

# Public Document Pack



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

Mr Richard Parry Jones, MA.  
Prif Weithredwr – Chief Executive  
CYNGOR SIR YNYS MÔN  
ISLE OF ANGLESEY COUNTY COUNCIL  
Swyddfeydd y Cyngor - Council Offices  
LLANGFNI  
Ynys Môn - Anglesey  
LL77 7TW

Ffôn / tel (01248) 752500  
Ffacs / fax (01248) 750839

<b>RHYBUDD O GYFARFOD</b>	<b>NOTICE OF MEETING</b>	
<b>PWYLLGOR ARCHWILIO</b>	<b>AUDIT COMMITTEE</b>	
<b>DYDD MERCHER, 11 RHAGFYR, 2013 am 2 o'r gloch y prynhawn</b>	<b>WEDNESDAY, 11 DECEMBER 2013 at 2.00 pm</b>	
<b>YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGFNI</b>	<b>COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGFNI</b>	
<b>Swyddog Pwyllgor</b>	<b>Ann Holmes 01248 752518</b>	<b>Committee Officer</b>

## **AELODAU / MEMBERS**

Cynghorwyr / Councillors:-

### **Annibynnol / Independent**

Jim Evans, Dafydd Rhys Thomas and Richard Owain Jones

### **Llafur / Labour**

### **Plaid Cymru / The Party of Wales**

T Ll Hughes (Is-Gadeirydd/Vice-Chair), John Griffith and Vaughan Hughes

### **Heb Ymaelodi / Unaffiliated**

R Ll Jones (Cadeirydd/Chair) and Raymond Jones

## **AELODAU LLEYG / LAY MEMBERS**

Mrs Sharon Warnes and Mr Richard Barker

## A G E N D A

**1     DECLARATION OF INTEREST**

To receive any declaration of interest by any member or officer in respect of any item of business.

**2     MINUTES 24TH SEPTEMBER, 2013 MEETING** (Pages 1 - 8)

The minutes of the previous meeting of the Audit Committee held on 24<sup>th</sup> September, 2013 to be submitted for confirmation.

**3     INFORMATION GOVERNANCE** (Pages 9 - 10)

To receive an update on the latest position with regard to Information Management and Governance.

**4     HOUSING BUILDING MAINTENANCE UNIT** (Pages 11 - 44)

To receive an update report by the Head of Service (Housing) in respect of progress against the Action Plan.

**5     THREE TOWNS CAPITAL PROJECT** (Pages 45 - 48)

To receive a report by the Director of Sustainability regarding the Three Towns Capital Project.

**6     EXTERNAL AUDIT - PERFORMANCE WORK PROGRAMME UPDATE** (Pages 49 - 52)

To present External Audit's update on performance work.

**7     EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2012/13** (Pages 53 - 56)

To present the Annual Audit Letter 2012/13.

**8     GOVERNANCE AND ASSURANCE ARRANGEMENTS** (Pages 57 - 72)

To receive an update on Governance and Assurance arrangements.

**9     CORPORATE RISK MANAGEMENT FRAMEWORK AND RISK REGISTER**

To receive a verbal update.

**10    REVIEW OF INDEPENDENT MEMBER APPOINTMENTS** (Pages 73 - 74)

To receive a report in respect of the above.

**11    INTERNAL AUDIT - PROGRESS REPORT** (Pages 75 - 88)

To receive a progress report on the work of Internal Audit.

**12    TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY** (Pages 89 - 102)

To present a report in respect of the above.

13

**NEXT MEETING**

2:00 p.m. on Tuesday, 4<sup>th</sup> February, 2014.

This page is intentionally left blank

## AUDIT COMMITTEE

### Minutes of the meeting held on 24 September, 2013

- PRESENT:** Councillor R.Llewelyn Jones (Chair)  
Councillor Trefor Lloyd Hughes (Vice-Chair)
- Councillors John Griffith, Dafydd Thomas, P.S.Rogers
- Lay Members: Mr Richard Barker, Mrs Sharon Warnes
- IN ATTENDANCE:** Head of Function (Resources) and Section 151 Officer  
Deputy Chief Executive  
Audit Manager (JF)  
Senior Auditor (EW)  
Insurance and Risk Manager (JJ) (for item 6)  
Group Accountant (SM)  
Accountant – Capital & Treasury Management (BD)  
Accountancy Assistant (GR)  
Committee Officer (ATH)
- APOLOGIES:** Councillor Raymond Jones
- ALSO PRESENT:** Councillor H.Eifion Jones (Portfolio Member for Finance), Mr Dilwyn Williams (Strategic Director – Gwynedd Council) (for item 3), Lyn Pamment (PwC), Andy Bruce (WAO)
- 

#### 1 DECLARATION OF INTEREST

The following noted an interest in relation to item 3 on the agenda –

Councillor Trefor Lloyd Hughes on the basis of his wife's membership of the local government pension scheme. Councillor Hughes said that he had sought legal advice on the matter and whilst he would participate in the discussion he had decided that he would not vote with regard to any resolution that may arise thereon.

Councillor H.Eifion Jones on the basis that he was a Member of the Pension Fund.

Councillor John Griffith on the basis that he was a member of the LG Pension Fund by virtue of his previous profession.

Mrs Sharon Warnes on the basis that she was in receipt of a Local Government Pension.

The Chair commented that Elected Members have been eligible to join the Local Government Pension Scheme since a few years and that the legal advice was that they could take part in the discussion on item 3.

#### 2 MINUTES OF THE 23 JULY 2013 MEETING

The minutes of the previous meeting of the Audit Committee held on 23 July, 2013 were presented and confirmed as correct.

Arising thereon –

- The Committee was informed and subsequently agreed that the Head of Service (Housing) present her update on progress with governance matters in relation to the Building Maintenance Unit to the next scheduled meeting of the Audit Committee in December, 2013.

- With reference to the report by the Information Commissioner on the outcome of the audit of the Council's arrangements for processing personal data undertaken in July, the Audit Manager informed the Committee that the definitive version of the report had not been produced in time for this meeting and he suggested that an invitation be extended to the Information Commissioner's Auditors to attend the December, 2013 meeting of the Audit Committee to present their findings which would also allow the Authority to formulate a considered response to any recommendations arising from the final report. The Officer also informed Members that a Project Board with regard to Information Governance has been established and convened with the outcome that an action plan based on the Information Commissioner's draft report has been drawn up. Work therefore has commenced on this matter and is progressing. Members noted the position.

#### **ACTIONS ARISING –**

- **Audit Manager to confirm with the Head of Service (Housing) her attendance at the 11 December, 2013 meeting of the Audit Committee to update the Committee on progress on governance issues in relation to the BMU.**
- **Audit Manager to liaise with the Corporate Information Officer with regard to making arrangements for the auditors from the Information Commissioner's Office to attend the December, 2013 meeting of the Audit Committee to provide feedback on the audit of the Council's arrangements for processing personal data.**

### **3 GWYNEDD LOCAL GOVERNMENT PENSION FUND**

The Chair welcomed Mr Dilwyn Williams Corporate Director with Gwynedd Council to the meeting and he invited him to address the Audit Committee on the position with regard to the Pension Fund and specifically, the £18.4m increase during 2012/13 in the net pension liability from £63.7m to £83.1m and the implications thereof.

In his presentation to the Committee, the Strategic Director explained the mechanics of the Local Government Pension Fund system and how it works, and he highlighted the key considerations and factors in approaching issues in relation to the performance of the Pension Fund.

There followed a question and answer session in which Members of the Committee were given the opportunity to raise queries and/or points of clarification on the information provided by the Corporate Director. The following is a summary of the issues raised:

- The performance of the pension fund against the benchmark and compared to other local authorities. Questions were asked regarding the low position of the fund in terms of its performance in recent years relative to that of other authorities and the reasons for the weak performance lately.
- Whether in light of the fact that the pension liability is in effect a liability for the Island's ratepayers, Members and Members of the Audit Committee in particular should be taking a more proactive approach to the management the pension fund to seek to ensure optimum performance and returns.
- It was proposed and endorsed by Members of the Committee that the Audit Committee in order to reinforce its monitoring intentions in this respect receives the Annual Report on the Performance of the Gwynedd Local Government Pension Fund as matter of course and that the Annual report is presented to a meeting of this Committee scheduled after the Annual meeting of the Pension Fund Management Board in order to allow the Council's representative on the Pension Fund Committee to provide a report back on any issues arising from the Annual meeting.

Gwynedd Council's Corporate Director emphasised that with regard to pension fund performance longevity and life expectancy are key factors and that pension fund investment is an undertaking for the long term and that for the reasons given in the presentation performance should not be judged on a single year's output figures. The Portfolio Member for Finance as this Authority's representative on the Gwynedd Local Government Pension Fund Committee endorsed the comments made in the presentation with regard to the influencing factors in relation to the pension fund's performance and he explained to Members the reporting

arrangements to the Pension Fund Management Committee with regard to the performance of the Fund.

**It was resolved to note the information presented in relation to the position of the Gwynedd Local Government Pension Fund and to thank Gwynedd Council's Corporate Director for the presentation.**

**Action Arising: Head of Function (Resources) to include the Annual Report on the Gwynedd Local Government Pension Fund on the Audit Committee's annual work programme with specific regard to scheduling to allow the Authority's representative on the Pension Fund Committee to provide the Committee with feedback from the Annual Meeting.**

#### **4 STATEMENT OF ACCOUNTS 2012/13 AND ANNUAL GOVERNANCE STATEMENT**

- A report by the Head of Function (Resources) incorporating the Statement of Accounts for 2012/13 along with the Annual Governance Statement was presented for the Committee's consideration and endorsement. The report provided a synopsis of the main issues arising from the audit of the accounts including a reference to those areas to which the significant amendments in the accounts apply along with an updated version of the Annual Governance Statement and the revisions thereto following the submission of the draft to the July meeting of the Audit Committee. Also included in the report was a breakdown of the 3 Towns Programme funding as per the Committee's request at its previous July meeting.

The Head of Function (Resources) informed the Committee that the County Council's draft accounts were presented for audit on 28<sup>th</sup> June online within the statutory deadline. The accounts as made available to the Audit Committee ahead of this meeting include amendments made as part of the audit process. However, since that time there have been additional adjustments made particularly as a result of the audit of the Gwynedd Pension Fund Accounts which has disclosed discrepancies between the number of active and deferred members within the scheme between February and August, 2013 which could materially affect the value of the pensions liability within the 2012/13 accounts. The accounts have been revised accordingly and an updated version prepared and made available online earlier in the day. Some delay has been occasioned due to the departure early in September of the lead officer on the accounts and due to the main Accountant being on leave at this time also meaning that it has been a challenge to collate all the information and incorporate it within the final accounts. Following the audit, a debriefing meeting with the Auditors will be held to review the number and extent of the adjustments to the 2012/13 accounts with a view to further improving the accounts preparation process for next year.

- The report of External Audit setting out the matters arising from the audit of the Financial Statements of the Isle of Anglesey County Council's for 2012/13 that require reporting under ISA 260 was presented for the Committee's consideration.

Mrs Lyn Pamment, Engagement Partner, PwC informed Members that at the time of the writing of the ISA260 report, there were several matters outstanding in relation to the audit as listed under section 6 of the report. The Auditor proceeded to table a letter which provided an update on each of the audit procedures identified as outstanding in section 6 along with the outcomes. She referred to the fact that at the time of the presentation of the ISA 260 report the Appointed Auditor was considering the form of his audit opinion on the financial statements pending resolution of the issues identified regarding the valuation of the pension's liability in the Statement of Accounts. Since those have now been dealt with and the accounts amended accordingly as noted in the update letter and to the satisfaction of the auditors with regard to their being no risk of a remaining material misstatement in this regard, the Appointed Auditor intends to issue an unqualified opinion on the Statement of Accounts 2012/13.

The Auditor then proceeded to highlight other significant issues arising from the audit which the Committee was asked to consider prior to endorsing the financial statements as follows –

- Uncorrected misstatements identified in the financial statements as at section 10 of the report and the update letter and the value thereof. These have been discussed with management but

remain uncorrected. If the decision is to not correct these misstatements then the Authority is asked to provide reasons for non-correction.

