site.

HIGHWAYS AND MUNICIPAL DEPARTMENT (G.W.G.)

Council's Fleet Fuel Tanks - £150,000

Renewal work is required shortly at 3 locations to ensure anti-pollution measures are in place where the Council has fuel storage tanks, that is at Afonwen, Cibyn and Ffordd Bala Depot, Dolgellau.

How – procurement of tanks, drainage, and anti-pollution measures that reach the statutory requirements.

Risks – failure to comply with Anti-pollution Regulations (fuel storage) 2016.

PROPOSED BUDGETS BY SERVICE 2018/19											
	Base Budget 2017/18	Inflation	Increments and Pensions	Levy & Interest Balances	Demography	Transfer to the Settlement	Income Budgets	Various Budget Adjustments	Pressure on Services	Savings and Cuts	Base Budget 2018/19
Department	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	2,021	49	5	0	0	0	(10)	(5)	0	(14)	2,046
Corporate Support	7,581	170	59	0	0	0	(15)	65	405	(47)	8,218
Finance	6,073	170	12	0	0	0	0	(24)	53	(40)	6,244
Trunk Roads	(86)	0	0	0	0	0	0	0	0	0	(86)
Highways and Municipal Environment	20,625	967	(7)	0	0	1,958	226	(105)	466	(87)	24,043
	5,096	199	(7)	0	0	0	(65)	(34)	25	(140)	5,074
Gwynedd Consultancy	240	9	(1)	0	0	0	0	(19)	0	0	229
Central Education	13,947	241	3	0	0	0	0	536	727	(89)	15,365
Schools Budget	69,340	1,496	(8)	0	(225)	0	0	(645)	(299)	(433)	69,226
Economy and Community	5,305	167	16	0	0	0	0	(67)	500	(398)	5,523
Adults, Health & Wellbeing Children and Supporting Families	45,261	2,085	38	0	0	2,902	(100)	(190)	795	(915)	49,876
	12,704	325	20	0	0	218	0	(164)	170	(250)	13,023
Departmental Total	188,107	5,878	130	0	(225)	5,078	36	(652)	2,842	(2,413)	198,781
Corporate & Capital matters	46,242	641	341	66	458	0	0	(1,917)	(207)	(337)	45,287
GROSS TOTAL	234,349	6,519	471	66	233	5,078	36	(2,569)	2,635	(2,750)	244,068
Less Community Council Precepts	(1,995)										(1,995)
TOTAL GROSS EXPENDITURE	232,354	6,519	471	66	233	5,078	36	(2,569)	2,635	(2,750)	242,073
Financed by Balances and Specific Reserves	(1,055)	0	0	0	457	0	0	250	1,138	0	790
NET TOTAL	231,299	6,519	471	66	690	5,078	36	(2,319)	3,773	(2,750)	242,863

A MEDIUM TERM PLAN TO ADDRESS THE FINANCIAL GAP 2018/19 - 2020/21**Introduction**

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 have been able to balance the 2018/19 budget without having to decide on any additional cuts which would have an impact on the people of Gwynedd. Not every Council is in a position to do this.
2. In order to continue on this course, in addition to establishing a budget for 2018/19, an effort has also been made to project the financial situation for the following two years, so that we can set the 2018/19 position in its wider context and plan how we are going to meet the challenges ahead.
3. The grant figure we will receive from the Welsh Government is the most uncertain figure for 2019/20 onwards. As the grant finances 72% of the Council's net budget, clearly this figure is key to the projections. We know from the statement of the UK Government's Chancellor, and the statements made by Mark Drakeford, Cabinet Secretary for Finance in the Welsh Government, that there could be a challenging future ahead for local government in Wales. I elaborate about this in parts 10-14 below.
4. The second fan chart (in part 18 below) for the next three years sets out a realistic and prudent picture of what could lie ahead for us.
5. Unlike some other authorities, assuming that we will be able to increase Council Tax by 4.8% and realise the additional efficiency savings, implementing the agreed savings schemes and cuts (adopted by the Council in March 2016 and amended by the Cabinet since then) will be sufficient in order for Gwynedd Council to balance the budget without deciding on additional cuts by 2018/19.

Background / Summary

6. Since the 2017/18 – 2019/20 Financial Strategy was decided upon in February 2017, detailed work has taken place to re-assess likely budgetary commitments and assess a range of possibilities. In order to identify the financial challenge for the new Council, further to thorough research, a range of assumptions were identified for the Government's grant 'settlement' level and the spending requirements of the Council's services, in order to provide possible financial scenarios for 2018/19 - 2020/21.
7. These financial scenarios were presented to the Council in the format of a fan chart (probability funnel) in a number of meetings in May - July 2017, including a presentation to elected members at their welcome day on 9 May, members training on the Council's budget on 7 June and 5 July, and in the formal Cabinet meeting on 18 July. The fan chart presented possible financial scenarios for the Council in order to identify the probable need for savings (or 'funding gap') up to 2020/21.
8. Our forecasts constantly predicted that there was a possibility of being able to cope with the 2018/19 financial position by harvesting ongoing savings, but by 2019/20 – 2020/21 further savings would be required. I confirm that this is true for 2018/19, and will continue to be a possible scenario by 2019/20 and 2020/21, when the Council could face a funding gap of around £16m. Therefore, the savings strategy already agreed upon for 2019/20 should continue.

9. Further, the final figures are in hand for 2018/19, and it appears the budget could be balanced by harvesting the savings in progress, together with an increase of 4.8% in the level of Council Tax – which will be around the average level of increase in Welsh local authorities, as suggested in the previous assumptions in the medium term financial plan for 2017/18 - 2020/21.

Government's Grant Assumptions for 2019/20 and beyond

10. As 'central' grant 'settlement' funds around 72% of the Council's net budget, this element is key whilst attempting to project the financial position. A combination of economic and political factors decide how much grant we receive – the state of the economy, expenditure and taxation policies, and the UK and Welsh Government's preference options.
11. In order to update the projection of what might happen, we have used the latest information available to us now, including Welsh Government's final settlement for 2018/19 with an indicative figure of -1% for 2019/20, and the UK's public spending predicted in the Chancellor's latest Budget.
12. The Welsh Government, in the provisional settlement statement, had bound the 2019/20 indicative settlement to a threat of £3.5 billion in public spending cuts from the UK Government's efficiency review. Mark Drakeford's letter in October declared:

"A further reduction of 1.5% is the indicative settlement for the following year. This includes the effect that the £3.5 billion of unallocated cuts the Chancellor of the Exchequer intends enforcing in 2019/20 will have on the Welsh Government's budget."

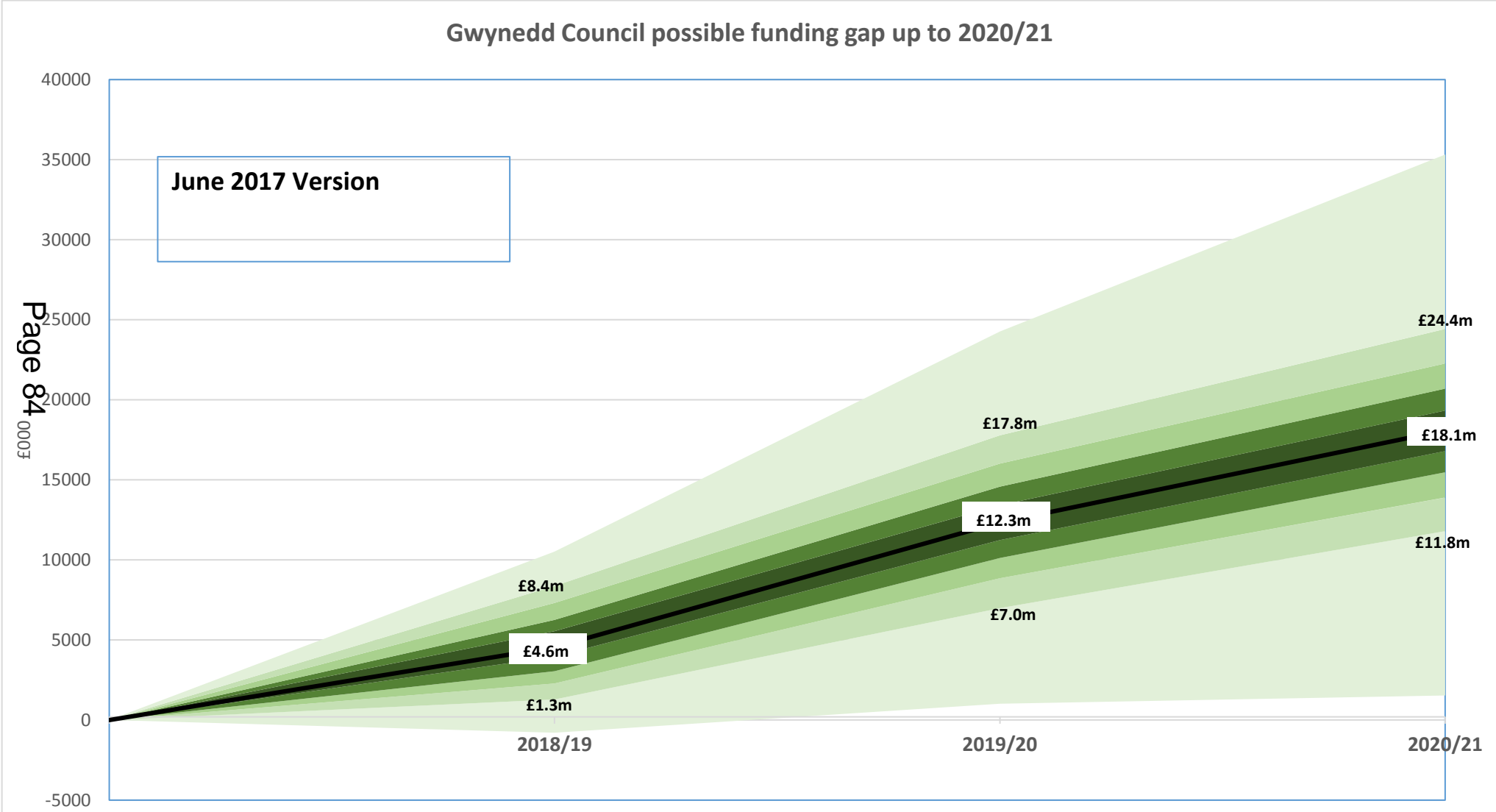
13. It now appears that the UK Government will not be implementing the efficiency review / threat of £3.5 billion on public spending, and therefore there will not be any negative 'consequential' for the Welsh Government's budget. Knowing these implications, i.e. that the Welsh Government will have considerable flexibility regarding its budget, Welsh local authorities should make a joint effort to ensure a positive settlement by the Welsh Government for 2019/20, rather than a grants cut of "-1%", which would reduce Gwynedd Council's grant by £1.75m.
14. Despite that, in the meantime, with so many uncertain economic and political factors, the Council must plan prudently for a range of possible scenarios. In order to model how much might be allocated to local government in Wales, for the forecasts in this report we have made reasonable assumptions about the situation of relevant UK Government departments, the impact of the Barnett formula, and the discretion of the Welsh Government (how much 'protection' they'll give to Health and other projects).