- Corrected misstatements as set out in Appendix 3 of the report and the update letter which document matters that have been corrected by management but which it is considered should be drawn to the attention of those charged with governance, the most significant one being in relation to an error in the way that internal recharges were dealt with in the accounts.
- The significant audit risks that were identified during the audit planning process and the outcome of the audit procedures in respect of those risks as set out in paragraph 12 of the report.
- Audit procedures undertaken in relation to the following areas subject to estimation risk:
  - Fixed Asset valuations
  - Job Evaluation and equal pay liabilities
  - Waste provision
  - Pensions – the Auditor specifically referred to the tabled letter which provided an update on the adjustment actions taken by management to rectify the situation with regard to the IAS19 provision within the accounts.
- Other significant issues arising from the audit confined to the oversight of the financial reporting process as explained under section 38 of the report.

The Auditor drew Members' attention to one other matter noted in the update letter with regard to the pressure put on the finance team at the latter stage of the accounts production process to produce a CIPFA Code complaint final draft of the Statement of Accounts in time for the Audit Committee and the need consequently to put in place arrangements to ensure that the finance team has adequate and appropriately skilled resources going forwards.

In the ensuing discussion, Members of the Committee sought clarification of a number of points relating to the following matters to which the Officers and Auditors responded with additional information and explanation:

- With reference to the errors identified by sampling whether there was potential for further errors if more extensive testing had been undertaken
- The material misstatement identified in relation to the oversight of the production of accounts which it was pointed out was substantial and whether this was due solely to lack of more detailed scrutiny pre-audit.
- Whether in light of the identification of the difficulty in permanently filling positions in the Finance Team as a risk to the accounts preparation process, it is timely to be considering reinforcing the Finance Team.
- Job Evaluation and Equal Pay liabilities and whether contingency arrangements are sufficient to meet any unforeseen eventualities.
- Slippage on the 3 towns programme and whether the oversight arrangements with regard to ensuring the timeliness of expenditure on such programmes as well as their value for money are adequate particularly in terms of accountability. It was suggested and agreed that the Head of Service for Economic Development be invited to a meeting of this Committee to explain the grants process in respect of monitoring arrangements, ensuring grants expenditure provides value for money and ensuring that grant programmes and expenditure have the desired impact with particular reference to the 3 Towns programme.

#### **It was resolved –**

- **To recommend to the County Council at its meeting on 26<sup>th</sup> September, that it approves the Statement of Accounts inclusive of the amendments as reported by External Audit to this Audit Committee and subject to the receipt of confirmation by External Audit via the Chair of the Audit Committee of the finalisation of its accounts review process.**
- **To approve the Annual Governance Statement 2012/13 and to refer the document to the Leader of the Council and the Chief Executive for their signatures.**

#### **ACTIONS ARISING:**



- **Chair of Audit Committee to confirm with full Council on 26<sup>th</sup> September the receipt of External Audit confirmation regarding the completion of its review of the accounts.**
- **Head of Function (Resources) to invite the Head of Service (Economic Development) to a meeting of the Audit Committee to explain the oversight and accountability arrangements in relation to the grants process with specific reference to the 3 Towns Programme.**

## **5 EXTERNAL AUDIT – PERFORMANCE WORK PROGRAMME**

- Mr Andy Bruce, WAO updated the Committee on the status and progress of items on the Performance Work Programme both national and Anglesey specific. Members accepted and noted the information presented.
- Mr Andy Bruce presented the Appointed Auditor's Improvement Assessment Letter 1 for the Committee's consideration. The Letter provided an initial assessment of whether the Isle of Anglesey County Council has discharged its duties and met the requirements of the Local Government Measure 2009 particularly with regard to improvement planning and making arrangements for continuous improvements including progress on recommendations identified in previous assessments and addressing financial challenges. A further update Letter would be issued by the end of November, 2013.

Mr Andy Bruce proceeded to highlight and elaborate on the Appointed Auditor's conclusions as set out in the Assessment Letter.

Members considered the contents of the Letter and a point was made regarding the adequacy of the Authority's scrutiny arrangements following the reduction of the number of scrutiny committees from 5 to 2. Mr Andy Bruce said that the quality and content of scrutiny discussions are key considerations and that effective scrutiny output can be equally if not better achieved with less scrutiny groups as with many.

**It was resolved to accept the Improvement Assessment Letter and to note its contents.**

**NO FURTHER ACTION ARISING.**

## **6 RISK MANAGEMENT AND INSURANCE**

A report by the head of Function (Resources) on the latest position with regard to the implementation of the risk management framework and also the updated the insurance claims position was presented for the Committee's consideration.

The Risk and Insurance Manager informed Members that the Risk Management Strategy and Risk Management Guidance are currently being reviewed and amended to reflect changes over the past 12 months in the way the Council operates and also changes to the management structure which processes also provide an opportunity to change what is reported to Members. It is consequently proposed that only the top risks and any significant changes to other corporate risks are reported to Members together with the progress on any actions to mitigate those risks. This proposed new reporting format is exemplified by the streamlined version of the Risk Register at Appendix A to the report which reflects the principal risks only and related mitigating actions.

Members welcomed the new risk register format as a more meaningful tool to enable the Audit Committee to monitor the risk position and resultant actions for the top corporate risks with the proviso that the register is fully populated with regard to information about mitigation actions and timescales against all the risks cited and that explanatory commentary is also provided with regard to any risk movements so that Members can make sensible judgements.

**It was resolved to accept the report and to endorse the proposed new risk reporting format.**

**NO FURTHER ACTION ARISING.**

## **7 INTERNAL AUDIT PROGRESS REPORT APRIL TO AUGUST, 2013**

A progress report on the work of the Internal Audit Section for the period from 1 April, to 30 August 2013 was presented for the Committee's consideration. The Audit Manager drew the Committee's attention to the main considerations of the report in terms of performance, outcomes and outputs.

The ensuing discussion focused on the issue of recommendation implementation in relation to schools and whether it is a case of trying to audit a system that is in need of review given the recurring issues with regard to aspects of financial management in schools. Mention was made of a previous point of discussion in relation to putting in a resource into schools to address and manage financial systems thereby reducing the pressure on school staff in this regard and enabling internal auditors to carry out their audit work without taking on an advisory role as well. The Audit Manager explained that the audit checklist with regard to schools is limited in scope and is confined to key financial controls and governance – consideration is being given to strengthening the checklist to include more financial indicators. Consideration is also being given to other actions in terms of the audit approach and oversight of schools e.g. sending out self-assessment forms to schools and risk assessing which schools to target instead of the present rolling programme with a view to providing a more robust challenge to schools.

**It was resolved to accept the report and to note its contents.**

**NO FURTHER ACTION ARISING**

## **8 INTERNAL AUDIT REPORTING**

A report outlining a proposed new reporting framework for internal audit reports including the reporting of progress on the implementation of recommendations was presented for the Committee's consideration.

The Audit Manager informed Members that it is proposed that the reporting of a summary of Internal Audit work carried out, the significant issues identified through Internal Audit work in the period and the recommendation implementation rates of "significant" recommendations made along with the IA's forward work programme be reported to senior management on a regular basis with the objective of raising awareness of issues raised by the work of Internal Audit. Such reports would also aim to provide a timely reminder of the outstanding High and medium category recommendations in their area and those recommendations which have implementation timescales coming up in the near future. The Officer said that internal Audit will also take this opportunity to review the format of progress reports to the Audit Committee as part of this general review of reporting lines so that reporting to both senior management and the Audit Committee are aligned.

Members endorsed the proposed new approach.

**It was resolved to accept the report and the new proposed IA reporting framework.**

**NO FURTHER ACTION ARISING.**

## **9 ANNUAL REPORT ON THE PREVENTION OF FRAUD AND CORRUPTION**

The Annual Report for 2012/13 on the Council's activity in preventing fraud and corruption was presented for the Committee's consideration.

The Audit Manager referred to the areas which the Council's Policy for the prevention of fraud and corruption covers along with the outcomes during 2012/13 in relation to detection, investigation and prosecution on an authority basis as well as in conjunction with the National Fraud Initiative. Reference was made to developments in relation to proposals to introduce a Single Fraud Investigation Service.

**It was resolved to accept the Annual report for 2012/13 on the Prevention of Fraud and Corruption.**

**NO FURTHER ACTION ARISING**

## **10 TREASURY MANAGEMENT QUARTER 1 2013/14**

An update report by the Head of Function (Resources) on treasury management activities during the first quarter of 2013/14 was presented for the Committee's consideration including an outline of the main considerations in relation to the Council's borrowing and investment approach in the quarter in the context of the economic background and outlook and in light of the advice of Sector, the Council's treasury advisors.

**It was resolved to accept the report and to note its contents.**

**NO FURTHER ACTION ARISING**

## **11 INSPECTION OF REGISTERS AND DECLARATIONS OF INTEREST**

The Audit Manager confirmed that the registers of interests and declarations of interest had been made available to Members of the Audit Committee for their inspection immediately prior to the Committee's formal meeting. There was no feedback from that exercise in terms of further action to be taken.

## **12 NEXT SCHEDULED MEETING**

Noted as 2:00 p.m. on Wednesday, 11<sup>th</sup> December, 2013.

**Councillor R.Llewelyn Jones**  
**Chair**

DRAFT

This page is intentionally left blank

## **Update for the Audit Committee (Dec 2013): Information Governance Project**

**Lynn Ball SIRO**

Following a number of breaches of the Council's statutory duty to keep people's personal information secure, the Council was required to sign 'undertakings' (a formal commitment to implement improvements) with the Information Commissioner. As part of the Information Commissioner's Office's (ICO) follow-up, the Council's compliance with the Data Protection Act 1998 was audited during July 2013. The audit looked at three scope areas, which were likely to present risks to the security of personal information:

- Data Protection Governance
- Records Management
- Security of Personal Information

Over 100 recommendations were made within their report. In response to these recommendations the Authority has identified actions to be delivered under five key themes:

- [Theme 1](#) - Policies & Strategies
- [Theme 2](#) - Communication, Training & Guidance
- [Theme 3](#) - Records Management
- [Theme 4](#) - Access to Buildings, Information and Third Parties
- [Theme 5](#) - Governance (Ownership) / Reporting Procedure

It is important to note that work is underway to ensure that this '*DPA Action Plan for Improvement*' incorporates all previous regulatory activity in this area; so we will be delivering against the one action plan.

The *Information Governance Project Board*, part of the Council's *Business Transformation Programme* will be the vehicle for delivering this action plan.

**Serious breaches of the DPA can result in heavy monetary penalties (up to 500k) and reputational harm. In addition, the ICO's audit will be repeated in the near future, and failure to implement change could result in enforcement action being taken against the Council.**

**There is no doubt that the implementation of the ICO's recommendations will mitigate against the risks of a serious breach of the Act.**

### **Progress to date:**

- Capacity has recently been awarded to project for ICT, HR and DP/Legal support
- The action plan started on the 1<sup>st</sup> November.
- Four key policies have been prepared and approved at SLT : Data Breach; PIA; Personal Data Classification Policy (will need work from the services); Information Risk
- Next Project Board : 6<sup>th</sup> December - progress against the actions is being collated and reported, and an update from this meeting will be provided verbally to the Audit Committee

This page is intentionally left blank

Committee	Audit Committee
Date	11 <sup>th</sup> December 2013
Title of report	Building Maintenance Unit [also known as the Housing DLO] – update of progress made against Action Plan
Author	Shan Lloyd Williams, Head of Housing Services
Portfolio Holder	Councillor Kenneth P Hughes

## 1.0 Purpose of Report

1.1 This Report updates Members of the Audit Committee on progress made to transform the services delivered by the Housing Services' Building Maintenance Unit [BMU], since the last Report presented to Committee 24<sup>th</sup> May, 2012.

## 1.2 Background

A good and efficient repairs and maintenance service is one of the most important services provided by the landlord. The service is likely to be the one most tenants use, is highly valued by tenants, can have an impact on tenant's quality of life and is likely to be a key contributor to tenants' satisfaction with their landlord as a whole.

The BMU has an annual turnover in the region of £4.98 million (£5.2 million 2011/12 figures)], with a workforce of 45 operatives serving approximately 3,800 properties. The BMU also contract work to 27 Sub-contractors providing approximately 70 individuals.

## 1.3 Current Functions

The Building Maintenance Unit (BMU) carry out works on the following functions:-

- a) Day to Day Responsive Maintenance on average 25-30 jobs per day with 50% being categorised as Emergencies.
- b) Pre-Painting Repairs
- c) Disabled Adaptations
- d) Void Property Maintenance / Refurbishment averaging 10-15 properties per week
- e) Gas / Oil appliance Annual Servicing, 350 properties per month.
- f) Gas / Oil Appliance Repairs
- g) External Works

- h) Car Park Maintenance
- i) Welsh Housing Quality Standards Year 6
- j) PAT testing for the majority of the Councils departments.
- k) Minor Maintenance for Public Protection and Waste Management
- l) Minor Maintenance for Social Services.
- m) Solid Fuel Installation, Servicing and Repairs
- n) Fuel Switching Programme

**1.4** The management of the BMU transferred over to Housing Services in February 2012.

## **2.0 Service reviews**

### **2.1 Wales Audit Office Advisory Review**

Shortly after transfer of the Unit to Housing Services, an advisory review was requested by S151 Officer and Head of Housing Services from the Wales Audit Office, which reported in April 2012.