The Council's Expenditure Requirements

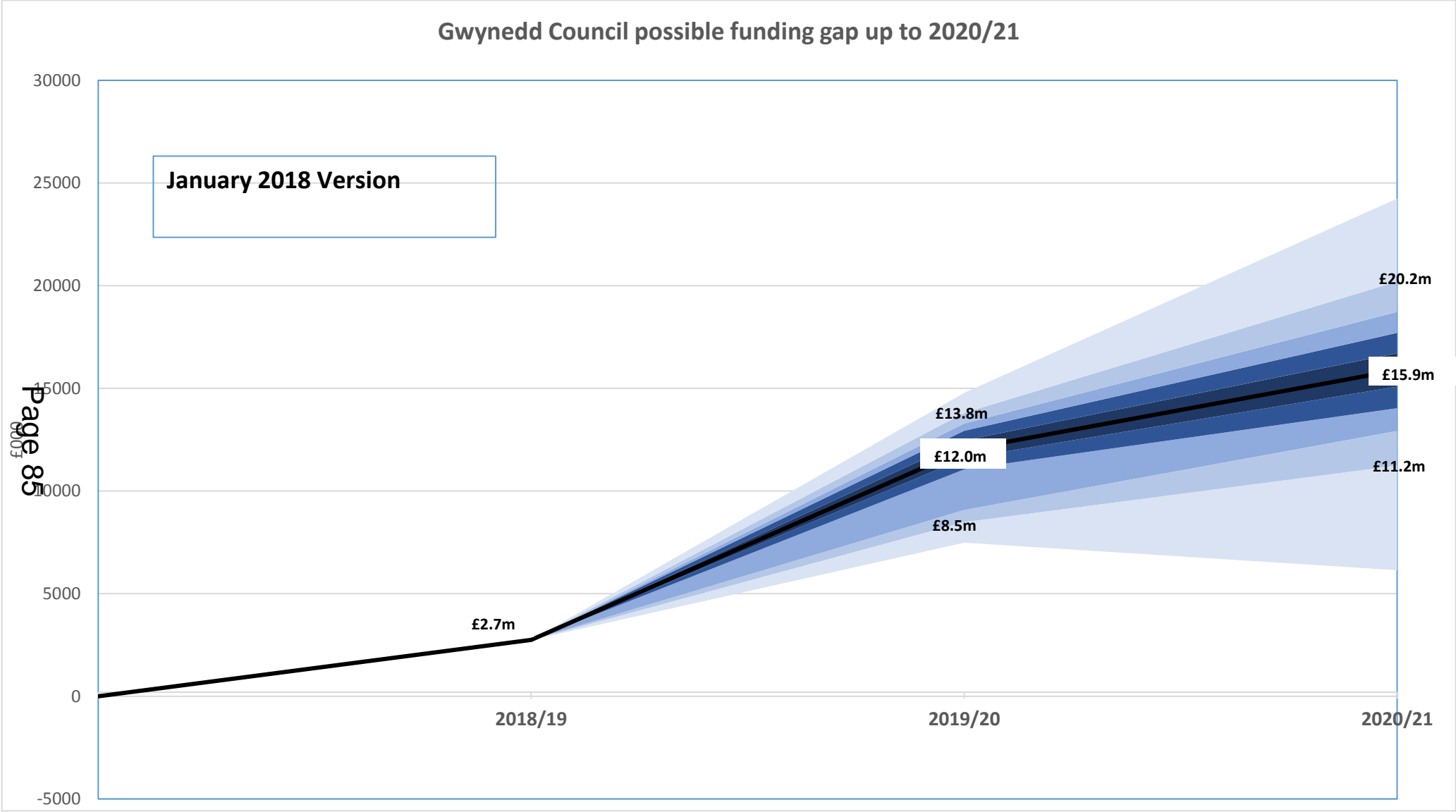
15. The most recent financial information regarding the Council's expenditure requirements for the 2018/19 budget was prepared based on true 'inflation' (a specific level of inflation on wages and other budgets) and relevant trends, together with the 'pressures on services', including demography (pupil numbers statistics and the number of older people) and bids for inevitable growth in expenditure, net of possible adjustments in order to minimise the requirement on the budget. We have also reviewed a number of expenditure headings (mainly corporate) in order to tighten the budget where possible, in order to minimise expenditure requirements.
16. However, as a result of the recent proposal of 2%+ in 2018/19, and another 2%+ by 2019/20, as a national pay agreement for local government staff, we have had to review our pay inflation forecasts to a substantially higher level. We have also increased the level of other inflation, and have reviewed the forecasts for service demand. Of course, the basis of the forecasts are less dependable whilst forecasting further into the future.

Possible Scenarios – the need for savings

17. In meetings in May - July 2017, a combination of possible scenarios were presented in the form of the following fan chart, showing results in 10% bands.



18. By now, we have updated the projections of what could happen, and the possible scenarios are shown in the following revised fan chart.



Possible 2018/19 Funding Gap

19. As part of the past savings regime, savings of £ 2.75m have already been planned to be realized during 2018/19 (with further small savings in 2019/20 and 2020/21), which are a combination of savings and cuts which have already been approved by the Council / Cabinet (£1.85m for 2018/19), as well as achievable savings that are underway yet to be approved (£896k for 2018/19). After reviewing expenditure and achieving £2.75m of savings by 2018/19, raising a Council Tax by 4.8% will balance the budget.
20. As noted in the report on the 2018/19 budget, implementing the savings schemes which have already been agreed will be sufficient for Gwynedd Council to balance the budget without making any new decisions on additional cuts by 2018/19. However, there is a need to prepare for a significant challenge in the following two years (2019/20 and 2020/21).

2019/20 and 2020/21 Savings Strategy

21. In accordance with the Council's normal financial planning arrangements, as the yield of our previous savings regime ends in 2018/19, the Council has begun to plan for additional savings that we will need from 2019/20 onwards. For the purposes of medium term financial planning, we have produced a range of possibilities for the next three years. This has produced over 46,600 different scenarios which are simplified in the fan chart above (part 18).
22. While the 2018/19 position can be balanced, there is a significant challenge ahead for the Council over the following 2 years, and the fan chart shows that a savings strategy will be required to find a possible total of say £16m by 2019/20 and 2020/21. We must continue with the planned procedure to identify savings and cuts, while pressing on the Welsh Government to provide a grant settlement without any cuts for 2019/20 and beyond.
23. It is possible that the outcome will be outside our 'best / worst case scenarios' on the chart, but if the 'central' case scenario happens, £12m of additional savings will be required by 2019/20 and a further £4m by 2020/21 (total of £16m). By disregarding the most peripheral 10% of results, the total two-year gap can range between £ 11.2m and £ 20.2m. Therefore, our arrangements need to be flexible enough to be able deliver up to £20m of savings.
24. The procedure for identifying future savings was reported to the full Council meeting on 5 October 2017, when the Cabinet Member for Finance noted that the Council remained in challenging times. He reminded Council that the achievement of the Gwynedd Challenge savings was almost complete, and it had been a successful means to find the necessary savings, but now there is a need for a new savings regime for the future.
25. The full Council on 5 October received a presentation by the Chief Executive. He noted that the Council had been finding savings since 2006, in order to meet the effects of inflation and pressure on services. With the impact of UK Government cuts continuing, it was increasingly apparent that we need to be started planning for savings to be implemented from 2019/20 onwards.
26. He explained that Finance officers had projected a number of financial situations (above), and that the Cabinet would decide on differential savings targets for Council departments, in order to meet the most likely situations. The heads of department would then present potential savings to meet those targets, so that the Scrutiny Committees can challenge those plans on behalf of the people of Gwynedd.
27. After Members have had the opportunity to voice their views in appropriate Scrutiny Committees and workshops over the summer of 2018, a public consultation would take place, before proceeding to determine and implement the final savings plans to be implemented annually from 2019/20 and onwards.

28. Following the presentation to the full Council on October 5, members noted that the picture appeared very serious and that there was a collective responsibility to make the most of the situation and to take part. Members asked if there would be a 5% limit on the Council tax increase. The answer was that a 5% tax increase would mean only an extra £3.5m to the Council's coffers, an amount that would not meet inflation, and it is possible that a local authority somewhere in Wales will face the pressure to breach 5% this year, as the financial situation was extremely vulnerable in some places.
29. A question was also asked, as some of the Council's services were already under severe pressure, where was the line where it was not possible to make further cuts? It was concluded that it was not yet clear where that line was, but it will be necessary to ensure that all waste elimination and other efficiency options have been detected and exhausted before it arrives.
30. Whatever the future grant 'settlements' will be, that will not change our ability to discover more efficiency savings. Therefore, we should keep to our present strategy which includes maximising such savings, and dealing with any additional funding gap (which will become clearer during 2018/19) by implementing cuts in 2019/20 and beyond.

Medium Term Financial Plan for 3 years

31. Ideally, the Council would prefer to implement a financial strategy over 4 or 5 years. Unfortunately, that is totally unpractical, as Welsh Government has provided a settlement for one year, and an extremely challenging indicative figure for one following year (considering the flexibility that they have).
32. Therefore, it is sensible to deal with the 2018/19 budget now, and continue with the savings strategy to respond in detail by the following two years (2019/20 and 2020/21) when we will have identified the relevant funding gap with more certainty.
33. In the meantime, **we need to ensure that our procedures are flexible enough in order to realise up to £20m savings over the two years 2019/20 and 2020/21. With this in mind, it is recommended to continue with the current savings strategy where the Cabinet will decide on different targets for the Council's departments, the heads of department presenting possible savings to meet those targets, and the scrutiny committees challenging the plans on behalf of the people of Gwynedd, before a public consultation on options to be implemented annually.**
34. Within this regime, we will continue to implement consistent principles regarding considering an increase in the Council Tax similar to the average increase in Welsh local authorities, maximising the efficiency savings that can be achieved (in order to avoid further cuts) and implement cuts only as necessary, in order to meet any remaining balance of the funding gap.

Agenda Item 9

MEETING	AUDIT AND GOVERNANCE COMMITTEE
DATE	8 FEBRUARY 2018
TITLE	TREASURY MANAGEMENT TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2018/19
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 (in respect of 2017/18) at its meeting on 2nd March 2017.
2. The Welsh Assembly Government's Statutory Guidance on Local Government Investments ("The Guidance"), requires the Council, as part of its treasury management function to prepare an Annual Investment Strategy. The Guidance states that authorities can combine the Treasury Management Strategy Statement and the Annual Investment Strategy into one report. Gwynedd Council has adopted that suggestion, therefore the Annual Investment Strategy is included as section 5 of **Appendix A**.
3. The Council is required by the Code and the Guidance to approve an annual Treasury Management Strategy Statement, an Annual Investment Strategy and a Minimum Revenue Provision Strategy prior to the commencement of each financial year. The proposed strategy for 2018/19 is detailed herewith as **Appendix A**.
4. As Administering Authority of the Gwynedd Pension Fund the Council also undertakes treasury management investment functions on its behalf by combining the surplus cash held by the Council and the Pension Fund for daily investment purposes. The Pension Fund requests this annually as the returns received are improved and the risks reduced by combining the cash with the Council's funds. The Pensions Committee will approve the relevant elements of this Strategy Statement and request the continuation of the pooling arrangements for 2018/19 at its meeting on 15th March 2018.

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 system of governance for local authority capital expenditure, based largely on self regulation. The Prudential Code for Capital Finance in Local Authorities has been developed by CIPFA as a professional code of practice, with statutory backing, to support local authorities in taking decisions to spend capital. Key objectives are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. Local authorities, before the beginning of each financial year, are required to set certain prudential indicators for the forthcoming and following years. Following the recent review, CIPFA has now introduced a new prudential indicator, "Upper limits on the proportion of net debt to gross debt" to highlight where an authority may be borrowing in advance of its cash requirement. The indicators, which are based on the capital and revenue budget proposals contained elsewhere on the agenda, are shown here in **Appendix B**.
6. With effect from 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 C** therefore also incorporates the Annual MRP Statement for 2018/19.
8. Members of the Audit and Governance Committee and the Cabinet Member for Resources were invited to a briefing meeting on 24 January 2018 with Arlingclose, the Council's Treasury Advisors, to discuss Treasury Management. Members were reminded of CIPFA's Code of Practice for Treasury Management as well as their roles and responsibilities as members for the Treasury Management function. The advisors highlighted the various current treasury risks, and spoke in detail about the credit and counterparty risks, interest rate risks and inflation risk. They also discussed the Council's debt portfolio, net borrowing position, and the prudential indicators.

Recommendation

9. **The Audit and Governance Committee is asked to recommend that the Full Council on 1st March should adopt the Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19 (Appendix A), the Prudential Indicators (Appendix B), the Minimum Revenue Provision Statement (Appendix C) and the pooling arrangement with the Pension Fund for daily cash flow investment.**

Treasury Management Strategy Statement 2018/19

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. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code.
- 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.
- 1.5 In accordance with the WG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of its investment balance.

2. External Context

2.1 Economic background

The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating

inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

2.2 Credit outlook

High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

2.3 Interest rate forecast

The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

2.4 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix 1**.

2.5 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.25%, and that no new long-term loans will be required.