### **2.2 Conclusions from the Wales Audit Office Review**

The Welsh Audit Office review of the BMU concluded that *'...the Council cannot demonstrate that its repairs service supports delivery of its strategic priorities, that the BMU's activities were based on meeting compulsory competitive tendering requirements which is now out of date, there was no consensus over what the service should be aiming to achieve, the Council cannot demonstrate that resources are being used effectively and that value for money is being achieved, there is no overall performance reporting framework in place and weaknesses in validating financial information means the Council is unable to fully evaluate its responsive repairs service'*.

**2.3** The findings and recommendations of the review were reported to Elected Members through the Scrutiny Committee, Audit Committee and Board of Commissioners during May 2012.

### **2.4 Solutions for Housing Review**

In June 2012, the Head of Housing Services commissioned a further detailed review on the BMU, through a specialist company, at the time were also engaged by Denbighshire Council to transform their DLO service. The consultant involved,



agreed to undertake a review of the Services in Anglesey. The review was undertaken during July and August 2012 and a report was issued in October 2012.

**2.5** The key objectives for this review were:

1. To conduct a comprehensive Service and Value for Money review of Anglesey Housing's BMU to establish the current level of Service and VFM being offered to the Landlord by the BMU;
2. To identify a wide range of opportunities to improve the economy, efficiency and effectiveness of Anglesey Housing's BMU;
3. To make appropriate recommendations to improve the service and VFM, from easy 'quick wins', to more substantial changes in service delivery.

**2.6** The Service and Value for Money Review of Anglesey Housing's BMU revealed that the service is achieving the level of a **one star service** (i.e. a fair service) but has **poor prospects for improvement should the current client/contractor split be retained in its existing form.**

### **2.6.1 The key recommendations**

A number of recommendations were made as a result of both reviews and these have been included within a SMART action plan that accompanies this report at **Appendix 1**. The appendix also notes progress to date against each task and work stream.

A top ten list of priority recommendations, ranked in order of priority, is outlined below and it should be noted that most of these included recommendations for both the client and the contractor elements of the repairs service due to them being inextricably linked:

1. **Client/Contractor split** – There is an urgent need to review the current client/contractor split which is a major weakness and will prevent the service from moving forwards if retained in its existing format. There are several options available to Anglesey Housing ranging from retaining a split between the client and the contractor but working with partnering principles, to a fully merged client/contractor repairs service (which is the model that most of the three star excellent organisations use). Anglesey Housing needs to evaluate each of these options within the context of its new strategic direction for the Housing Service and establish the 'best fit' option for its repairs function.
2. **Performance** – closely linked to the above, is the need to ensure that performance information, benchmarking data, customer demand information,

customer satisfaction and complaints information is routinely shared with the BMU, within a revised culture of team-working, continuous communication and improvement. To develop a 'balanced scorecard' approach to performance management i.e. cost, quality, productivity and customer information. To also ensure that a comprehensive approach to collecting customer satisfaction information is adopted in order that this is used to inform and improve future service delivery. Performance targets should be mutually agreed.

- 3. Financial management** - To strengthen existing financial management arrangements to ensure that they are fit for purpose for a £5.2 million annual turnover business. That budgets be developed for the BMU (with BMU involvement) and that the existing trading account is revised into a more 'user friendly' format. That all non-finance managers within the client and contractor sides of the business with budgetary responsibility should be provided with financial management training and that commercial acumen is increased.
- 4. Information Technology** – New systems are being implemented however in our opinion Housing Service is trying to do too much in a short space of time which exposes the service, and within it the BMU, to a significant level of risk. We recommend that the proposed phasing of the implementation should be reviewed as a matter of urgency based on a 'must/should/could' priority rating. We also recommend that in line with best practice, that appropriate contingency plans be developed with the BMU team, to ensure that the service can still be delivered even if the new systems fail to work efficiently, or indeed, at all.
- 5. Contract Management/Housekeeping** – to implement a comprehensive schedule of contract management/housekeeping tasks to ensure that the systems of the BMU are always up to date, accurate and form a sound basis for informed decision making.
- 6. Gas servicing** – To revise the arrangements for the gas servicing programme to ensure that gas safety certificates are delivered within statutory time limits.
- 7. Pre-inspections/Post-inspections** - to reduce the current high level of pre-inspections down to industry good practice levels of 10%. To also reduce the level of post-inspections to prevent the current duplication of effort in this area.
- 8. Lettable standard** – to review the minimum lettable standard (i.e. where works can be done at a property in excess of this) and replace with a

common lettable standard where all voids are returned back into management to the same level (unless management have agreed due to being hard to let etc.), thus preventing customers from experiencing different quality levels.

**9. Customer Service** – that a Repairs Policy be developed, that published Service Standards be revised to best practice levels, the removal of current discrepancies between targets used by BMU and the main service, that customer groups properly scrutinise the service and are involved in its improvement, that all customer handbooks, guides and literature are reviewed to best practice levels. We recommend that the BMU has involvement in the development of these in order that it can truly ‘put the customer at the heart of its business’.

**10. Medium Term (3 to 5 year) Business plan** – that a medium term DLO business plan be developed and supported by a medium term financial plan. This will ensure that the BMU is achieving strategic alignment with the Housing Service, is moving forwards in a planned manner, is financially viable and has a clear route map to upper quartile/decile levels.

## **2.7 Key findings from the Internal Audit Report**

**2.7.1** The third review to be commissioned, followed from the above Solutions for Housing review, as a result of the identified risks for the Housing Services, was commissioned by the Head of Service, Housing, from the Internal Audit Team concentrating on the BMU’s Procurement Arrangements. This advisory Report was received at the end of October 2012, and copied to the S151 Officer.

**2.7.2** The review found that ... *‘the BMU had no procedures in place to ensure that procurement undertaken with the BMU was in line with the Council’s Contract Procedure and Financial Procedure Rules... no evidence of compliance with contract Procedure Rules in relation to tendering and contracts.’*

**2.8** A comprehensive action plan was put in place following three critical reports. A high percentage of improvement workstreams have been progressed during the past 18 months, with only a handful where little or no progress made. According to self-evaluation by staff members, the following gives a picture of delivery of the action plan.

61.5% of tasks have been completed

32.5% of tasks in progress

6% no progress made to date

### **3.0 Progress**

**3.1** The key areas identified for improvement progressed are as follows:

#### **3.1.1 Client/Contractor split**

Limited progress has been made, however this will be driven forward as part of the next phase of modernising the Service. This is an area of risk for the Service, together with the lack of Officers who have experience of managing change to drive this through.

#### **3.1.2 Performance**

**Orchard:** Performance is monitored through the new Orchard computerised system, where performance reports can be created at any time through Business Objects. Proactive use is made of both Housemark and APSE benchmarking performance data and data around costs, throughput and quality of services delivered is reported and discussed monthly as part of the Housing Services' Balanced Scorecard.

During the year, there is clear evidence showing that void repairs performance has improved, as has all gas, solid fuel installation repairs.

Trackers placed on the vehicles of gas engineers has provided a vital tool to ensure efficiency of existing resources, together with van stock, directing the nearest qualified contractor to attend jobs, and without having to return to the Depot for stock.

#### **3.1.3 Financial management**

Since the 1<sup>st</sup> April 2013 the BMU is now a Cost Centre whereby all works carried out on behalf of Housing Services is charged at cost, it is envisaged that this will in time yield savings. Substantial work has been undertaken to improve financial management information and realistic budget setting. More work will be undertaken to refine budget setting as Civica beds-in. A reality check review has been commissioned December, 2013 and the Head of Services believes that much more efficiency savings can be delivered by maximising the use of the new IT system and introducing different ways of service delivery.

Schedule of rates: A new M3 schedule of rates have been introduced, but are currently under review due to the need to revise the standard minute value [SM Value] for not being suitable and fit for purpose. BMU and Housing staff are working in partnership to look and revise all of the rates. This is a long drawn process as all the rates need to be looked at individually.

### **3.1.4 Information technology**

The new *Orchard Housing* system was introduced in November 2012 but not without its teething troubles. This was to be expected. As the BMU are now a cost centre all charges are at cost. It has been a long drawn process to have the cost centre facility set up within the system as support from Finance Services has been limited during the past 12 months, as the Service Accountant was also seconded to the Civica Project Team. Now these have been introduced the BMU are well on the way with charging completed jobs. Due to the timescale of installing the necessary data in respect of the cost centre, there is a backlog of charging to be inputted into the system. BMU admin staff are currently working to reduce this backlog.

Ordered work other than emergency work has been set up to print as batch jobs at 12noon and 4pm each day. These jobs are then categorised by the controller who will determine which of the trades staff or contractor are available to carry out the work, these are then entered into the appointments calendar for each individual allocating a time slot (30min slot) depending upon the SM value of the task ordered. Daily diary appointments are made in advance and staff and contractors are aware of the day that both an AM or PM appointment has been made and the customer informed. These only apply to jobs that are ordered on a routine priority. With emergency work these are attended to within 4 hours and tenants are informed as to when the trade will call using the contact details provided. This will be refined with the introduction / roll-out of the new hand-held devices, currently being piloted by some contractors.

### **3.1.5 Contract Management/Housekeeping**

Procurement Consortia: Draft strategy documents have been prepared for the Procurement of materials for stores, and discussions are in process with Procurement for Housing together with support from the Council's Procurement Manager with regards to benchmarking. A report is expected soon from the company and Assistant Operations Manager of the BMU. Documents for the procurement of contractors are currently being prepared.

### **3.1.6 Gas servicing**

The BMU carry out annual servicing on all oil, gas and solid fuel heating installations. This amounts to 3210 installations approximately 350 per month. Servicing of heating installations is carried out during the period April to November.

Gas Installations 2426 (April – October)

Oil Installations 247 (April – July)

Solid Fuel Installations 537 (April – November)

Servicing is completed 100% during these periods.

Following on from the Solutions for Housing recommendations the following improvements to the servicing process have been introduced:-

- a) CP12 Expiration dates have been added to the monthly databases
- b) CO alarm expiration dates have been added to the data bases
- c) All servicing appointments are scheduled by the BMU
- d) Servicing is scheduled for the first two weeks of every month to allow for the second chance and section 54`s processes to be completed prior to the current expiry of the CP12.
- e) Refusal properties are referred back to the BMU at the end of each day for quicker implementation of the second chance and section 54`s process.
- f) The number of installations will increase over time as new systems are installed. Once installed the new systems are added to the BMU`s annual program.
- g) Following a comparison of service costs undertaken it was deemed that the BMU charges were competitive to that of one of the major national utility companies.

### **3.1.7 Pre-inspections/Post-inspections**

Recommendations have been implemented, and are reviewed to ensure quality of services is maintained, by the Senior Maintenance Officer.

### **3.1.8 Lettable standard**

Recommendations have been implemented

### **3.1.9 Customer Service**

All BMU staff have been issued with standard uniform, and a new code of conduct for employees has been developed in conjunction with tenant groups and staff members and introduced. A new freephone number has been issued, and all staff have recently attended customer care training.

The process of reviewing customer handbooks is progressing.

A customer satisfaction survey is left at every premises with a stamped addressed envelope for returning, analysing and reporting of service quality. A team of Tenant Inspectors will in quarter 3 be spot-checking the works of the BMU contractors involved in turnaround of void properties against the newly adopted Lettable Standards document.

### **3.1.10 Medium Term (3 to 5 year) Business plan**

Work has commenced with the business plan and will be informed by the outcome of the Options Appraisal and Service Review commissioned by the Head of Housing Services, following the retirement of the Operations Manager, in November 2013.

#### **4.0 Current BMU risks transferred to the Housing Services' Risk Register**

- Lack of Officers experienced in implementing change
- Procurement and contract rules – lack of progress made by Officers
- Failure of new IT system
- Resistance to change e.g. introduction of more flexible working hours
- Significant overspend
- Health and safety – lone working
- Increasing levels of unpaid re-charges

#### **5.0 Conclusion**

5.1 Positive progress has been made over the last 12 – 14 months in most of the identified areas for improvement, which has been driven by a positive attitude from staff who wished to see the Service improved and shared the drive to turn the service around. This determination and shared vision has resulted in improved reputation and Performance. There is acknowledgement that there is more work to be done, and will follow as part of the review of progress reported through self-evaluation, and which will be subject to an independent reality check by the appointed consultants.

#### **6.0 Next steps**

**6.1** Options appraisal and independent evaluation of progress made against action plan February 2014, and will be presented to the Council's Executive Committee in March 2014.

**6.2** Progress of implementing the chosen option will be reported to the Service Excellence Transformation Board, and a formal project management approach will be adopted.

#### **7.0 Recommendations**

7.1 Members are asked to note the progress made to date to transform and modernise the BMU Unit, through the delivery of the action plan.

**Report author:** Shan L Williams, Head of Housing Services

21/11/13

## **Appendix 1**

Action Plan with progress narrative

### **Background Papers**

Wales Audit Office Review, June 2012

Solutions for Housing review, October 2012

Internal Audit review, October 2012



## Repairs & Maintenance Action Plan

---

Action	Objective	Timescale	Remarks	% completed
<b>1. Corporate Image / rebranding</b>				
a) Restructure	Efficient working & Financial Savings	<b>March 2014</b>		
b) Rebranding	Create a new Identity	<b>March 2013</b>	Launched via Newsletter	<b>100%</b>
c) Uniform	Professional workforce	<b>March 2013</b>	Completed, new uniform issued March 2013	100%
<b>2. Financial Management</b>				
a) to strengthen financial management arrangements, introduce a new trading account format and provide managers with financial training	Budgets produced for the BMU  Trading account format revised  Monthly management accounts with variance analysis  Forecast outturns  Training provided	<b>April, 2013</b>	Cost Centre implemented June 2013. Delay experienced from finance setting it up in Civica.	100%
b) to decide whether cost centre approach or trading account format	Decision on future of financial management	<b>March, 2013</b>	Cost Centre set up and implemented June 2013	100%

## Repairs & Maintenance Action Plan

---

	made.			
<b>3.Schedule of Rates</b>				
a) Standard Minute Value (SMV)		<b>March 2013</b>	Working on revising the SMVs. Progressing on Schedules that are commonly used. Remaining Schedules and SMVs will continue to be amended but will take time to complete the whole M3 schedule of rates.	90%
b) Cost Rates		<b>March 2013</b>	Currently working on amending the SM values and cost rates in the M3 Schedule of rates. Nearing completion, only joinery tasks remaining	90%
c) to introduce a condensed version of the proposed new schedule	Condensed schedule in place	<b>November 2012</b>	Completed November 2012	100%
d) Job Costing Rates – to ensure that the correct job costs exist and are in alignment with budget, in order to compare directly with SOR	Job costing rates reviewed	<b>December 2012</b>	Completed November 2012	100%

## Repairs & Maintenance Action Plan

---

<b>4. Mobile working Solution</b>				
a) To introduce and implement the mobile working solution for Repairs staff	Efficient working & Financial Savings	<b>April 2013</b>	<p>Delay in implementation of mobile working. Only recently a decision was made on the hand held units. The feasibility of the units that ICT have provided is now under assessment by both BMU and Housing Service officers. It is only on completion of this assessment that a final decision on the type of units to be purchased and implemented can be made. Need to ensure that the units purchased are fit for purpose.</p> <p>3 Mobile devices issued 1 for SHO, 1 for BMU electrician and 1 mobile tablet for Technical Officer Inspector.</p> <p>Devices currently being evaluated as to ease of use etc. ICT to load SVS on the devices within the next 2 weeks. Once this has been done commencement of sending work via mobile can</p>	80%

## Repairs & Maintenance Action Plan

---

			commence .	
b) Trackers –to ensure that new hand held technology incorporates tracking system	Hand held technology has trackers embedded	<b>Sep 2013</b>	Tracking not part of PDAs but tracking has recently been introduced in vehicles  Trackers currently on 50% of Vehicles. Trackers fitted to 70 of the Councils vehicle fleet which from information from the Fleet Manager the remaining BMU vehicles will be fitted with trackers as and when funding becomes available and only on vehicles of a certain age. Vehicles due for exchange will not be considered.	100%
c) Opti Time – introduction of opti time system for mobile working solution	Efficient working & financial savings	<b>October 2013</b>	Under consideration for future mobile working, with the possibility of moving forward in aprox 18 months time. Phase 3	0%
<b>5. Access, customer care and user focus</b>				
a) How effectively does the organisation communicate and consult with its service users and stakeholders about stock		<b>MARCH 2013</b>	Extensive consultation in relation to WHQS and establishing work priorities.	<b>100%</b>

## Repairs & Maintenance Action Plan

---

investment and asset management.			Regular updates on capital expenditure via Tenant Newsletter. Joint tenant/officer panel set up to monitor WHQS refurbishment programme.	
b) How easily do service users access the service.		<b>MARCH 2013</b>	An audit of the Customer Care Charter was carried out by Tenants during June/July. The auditors were happy that officers were easy to speak to and dealt with queries promptly in line with the Customer Care Charter and that the new free phone number for Repairs and Maintenance was a good idea.	<b>100%</b>
c) How clear and comprehensive are service standards from a service user's perspective.		<b>March 2013</b>	Service standards are reviewed and updated regularly, a recent update has taken place to the Customer Care Charter and the Repairs and Maintenance Factsheet.	<b>100%</b>
d) How does the organisation respond to service users?		<b>March 2013</b>	Môn Tenants and Officers Voice meeting are held every quarter. The TP Team also visit TRA Groups every	<b>100%</b>

## Repairs & Maintenance Action Plan

---

			quarter.	
e) What service user satisfaction has been achieved through stock investment and asset management.		<b>March 2013</b>	Consistently high service user satisfaction rates recorded throughout WHQS programme implementation.	
f) Code of Conduct – to deliver a specific version for BMU	Tenant consultation Code of conduct in place	<b>Jan, 2013</b>	Code of Conduct for employees has been agreed and accepted by all concerned.	100%
g) Tenant involvement – to ensure that learning from the WHQS extends to the remainder of the BMU.	Learning passed to remainder of BMU service	<b>April, 2013</b>		
h) Contact with incoming tenant – voids team “customise void within lettable standard parameters	Incoming tenant able to influence void	<b>March, 2013</b>	Minimum Lettable Standard set by tenants. Audit to be carried out in January 2014.  New Lettings process commenced in September 2013 to allocate properties within notice to quit period. Giving new tenants the option	100%

## Repairs & Maintenance Action Plan

---

			of viewing their new home.  New tenants are visited by the Area Inspector within 10 Days of the sign up.	
i) Incentives – Housing Service to consider whether incentives could be introduced for tenants to leave properties in good condition	Incentives considered	<b>June 2013</b>	outstanding	0%
j) Customer satisfaction- to set appropriate targets for receipt of customer satisfaction information and consider incentivising their return. To set a minimum acceptable level of satisfaction. To make more clear the information provided in graphs.	Targets in place  Incentives considered  Acceptable level of satisfaction agreed  Graphical information made clear	<b>March, 2013</b>	New system has been implemented, contractors issue satisfaction forms at job completion stage of all works carried out on tenanted properties, aim for a response rate of 80%. Incentives to be considered if return rate proves to be low. Minimum level of 'Overall quality of repair work' set at 95%. Simple, year to date reporting by way of graphs or report sheet produced and available via the shared	95%

## Repairs & Maintenance Action Plan

---

			drive.	
k) to establish whether demand exists for “out of office hours”	Evening/Saturday appointments offered if demand confirm need	<b>March, 2013</b>		
l) BMU to work with Tenant Liaison section	Joint working in place	<b>December 2012</b>	Completed, Joint working in place, BMU consultation team set up consisting of trades and management. First planned meeting with tenant’s group cancelled by request of tenants	100%
m) Customer care training is provided for all staff		<b>December 2013</b>	Customer Care training for all BMU employees has been completed	100%
n) the introduction of a dedicated landline number for repairs.		<b>April 2013</b>	Completed	100%
<b>6. Diversity</b>				
a) How does the organisation respond to the diversity of its community to ensure that all users, or potential users, have fair and equal access to stock investment and repairs/maintenance.		<b>April 2013</b>	All documentation produced by housing services is available in various formats such as braille and large print. Also documentations such as the Tenant Newsletter are looked at by a panel of tenants before	65%



## Repairs & Maintenance Action Plan

---

			they are printed. Tenant profiling exercise underway.	
<b>7. Capital improvement, planned and cyclical maintenance, major repair works</b>				
a) Is the organisation carrying out the right maintenance and improvement work to the right homes at the right time.	WHQS compliance	<b>Dec 2013</b>	During December 2012 the Internal Investment programme procured In order to comply with the WHQS came to a successful completion. Subsequently, external advisers have provided independent verification that the standards have been met and that stock retention remains a viable option.	100%
<b>8. Responsive repairs</b>				
a) How effective and responsive is the organisation in keeping its homes and communal facilities in a good state of repair?		<b>Dec 2013</b>	Internal Communal Areas refurbishment coming to an end May 2014. New Security doors decoration, lighting and non-slip flooring works being carried out. Post WHQS responsive repairs inspected and completed within an average of 28 days.	70%

## Repairs & Maintenance Action Plan

---

<b>Emergency repairs-</b> to establish what performance would be against a 4 hour target and introduce this as the new target.	Performance against 4 hour target known  New target implemented.	<b>November, 2012</b>	Completed November 2012	100%
<b>Routine repairs</b> – stepped targets to take performance to upper quartile.	Stepped targets in place	<b>November, 2013</b>	New priorities implemented November 2012	100%
<b>Target times</b> – to investigate the discrepancy between service standards and BMU target times	Discrepancy investigated	<b>September 2012</b>	Completed September 2012	100%
<b>Urgent repairs</b> – to review existing urgent repairs timescales (possibly 5 day urgent)	Urgent repair timescales reviewed	<b>September 2012</b>	Reviewed - Urgent repairs now stand at 24 hour response as requested by SHO	100%
<b>Routine repairs</b> – the number of routine categories to be reduced	Number of categories reviewed	<b>October 2012</b>	Completed - Categories have been reduced	100%
<b>9. Void repairs</b>				
a) How quickly, to what standard, does the organisation complete repairs to empty properties.	Minimum lettable standard / WHQS		Completed November 2012	100%
b) allocations team to inform the BMU of the priority order in which they want voids returned to them.	Priority order put in place	<b>Nov, 2012</b>	Completed November 2012	100%

## Repairs & Maintenance Action Plan

---

c) Void turnaround – Housing Service to introduce stepped targets to improve and possible lean review of end to end of service	Stepped targets  Lean review considered	<b>April 2013</b>  <b>April 2013</b>	New Void process introduced September 2013	100%
d) Void Costs – to review current void cost to understand what key cost drivers are.	Void costs reviewed	<b>End March, 2014</b>	Void costs being monitored over the Financial year post WHQS	60%
e) Lettable standard – to develop an agreed lettable standard	Lettable standard in place	<b>Dec, 2012</b>	Completed January 2012	100%
f) Customer service – to revise the repair service standards, policy and customer literature to best practice levels	All literature will be best practice	<b>End March, 2013</b>	See 5c	
g) Low demand voids – to carry out options appraisal on low demand properties and develop plan as to whether to repair.	Options appraisal performed  Voids plan in place	<b>June 2013</b>	Options Appraisal being carried out  Completion By the 15 <sup>th</sup> December 2013	70%
l) Utilities during void period –to contribute to project to have utilities within void properties.	Utility supplier in place	<b>March, 2013</b>	Utilities company pulled out last minute. New utility company being sourced.	0%
<b>10. Gas Servicing</b>				
a) Does the organisation comply with gas safety regulations.		<b>March 2013</b>	Completed March 2012 – BMU does comply with gas safety	

## Repairs & Maintenance Action Plan

---

			regulations	100%
b) To review all arrangement for annual programme	<p>CP 12 dates provided</p> <p>Annual programme passed to BMU</p> <p>Performance information shared</p> <p>No access procedures reviewed</p> <p>VFM demonstrated</p>	<b>March, 2013</b>	Completed March 2013 and ready for implementation April 2013	100%
<b>11. To review the current Client/contractor split</b>				
a) and evaluate various options in order to identify the “best fit” which will deliver the future strategic vision for the repairs function of Housing Services.	<p>Options being evaluated and recommendations made</p> <p>New client/contractor</p>	<b>March, 2013</b>	In progress	25%
<b>12. Performance</b>				
a) to routinely share performance, benchmarking, customer demand, complaints and satisfaction information with the BMU. Targets mutually agreed.	<p>Information routinely shared.</p> <p>Targets going forwards</p>	<b>Immediate</b>	<p>Implemented</p> <p>Nov 2012</p>	100%