3. Local Context

3.1 The Authority had £108.5m of borrowing and £32.9m of investments as at 31 December 2017. 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

	31.3.17 Actual £'000	31.3.18 Estimate £'000	31.3.19 Estimate £'000	31.3.20 Estimate £'000	31.3.21 Estimate £'000
Borrowing CFR	177,037	180,300	178,000	175,100	168,000
Less: External borrowing *	(114,774)	(108,100)	(108,100)	(106,200)	(104,900)
Internal borrowing	62,263	72,200	69,900	68,900	63,100
Less: Usable reserves	(57,308)	(46,000)	(39,900)	(33,500)	(31,800)
Less: Working capital	(36,043)	(35,900)	(35,900)	(35,900)	(35,900)
Investments	31,088	9,700	5,900	500	4,500

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

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

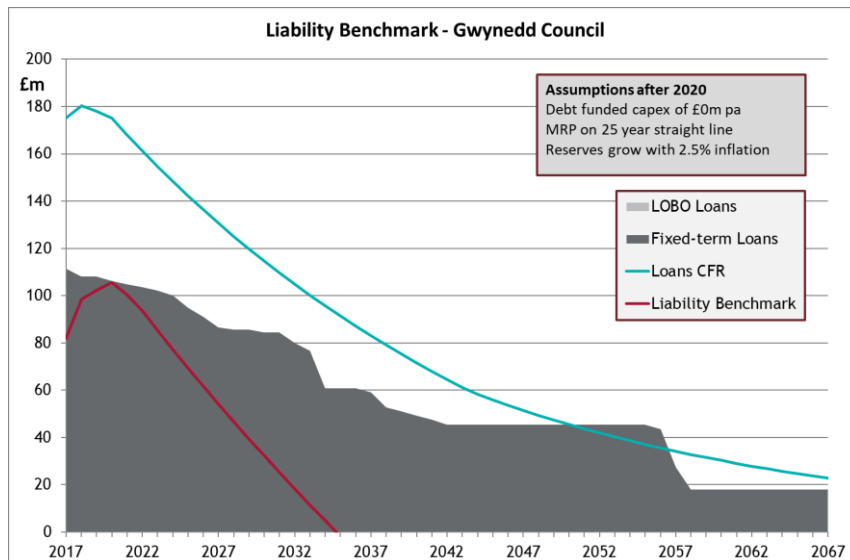
Table 1 shows that the Council should not need any long term borrow during the next three years.

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 2018/19.

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 £109 million of loans, a decrease of £1m 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 2018/19. 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 Objectives

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 Strategy

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.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. 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 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively the Authority may arrange forward starting loans in 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unexpected cash flow shortages.

4.4 Sources

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see paragraph 5.5 below)
- any other bank or building society authorised to operate in the UK
- UK local authorities
- Capital market investors
- Special purpose companies created to enable local authority bond issues

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

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

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

4.5 Short-term and Variable Rate Loans

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.

4.6 Debt Rescheduling

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

5. Investment Strategy

5.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £29 and £68 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 2018/19 at its meeting on 15 March 2018.

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. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.3 Negative Interest Rates

If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.4 Strategy

Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2018/19. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will represent a continuation of the strategy adopted in 2015/16.

5.5 Approved Counterparties

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

Table 2: Approved Investment Counterparties

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	5% 5 years	10% 20 years	10% 50 years	5% 20 years	5% 20 years
AA+	5% 5 years	10% 10 years	10% 25 years	5% 10 years	5% 10 years
AA	5% 4 years	10% 5 years	10% 15 years	5% 5 years	5% 10 years
AA-	5% 3 years	10% 4 years	10% 10 years	5% 4 years	5% 10 years
A+	5% 2 years	10% 3 years	5% 5 years	5% 3 years	5% 5 years
A	5% 13 months	10% 2 years	5% 5 years	5% 2 years	5% 5 years
A-	5% 6 months	10% 13 months	5% 5 years	5% 13 months	5% 5 years
None	£1m 6 months	n/a	10% 25 years	£50,000 5 years	5% 5 years
Pooled funds	10% per fund				

This table must be read in conjunction with the notes below.

5.6 Credit Rating

Investment limits are set 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. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.7 **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.

5.8 **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 higher 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.

5.9 **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.

5.10 **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.

5.11 **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 the likelihood of receiving government support if needed.

5.12 Pooled Funds

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

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

5.13 Operational bank accounts

The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £900,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.14 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.

5.15 Other Information on the Security of Investments

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

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

5.16 Specified Investments

The WG Guidance defines specified investments as those:

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

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

5.17 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	£30m
Total shares in Money Market funds	£30m
Total shares in other pooled funds	£6m
Total investments without credit ratings or rated below A- (except the UK Government and UK Local Authorities)	£6m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£6m
Total non-specified investments	£60m

5.18 Investment Limits

The Authority's revenue reserves and Pension Fund cash available to cover investment losses are forecast to be £45 million on 31st March 2018. In order that no more than 15% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £6 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£6m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£15m per manager
Negotiable instruments held in a broker's nominee account	£30m per broker
Foreign countries	£6m per country
Registered Providers	£15m in total
Unsecured investments with Building Societies	£6m in total
Loans to unrated corporates	£6m in total
Money Market Funds	£ £30m in total

5.19 Liquidity management

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

5.20 Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, or as loans to local businesses and landlords,.

Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

The Authority's existing non-treasury investments are listed in Appendix B.

6. Treasury Management Indicators

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

6.1 Security

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

	Target
Portfolio average credit score	6.0

6.2 Liquidity

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

	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:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

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

6.4 Maturity Structure of Borrowing

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

	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 long-term principal sum invested to final maturities beyond the period end will be:

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£20m	£10m	£10m

7. Other Items

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

7.2 Policy on Use of Financial Derivatives

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

7.3 Investment Training

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

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

7.4 Investment Advisers

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

7.5 Investment of Money Borrowed in Advance of Need

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

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

8. Financial Implications

The budget for investment income in 2018/19 is £0.09 million, based on an average investment portfolio of £25.7 million at an interest rate of 0.25%. The budget for debt interest payable in 2018/19 is £6.0 million, based on an average debt portfolio of £106.6 million at an average interest rate of 5.62%. 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

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- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Prudential Indicators 2018/19

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	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Total Capital Expenditure	30,642	14,767	9,243	6,666
Capital Receipts	1,137	293	0	0
Government Grants	8,356	3,449	2,722	2,522
Revenue	8,883	6,077	1,385	0
Supported Borrowing	4,150	4,144	4,144	4,144
Prudential borrowing	8,116	804	992	0
Total Financing	30,642	14,767	9,243	6,666

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	31.03.18 Revised £'000	31.03.19 Estimate £'000	31.03.20 Estimate £'000	31.03.21 Estimate £'000
Total CFR	181,683	178,980	176,442	173,344

(Based on the third quarter review and current information)

The CFR is forecast to decrease by £8.339m over the next three years as capital expenditure financed by debt no longer 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	31.03.18 Revised £'000	31.03.19 Estimate £'000	31.03.20 Estimate £'000	31.03.21 Estimate £'000
Borrowing	106,790	106,790	106,083	106,083
Finance leases	0	0	0	0
PFI	0	0	0	0
Total Debt	106,790	106,790	106,083	106,083

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	31.03.18 Revised £'000	31.03.19 Estimate £'000	31.03.20 Estimate £'000	31.03.21 Estimate £'000
Borrowing	180,000	180,000	190,000	190,000
Other long-term liabilities	0	0	0	0
Total Debt	180,000	180,000	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	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Borrowing	190,000	190,000	200,000	200,000
Other long-term liabilities	0	0	0	0
Total Debt	190,000	190,000	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	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2019/21 Estimate %
General Fund	5.84	5.67	5.62	5.35

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 proposed capital programme.

Incremental Impact of Capital Investment Decisions	2018/19 Estimate £	2019/20 Estimate £	2020/21 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.

Annual Minimum Revenue Provision Statement 2018/19

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* (Guidance 11c) 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 2018/19 will not be subject to a MRP charge until 2019/20.

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2018, the budget for MRP has been set at £5.41m.

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	8 FEBRUARY 2018
TITLE	REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP
PURPOSE OF THE REPORT	TO REPORT ON THE MEETING HELD ON 22 JANUARY 2018
AUTHOR	COUNCILLOR RICHARD MEDWYN HUGHES
ACTION	TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS

1. INTRODUCTION

1.1 A meeting of the Working Group was held on 22 January 2018 with the Chair of the Audit and Governance Committee, Councillor Richard Medwyn Hughes, Vice-chair, Councillor John Brynmor Hughes (Vice-chair) and Councillors Angela Russell and Berwyn Parry Jones, Sharon Warnes (Lay Member), Luned Fôn Jones (Audit Manager) and Bleddyn Rhys (Audit Leader) present.

1.2 The reports that the Working Group addressed were:

TITLE	DEPARTMENT	AUDIT OPINION
Disposal of Confidential Waste – The Use of Red Sacks and Shredders	Corporate	B
Health and Safety – Ysgol Dyffryn Ardudwy	Education	B
Health and Safety – Primary Schools	Education	n/a

1.3 Officers attended to discuss the individual reports.

2.1 Disposal of Confidential Waste – The Use of Red Sacks and Shredders

2.1.1 The main findings of the audit were as follows:

The relevant expenditure code on the financial ledger was checked for payments made to Antur Waunfawr. However, there was no way to distinguish between red sack services and Antur Waunfawr's other services, but overall expenditure seems to have increased steadily. This supports findings by the Information Unit, which believes that the use of red sacks has gradually increased due to recent office relocations. Although there is an increase in the use of red sacks, their use for office relocations is in line with the Council's policy.

A visual inspection of offices in Pencadlys and Plas Llanwnda was carried out to identify open red sacks that are not locked away. This inspection was carried out in the evening to identify where the sacks are kept overnight. In the vast majority of offices visited, arrangements were appropriate, but examples were found where red sacks were kept open and not locked away. It seems that some offices do not adhere to the Confidential Waste Disposal Policy. By disposing of confidential day-to-day waste in open red sacks rather than shredding it, the Council unnecessarily retains information, in an obvious red bag which clearly states that it contains confidential waste. It should be noted that the public does not have access to any of these premises.

2.1.2 Helen Parry, Information Manager was welcomed to the meeting to discuss the audit.

2.1.3 The Audit Manager provided a summary of the audit findings. The Audit Manager stated the importance of disposing confidential waste in a proper manner, especially taking into account that the General Data Protection Regulation will come into force on 25 May 2018.

2.1.4 The Audit Manager explained that the Information Management Service had made several efforts to raise the awareness of Council staff on the importance of proper confidential waste disposal with several e-mails circulated along with bulletins on the Council's intranet pages. The Audit Manager displayed the latest bulletin to the members of the Working Group. The Audit Manager stated that the audit opinion category was not a reflection on the efforts of the Information Management Service but rather the lack of proper action by the Council's staff.

2.1.5 A discussion took place on the steps taken by the Information Service since the publication of the report. The Information Manager explained that the Head of Corporate Support had referred pictures of the open red sacks and their locations to all Council Heads of Department for implementation. It was explained that it was possible to encourage departments to invest in more shredders, and to keep them in prominent locations such as near the photocopiers. It was noted that saving money was not the intention of a reduction in the use of red sacks, as the cost of using red sacks is generally relatively low.

- 2.1.6 However, following the findings of this audit and similar audits carried out in the past, concern was expressed that there was insufficient awareness amongst officers of the risks and the responsibility of individuals to protect information, despite the efforts of the Information management Service. Working Group members enquired what would be the implications if the use of red sacks would be terminated, and force the services to dispose of confidential waste by the sole use of a shredder. It was explained that this would not be practical as the use of red sacks for the proper purpose was an efficient way of disposing waste, that is, for bulk disposal where the sacks are sealed immediately before disposal. However, **the Information Manager agreed to select a department to pilot arrangements whereby requests for red sacks will be challenged to ensure that they have a specific purpose and confirmation that the sacks will be disposed of as soon as possible.** The audit findings did not highlight that some departments/services appear better or worse than others, therefore it was agreed to select a department where reducing the use of red sacks will be more practical, and discussions will be held in due course.
- 2.1.7 Both the Working Group and Internal Audit acknowledged the effort of the Information Management Service, and also stating that work is underway to ensure compliance with the General Data Protection Regulation.
- 2.1.8 The Information Manager was thanked for attending the meeting and for explaining the current situation and the work programme planned in respect of the General Data Protection Regulation which will come to force in 2018.

2.2 Health and Safety – Ysgol Dyffryn Ardudwy

2.2.1 The main findings of the audit were as follows:

It was generally seen that Ysgol Dyffryn Ardudwy complied with Health and Safety requirements but the following aspects needed to be tightened to mitigate the risks highlighted.

The School has a Health and Safety Policy which is reviewed annually. However, the policy is kept electronically as they are a Green School, which means that staff do not have access to it.

The School did not have a copy of the Corporate Health, Safety and Welfare Policy (2015), a copy of the current policy was sent to the Head Teacher's attention.

The Head Teacher has not attended the IOSH Managing Safely training, this is a general weakness for all Gwynedd schools, and is not a reflection of the management of Ysgol Dyffryn Ardudwy. Arrangements are now in progress by the Education Department to ensure that all primary Head Teachers receive this training.

A sample of the school's risk assessments were checked to ensure that the school have essential/generic assessments that have been identified by the Council and that they are current. Assessments were found to be in place for each of the risks examined but were not reviewed annually.

The Head Teacher expressed concern that the Caretaker had not received any training as to how to carry out the fire safety tests before commencing in her role. It is noted that the Caretaker is now aware of how to carry out these tests.