## Repairs & Maintenance Action Plan

---

	mutually agreed			
b) to design and introduce a comprehensive performance monitoring schedule to provide a balanced scorecard approach of cost, quality, productivity and customer satisfaction. Targets to be stretching and challenging.	Performance schedule designed  Performance schedule introduced and managed	<b>March, 2013</b>  <b>End October, 2012</b>	Completed and implemented	100%
c) Pre and Post Inspections – to move to industry best practice levels	10% pre and post inspections achieved	<b>End March, 2014</b>	This is currently implemented by way of Orchard	100%
<b>13. IT Systems</b>				
a) to review the proposed phasing of the implementation and put contingency arrangements in place	Review proposed phasing  Contingency plans in place	<b>Nov, 2012 phase 1</b>  <b>June, 2013 phase2</b>	Phase 1 complete. Implementation of phase 2 is behind schedule – please refer to highlight report submitted to Transformation Board.	60%
<b>14. Contract Management / Housekeeping</b>				
a) to implement a comprehensive schedule of housekeeping tasks to ensure that the systems of the BMU are always accurate and form a basis for	Housekeeping schedule introduced	<b>In line with recs form Internal</b>	Currently awaiting additional training for staff on Business Objects which will allow the	50%

## Repairs & Maintenance Action Plan

---

informed decision making		<b>Audit Report (Oct, 2012)</b>	monitoring of costs and performance.	
<b>15. Medium Term Business Plan –</b>				
a) to develop a medium term BMU plan to deliver the Housing Strategic plan.	Medium Term plan in place	<b>April, 2013</b>	In progress	
<b>16. BMU Management Teams</b>				
a) monthly meetings established	Monthly meetings in place	<b>September 2012</b>	Completed November 2012	100%
<b>17. Housing Service`s vision-</b>				
a)to communicate the new vision to the BMU	Vision communicated	<b>November, 2012</b>	Completed November 2012	100%
<b>18. Job volumes</b>				
a) to understand the reasons for job volumes reducing.	Reasons for reducing job volumes know	<b>March, 2013</b>	5 year WHQS Investment programme completed.	
<b>19. Operative rest breaks</b>				
to review and formalise required rest breaks (out of hours working)	Defined rest breaks in place	<b>February 2013</b>	Completed Nov 2012	100%
<b>20. Productivity targets</b>				

## Repairs & Maintenance Action Plan

---

a) to arrange a skills audit of the operatives to assess skills and inform future work planning	Productivity targets in place	<b>March, 2013</b>	In progress, with support from Chartered Institute of Housing Cymru – Learning Needs Analysis, October 2013	50%
<b>21. Skills Audit</b>				
a) to arrange a skills audit of the operatives to assess skills and inform future work-planning	Skills Audit completed	<b>June / September, 2013</b>	Job descriptions for all trades have been completed and passed to HR who are currently awaiting the outcome of tribunal on equal pay prior to proceeding.	85%
<b>22. Procedure manuals</b>				
a) to update all procedure manuals with the changes to operational arrangements introduced during 2012/13	Procedure manuals of up to date procedures in place.	<b>To be completed by September 2013</b>	New Tenants hand book to be introduced early 2014. Printing cost issue to be resolved.  Progress made on reviewing policies and procedures for staff	50%  35%
<b>23. Procurement consortia</b>				
a) to be explored for material procurement	All procurement consortia evaluated	<b>Link with findings of internal audit report</b>	Discussions commenced with Procurement for Housing PfH. Report to be forwarded to the Head of Service for	75%

## Repairs & Maintenance Action Plan

---

			consideration.	
<b>24. Minimum van stores on vans</b>				
a) to ascertain whether insurance on van stores can be obtained in order for higher stores levels to be retained on vans	Insurance arrangements reviewed  Revised van store levels in place	<b>April, 2013</b>	Insurance arrangements reviewed, implemented on certain vans, will be fully implemented by April 2013	100%
<b>25. Overheads</b>				
a) to review the charges to the BMU to ensure reasonableness	Breakdown of costs provide  Reasonableness established	<b>September 2013</b>	BMU currently a cost centre and all charges are at cost.	100%
<b>26. Materials</b>				
a) to review the specification of materials to establish whether savings can be made.	Joint working group in place  Materials reviewed  Recommendations made	<b>To be confirmed</b>	Joint working group in place, Materials Procurement now at a stage that when the meeting with Pfh has taken place a report can be prepared and forwarded to the Head of Housing for consideration	100%
<b>27. Stores uplift</b>				



## Repairs & Maintenance Action Plan

---

a) to establish whether 20% uplift covers cost of stores	Calculation carried out	<b>End March, 2013</b>	Completed	100%
b) Stores option appraisal – to carry out an options appraisal on the future of the stores	Options appraisal completed	<b>June 2013</b>	Internally-led options appraisal of the stores completed. Report currently for consideration by Head of Service	50%
<b>28. Staff appraisals</b>				
a) to take account of new strategic direction for Housing and identify skills gap.	Appraisals completed	<b>December, 2012</b>	Completed December 2012	100%
<b>29. Sickness</b>				
a) establish the rates for the BMU and compare to industry averages	Rates calculated Benchmarking carried out	<b>November 2012</b>	Currently working with APSE. Awaiting information from APSE	50%
<b>30. Variations</b>				
a) to introduce formal procedures for operatives varying jobs	Variation procedure in place	<b>September, 2013</b>	Variation procedure in place to be reviewed when mobile working implemented	100%
<b>31. Cost comparison with SOR</b>				

## Repairs & Maintenance Action Plan

---

a) to review BMU job costs to SOR rates once new schedule of rates introduced	Cost comparison to SOR undertaken	<b>September, 2013</b>	Cost Centre in Place since April 2013 giving a potential 20% saving on last year's budget.  Work on going with SOR's	50%
<b>32.Job cost benchmarking</b>				
a) to share information with BMU once available	Information shared	<b>November, 2013</b>	Stats issued at monthly Managers meeting.	100%
<b>33.Stock condition survey</b>				
a) to share information with BMU once available	Information shared	<b>March 14</b>	Keystone being implemented as phase 2 of Orchard.  20% stock condition survey check has been carried out post WHQS.	60%
<b>34.Aborted jobs</b>				
a) the % of aborted jobs should be formally measured and corrective action in place.	% of jobs monitored  Corrective action taken.	<b>October 2012</b>	Monthly % of void calls recorded and monitored since May 2012	100%

## Repairs & Maintenance Action Plan

---

<b>35.% Repairs completed at first visit</b>				
a) to measure first time fix rates	First time fix rates known	<b>September, 2013</b>	Orchard system currently implemented will report on this	100%
<b>36.Flexible working arrangements</b>				
a) to consider flexible arrangements with operatives to provide a “wider service time coverage”	Alternate arrangements considered	<b>March, 2013</b>	In progress	25%
<b>37.Out of Hours</b>				
a) size of standby team to be reviewed after multi-skilling introduced.	Team size reviewed	<b>To be looked at following Equal Pay Claims</b>	Work on multi skilling still on going by HR	50%
<b>38.Work tickets</b>				
a) to contain vulnerability/disability information of tenants	Information provided on work tickets	<b>December, 2013</b>	To be implemented when mobile working solution goes live. No personnel data will be put on work tickets for security reasons	
<b>39.Van fleet</b>				

## Repairs & Maintenance Action Plan

---

a) to review whether van safety checks can be reduced	Van safety check frequency reviewed	<b>December, 2013</b>	Completed Dec 2012	100%
<b>40.Sub- contractors</b>				
a) costs compared with SOR values	SOR comparison performed	<b>September, 2013</b>	Subcontractors will work to same SORs	100%
b) Work for sub-contractors – to review which work should be sub-contracted and which should be brought in	Review completed	<b>September 2013</b>	This will form part of the procurement for Subcontractors to start shortly following the completion of the material procurement	0%
<b>41.Evaluation of major contracts</b>				
a) tenants to review gas servicing contractors	Review completed	<b>April 2013</b>		
<b>42. Staff Appraisals-</b> to take account of new strategic direction for Housing and identify skills gap				
	Appraisals completed	<b>Dec 2012</b>	Appraisals completed by 21 Dec 2012	100%
<b>43. Tool Box Talks</b> – more effective talks with operatives to include performance information sharing and service improvement				
	New formal tool box talks introduced	<b>September 2012</b>	Regular tool box talks introduced since Sept 2012	100%

## Repairs & Maintenance Action Plan

---

<b>44. Value for money</b>				
a) How well does the organisation maximise the impact from its resources on stock investment, repairs and asset management?				
b) How effectively has the organisation established partnerships geared to achieve value for money and improving its performance to service users?			Much work has been done to minimise Client/Contractor split, partnership working has been introduced and is working well throughout the maintenance team, cost centre implemented June 2013 which will further improve performance and provide value for money	85%
c) Has the organisation used procurement to achieve value for money in delivering services that benefits service users and others?			Revised procurement methods now introduced to achieve value for money	50%

Ref	Recommendation	Categorisation	Accepted (Y/N)	Implementation Date	
4.1	Where expenditure on goods and / or	High	Yes	30 April 2013	

## Repairs & Maintenance Action Plan

---

	<p>services of a similar nature exceeds £30k a formal tendering process in compliance with Contract Procedure Rules should be undertaken.</p>			<p>Draft to be completed by end of June 2013</p> <p>100%</p>	
				<p>Working closely with Corporate Procurement team</p> <p>0%</p>	
				<p>Draft Procurement Strategy Completed and submitted Jan 2013</p> <p>100%</p>	
1.1	<p>A Procurement Strategy and Policy for the Building Maintenance Unit should be developed.</p> <p>The Strategy and policy should outline the commitment to obtaining value for money via procurement and how this is to be achieved.</p> <p>The development of a strategy should include a review of the procurement requirements of the</p>	High	Yes	<p>30 April 2013</p> <p>Draft Procurement Strategy completed Jan 2013</p> <p>100%</p>	
				<p>Current procurement methods reviewed</p> <p>100%</p>	

## Repairs & Maintenance Action Plan

---

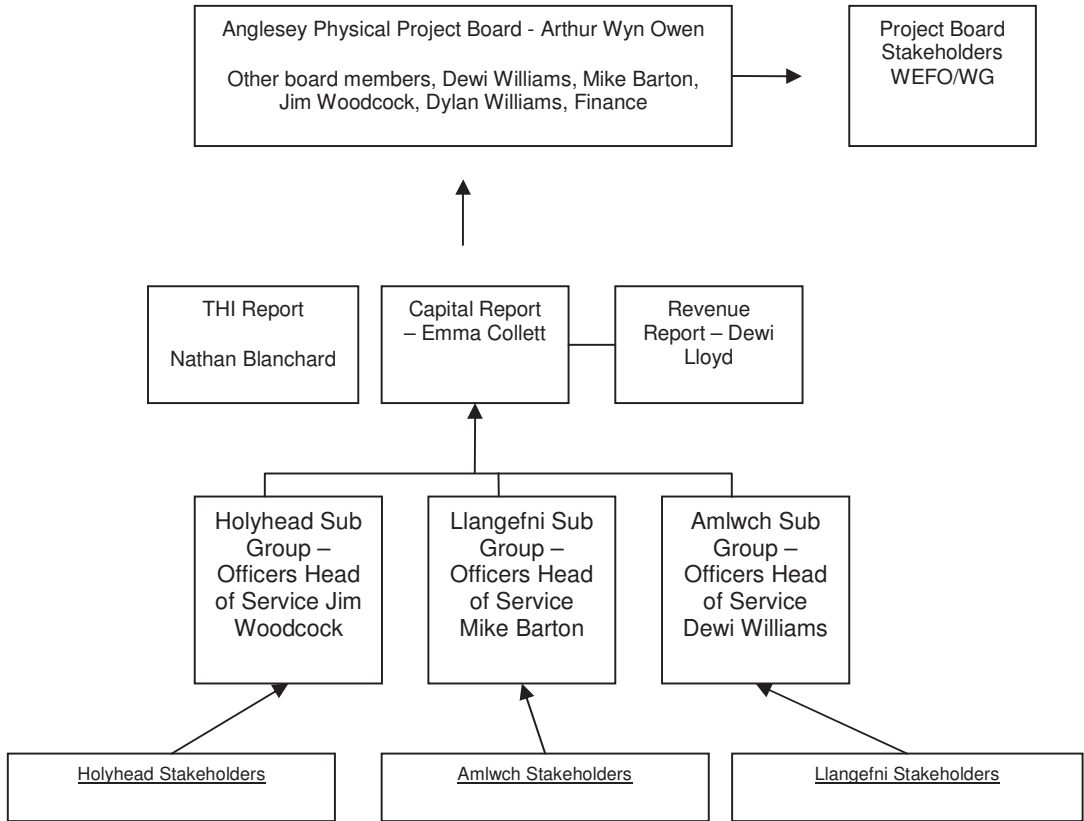
	<p>BMU to determine if there are exceptional circumstances whereby current CPRs and FPRs are inappropriate or impractical in providing procurement methods that provide value for money.</p> <p>If such exceptional circumstances exist then any corporately agreed exceptions should be included in revised CPRs.</p>			and new methods implemented to provide value for money	
1.2	When the Contract Procedure Rules and Financial Procedures are added to 4Policy BMU staff should be asked to confirm that they have read, understood and agreed to abide by the procedures.	Suggestion	Yes	At time of corporate implementation	Implemented on approval of Procurement Strategy
2.2	When the Procurement Strategy for the BMU is produced training should be provided on its contents to all Authorised Signatories and those with procurement responsibilities.	Suggestion	Yes	30 June 2013	Training to start on Approval of Procurement Strategy

This page is intentionally left blank



<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>11<sup>TH</sup> DECEMBER 2013</b>
<b>TITLE OF REPORT:</b>	<b>ANGLESEY THREE TOWNS CAPITAL PROJECT</b>
<b>PURPOSE OF REPORT:</b>	<b>INFORMATION REQUESTED BY THE AUDIT COMMITTEE</b>
<b>REPORT BY:</b>	<b>ARTHUR OWEN</b>
<b>ACTION:</b>	<b>FOR INFORMATION</b>

In September 2009 WG made an offer to loACC for an £8.738M scheme starting September 2009 and finishing in June 2013. This formed part of the North Wales Programme of £37M. This was approved at Executive Committee in January 2010, with the following Governance Structure:-



The outputs associated with this spend are as follows:-

	Physical Improvement	Gross Jobs Created	Premises refurbished or created	Jobs accommodated	Enterprises accommodated	Land Developed	People accessing services	Organisations financially supported	Investment induced
<b><u>New Target</u></b>	3	10	1900	40	6	0.016ha = 160m <sup>2</sup>	1000	2	£500,000
<b><u>Actually achieved</u></b>	<b>3</b>	<b>14</b>	<b>3039</b>	<b>56</b>	<b>10</b>	<b>268</b>	<b>3887</b>	<b>1</b>	<b>£7,000</b>
<b><u>Potential Total</u></b>	3	38	1957	38	10	928	0	1	£871,875.00

During the life of the project WG has reprofiled and extended its £37M scheme, and therefore loACC has been given a number of opportunities to also reprofile and extend.

In March 2011 loACC had the opportunity to re-profile the Anglesey element of the North Wales Scheme along with all the other authorities, moving loACC completion date from June 2013 to September 2013 to allow some flexibility with claims etc.

The funding make up is complex comprising of :-

Budget	3 Towns (£k)	ERDF eligible (£k)	THI (£k)
ERDF	1763 Holyhead 1865 Llangefni 1460 Amlwch 830.525 PM and Revenue	1770	
loACC			175
Cadw			60
HLF		874	128
PEG		175	55
Total	5918.525		
	<b>£8737.525</b>		
		<b>£3237</b>	

Therefore reprofiling after project start up allowed the project to achieve and satisfy a number of funder's requirements, prior to authorizing spend.

In January 2012 loACC also took a further opportunity to reprofile. This allowed the following:-

- The outputs for loACC predominantly relied on take up of grants from the private sector. The private sector and progress was slower than we had anticipated and so **additional**

**time to allow the private sector projects to grow was vital to achieve outputs.** To reprofile allowed us to achieve what we set out to achieve.

- Achieving the private sector schemes and allowing them to develop has allowed us to **lever in a considerable amount of private sector funding** in addition to the match funding.
- Should this reprofile not have been granted, would have meant us aborting some private sector schemes, replacing them with public realm works that may not have achieved the outputs set out above.
- The reprofile also allowed some **surplus Project Management funding to be reallocated to actual scheme** as opposed to the management of them, which was considered better use of funding.
- **Maximising potential for attracting further funding** - Should additional funding become available around 2014/15, since IoACC have extended their programme in line with the other authorities, IoACC will be in a position to take up some of the additional funding. This would not be possible if the Programme was not extended.
- **Maintain momentum** - It is possible that new WG and European schemes are on the horizon and therefore by extending the scheme could benefit projects as there would be continuity.

Therefore we can conclude that this was not a slippage but a planned reprofile in order to maximize benefits.

This page is intentionally left blank



## Performance work programme update for Audit Committee 11 December 2013 **Isle of Anglesey County Council**

### **Improvement Assessment Letter 1 – Improvement planning**

The review is complete and Letter issued.

### **Improvement Assessment Letter 2 - Testing and Audit of Council's Performance Assessment Publication**

A review of how well the Council has reported on its performance in the last year. The letter will also provide a commentary of the Council's Improvement Plan and Data Quality Audit. The Letter will be completed in December 2013 with feedback to the subsequent Audit Committee.

### **Annual Improvement Report**

The Annual Improvement Report (AIR) summarises all the work carried out by the Wales Audit Office as well as that carried out by relevant regulators, such as Estyn, CSSIW and Welsh Language Commissioner. The AIR will be produced in January/February 2014.

### **Data quality review**

A review of a selection of performance indicators and systems to ensure accuracy of performance information. The review is complete and to be reported through local feedback and in IA Letter 2 in December 2013.

### **Corporate Assessment**

The second year of the four-year cycle of corporate assessments commences in 2014. Six corporate assessments are planned for 2014-15, and Anglesey is included. The proposed period of the corporate assessment is Winter 2014/15.

### **Improvement study – Safeguarding**

This study is planned and will focus on the robustness of councils' internal management arrangements to assure themselves that safeguarding arrangements are working effectively. The study will be conducted across all 22 authorities. The main outputs from the study will be a national report on the findings from the local work and a short summary report for each council consisting of the main findings from the fieldwork. The study will take place between December 2013 and February 2014.

### **Local Government National Study – Welfare reform**

The study will focus on preparing to deal with the impact of the Welfare Reform Act 2012 and look at how well local government has planned for the introduction of welfare reform by tracing the implications on social housing. Nine authorities across Wales have been identified and does not include Anglesey. All councils have been notified of the study and fieldwork is planned to take place in phases, between December 2013 and February 2014.

**Local Government National Study - Delivering with less – the impact on Environmental Health Services and citizens**

All councils have been notified of the study and fieldwork is planned to take place between November 2013 and the end of January 2014. The work will assess the impact of cuts in resources on environmental health services to determine how well they are managing with less. The work is planned to take place across all 22 councils in Wales, but will not require detailed fieldwork with the delivery being managed and coordinated centrally.

**Effectiveness of scrutiny**

This is a 2012-13 study. A national report has been drafted and is currently progressing through internal QA. It is anticipated that the report will be published shortly after the national scrutiny conference, which was held on November 28<sup>th</sup> 2013.

**Annual Governance Statement**

This is a 2012-13 study. The work is complete and local summaries finalised and distributed to councils. A national report is being drafted and should be published in autumn 2013. Wales Audit Office is working with some LG reference partners to develop an on-line resource to assist councils in carrying out reviews of governance arrangements.

**Local Government Study - NEETS (young person who is not in education, employment, or training)**

This is a 2012-13 study.

Eight councils were included in the fieldwork, not including Anglesey. The findings from the local government element of this study will feed into a national report covering both the findings from the local government and value for money studies and is planned for publication in early 2014.

**Local Government Study - Managing the financial challenge**

The draft report has been circulated for clearance and is currently progressing for publication. It is anticipated that the report will be finalised for publication during December 2013. There will be no specific feedback to individual councils as part of this exercise.

## Work specific to Anglesey

### Local review

Review of the effectiveness of relationships between councillors, and between councillors and officers following the 2013 elections. The work is planned for January 2014 and will be reported through local feedback and, in the AIR.

This page is intentionally left blank





24 Cathedral Road / Heol y Gadeiriau  
Cardiff / Caerdydd  
CF11 9LJ  
Tel / Ffôn: 029 20 320500  
Fax / Ffacs: 029 20 320600  
Email / Epost: [wales@wao.gov.uk](mailto:wales@wao.gov.uk)  
[www.wao.gov.uk](http://www.wao.gov.uk)

Cllr. Ieuan Williams  
Isle of Anglesey County Council  
Council Offices  
Llangefni  
Anglesey  
LL77 7TW

Reference	C13374
Date	29/11/2013
Pages	1 of 3

Dear Cllr. Williams

## Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

### **The Council complied with its responsibilities relating to financial reporting and use of resources**

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in

the United Kingdom. This Code is based on International Financial Reporting Standards. On 27 September 2013 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 27 September 2013.

The departure of the finance manager in early September resulted in significant pressure being placed on the finance team to produce a CIPFA Code compliant final draft of the Statement of Accounts.

I identified a material misstatement through the course of the audit fieldwork of £61.6m which occurred as a result of a member of the finance team reversing internal recharges incorrectly. Whilst it had no effect on the Net Cost of Services, Income and Gross Costs of Services were materially overstated in the draft accounts presented to the audit team. Additionally, several immaterial errors of a similar nature were identified where opening accruals were incorrectly reversed, or grants income and expenditure were duplicated in error. These issues could have been identified by a more detailed review during the production of the accounts.

It is essential that arrangements are put in place as soon as possible to ensure that the finance team has adequate and appropriately skilled resources going forwards.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report. I would like to highlight the following specific areas in this letter:

- the financial outlook for the Council remains challenging and financial planning and monitoring arrangements are in place to identify the funding gap and facilitate the savings required. Difficult decisions will again be required in the short term to secure the savings required; and
- 38% of the grant claims certified by PwC in respect of 2011/12 were subject to a qualification letter (50% in 2010/11). 39% of the grant claims were submitted by the Council after the submission deadline, compared with 10% for 2010/11.

I issued a certificate confirming that the audit of the accounts has been completed on 27 September 2013.

The financial audit fee for 2012/13 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline because of the additional work required in several areas for the audit of the accounts, including the pension liability, equal pay provisioning, accruals and the production of the final draft of the financial statements.

Yours sincerely



**Lynn Pamment**  
**For and on behalf of the Appointed Auditor**

**29 November 2013**

CC. Richard Parry-Jones  
Bethan Jones  
Clare Williams

This page is intentionally left blank

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>11 DECEMBER 2013</b>
<b>TITLE OF REPORT:</b>	<b>GOVERNANCE AND ASSURANCE UPDATE</b>
<b>PURPOSE OF REPORT:</b>	<b>TO OUTLINE CONTEXT AND PRESENT ACTION PLAN FOR MONITORING</b>
<b>REPORT BY:</b>	<b>DEPUTY CHIEF EXECUTIVE</b>
<b>ACTION:</b>	<b>CONSIDER AND COMMENT</b>

## 1. Background

- 1.1 This report provides information on developments in relation to the assessment of corporate governance in Welsh Local Authorities (LAs) and gives the Committee an updated action plan resulting from the Review of the Council's Governance Framework and the Annual Governance Statement (AGS) 2012/13.
- 1.2 The purpose is to support the Audit Committee's role in the Council's overall governance arrangements and to enable the Committee to obtain assurance that the identified improvements are appropriate and that they are implemented effectively.
- 1.3 The Audit Committee, at its meeting in July considered a report on the Review of Governance and AGS and accepted my recommendation on the role of the Committee. It requested that the "Deputy Chief Executive ... provide the Audit Committee with regular updates on the Governance Action Plan."
- 1.4 This is the first monitoring report for the new Governance and Assurance Action Plan and members are asked to consider progress and make comments.

## 2. Context

- 2.1 The requirement that local authorities conduct the Review of Governance has grown out of a requirement in the Accounts & Audit Regulations that "each local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control." Since 2011 the requirement has been broadened to include aspects of governance wider than internal control including assurance around the Council's vision and its outcomes for the public.
- 2.2 Professional guidance and published guidance in other parts of the UK public sector is emphasising the need for an assurance framework to underpin the governance framework.