There was no Fire Risk Assessment at the school, a copy was received from an officer from the Property Unit following the visit and was forwarded to the Head Teacher. The School did not have a Fire Management Plan, the Head Teacher was informed of the need to complete the plan with the school's details and was sent a current template following the visit.

All fire safety equipment were not recorded in the Fire Log Book. The Head Teacher was informed of the need to do this in the current Fire Log Book.

Fire safety tests were checked on the day of the visit and it was found that records of escape route tests had not been maintained. The Head Teacher reported that the routes were kept clear but no weekly test was carried out. In addition, fire extinguishers were tested monthly rather than weekly. The school did not use the current Fire Log Book to record the tests, the Head Teacher was notified of this and a copy was sent following the visit.

When checking the 'Register of Flushing for Little Used Water Outlets' it was found that the last test had been held two and a half weeks ago rather than weekly.

The school has arrangements in place for recording accidents / injuries. Three members of staff have a first aid qualification and inform parents/ guardians of any incidents. For more serious accidents, the school uses 'Reporting an accident or incident that is the case for minor serious injuries for a Pupil' forms for pupils and uses the HS11 (2004) book for staff to report to the Health and Safety Unit. It was explained that these forms are now out of date and that there is a need to use the 'Accident Recording Book, Disease, Dangerous Occurrence or Violent Incident' HS11 (2014) to record any accidents/incidents from now on. The HS11 (2014) book and the guidelines were already in the school.

The current version of the Asbestos Management Plan was not in the school, a copy was sent following the visit. In addition, an essential/generic risk assessment list was sent to the Head Teacher in order to identify other risk assessments that are needed in the school.

2.2.2 Ann Jones, the Head teacher of Ysgol Dyffryn Ardudwy and Owen Owens, Schools Senior Manager were welcomed to the meeting.

2.2.3 The Audit Manager outlined the main findings of the audits which included:

- Lack of IOSH Managing Safely training
- Failure to record accident on the current HS11 forms
- Failure to review risk assessments annually
- Lack of fire assessment and fire plan at the school
- Failure to test fire extinguishers on a weekly basis
- Failure to record fire safety equipment
- Failure to run taps that are used rarely for legionella management purposes

- 2.2.4 The content of the report was discussed with the Head teacher, with the Schools Senior Manager reinforcing the comments in the context of the Education Department's arrangements, which were also subject to specific discussion on the agenda of the Controls Improvement Working Group's agenda.
- 2.2.5 The Head teacher explained that a number of the agreed actions had now been implemented and that she is now attending IOSH training, following an event invitation from the Education Department. The Schools Senior Manager explained that the receipt of the Small and Rural Schools Grant enabled the Department to fund the courses, and it is expected that every Head teacher will attend the course as a requirement of their role as Site Managers.
- 2.2.6 The Head teacher showed a copy of the HS11 book in its current format as proof that she was using the current forms, but she did acknowledge that the older book was in use at the school on the day of the audit visit.
- 2.2.7 The Head teacher explained that she had started to review and update the risk assessments and that the task will be completed in the near future. However, although the Head teacher acknowledged the comments of the report, she stated that a Head teacher's workload is a barrier to maintain everything up to date.
- 2.2.8 There was considerable discussion about the role and accountability of the Caretakers, such as the arrangements for equipment testing. The Schools Senior Manager explained that schools caretakers, as the schools' catering staff, are employed by the Provider Unit and that Health and Safety responsibilities were incorporated within their job description. However, accountability for their work is unclear as the Provider Unit is responsible for the quality of their work, but the Head teacher is the Site Manager. **The Audit Manager stated that although caretakers undertake specific tests in relation to Health and Safety, the Head teacher has responsibility as site manager to occasionally verify the records maintained by the caretaker.**
- 2.2.9 The Head teacher of Ysgol Dyffryn Ardudwy was thanked for providing the Working Group on the developments since the release of the final report and the arrangements currently underway.

2.3 Health and Safety – Primary Schools

- 2.3.1 The decision of the Audit and Governance Committee in its meeting held on 30 November was to invite relevant officers from the Education Department and the Health and Safety Service to the meeting. However, a representative from the Health and Safety Service was not present but the Schools Senior Manager was in attendance on behalf of the Education Department.

- 2.3.2 The Audit Manager presented a document highlighting the risks identified in the six schools visited during 2017-18, and expanding on the Department's general arrangements highlighted during the discussion on the Health and Safety – Ysgol Dyffryn Ardudwy report.
- 2.3.3 In response to a question from the Working Group, the Schools Senior Manager explained what training is available to Head teachers, especially new Head teachers in relation to Site Management. He explained that site management is not part of the National Professional Qualification for Headship (NPQH) but that there is already a mandatory Site Management course for Head teachers, but that the Education Department has already identified the need for an IOSH course and that the Small and Rural Schools Grant offers a great opportunity to act.
- 2.3.4 The impression amongst members of the Working Group is that site management was not prioritized by Head teachers, despite the importance of the Health and Safety of pupils and staff. Members of the Working Group expressed that it was essential that the arrangements needed to be as easy and simple as possible, with strong communication between the Council and the Schools in order to support Head teachers whom of course come from an Educational background and not from site management.
- 2.3.5 The Audit Manager enquired if plans were in hand to share the Audit findings with all the primary schools in Gwynedd. The Schools Senior Manager stated that the IOSH courses would be expected to cover aspects of the report and that newsletters were distributed and business meetings held, but due to the importance of this area, it was expressed that a stronger message would be beneficial. **The Schools Senior Manager asked the Audit Manager to draft a letter for the schools on the finding of the Health and Safety – Primary Schools audit. The Audit Manager agreed to this request and that the letter will be sent to the Schools in the name of the Schools Senior Manager and the Controls Improvement Working Group.**
- 2.3.6 The Schools Senior Manager was the open discussion and the plans to improve controls.

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	8 FEBRUARY 2018
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 26 JANUARY 2018
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 18 November 2017 to 26 January 2018.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 26 January 2018:

Description	Number
Reports on Audits from the Operational Plan	9
Grant Audits	1

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

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 26 January 2018, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Safeguarding Arrangements for Children and Adults – Field Workers’ Awareness of Policy	Corporate	-	C	Appendix 1
Safeguarding Arrangements for Children and Adults Establishments	Corporate	-	B	Appendix 2
Information Management - Establishments	Corporate	-	B	Appendix 3
Concessionary Bus Fares	Environment	Transportation and Street Care	B	Appendix 4
Debt Recovery Arrangements	Finance	Financial	B	Appendix 5
Families First Grant	Children and Family Support	Children and Families	A	Appendix 6
Childcare Proposal Grant	Children and Family Support	Children and Families	A	Appendix 7
Depots	Highways and Municipal	Highway Works	B	Appendix 8
Housing Waiting List	Adults, Health and Wellbeing	Housing	B	Appendix 9

2.2.2 The opinion categories within the reports affirm the following:

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

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

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

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

2.3 Post 16 Grant

2.3.1 There is a requirement for local authorities to provide ‘evidence of appropriate expenditure’ of the allocations in respect of sixth forms and adult continuing education. The ‘Local Authority Audit Guidance for Welsh Government Funding’ states that on an annual basis, the Local Authority will provide to the Welsh Government the following information:

- a) a list of all internal audit reports completed in that year that involve any school or community learning where all or part of the costs are covered by Welsh Government grants;
- b) for those reports, the main audit opinion is to be given together with any significant weaknesses identified plus the action plan / management comments to address those weaknesses;
- c) a copy of the Head of Internal Audit’s (or equivalent) annual report; and
- d) a copy of the external audit management letter relating to the particular financial year after it has been presented to the Council. (This will be the audit certificate from your 2016-17 audited annual accounts).

2.3.2 The above information and the related checklists were sent to the Welsh Government on within the deadline for submission which was 31 January 2018.

3. FOLLOW-UP WORK

3.1 New arrangements have been established for follow-up audits. In 2016/17, a total of 223 actions were agreed to be undertaken before 31 March 2018. Now, rather than carrying out a follow-up on only “C” opinion reports, all agreed actions will be addressed by requesting the unit/service/establishment to provide evidence to prove implementation. On 26 January 2018, there was acceptable implementation on **65.91%** of the agreed actions, i.e. 147 out of the 223. To date, an update has only been requested for 204 of the agreed actions of which 147 are acceptable, a percentage of **72.05%**.

4. WORK IN PROGRESS

4.1 The following work was in progress as at 27 January 2018.

- Learning and Development Integrated System (*Corporate*)
- Obtaining References, Proof of Identity and Evidence of Qualifications (*Corporate*)
- National Fraud Initiative (*Corporate*)
- School Meals Income (*Education*)
- Schools - General (*Education*)
- Food Hygiene (*Environment*)
- Smallholdings (*Environment*)
- School Schemes – Ysgol Glancegin (*Environment*)
- Car Park Income (*Environment*)
- Benefits – Review of Key Controls (*Finance*)
- Victoria Dock (*Economy and Community*)
- Y Frondeg (*Adults, Health and Wellbeing*)
- Arrangements for Children Leaving Care (*Children and Family Support*)
- Recycling Targets (*Highways and Municipal*)

5. RECOMMENDATION

5.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 18 November 2017 to 26 January 2018, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

SAFEGUARDING ARRANGEMENTS - FIELD WORKERS' AWARENESS OF THE POLICY CORPORATE

1. Background

- 1.1 One of Gwynedd Council's main priorities is to ensure that robust arrangements and procedures are in place to safeguard children and adults. Safeguarding children and adults is the responsibility of everyone who represents or works on behalf of the Council, therefore it is expected for every Councillor, every member of staff, every volunteer and every contracted service provider to act appropriately if there is any doubt or if a concern is expressed that abuse is taking place.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to undertake a review of the awareness of the Council's field workers of the 'Policy and Guidelines for Safeguarding Children and Adults'. A sample of field workers were visited and asked about their awareness of the Council's policy and its contents. In addition, they were asked about the types of abuse they would report and to whom they would report it.

3. Main Findings

- 3.1 Several establishments were visited in order to discuss face to face with field workers, and question them about their awareness of the Council's policy and its contents. In addition, we asked about the types of abuse they would report and to whom they would report it. The auditors succeeded in collecting 63 responses from employees who do not have a Gwynedd Council email address by visiting Community Carers meetings, as well as Residential Homes, Leisure Centres and Depots.
- 3.2 The results of the discussions show that 76% of staff, out of the sample of 63, are aware that the Council has a Policy and Guidelines for Safeguarding Children and Adults. This result was expected as field workers do not receive as much contact compared to employees with Gwynedd Council email addresses.
- 3.3 It was explained to the employees that the 'Policy and Guidelines for Safeguarding Children and Adults' is Gwynedd Council's policy and that it differs from external policies such as POVA (Protection of Vulnerable Adults). Although several employees expressed that they are aware of the policy, the discussions that took place suggested that this was not true in all cases. In addition, when discussing aspects of the Policy, such as that it related to out-of-work life, the role of Departmental Designated Managers etc. it was found that those who had expressed themselves as being aware of the content may not be so familiar after all.
- 3.4 Many expressed that they had completed the e-learning safeguarding module and others noted that they needed to complete the module before the end of the year but that they were having difficulty accessing the system.

- 3.5 The different forms of abuse and their signs were discussed as set out in the Policy and the vast majority of employees were aware of them. However, it does not mean that they are aware of the policy and its contents. It was discussed if the workers were concerned about individuals being abused, whether in the workplace or not, would they refer their concerns and to whom.
- 3.6 The responses varied, but most of the employees noted that they would first express their concerns and to get advice from their Line Manager, although the Auditors reinforced that the policy encompasses life and concerns outside work as well. Other responses received included, contacting CSSIW, following POVA guidelines, Childline or contacting Social Services directly. One worker stated that he would have a word with the family if he had concerns about financial abuse. In addition, if he had concerns about an individual being emotionally abused, he would talk to the person causing the concern.
- 3.7 Following emphasizing that the policy also covers life outside work, many expressed that they would either contact Social Services or the Police. But when inquiring further about abuse such as organizational, financial and emotional, some individuals were unsure of what they meant.
- 3.8 It was explained that, although it was reasonable to discuss concerns with their Line Managers, this is not a 'referral' in the true sense, and not practical if the concern was about something outside of work. The role of the Departmental Designated Safeguarding Manager was discussed and that it was possible to speak to the Children's Services Duty Team, Adult Service Advisory and Assessment Team, or the Social Services Out of Hours Team on 01766 772577 or the Public Protection Unit - Police (number telephone - 101), and it was explained that if they thought that the child or adult was at risk immediately, then the Police should be called. Several employees expressed that they were unaware of the telephone number for referrals.
- 3.9 During the discussions with the employees, the Council's safeguarding pamphlets were distributed as well as the information cards. It was explained that the pamphlets contained information about types of abuse, the referral telephone number and what the next steps would be. Some of the sample stated that they were not aware of the safeguarding picture of a hand while others said they had already received a pamphlet and information card. These were distributed to the workers and to Line Managers / Supervisors during our meetings.

4. **Audit Opinion**

(C) **No assurance of propriety can be given in safeguarding arrangements - field workers' awareness of the policy as the controls in place cannot be relied upon. Although the vast majority of employees have expressed that they are aware of the Policy and its content, the discussions held suggested that this was not accurate.**

- Continue to raise awareness of the safeguarding system, by taking into account of the results of this survey.

SAFEGUARDING ARRANGEMENTS - ESTABLISHMENTS CORPORATE

1. Background

- 1.1 One of Gwynedd Council's main priorities is to ensure that robust arrangements and procedures are in place to safeguard children and adults. Safeguarding children and adults is the responsibility of everyone who represents or works on behalf of the Council, therefore it is expected for every Councillor, every member of staff, every volunteer and every contracted service provider to act appropriately if there is any doubt or if a concern is expressed that abuse is taking place.

2. Purpose and Scope of Audit

- 2.1 Safeguarding children and adults is the responsibility of everyone who represents or works on behalf of the Council. The purpose of the audit was to ensure that establishments outside the Council's main offices were aware of their responsibility to direct concerns about safeguarding children and adults appropriately.
- 2.2 The audit covered discussions with Managers and observed that a safeguarding poster was displayed in establishments outside the main offices. This included schools, residential homes, learning disability hostels and leisure centres Internal Audit visited as part of the 2017-18 Internal Audit plan.

3. Main Findings

- 3.1 It was generally seen that there was awareness of safeguarding issues, but there was scope to improve awareness further. As part of the 2017-18 audit plan a sample of the Council's leisure centres, residential homes, learning disability hostels and schools were audited. Safeguarding arrangements such as safeguarding policies, training and DBS disclosures were examined within the audit programme. Below is a summary of the findings.
- 3.2 Leisure Centres
- 3.2.1 Two leisure centres followed the Council's corporate policy with another centre following the 'All Wales Child Protection Guidelines 2008'. Three of the leisure centres did not have the safeguarding posters but were given them on the day of the visit or were sent by post.
- 3.2.2 All leisure centre staff have not received safeguarding training. It seemed that only staff with access to a computer had completed the Safeguarding Children and Vulnerable Adults e-learning training module. However, it was expressed that safeguarding now is included in the induction of all staff including assistants and casual staff that do not have access to computers.

3.2.3 A sample of officers from the four centres were selected and each was found to have current DBS disclosures except for one who was in the process of renewal. In addition, two of the centres displayed posters informing individuals not to take public photographs, as a specific form must be completed if this is to be done. Leisure centre staff are aware of the arrangements and actions to take if such a case occurs.

3.3 Residential Homes

3.3.1 There were safeguarding posters in each home and it was found that contact cards had also been allocated to staff.

3.3.2 Not all staff had received protection of vulnerable adult training, and cases were identified where it was necessary to renew it. Many of these staff were evening or occasional workers and it was noted that it was difficult to arrange training for them as they had other jobs that take priority.

3.3.3 A sample of officers from three homes were selected and each was found to have a current DBS disclosure.

3.4 Learning Disabilities Hostels

3.4.1 A safeguarding poster was visible in the staff room.

3.4.2 Three members of staff had attended the 'Safeguarding Awareness - All Wales Basic Protection' course in January 2017. The Manager explained that further training on safeguarding had been arranged for 2017.

3.4.3 A sample of officers were selected and each was found to have a current DBS disclosure.

3.5 Schools

3.5.1 During the auditors' visits, it was seen that two of the schools did not have safeguarding posters but they were given them on the day of the visit or were sent by post. Some of these schools had received leaflets or the information cards but not the posters.

4. Audit Opinion

(B) Partial assurance can be expressed of propriety in the safeguarding arrangements - establishments as controls have been established, but there are aspects where some arrangements can be tightened. The Chair of the Safeguarding Operational Panel is committed to implementing the following step to mitigate the risks:

- Continue to raise awareness of the Council's employees of corporate safeguarding arrangements.

**INFORMATION MANAGEMENT - ESTABLISHMENTS
CORPORATE**

1. Background

- 1.1 The Council makes considerable use of personal information in all its areas of work, so it is important that it adheres to the Data Protection Act 1998. As part of their employment with Gwynedd Council, all members of staff are required to be familiar with their Data Protection responsibilities and deal with personal information in a manner that complies with the Act.
- 1.2 The General Data Protection Regulations come into force on May 25 2018 which will replace the Data Protection Act 1998. The changes mean that there is a need to explain much more clearly to the public and staff how personal information is used. Individuals will have more rights and a clear proof of consent will be required to use information. It will be necessary to report nationally if information goes missing or to the wrong place and organisations will need to know what personal information is held, where it is stored, with whom it is shared and how long it will be kept.

2. Purpose and Scope of Audit

- 2.1 The purpose of the Audit was to ensure that information held by the Council is kept securely and in compliance with the principles of the Data Protection Act.
- 2.2 The audit encompassed observation of information protection arrangements when visiting Council establishments that are outside the main buildings.

3. Main Findings

- 3.1 It was generally seen that there was an awareness of information management issues and the principles of the Data Protection Act, but there was scope to further improve awareness. As part of the 2017-18 audit plan a sample of the Council's leisure centres, learning disabilities hostel were examined as well as a sample of schools. Below is a summary of the findings.
- 3.2 Leisure Centres
- 3.2.1 There was a good understanding of the safety of information in the sample of leisure centers visited during the year 2017-18. Three of the sample were aware of the Information Management team, one of whom had contacted them to inquire about retention periods. In addition, the Business and System Support Officer confirmed that she had circulated information regarding document retention periods to each leisure centre.
- 3.2.2 Elements of information security are included in the leisure centre staff induction e.g. dealing with direct debits and not sharing telephone numbers over the phone.

3.2.3 Each centre used shredders for the disposal of confidential information with one indicating that they also tried to make less use of the red sacks. They were aware of the need to keep confidential information secure.

3.2.4 It was inquired as to whether guidance was given to staff not to discuss matters outside work and two centres in the sample said that they do not do this. In addition, one of the leisure centres noted that they do not lock their computer screens when they are not at their desk.

3.3 Schools

3.3.1 The Schools had a good understanding of information management arrangements, but one school out of the sample selected was not aware of the Information Management Team. One of the Heads noted that she had received a presentation on data protection at a Headteachers meeting. Nevertheless, another Head in the sample indicated that they were not aware that a team existed.

3.3.2 All but one School gave staff training on how to handle information including areas such as confidentiality, not discussing matters outside the School, releasing information etc. Shredders or special disposal bags are used to dispose of confidential waste at each school and they were aware of retention periods for the information in their care.

3.3.3 Sensitive information is kept locked and if there is a need to transfer work home to work on, they have access from home or they use encrypted memory sticks.

3.3.4 Passwords were not seen on screens in the schools but one Head was observed leaving their computer for a period of approximately 10 minutes without locking the screen.

3.4 Learning Disabilities Hostel

3.4.1 A learning disability hostel was visited and during the visit it was seen that the entrance door and external door of the kitchen and staff room were open on a hook. The risk of keeping doors open was discussed with the Manager, not only to prevent residents leaving, but to prevent unauthorized individuals from entering.

4. Audit Opinion

(B) Partial assurance can be expressed of propriety in the arrangements for information management - establishments as controls have been established, but there are aspects where some arrangements can be tightened. The Information Manager has committed to implement the following step to mitigate the risk highlighted:

- Continue to raise awareness of Council employees of information management arrangements including the General Data Protection Regulations that will take effect on May 25, 2018.

CONCESSIONARY BUS FARES ENVIRONMENT

1. Background

- 1.1 Individuals over 60 years old and disabled people living in Gwynedd are eligible for a bus pass that will allow them to travel free of charge on any local bus service in Wales. Bus operators, the 'Participating Operators', are required to advise the Council on a monthly basis how often the passes were used on journeys in Gwynedd, in order to receive a repayment for them. The payments are based on the number of journeys made within the month by pass holders, multiplied by the average adult single fare, and multiplied again with a 'generating factor' which is a percentage provided by the Welsh Government. The Council reclaims the money paid to the participating operators through quarterly claims to the Welsh Government.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that appropriate controls are in place for the administration and payment process to participating operators for concessionary fares buss pass use. The audit also reviewed the appropriateness of transport services tendering arrangements. In order to achieve this, the audit encompassed a review of a sample of recent payments and the information received from the participating operators.

3. Main Findings

- 3.1 Paragraph 36 of 'Concessionary Travel Scheme: A Common Approach for Reimbursement Arrangements for Participating Operators', guidelines, dated April 2017, states: *"Since the scheme was introduced, there have been concerns raised over individual Participating Operators allegedly over-recording the number of passenger journeys in an attempt to manipulate the scheme to their advantage. These have been small in number but have increased in the last few years."* In the past, Gwynedd has been involved in attempts by some providers to over-record the number of journeys, so it is essential that there are appropriate controls in place to mitigate future risks of over-recording.
- 3.1.1 With regards to the payments made to the participating operators in the chosen sample, the payments were found to be appropriate and sufficient evidence had been received to support them.
- 3.1.2 In accordance with the guidelines, the formula that calculates monthly payments to the participating operators is based on the September 2009 average adult single fare, adjusted annually in line with inflation. In previous audits, Internal Audit had not given assurance on the accuracy of all the figures received in September 2009 by the participating operators. However, the Welsh Government provides the participating operators' average adult single fares to Gwynedd on an annual basis, and it was found that the payments made were in accordance with these.

- 3.1.3 Notwithstanding the above, it was found that the Service had identified a mistake with the fare of one Participating Operator, where payments for 2016-17 were made based on an average price of £2.1950 rather than the correct price of £ 2.9015. This was discovered when the Council was informed by the Welsh Government of 2017-18 prices, based on a 0.9% reduction on 2016-17 figures. It was found that the Service had already repaid the Participating Operators at the correct rate.
- 3.1.4 The guidance states that participating operators are required to support their claims with reports of all journeys made using the bus passes, and it is expected that no less than 98% of the journeys made were processed using smartcards, that is, only up to 2% of journeys made can be processed where a bus pass has not been scanned by the driver e.g. if there was a problem with the scanning machine. The risk of participating operators over-claiming by inappropriate use of manual processing has already been identified, and Gwynedd restricts payments to participating operators for such tickets to 2%.
- 3.1.5 However, one operator that exceeds the threshold is opposed to the decision not to pay over 2%, and states the alternative would be the refusal to accept any passengers with concessionary fare bus passes unless the passengers provide payment if their machines cannot scan them. In addition to this, the Welsh Government has retained the reimbursement for all payments made to this operator in quarter 1 and 2 in 2017-18, despite the Service restricting their payments. The Welsh Government believes that Gwynedd does not do enough to ensure that the company does not try to claim more than they should, stating: "*We have not received any clarification of the actions taken by the authority to address our concerns*". This dispute is ongoing at the time of the audit, and the Service expects further guidance from the Welsh Government. The Welsh Government has suggested "*the authority request that one of Bus Users Cymru's Bus Compliance Officers undertake surveys of the company's services, alongside or in addition to staff of Gwynedd Council.*" When considering the value of the payments (totalling £90k up to quarter 2), it is important that the Service takes action that would be acceptable by the Welsh Government so that they can release this element of the grant to Gwynedd.

4. Audit Opinion

(B) Partial assurance can be expressed of the propriety of Concessionary Fares as there are controls in place, but there are aspects where some arrangements could be tightened. The Service has committed to implement the following steps to mitigate the risks highlighted:

- Receive guidance from the Welsh Government with regards to participating operators where over 2% of journeys claimed are processed manually, and take the appropriate steps to secure the grant for the costs paid to date.

**DEBT RECOVERY ARRANGEMENTS
FINANCE**

1. Background

- 1.1 A Miscellaneous Debt Recovery Guide (October 2014) sets out the process that should be followed when attempting to recover a debt. Once a Service requests an invoice to be issued on a debtor, the Income Unit begins the recovery process. If the Income Unit's processes do not come to fruition, debts are transferred to external collection agencies or to the Council's Legal Service.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that appropriate and effective arrangements are in place for debt recovery. In order to achieve this, the audit involved selecting a sample of outstanding debts and verifying that appropriate action had been taken to try to recover the debt.