2.3 The Auditor General for Wales has emphasised his view that the Review of Governance is aligned with assessment requirements under the Local Government Measure (LGM) and that Wales Audit Office (WAO) must audit arrangements within local authorities to meet LGM duties. He has also signalled a willingness to place reliance on a local authority's own assessment. Guidance is awaited from WAO's Good Practice Exchange early next year.

### **3. Expected Corporate Assessment**

3.1 From 2013-14, WAO is undertaking a rolling programme of corporate assessments of LAs in Wales, based on a four-year cycle. This means that, in addition to an annual programme of improvement studies and audits of authorities' approach to improvement planning and reporting, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, WAO will keep track of developments through progress updates.

3.2 The first report was published in September 2013 on Newport City Council. The first in North Wales is at Conwy with the fieldwork done in November 2013. Anglesey's review is likely to be towards the end of 2014 (the third in North Wales).

3.3 The purpose of the Corporate Assessment Report is to provide a position statement of LAs capacity and capability to deliver continuous improvement. It reports on the council's track record of performance and outcomes as well as the key arrangements that are necessary to underpin improvements in services and functions. The breadth of the assessment can be seen in the Question Hierarchy attached as Appendix A. Fieldwork for the corporate assessment focuses on the extent to which arrangements are contributing to delivering improved service performance and outcomes for citizens. It is not sufficient that arrangements are merely in place, as those arrangements must be effective in enabling improvement.

3.4 Our understanding is that as well as being informed by the work of regulators and inspectors and available data, the assessment will be informed by the authority's own mechanisms for review and evaluation. These include, but are not limited to:

- the Annual Governance Statement and its review of effectiveness;
- the activities and outputs of scrutiny committees;
- the work of the Audit Committee;
- the work of internal audit;
- the authority's own assessment of performance as required by the Local Government (Wales) Measure 2009;
- management information and reports;

- complaints, correspondence, Ombudsman reviews, whistleblowing etc; and
- the authority's assessment of progress in meeting equalities duties and objectives.

Over time, it is expected that the work of regulators will allow the Auditor General to take a view as to whether he can place reliance upon these self-evaluations.

- 3.5 Our proposed assurance framework and the implementation of broader and more robust self-assessments will put the Council in a far better position to prepare for the Corporate Assessment and to respond to the inspection.

#### 4. Action Plan

- 4.1 The intention is that the Governance and Assurance Action Plan is not a static document and that it will be updated as work is completed and as other governance related gaps and risks are identified. It is firmly based on the draft AGS considered by the Committee in July which included a schedule of action points broken down into three sections:

- **Significant Governance Issues** which were subsequently included in the published AGS and which, by their nature, already have formal monitoring arrangements.
- **Issues arising from the Governance Framework and the Review** which will, if implemented effectively, achieve compliance with the new expectations of WAO. This part of the action plan will be developed as the Council adopts its Assurance Framework to support its self-assessments.
- **Other development areas** mainly falling out the Transformation Plan or already agreed by Management in response to Internal Audit reports and Regulators' reports.

- 4.2 The following issues have been added in to the July draft action list:

- **(16) The need to strengthen Target Setting** – which was identified in discussion at the Performance Review Group and which is being progressed through the current corporate planning process.
- **(17) The need to strengthen Grants Claim processes** – which was omitted in error as the issue had been highlighted by External Audit in the Annual Audit Letter and an action plan had already been agreed by Management. The Committee is already receiving reports on this issue.
- **(18) Respond to WAO's report on scrutiny and the issues raised by the authority's own self-assessment** – a change to the AGS between

draft and final versions as the report was made available after our deadline for the draft statement.

- **(19) Capacity and Capability in Corporate Services** – add back an item that had been closed as it is still included in WAO’s list of open “proposals for improvement”.

No items have been deleted from the July draft as yet even though a number have been completed and marked complete. This approach will enable the Committee to obtain assurance of progress over time and ensure that there is an audit trail if items are reprioritised. It will also reflect agreed progress on the more significant governance related recommendations made by regulators (item 14 in the action plan).

## 5. Progress

5.1 The updated action plan appears as Appendix B. Completed items are shown as ✓. Arrangements are now in place for a number of other development areas but need to be reviewed for effectiveness **(M)** before being signed off as complete.

5.2 Good progress is being made on two of the three Significant Governance issues:

- the programme management framework and transformation boards (1) are now in place and starting to deliver projects, although the action to increase capacity has slipped; and
- the ICO report (3) is issued, the action plan approved and funded, and the project board is in place.

and some progress is being made on the actions designed for planning and delivering required savings.

5.3 Progress is also being made on developing the assurance framework and mapping the sources of assurance. Discussions have been held about streamlining the self-evaluation and planning aspects of the annual review.

5.4 A number of items have been on hold awaiting the new management structures and the filling of key posts such as the Corporate Governance Solicitor and will now be programmed.

5.5 A review is being done of the progress on delivering the Transformation Plan to ensure that there is appropriate coverage of all areas. This will be informed by and will feed back into the action of reviewing the processes underpinning the Transformation Boards.



**6. Recommendation**

6.1 That the Audit Committee:

- notes the scope and timetable of the expected Corporate Assessment;
- notes the Governance and Assurance Action Plan, considers the progress made, and makes comments.

**EINIR WYN THOMAS  
HEAD OF SERVICE**

**4 DECEMBER 2013**

## Overview Question Hierarchy for Corporate Assessment

<p><b>Is the authority capable of delivering its priorities and improvement outcomes for citizens?</b></p>
<p><b>1. Is the authority making progress on achieving its planned improvements in performance and outcomes?</b></p> <p>1.1 Is the authority helping to deliver better outcomes for people who live in the area?</p> <p>1.2 Is the authority delivering better results for service users?</p>
<p><b>2. Does the authority's vision and strategic direction support improvement?</b></p> <p>2.1 Does the authority establish a clear vision and sense of purpose which reflects local needs, the views of local people, national priorities, and will secure improved outcomes effectively?</p> <p>2.2 Does the authority demonstrate open and inclusive leadership, which is focused on securing continuous improvement in staff performance, partnership working, and outcomes for citizens?</p>
<p><b>3. Do the authority's governance and accountability arrangements support robust and effective decision making?</b></p> <p>3.1 Do clear roles and responsibilities enable good governance and strong accountability?</p> <p>3.2 Do elected members and officers exhibit appropriate values and behaviour?</p> <p>3.3 Are there adequate arrangements in place to support members and senior officials to be effective in their role?</p> <p>3.4 Is decision making across the authority robust and effective?</p> <p>3.5 Do challenge, scrutiny and review processes ensure a range of informed views are sought and actively considered to aid decision making and improvement?</p> <p>3.6 Does the engagement that the authority has with its stakeholders support real accountability?</p> <p>3.7 Does the authority ensure that effective governance and accountability is maintained when the authority delivers services through companies, trusts or other external entities?</p>
<p><b>4. Is the authority managing its resources effectively to deliver its planned improvements in performance and outcomes?</b></p> <p>4.1 Are Council services continuing to deliver their statutory obligations and improvement objectives with fewer resources?</p> <p>4.2 Does the Council have effective arrangements in place to manage and utilise its workforce?</p> <p>4.3 Do the authority's asset management arrangements support robust and effective decision making and improvement?</p> <p>4.4 Is the authority's approach to using technology positively supporting Improvement?</p> <p>4.5 Is the authority's approach to Information Management positively supporting improvement?</p>
<p><b>5. Are the authority's collaboration and partnership arrangements working effectively to deliver improved performance and outcomes?</b></p> <p>5.1 Is it clear what the collaboration is intending to deliver?</p> <p>5.2 Is the collaboration resilient and sustainable?</p> <p>5.3 Are resources managed effectively?</p> <p>5.4 Is there a clear performance management framework/system and is performance managed well?</p> <p>5.5 Is the collaboration delivering improved outcomes?</p>

**6. Is the authority effectively managing its improvement programme?**

6.1 Do the authority's improvement planning arrangements support robust and effective decision making and improvement?

6.2 Do the authority's performance management arrangements support robust and effective decision making and improvement?

6.3 Do the authority's risk management arrangements support robust and effective decision making and improvement?

6.4 Does the authority have clear and robust processes and systems to support effective public performance reporting?

DRAFT

Governance and Assurance Action Plan December 2013 Audit Committee						
Issue	Ref	Actions Identified	Lead Officer	Target Date	Status as at November 2013	
<b>Significant Governance Issues</b>						
The need to ensure that the Transformation Programme is delivered as planned while continuing to provide services effectively;	1.1	Establish Transformation Boards; Programme Management Office and Governance arrangements.	Corporate Programme Manager	September 2013	Complete - will need to review processes for starting and reporting projects and the relevant governance arrangements	✓
	1.2	Developing internal capacity to support transformation and improvement.	Deputy Chief Executive	September 2013	Some slippage - reporting to Executive in December 2013	
The need to plan for and deliver the savings required of the Council	2.1	Develop a Medium Term Financial Strategy based on existing plans and projections.	Head of Function (Resources)	tbc	The existing MTFP is being updated quarterly. This will need to be formalised into a published strategy in due course.	
	2.2	Establish the Efficiency Strategy as part of the Council's core strategic plans	Head of Function (Resources)	tbc	This action is currently being scoped.	
	2.3	Introduce Commissioning and Procurement Policy and Strategy	Director of Community / Head of Function (Resources)	July 2014	Draft versions at consultation stage	
Taking appropriate technical and organisational measures against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data	3.1	The Council has accepted a consensual audit by the Information Commissioner.	SIRO	May 2013	Audit conducted in May 2013; Final report received October 2013	✓
	3.2	Establish a project board to implement existing work plans and the recommendations of the Information Commissioner	SIRO	September 2013	Project Board in place; Action Plan agreed; Funding in place	
<b>Governance Framework and Review Issues</b>						
Arrangements for Monitoring the Governance Framework and Action Plan	4.1	Invite Audit Committee to take regular monitoring reports	EWT	July 2013	Audit Committee on 23 July resolved to take regular reports	✓

	4.2	Review Terms of Reference of the Audit Committee to ensure that the Annual Governance Statement (AGS) assurance can be gathered throughout the year	Deputy Chief Executive/ Monitoring Officer	March 2014	Work commencing in light of developing guidance. Awaiting revised CIPFA guidance December 2013	
Achieving a Cohesive Governance Framework	5.1	Broaden the framework to include assurance on the Council's vision and outcomes for the public	EWT	September 2013	Executive Committee on 9 September 2013 adopted a new Local Code of Governance which has broadened the framework	✓
	5.2	Document the framework and ensure that all relevant and current policies, strategies, guidelines and reports are easily accessible	EWT	December 2013	Work in progress	
	5.3	Provide training to managers and staff	EWT/ Head of Profession (HR)	ongoing	Schedule being prepared which incorporates training needs arising from all aspects of this plan	
Streamlining the Self-Assessments	6.1	Decide how to streamline the processes for developing the Corporate Self-Assessment, the AGS and the Improvement Report	EWT	January 2014	Initial discussions in October 2013 Awaiting WAO guidance	
	6.2	Promote greater consistency across services in the quality of self-evaluation	[Deputy Chief Executive]	ongoing	Awaiting new structure	
Evaluating the effectiveness of controls	7.1	Map where the Council gets its assurance in all key governance areas and use it to feed the AGS, linking it with the Internal Audit assurance plan and annual corporate self-assessment	EWT	January 2014	Initial discussion stage and awaiting WAO guidance	
	7.2	Decide how to evaluate controls in assurance framework	EWT	January 2014	Initial discussion stage and awaiting WAO guidance	
<b>Development areas</b>						

Ensure coherent and effective senior management	8.1	Complete the Heads of Service review.	Deputy Chief Executive	October 2013	New structure implemented November 2013 - final vacancies to be filled through external appointments	✓
	8.2	Document and embed roles of Heads of Service and relationship with SLT	Deputy Chief Executive	December 2013	Covered mainly through job descriptions and scheme of delegation; roles to be written up and made available on the intranet; training planned (see 5.3)	
	8.3	Approve a Protocol for Chief Finance Officer to ensure that the Council can show that it complies with the CFO Statement.	Monitoring Officer	March 2014	Work in progress	
Member Development	9.1	Achieve "The Wales Charter for Member Support and Development"	Head of Democratic Services	March 2014	Report on progress to Democratic Services Committee September 2013. Next review to be done based on resolving position of Head of Democratic Services	
	9.2	Deliver the WLGA funded programme on developing the Executive	Chief Executive	October 2013	Programme complete - closure report due for Democratic Services Committee	✓
Developing and embedding the Corporate Performance Management system, Programme Management and the Risk Management system, and ensuring appropriate management information	10.1	Approve and implement a new Performance Management Framework	Deputy Chief Executive	Q1 2013	In place since Q1 2013/14- continue to review effectiveness	M
	10.2	Review arrangements for a web-based performance management system	Business Planning & Programme Manager	January 2014	This has slipped as WG arrangements have taken longer than expected. Task will be commenced once WG proposal is clearer.	
	10.3	Identify current information systems and establish how they integrate with each other, identifying any gaps	Head of Function (Resources)	tbc	This action is currently being scoped.	
	10.4	Embed Risk Management arrangements	Deputy Chief Executive	Ongoing	In place - continue to review effectiveness	M