3. Main Findings

- 3.1 A sample of outstanding historical debts were selected across the Council's services. Each invoice's status and accompanying Income Unit records were checked in the financial ledger to discover what action has been taken to try to recover the debts.
- 3.2 It was seen that all debts have been subject to recovery action, but at times there were long periods of time between action notes within the Income Unit's records. This seems to be the result of two main factors, namely resources and communication. Since the Income Unit prioritises debts, it is inevitable that some invoices are set aside for periods of time. Debt can be 'flagged' within the system, but the flags can not be programmed to remind officers of the need to revisit it after a specific time period. In addition, the Income Unit often cooperates with the Services to recover debts, but recovery action can be delayed because inquiries from the Income Unit are not answered or recorded, which suggests a lack of ownership of responsibilities in the recovery process, before referring the debt to the Legal Service.
- 3.3 A sample of ten outstanding historical debts that had been referred to the Legal Service was also selected. The Income Unit's records suggested that many of the debts had not been actioned on since they were referred, some as far back as 2013. However, it was found that the majority of them had been subject to recovery action, but it did not appear that the Income Unit was aware of the latest developments in each case because the Legal Service had cooperated with the Service that provided the service/product that gave rise to the invoice. Some cases were closed by the Legal Service, but there was nothing to suggest that the Income Unit was aware of this.

- 3.4 It was found that the current officers of the Legal Service were not aware of two historical debts that had been referred to the Service. These invoices correspond to a period of time before the Service changed their debt recovery arrangements to a more automated process which now means the commencement of the legal process immediately after the referral, in response to historical concerns about the process. The Legal Service and Income Unit agree that the new arrangements are a significant improvement. As the audit sample encompasses debts historical in nature, the sample was expanded to include debts actioned under the newer system. It was found that a letter had been sent to a debtor soon after the debt was referred to the Legal Service outlining the Council's intention, and that there was communication between the Income Unit and Legal Service 14 and 28 days after the letter was sent to confirm that no payment was made and no change in the debt's status. It was found that a payment arrangement was later made with the debtor.
- 3.5 Past audits have identified a lack of communication between the Income Unit, Legal and relevant services, but it has now been found that the arrangements have tightened.

4. Audit Opinion

(B) **Partial assurance can be expressed of the propriety of debt recovery arrangements as there are controls in place, but there are aspects where some arrangements could be tightened. The Services have already implemented steps to improve the arrangements and have committed to implement the following steps to mitigate the risks highlighted:**

- Ensure that the Legal Clerk has access and the necessary training on the financial ledger to be able to record updates on the 'scratchpad' within the system.
- The Legal Service to record updates on the status of any debt on the 'scratchpad' within the financial ledger, in order to ensure that up-to-date information is available to all relevant officers.

**FAMILIES FIRST GRANT
CHILDREN AND SUPPORTING FAMILIES**

1. Background

- 1.1 The Welsh Government Guidelines on 'Families First' states that this program was an innovative one that promotes local authority areas to develop effective multi-agency support and systems for families, especially for parents living in poverty, with emphasis on prevention and early interventions.
- 1.2 Families First is a key response to the Welsh Government's Child Poverty Strategy. The strategy has three objectives, and Families First is an important driver to achieve these objectives:
- a) Reduce the number of families living in a workless home:
 - b) Improve the skills of parents/carers and young people living in low income households so that they can get work that pays well; and
 - c) Reduce the inequalities that exist in health, education and economic outcomes for children and families by improving the outcomes of the poorest - with a focus on supporting families to achieve better outcomes for children.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the Families First revenue grant money was administered appropriately and in accordance with the terms of the grant. The audit covered the verification of internal controls for the administration of this grant, which included testing some financial transactions.

3. Main Findings

- 3.1 The original application was approved by the Welsh Government in 2012 based on the document 'Parenting & Family Support in Gwynedd, Commissioning Strategy 2012-2017' which has underpinned the plan throughout the period.
- 3.2 The expected provision is detailed in schedule 1 'The Purposes' in the Funding Award letter in relation to the Families First grant, and the Council's plan has been approved based on this detail, the expenditure also complies.
- 3.3 The Monitoring and Evaluation Officer is responsible for monitoring and receives a quarterly report from the providers. Any deficiency is highlighted during this process and consequently action is expected to mitigate it.
- 3.4 Progress on the project is reported quarterly to the Welsh Government as well as financial information. In addition an annual report is submitted following the end of the financial year. This report focuses on the expected strateg/output identified and therefore is easy to monitor (SMART objectives).

- 3.5 There is one risk register but this goes back to the start of the project where the main risks that have been identified relate to the tendering process. There is no evidence that an existing risk register exists and therefore suggests that no formal monitoring is underway to ensure that project risks are mitigated. It is agreed that it is important to ensure that such a register is created to end the current project up to March 2018 and for the new project/ grant to follow.
- 3.6 Payments are paid to 3rd parties in accordance with the Service Level Agreement. The purpose of the grant is clearly stated in the agreements and the beneficiaries are required to report quarterly on the progress being made. The Monitoring and Evaluation Officer ensures that only eligible expenditure is claimed.
- 3.7 Beneficiaries are paid against invoices quarterly, and this money is reclaimed from the Welsh Government. Invoices are also checked for accuracy.
- 3.8 A budget has been set for the grant and there is evidence that this has been profiled in accordance with the terms of the grant.
- 3.9 Unlike previous years, the Welsh Government had requested only three applications for funding during 2016/17. The first claim to be submitted by 07/07/16 (01/04/16 - 30/06/16), the second by 01/01/17 (01/07/16 - 31/03/17 including projection of funding expenditure) and the final statement by 30/04/17 (annual financial information up to 31/03/17). Evidence was seen to confirm that claims had been submitted within the required timescales e.g. final application dated 28/04/17. The first claim has been signed by the Children and Young People's Delivery Manager and claims 2 and 3 by the Finance Manager.

4. Audit Opinion

(A) **Assurance of financial propriety in the administration of the Families First Grant can be expressed as controls are in place and are followed. The Monitoring and Evaluation Officer has committed to implement the following steps to mitigate the risk highlighted:**

- Ensure that there is a risk register to mitigate risks associated with the end of the current project in March 2018 and the new funding / project that is to follow.

**EARLY CHILDCARE OFFER GRANT
CHILDREN AND SUPPORTING FAMILIES**

1. Background

- 1.1 The Welsh Government is committed to offering 30 hours a week of childcare and early education funded by the Government for 48 weeks a year, for working parents and registered guardians who have three and four year olds in Wales, by the end of the current Assembly's term. The purpose of the Finance is to enable the Authority to implement the early childcare proposal (the proposal) in specific areas and for agreed-upon numbers of children in the area from September 2017.

2. Scope and Purpose of Audit

- 2.1 The purpose of the audit was to ensure that the Early Childcare Offer funding grant was properly administered and in accordance with the terms of the grant.
- 2.2 The audit covered the verification of internal controls for the administration of this grant, which included examining some of the 2017/18 financial transactions.

3. Main Findings

- 3.1 The Welsh Government has identified a better offer for childcare as a priority, and has nominated Gwynedd and Anglesey to be a joint early operator, with the intention of working together with the Government from 17-18 onwards and helping to test the plan before it goes national in 2020.
- 3.2 The expected provision is detailed in schedule 1 'The Purposes' in the Funding Award letter in respect of a Childcare Grant grant, and the Council operates based on this detail and the expenditure complies as well.
- 3.3 The Gwynedd and Môn Strategic Childcare Officer is responsible for the administration of the grant and takes responsibility for completing a monthly monitoring form - which includes the number and hours of childcare provision and also a claim form that shows the expenditure against the claim. The officer is also responsible for the completion of quarterly reports for September to December 2017, and January to April 2018 to be submitted by 31 January 2018 and 30 April 2018. Evidence was received that the monthly monitoring forms were completed, and these make it easy to determine if numbers are likely to increase.
- 3.4 In addition to reporting regularly on progress to the Welsh Government, reports are also discussed at the monthly meetings of the Gwynedd and Anglesey Childcare Strategic Board.

- 3.5 Payments are paid to 3rd parties in accordance with the agreements with the Council. A sample of providers' BACS details were checked and found to be accurate. In addition a sample of parents was checked to ensure that the qualifying tests were carried out appropriately and that they met the criteria. These were found to be accurate in accordance with the Government guidelines and that appropriate procedures were in place to ensure that proper evidence was received before grant funding was rewarded. The purpose of the grant is clearly stated in the agreements and the Gwynedd and Anglesey Childcare Officer and administrative staff ensure the accuracy of the costs claimed.
- 3.6 Providers' invoices are paid monthly, and this money is reclaimed from the Welsh Government.
- 3.7 A budget has been set for the grant and there has been evidence that this has been profiled in accordance with the terms of the grant.
- 3.8 An application form, based on a Welsh Government template, is used for claiming Finance. The monthly payment must be claimed on a back-pay basis, based on the expenditure incurred for services provided. Evidence showed that the application for 4 September 2017 to 1 October 2017 had been claimed before the set deadline, 6 October 2017 and that it had been signed by an authorised officer, the Early Years Quality Improvement Officer.
- 3.9 This is the first year of this specific grant and therefore no final application has been submitted to date. However, the final application for up to 31 March 2018 is expected to be claimed by 6 April 2018

4. Audit Opinion

- (A) Assurance of financial propriety in the management of the Early Childcare Offer Grant can be expressed as controls are in place and are followed.**

DEPOTS HIGHWAYS AND MUNICIPAL

1. Background

- 1.1 In December 2016, following a court case, the council were fined £70,000 and £3,400 for contravening the Environmental Permitting Regulations (Wales and England) 2010 and the Environmental Protection Act 1990 respectively. This was a result of an inspection visit at Tywyn Depot by National Resources Wales on February 24th 2016. The council operate under *Waste Exemption: NWFD3 - 'temporary storage of waste at a place controlled by the producer'*. An additional permit was not required, however the conditions of the exemption state that no more than 50m³ can be stored on site at any time, no waste can be stored for more than 3 months and waste with different EWC codes must not be mixed. The waste at Tywyn Depot contravened all 3 of these regulations. The waste was transferred but only one EWC code was used on the waste transfer note (WTN) despite four different types of waste being transferred according to EWC classification.

2. Scope and Purpose of Audit

- 2.1 The purpose of the audit was to ensure appropriate controls had been established in order to manage Highway Depots and reduce risks appropriately, while ensuring compliance with the Council, Government and the Environment Agency's regulations.

3. Main Findings

- 3.1 A sample of 5 depots were selected for the audit: Cibyn, Tywyn, Rhiwbryfdir, Ffordd Y Bala and Afonwen. A visual audit was conducted at each site as well as an audit of the relevant paperwork.
- 3.2 Suitable skips to store concrete waste and bitumen waste were present at all depots visited. Very little bitumen containing 'Coal Tar' remains in Gwynedd, therefore none of the depots were currently storing it or likely to in the future. A 'core' test would be carried out if any bitumen suspected of containing 'coal tar' would need to be removed.
- 3.3 'Road Planings' were being stored as material for re-use at two of the depots visited during the audit. Confusion has occurred as a result of the definition of what is considered waste. In some cases, 'road planings' have been purchased as a material soon after paying to remove similar materials from the site in order to comply with NWFD3. Some of the area managers were eager to receive more information on what exactly defines material as waste and whether re-classification as a building material is possible. A specific permit and/or equipment is required in order to do this, as waste needs to be screened before being re-classified as a material. Applying for an S2 permit for specific sites would enable the storage of up to 500 tonnes of material such as 'Road Planings' for a period of up to 12 months; however, a lack of suitable locations is a barrier.

- 3.4 The visual inspections confirmed that less than 50m³ of waste was being stored at the depots that were visited; waste was kept tidily and not mixed. The site manager at Ffordd y Bala depot explained that a bay filled with 'aggregate' would be used to store concrete waste once the 'aggregate' had been disposed of.
- 3.5 A site management plan was available at all depots visited, which were accessible to staff if required. The site management plans at each depot contained waste monitoring forms to record when waste is received, its weight and by when it needs to be disposed. This monitoring form had been completed at Cibyn Depot but not at the other four sites. All the information required however was recorded and available through other means such as a 'job note' or a waste transfer note from the companies' collecting the waste. The method used to record this information was not of importance as long as it had been recorded correctly and was available at each depot.
- 3.6 The Assistant Engineer Environmental Quality Assurance has created a standard waste transfer note to be used by each depot. This waste transfer note includes 'tick boxes' to avoid the use of incorrect EWC codes. Evidence of its use was seen as well as the use of similar versions created and used by the companies' providing the waste disposal service. As a result, it was highly unlikely for waste to be transferred using the incorrect EWC code.
- 3.7 A copy was received of the Powerpoint presented by the Assistant Engineer Environmental Quality Assurance as part of Highways staff training. She explained that it was comprehensive and provided details of permits, how to store waste and the importance of using a waste transfer note. Evidence was also provided of attendance in sheets completed by the candidates who attended the training courses.

4. Audit Opinion

(B) Partial assurance of propriety can be stated in the management of Highway Depots, however there are some aspects that could be improved. The site managers have committed to implementing the following steps to reduce the highlighted risks.

- Remove or dispose of aggregate at Ffordd y Bala Depot, Dolgellau in order to use the bay to store concrete waste only.
- Consider applying for an S2 license if waste such as 'Road Planings' need to be used as a building material 3 months' later than the date they were introduced to be stored at the depot.

HOUSING WAITING LIST ADULTS, HEALTH AND WELLBEING

1. Background

- 1.1 The Gwynedd Common Housing Register Policy was established in order to develop a housing register that provides a single access point to social housing in Gwynedd. The aim is to operate a system that is easy to understand and enables the applicants to select from the options available. The Common Housing Allocation Policy was created to prioritize applicants based on points and categories, which prioritize applicants with the greatest need. The Housing Associations receive shortlists from Gwynedd based on these points and allocate accommodation to families with the highest point score for their preferred type of allocation in their preferred area.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure Gwynedd's Housing Waiting List is being administered appropriately by prioritizing applicants in a fair and transparent manner, and to ensure the waiting lists are kept current and correct. In order to achieve this, the audit aimed to verify the waiting list and arrangements in place to ensure the accuracy of information and avoid fraud as well as verifying how a sample of applicants were prioritized.

3. Main Findings

- 3.1 The Housing Allocation Policy aims to ensure a fair and transparent process exists to prioritize applicants based on need. Despite there being justification for deciding who receives accommodation, there are many factors that affect who is considered for inclusion on a waiting list, not only the number of points on their application. This can appear frustrating to applicants and make it difficult for Gwynedd's staff to explain and justify who the housing associations decide to accommodate.
- 3.2 The Housing Options Team are currently in discussions with Capita to transfer to a new system, with the intention of supplanting the current 'Academy Housing' system and adopting 'Open Housing'. Gwynedd and Woking Councils will trial the new system. The key implications of the new system will be the use of online application forms rather than the current paper based format. It is envisaged that this will reduce the amount of inputting the team will be required to do and allow more time for verifying and assessing applications. The main concern is the affect this may have on the elderly and vulnerable applicants without Access or the ability to use the online system.
- 3.3 Proof of identity is required with new applications. A sample of applications were selected which provided evidence that Gwynedd contacted applicants if appropriate evidence was not received. When the additional evidence was not received, applications would not be assessed further, therefore the applicant could not be included on a waiting list.

- 3.4 Points were awarded on each application where the eligibility criteria was met. The Housing Options Team had received evidence to support this. Accommodation is not necessarily allocated to the applicant with the highest score. The policy specifies any exceptions, and many examples were seen of shortlists being created for a specific property. It was evident that the Officers verify applicants' circumstances, evaluate, and assess them against the type, size and location of the property whilst considering any preferences the Housing Association offering the tenancy may have.
- 3.5 A large number of applications are received by the Housing Options Team and it is assumed that approximately 750 shortlists are created annually. The Housing Options Team Leader explained that he verified each one in the past, which delayed the process. By now, he only verifies a sample; however, a number of meetings and discussions are held with the team's members if a specific shortlist needs to be discussed.
- 3.6 The current policy states that Gwynedd aim to review each application within 6 months. The amount of applications received mean that it is difficult to achieve this target. Many instances were seen where reviews had taken place and applications cancelled where requested information was not received. The Housing Options Team Leader noted that a new policy was due in December, which would state that the target to review applications would increase to 12 months. All correspondence with applicants are recorded on the Capita system.
- 3.7 No formal procedure exists to notify the team of a change in applicants' circumstances. E.g. Deaths. The Registration Officer provides details of deaths registered in Gwynedd to 'Tell Us Once' and to a list of officers/individuals within the council. This list is verified/controlled by the Home Office/General Register Office but does not include a member of the Housing Options Team. There is no procedure or system in place either, which allows individuals from this list to share the information among other departments and Services within the Council. During an activity for the National Fraud Initiative, data from the Department for Work and Pensions (DWP) was compared with data from the waiting list. One individual had remained on the list for a number of months following his death.

4. Audit Opinion

(B) Partial assurance of propriety can be stated in the administration of the Housing Waiting List due to controls being in place; however, there are some aspects that could be improved. The Housing Options Team have committed to implementing the following steps to reduce the highlighted risks.

- Monitor the evolution of the new system to ensure an effective means of referring individuals such as the elderly and vulnerable to ensure they receive support and assistance to complete an online application.
- Enquire whether it is possible to find a solution to receive current and useful data regarding the deaths of certain individuals for the purpose of removing their applications.

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	8 FEBRUARY 2018
TITLE	INTERNAL AUDIT PLAN 2017/18
PURPOSE OF REPORT	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2017/18 AUDIT PLAN
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	FOR INFORMATION

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2017/18 Internal Audit Plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2017/18 internal audit plan is included in Appendix 1 with the status of the work as at 26 January 2018, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

Audit Status	Number
Planned	6
Working Papers Created	1
Field Work Started	8
Field Work Completed	1
Manager Review	2
Draft Report	1
Final Report Issued	39
Total	58
Cancelled due to a shortage of resources	12
Audits cancelled to undertake others	1

2.2 The performance target for 2017/18 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2018. The quarterly profile of this indicator is as follows:

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

2.3 As seen from the table above, Internal Audit's actual achievement up to 26 January 2018 was **67.24%** - out of **58** individual audits contained in the 2017/18 plan, **39** had been released in a finalised version.

3. AMENDMENTS TO THE PLAN

3.1 Due to a further four-month absence of one member of the Internal Audit Service, it is inevitable to cancel audits equivalent to 57 working days. In addition, in the original audit plan, a provision of 8 days was made for professional training. By now, three of the Senior Auditors attend training that will lead to a professional qualification. Up to now, 60 days have been spent on professional training and a further 24 is projected until the end of the current financial year. This means that the total resources available have fallen equivalent to 133 days and to that end the following audits have been selected not to be carried out along with an explanation for the decision:

- Culture and Conduct (*Corporate*) - 15 days. Managers are in the process of being trained on the "Ffordd Gwynedd" principles and it will take some time for those principles to take root and come to fruition across all levels of the organisation, hence it was decided that it was not timely to conduct the review.
- Awareness of the Whistleblowing Policy – Primary and Secondary (*Education*) – 20 days. The Schools Senior Manager stated that the policy is in draft form only and that it is necessary to ensure that the policy does not contravene the Regional Grievance Policy for Schools prior to the policy being circulated to the schools.
- GwE Business Arrangements (*Education*) – 20 days. The scope of this audit included a review on individuals' employment status. A specific audit on employment status and IR35 implications is included in the Draft Audit Plan 2018/19.
- Licensing (*Environment*) – 8 days. The audit will be carried out early in the 2018/18 financial year.
- IT System Security (*Finance/Corporate*) – 30 days. The external supplier assisting Internal Audit to conduct IT reviews failed to carry out the reviews due to ill health. The Audit Manager will test the market for a provider in the near future.
- Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance Arrangements – included in the 2018/19 audit plan.
- Care and Support Plans (Children) under Part 4 Social Services and Wellbeing Act (Wales) 2014 – included in the 2018/19 audit plan.

4. RECOMMENDATION

4.1 The Committee is asked to note the contents of this report as an update on progress against the 2017/18 audit plan, and offer comments thereon and accept the report.



Internal Audit Plan 2017/18

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-01/2018	Disposal of Confidential Waste – The Use of Red Sacks and Shredders	10.00	0.00	10.00	9.30	Final Report Issued
1-CORFF-09/2018/001	Supporting Ffordd Gwynedd Reviews	20.00	0.00	20.00	0.61	Planned
1-CORFF-09/2018/002	Learning and Development Integrated System	10.00	0.00	10.00	9.41	Draft Report Issued
1-CORFF-11/2018	Obtaining References, Proof of Identity and Evidence of Qualifications	15.00	0.00	15.00	12.96	Manager Review
1-CORFF-12/2018	Awareness of the Whistleblowing Policy	15.00	0.00	15.00	15.12	Final Report Issued
1-CORFF-13/2018	Self-service Travelling Expenses	5.00	0.00	5.00	5.69	Final Report Issued
1-CORFF-19/2018/001	Safeguarding Arrangements - Field Workers' Awareness of Policy	35.00	0.00	35.00	21.31	Final Report Issued
1-CORFF-19/2018/002	Safeguarding Arrangements – Establishments	4.00	0.00	4.00	3.96	Final Report Issued
1-CPGV-01/2018	Culture and Conduct	15.00	0.00	15.00		Cancelled
1-CPGV-02/2018	Proactive Prevention of Fraud and Corruption	20.00	0.00	20.00	22.69	Final Report Issued
2-ADP-CGC-DPA/2018cy	Information Management – Establishments	6.00	0.00	6.00	3.86	Final Report Issued
AO-ARL-05/2018	National Fraud Initiative	40.00	0.00	40.00	20.51	Field Work Started
EDUCATION						
Resources						
4-DAT-X-ADD/2018/GY	School Uniform Grant	0.00	12.00	12.00	11.73	Final Report Issued
4-DAT-X-ADD/2018GAD	Pupil Deprivation Grant	10.00	0.00	10.00	10.73	Final Report Issued
4-DAT-X-ADD/2018GGA	Education Improvement Grant for Schools	15.00	0.00	15.00	14.99	Final Report Issued
4-DAT-X-ADD/2018o16	Post-16 provision in Schools Grant	3.00	0.00	3.00	2.91	Final Report Issued
EADDA03/2018	Awareness of the Whistleblowing Policy – Primary and Secondary	25.00	0.00	25.00	4.82	Cancelled
EADDA29/2018/2089	Health and Safety - Ysgol Bro Llieu	0.00	4.10	4.10	4.51	Final Report Issued
EADDA29/2018/2093	Health and Safety – Ysgol Pentreuchaf	0.00	4.10	4.10	4.52	Final Report Issued
EADDA29/2018/2126	Health and Safety - Ysgol Abercaseg	0.00	4.20	4.20	4.67	Final Report Issued
EADDA29/2018/2189	Health and Safety - Ysgol Dyffryn Arudwy	0.00	4.20	4.20	4.37	Final Report Issued
EADDA29/2018/2199	Health and Safety - Ysgol O M Edwards	0.00	4.20	4.20	4.66	Final Report Issued
EADDA29/2018/3023	Health and Safety - Ysgol Llanystumdwy	0.00	4.20	4.20	4.64	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
GwE						
4-GWE/2018	Business Arrangements	20.00	0.00	20.00		Cancelled
Schools						
EADDA21/2018	School Meals Income	20.00	-12.00	8.00	0.54	Planned
EADDA35/2018	Schools - General	10.00	0.00	10.00	1.03	Field Work Started
ENVIRONMENT						
Public Protection						
2ADN-GGYC-GYC/2018bw	Food Hygiene	8.00	0.00	8.00	4.72	Field Work Started
BB-YSG-11/2018	Licensing	8.00	0.00	8.00		Cancelled
Council Land and Property						
BA-EID-04/2018	Smallholdings	8.00	0.00	8.00	4.05	Field Work Started
BA-EID-05/2018	School Schemes – Ysgol Glancegin	10.00	0.00	10.00	8.73	Field Work Started
Transportation and Street Care						
DDA-CC-01/2018	Concessionary Fares	8.00	0.00	8.00	8.97	Final Report Issued
PPE-P-01/2018	Car Park Income	0.00	15.00	15.00	9.87	Field Work Started
NORTH AND MID WALES TRUNK ROAD AGENCY						
3-AMG-ACGC/2018	Health and Safety	25.00	0.00	25.00		Cancelled
CORPORATE SUPPORT						
Democracy						
BB-YSG-18/2018	Training New Members	10.00	0.00	10.00	9.18	Final Report Issued
FINANCE						
Across the department						
AW-TG-12/2018tg	IT System Security	30.00	0.00	30.00		Cancelled
Financial						
AD-DY-01/2018	Debt Recovery Arrangements	15.00	0.00	15.00	13.49	Final Report Issued
Accountancy						
AN-ACY-10/2018	Precepts	5.00	0.00	5.00	7.42	Final Report Issued
Pensions and Payroll						
AP-PEN-01/2018	Pension Fund	15.00	0.00	15.00	1.78	Planned

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
AP-PEN-15/2018	Death Grants	15.00	0.00	15.00	12.50	Final Report Issued
Revenue						
AB-BD-01/2018kc	Benefits – Review of Key Controls	12.00	0.00	12.00	8.86	Field Work Started
AC-TR-01/2018	Council Tax System - Advantage Digital Portal	10.00	0.00	10.00		Cancelled
ECONOMY AND COMMUNITY						
Community Regeneration						
EADDZ-01/2018	Welsh Church Fund	5.00	0.00	5.00		Cancelled
Record offices, museums and the arts						
EDIW-MU-03/2018/001	Storiell – Closing the Project	5.00	0.00	5.00	0.14	Planned
EDIW-MU-03/2018/002	Storiell – Unannounced Visit	1.00	0.00	1.00	0.91	Final Report Issued
Leisure						
E-DGO-01/2018/002	Membership Direct Debit Payments	10.00	0.00	10.00	10.04	Final Report Issued
EHAMAC6402/2018	Arfon Tennis Centre	12.00	0.00	12.00	9.47	Final Report Issued
EHAMAC6443/2018	Pavillion Leisure Centre	10.00	0.00	10.00	9.96	Final Report Issued
EHAMAC6444/2018	Bro Ffestiniog Swimming Pool	8.00	0.00	8.00	10.09	Final Report Issued
EHAMAC6446/2018	Glan Wnion Leisure Centre	10.00	0.00	10.00	11.05	Final Report Issued
Maritime and country parks						
EHAMAC6403/2018	Victoria Dock	10.00	0.00	10.00	9.31	Manager Review
Strategy and development Programmes						
DDAT-AD-02/2018	Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance Arrangements	15.00	0.00	15.00		Cancelled
ADULTS, HEALTH AND WELLBEING						
Business						
GRH-CD01/2018	Commissioning Arrangements	30.00	0.00	30.00		Cancelled
Supporting People						
GDAPR-SP01/2018	Supporting People Grant	15.00	0.00	15.00	12.26	Final Report Issued
Adults						
GGWAS-H07/2018tel	Teleofal	10.00	0.00	10.00	1.42	Planned
Residential and Day						
5-GOF-CART1333/2018	Plas Maesincla, Caernarfon	12.00	0.00	12.00	12.27	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
5-GOF-CART1338/2018	Plas Hafan, Nefyn	12.00	0.00	12.00	11.51	Final Report Issued
5-GOF-CART1339/2018	Plas Ogwen, Bethesda	12.00	0.00	12.00	12.08	Final Report Issued
GDARP-D07/2018	Housing Support	15.00	0.00	15.00		Planned
GDARP-D08/2018/tm	Tan y Marian	10.00	0.00	10.00	10.19	Final Report Issued
GDARP-D08/2018/yf	Y Frondeg	10.00	0.00	10.00	4.38	Field Work Started
GGWAS-D11/2018	Adult Placement Scheme (Shared Lives Scheme)	15.00	0.00	15.00	1.73	Cancelled

CHILDREN AND FAMILY SUPPORT

Children and Families

5-GOF-X-PL/2018/001	Families First Grant	0.00	12.00	12.00	11.96	Final Report Issued
5-GOF-X-PL/2018/002	Childcare Proposal Grant	0.00	12.00	12.00	13.41	Final Report Issued
GGWAS-P05/2018	Arrangements for Children Leaving Care	20.00	0.00	20.00	7.19	WP Created
GGWAS-PLANT8/2018	Care and Support Plans (Children) under Part 4 – Social Services and Wellbeing Act (Wales) 2014	20.00	0.00	20.00	1.76	Cancelled

HIGHWAYS AND MUNICIPAL

Fleet

PGW-TR-02/2018	Depots	15.00	0.00	15.00	13.50	Final Report Issued
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Waste Management and Streets

PBW-10/2018/001	Recycling Targets	10.00	0.00	10.00	8.84	Field Work Complete
PBW-10/2018/002	Garden Waste Collection	15.00	0.00	15.00	15.49	Final Report Issued

HOUSING

Rent and Housing Management

T-TAI-T01/2018	Housing Waiting List	12.00	0.00	12.00	12.00	Final Report Issued
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GWYNEDD CONSULTANCY

Buildings and Environmental

PYM01/2018	Employment Status	10.00	0.00	10.00	8.18	Final Report Issued
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Across the department

PYMG-CON/2018	Accreditations	15.00	-15.00	0.00		Cancelled
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COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	8 FEBRUARY 2018
TITLE	DRAFT INTERNAL AUDIT PLAN 2018/19
PURPOSE OF THE REPORT	TO PRESENT THE DRAFT INTERNAL AUDIT PLAN FOR THE YEAR 1 APRIL 2018 – 31 MARCH 2019
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO APPROVE THE PLAN IN THE APPENDIX

1. INTRODUCTION

- 1.1 The draft work plan for Internal Audit for the financial year 2018/19 is presented to the Audit and Governance Committee for comment and approval.
- 1.2 This report explains the factors that were considered and the process used to produce the plan that is presented to the Committee.

2. INTERNAL AUDIT'S PURPOSE

- 2.1 The purpose of the Internal Audit service is:

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

- 2.2 When preparing this plan, therefore, consideration was given to what the service needs to do in order to achieve this purpose.
- 2.3 The Unit only has limited resources; the staffing resource of the Unit is 7 full-time posts. This makes it increasingly important that the service is directing its resources to the right place.
- 2.4 Therefore, in order to ensure that we are reviewing the right things, consideration was first given to the Corporate Risk Register and to departmental risk registers. This is to ensure that the Council's key controls in order to deal with its main risks are addressed. In that regard, we have worked closely with the Insurance and Risk Unit, which as part of their role ensure that these registers are updated regularly.

2.5 The result of this was to prepare an initial draft plan, which has been discussed with each Head of Department (or departmental management team in some cases). This was an opportunity to refine the plan further, before preparing the draft plan that is presented to the Audit Committee.

2.6 During 2018/19, Internal Audit will also give appropriate consideration to the following:

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

This has been reflected in the plan.

3. RESOURCES AVAILABLE

3.1 It is projected that approximately 766 days of audit resources will be available to complete the 2018/19 audit plan. This is on the basis of analysis of the staffing resources available, including reasonable allowances for “unproductive” work such as holidays, illness, training, management and meetings and after considering the following provisions:

	2018/19	2017/18
Provision for advising on controls and propriety	55 days	55 days
Provision for responsive work	30 days	30 days
Provision for follow-up	50 days	80 days

4. RECOMMENDATION

4.1 The Committee is requested to approve the draft audit plan for the period 1 April 2018 to 31 March 2019.

DRAFT INTERNAL AUDIT PLAN 2018/19

Audit	Reason	Days
CORPORATE		
Supporting Ffordd Gwynedd Reviews	To provide advice and support to staff and managers on issues regarding risk management and internal control. (A “Ffordd Gwynedd” approach will be taken towards all Internal Audit work)	20
Proactive Prevention of Fraud and Corruption	Work is to be undertaken to ensure that robust arrangements are in place for dealing with the risks of fraud and corruption.	20
National Fraud Initiative	The Council participates in this initiative, which is run by the Wales Audit Office.	40
Safeguarding Arrangements – Domestic Abuse	On 29 April 2015, the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act came into force. The legislation aims to improve the Public Sector response in Wales to such abuse and violence. It is mandatory that all employees in the Public Sector receive training in this area. Failure to achieve this can result in financial penalties.	15
Safeguarding of Children and Vulnerable Adults – Establishments	Provision for conducting “Safeguarding” reviews when visiting establishments.	4
General Data Protection Regulations	On May 25 2018, The General Data Protection Regulations (GDPR – the Regulations) will replace the Data Protection Act 1998. The GDPR threatens significant fines and penalties for non-compliant data controllers and processors.	10
Information Management – Establishments	Provision for conducting “Information Management” reviews when visiting establishments.	6
Social Services Annual Report	The Local Authority Social Services Annual Reports (Prescribed Form) (Wales) Regulations 2017 came into force on 4 September 2017. Section 144A(4) of the Social Services and Well-being (Wales) Act 2014 requires the annual report to be in the form prescribed by regulations. The audit will verify that there is evidence to support specific elements contained within the report.	8

EDUCATION

Resources

Post-16 provision in Schools Grant	Requirement under the financial terms and conditions.	3
Pupil Deprivation Grant	The PDG has not been incorporated in the Education Improvement Grant; therefore it will be necessary to carry out a separate audit.	10
Education Improvement Grant for Schools	This grant is a combination of several previous grants that were paid by the Welsh Government.	15
Employment Status IR35	Since April 2017, every public authority must assess each individual's "employment status" for tax purposes to ensure they fulfill their tax and National Insurance obligations.	30
School Admissions	A review to ensure that admission arrangements to the nursery or reception class are in accordance with the Gwynedd Schools Admission Policy.	

Pupils and Inclusion

TRAC Project	The TRAC Project aims to support 11-24 year olds disengaged from education, and at a risk of becoming NEET – not in Education, Employment or Training. The audit will review specific elements within this project.	15
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GwE

Employment Status – IR35	Since April 2017, every public authority must assess each individual's "employment status" for tax purposes to ensure they fulfill their tax and National Insurance obligations.	30
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Schools

Awareness of the Whistleblowing Policy – Primary and Secondary	Removed from the 2017/18 plan because of a reduction in resources.	25
Schools - General	Annual provision for work involving providing advice and support.	10

Council Tax System - One Digital Portal	Removed from the 2017/18 plan because of a reduction in resources.	10
Council Tax Debt Suspension and Write-Off	Delays in recovery action may result in the Council's ability to recover income owed.	10
Business Rates – Valuation List	A review to ensure that there is prompt action taken on the Valuation Office's reports to ensure the completeness of the valuation list maintained.	6
ECONOMY AND COMMUNITY		
<i>Community Regeneration</i>		
Welsh Church Fund	An independent check will be needed if the fund's income is over £25,000.	3
<i>Leisure</i>		
Leisure Centres	A review of both administrative and financial arrangements within specific centres.	40
<i>Maritime and Country Parks</i>		
Unannounced Visits – Income Collection	Unannounced visits to carry out income reconciliations.	10
<i>Strategy and Development</i>		
Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance Arrangements	An initiative led by Gwynedd Council and delivered through a multi-agency partnership that consists of Cadw, Arts Council for Wales, Antur Waunfawr, Gisda, Ffestiniog & Welsh Highland Railways, Caernarfon Harbour Trust and Galeri Caernarfon. Removed from the 2017/18 plan because of a reduction in resources.	15
North Wales Growth Board	The Board Governance arrangements – a Local Authority Joint Committee with representatives of key partners such as the North Wales and Mersey Dee Business Council, universities and further education colleges.	15
ADULTS, HEALTH AND WELLBEING		
<i>Across the Department</i>		
Commissioning Arrangements	A review of the commissioning arrangements including joint-commissioning.	30
<i>Supporting People</i>		
Supporting People Grant	Requirement under the terms of the grant.	15

Adults

Home Care – Travelling Costs	A review of the arrangements following an audit that was carried out in 2015/16 to identify the reason for the over-expenditure.	10
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Residential and Day

Plas Hedd, Bangor	All Council homes to be audited within a 3 year cycle (2018/19 is the second of three).	12
Plas y Don, Pwllheli	All Council homes to be audited within a 3 year cycle (2018/19 is the second of three).	12
Cefn Rodyn, Dolgellau	All Council homes to be audited within a 3 year cycle (2017/18 is the first of three).	12
Hafod Mawddach, Barmouth	All Council homes to be audited within a 3 year cycle (2017/18 is the first of three).	12

Housing Management

Houses into Homes Scheme	Review the arrangements of the Welsh Government's Houses into Homes Scheme and ensure that all loans made comply with the required criteria.	12
Disabled Facilities Grant	Disabled facilities grants are mandatory and there is a discretionary element known as a Discretionary Disabled Facilities Loan (DDFL) – this additional sum will be a legal charge on the subject property.	

CHILDREN AND SUPPORTING FAMILIES

Children and Families

Grants	A review of specific grants.	20
On-call and Emergency Arrangements	A review of the processes established to ensure a prompt and efficient service in accordance with statutory requirements.	15
Care and Support Plans (Children) under Part 4 – Social Services and Wellbeing Act (Wales) 2014	Removed from the 2017/18 plan because of a reduction in resources.	20

HIGHWAYS AND MUNICIPAL

Across the Department

Diesel Tanks and Diesel Management	This has been identified as a high risk area in the corporate risk register.	15
Waste Management and Streets		
Street Enforcement	A review of the environmental enforcement arrangements with Kingdom.	10

YGC

Across YGC

Flood Management

Gwynedd Council is a Lead Local Flood Authority uned the Flood and Water Management Act 2010, and has statutory flood risk management duties.

15

TOTAL NUMBER OF DAYS

766