	10.5	Introduce new Programme and Project Management framework	Corporate Programme Manager	March 2014	Due to start once the review under 1.1 is complete - task being monitored by Business Transformation Board	
	10.6	Introduce Officer group to review and make recommendations on matters relating to performance, projects, action plans and risks	Deputy Chief Executive	Q1 2013	In place May 2013	✓
Strengthening Financial Management Arrangements	11.1	Complete the implementation of new financial systems	Head of Function (Resources)	June 2014	Go live end March 2013. System being developed and refined. First accounts based on the new system to be published as draft by June 2014.	
	11.2	Complete new staff structure for Finance	Head of Function (Resources)	December 2013	Nearly completed – ongoing as far as some posts are concerned as yet to be filled.	
	11.3	Update Financial Procedure Rules	Head of Function (Resources)	March 2014	Financial Procedure Rules (FPR) need to be in line with Contract Procedure Rules (CPR) which are currently being revised and updated. IOACC collaborating with some other NW Authorities on CPRs.	
Ensuring that the basic building blocks of governance are in place consistently across departments and ensuring compliance	12.1	Ensure consistent absence and sickness management	Head of Profession HR	Ongoing	Additional support resource in place until March 2013; being monitored through Performance Scorecard	M
	12.2	Increase the percentage of completed individual performance reviews	Head of Profession HR	Ongoing	Being monitored through Performance Scorecard	M
	12.3	Deliver the Development Priorities in the Corporate Communication Strategy	[Deputy Chief Executive]	Review	Recommendations for improving internal communication presented by Communications champions in September 2013 - future programme to be reviewed. Update on consultation and external communication arrangements being prepared.	

	12.4	Prepare and implement Customer Service Strategy	Deputy Chief Executive	2014-15 onwards	This has now been developed into the Customer Service Excellence Board project which is a key project for the Business Transformation Board. The project aims to produce a Full Business case by February 2014	
The continued need to review, and improve, the governance arrangements for partnership and collaborative working and to raise awareness and ensure compliance by officers	13.1	Identify relevant partnership arrangements	EWT	December 2013	In progress	
	13.2	Provide guidance to staff and members on setting up and managing partnerships	EWT	March 2014	Model obtained - content scoped and agreed	
	13.3	Establish a new Scrutiny Committee focused on Partnerships and Regeneration	Monitoring Officer	Q1 2013	In place for new Council	✓
	13.4	Update Financial Procedure Rules, Contract Procedure Rules, Schemes of Delegation	See above / Monitoring Officer	2013/14	Forms part of a programme of work to update the Constitution	
	13.5	Review and update the Constitution for partnership and collaborative working	Monitoring Officer	March 2014	Follows from 13.1/13.2	
	13.6	Introduce Commissioning Policy and Strategy	As 2.3 above	As 2.3 above	As 2.3 above	
The need to manage reports by external audit and other regulators on a corporate basis and ensure appropriate response	14.1	Implement system for identifying regulatory work across the Council	[Deputy Chief Executive]	March 2014	Improvements made in 2012. Discussions commenced on formalising and documenting the arrangements.	
	14.2	Implement register of Regulators' recommendations and ensure monitoring of progress in line with internal audit recommendations	[Deputy Chief Executive]	March 2014	Improvements made in 2012. Discussions commenced on formalising and documenting the arrangements.	
	14.3	Introduce Officer group to review and make recommendations on the regulators' programmes and progress against agreed actions	[Deputy Chief Executive]	March 2014	Improvements made in 2012. Discussions commenced on formalising and documenting the arrangements.	



The Council has no complete and formally approved Business Continuity Plan or ICT disaster recovery plan	15.1	Draw up Service Business Continuity Plans	EWT	2014/15	Project being defined for progressing within new management structure	
	15.2	Develop the draft ICT Disaster Recovery Plan for approval	ICT Service Manager	2014/15	Main project being defined as part of the corporate project. Progress being made on high priority items of protecting power supply to key equipment; agreeing staff response arrangements; safeguarding communication lines; off site back up arrangements.	
Need to Strengthen Target Setting	16.1	Ensure that target setting supports the Council's objectives and priorities, is realistically linked to resources, and uses benchmarking and trends data to validate.	[Deputy Chief Executive]	March 2014	The Business Planning and Performance Management arrangements are being modified to enable better and more informed challenge from officers and members - continue to review effectiveness	
Need to strengthen Grant Claim processes	17.1	Complete Grants Action Plan	Grants Coordinator	As action plan	Good progress being made: Workshop held in May and well received; Grants Protocol drafted for review; Internal Audit review of grants processes nearing completion; revised grants instructions will follow.	
WAO's National Scrutiny Report	18.1	Consider result of WAO's National Scrutiny Report and draw up action plan	Head of Function (Legal & Administration)/ Head of Democratic Services	March 2014	The national report is due to be published during November and a joint conference held on 28 November. Proposals for improvement will be drawn up based on the national report and conference.	
Capacity and Capability in Corporate Services	19.1	Work to do to strengthen corporate capacity, particularly around ICT, procurement, asset and information management.	Deputy Chief Executive	March 2014	Progress due to be reviewed following completion of Heads of Service review and appointment into new posts.	

This page is intentionally left blank

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>11 DECEMBER 2013</b>
<b>TITLE OF REPORT:</b>	<b>REVIEW OF INDEPENDENT MEMBER APPOINTMENTS</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>HEAD OF FUNCTION - RESOURCES</b>
<b>ACTION:</b>	<b>FOR DECISION</b>

## 1. INTRODUCTION

1.1 The Local Government Measure (Wales) 2011 included a requirement for the first time for local authority Audit Committees to include at least one Independent Member from May 2012.

1.2 The terms of reference of the Audit Committee were therefore amended accordingly. The current terms of reference for the Audit Committee include the following in terms of membership of the Committee:

*3.4.8.3.3 - The co-opted member(s), not being members of the Council, to be recruited for skills appropriate to the Audit Committee's work, and who shall be appointed by the Councillor members of the Audit Committee for a fixed term to be determined by them when the appointment is made.*

1.3 The Audit Committee held on 26 May 2011 resolved that two co-optees be recruited to serve on the Audit Committee on a non remunerated basis. At the Audit Committee held on 24 May 2012 the Committee endorsed the recommendations of the Audit Committee Panel that that two Independent Members be appointed to serve on the Audit Committee

1.4 Appointment letters were subsequently sent out to the two successful Independent Members on 20 July 2012 stating that their term of office *'is for a period of two years, beginning on the 01 July 2012*. The current Independent Members attended their first meeting on 24 July 2012.

## 2. REVIEW OF ARRANGEMENTS

2.1 Due to the time required for the selection process for Independent Members it is felt expedient to undertake a review of the Council's arrangements for independent members and to obtain the Committee's decision on the meeting of the requirement of the Local Government Measure (Wales) 2011 from 30 June 2014.

2.2 The Committee is requested to consider the following three options for the appointment of Independent Members to serve from July 2014 2014:

- 1) Extend the current arrangements with the existing Independent Members from July 2014 for a further two years;

- 2) Undertake a recruitment exercise to select two Independent Members to serve from July 2014 for a period of four years – current Independent Members eligible for reselection; or
- 3) Undertake a recruitment exercise to select two Independent Members to serve from July 2014 for a period of four years – current Independent Members ineligible for reselection.

Options 2) & 3) to include an amendment to the Committee terms of reference to the effect that a selection process will be held every four years to select up to two Independent Members and that each Independent Member may only serve for a period of four years maximum.

- 2.3 Of course the Committee may decide on an alternative method of providing on-going Independent Membership at its meetings from July 2014.

Head of Function (Resources)

---

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>11 DECEMBER 2013</b>
<b>TITLE OF REPORT:</b>	<b>PROGRESS REPORT ON INTERNAL AUDIT 01 APRIL 2013 – 30 NOVEMBER 2013</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>AUDIT MANAGER</b>
<b>ACTION:</b>	<b>N/A</b>

## 1. INTRODUCTION

- 1.1 The Operational Plan for 2013-14 was presented to and accepted by the Audit Committee at its meeting held on 23 July 2013. The Plan was produced in consultation with the External Auditor, the Section 151 Officer and various meetings and communications with Heads of Service.
- 1.2 The following report summarises the work of the Internal Audit Section up to the 30 November 2013 and gives a summary for each of the final reports issued since the last Audit Committee.
- 1.3 Final reports which result in a 'Red Assurance' opinion will be subject to a Follow Up review which will include an audit opinion on the progress of management in implementing the recommendations categorised as High and Medium within the original final report. The results of the Follow Up review will be presented to the next Audit Committee.
- 1.4 There was one review in the period which resulted in a 'Red Assurance' opinion. Executive Summaries for 'Red Assurance' reports are provided as Appendices where applicable.
- 1.5 The Internal Audit Service uses a Risk Based approach wherever possible but may use System Based, Key Controls, Establishment or Advisory reviews if these approaches are more appropriate.
- 1.6 The individual final reports are available to members of this Committee, in confidence, on request to the Audit Manager.

## 2. REPORTS ISSUED SINCE LAST UPDATE REPORT

Listed below are the Final Internal Audit Reports issued since the last progress report to Committee along with a summary of the results of each review.

### 2.1.1 Creditors - RED

The Executive Summary for this report including the overall conclusion and key findings is attached to this report at Appendix B.

**Opinion:** An overall RED audit opinion resulted from the review with six High; eleven Medium and six Low category recommendations being made.

### **2.1.2 Main Accounting System – RED AMBER**

An audit of Main Accounting System - CIVICA was undertaken as part of the approved internal audit periodic plan for 2013/14.

The review had been included in the annual audit plan for the purpose of internal and external audit assurance and that of senior management within Finance. The review is undertaken on an annual basis, and the previous review during 2012/13 resulted in (Green) assurance.

The FinanceLink system was replaced with a Civica ledger system in April 2013 and therefore this is the first review of the CIVICA application. A separate report of the implementation of the Civica system was issued during April 2013.

The main findings from this review feeding into the overall assurance level based on the evidence obtained during the review included:

- An audit trail exists for operations within the general ledger; however there is a lack of audit trail in place for the posting of interfaces due to the use of a generic user Id of 'CIVICA USER'.
- There was a lack of control over the restriction of access for the entering of specific types of journals and limits for the entry of journals;
- There was no check to supporting documents or requirement for the approval of journal entries prior to being entered into the system;
- There was a lack of formal written procedure and guidance covering the operation of the CIVICA system and surrounding controls to ensure that the Council's financial operations continue to operate effectively and securely within the new CIVICA financial system;
- There was a lack of control over the limits and exceptions of issuing manual cheques and for their recording on the Civica system.
- There was a lack of an audit trail maintained for all new users created and for amendments to access rights of existing users on the Civica system:
- Back up procedures and regular restore were in the process of review at the time of review. Back ups were not being maintained far enough off site to be within best practice.

**Opinion:** An overall RED/AMBER audit opinion resulted from the review with one High; six Medium and nine Low category recommendations being made.

### **2.1.3 Waste Management - GREEN**

An audit of Waste Management was undertaken as part of the approved internal audit periodic plan for 2013/14. The authority has contracted out its residual and recycling collection services, together with its street cleansing function, to Verdant Group Plc (via Biffa) from 01 April 2007 for a period of 14 years. The service is provided currently to over 30,000 households on the island.

The contract fee is calculated on an annual basis based on the industry's indices released in September of each year and the charges applied specified on the contract pricing schedule. In 2012/13 the annual fixed charge paid was £1.77m and for 2013/14 is valued at £1.78m. Separate variable elements are also

payable under the contract based on the number of items / collections made. The value of variable invoices total paid in 2012/13 was £223k.

**Opinion:** An overall GREEN audit opinion resulted from the review with three Medium and one Low category recommendations being made.

#### **2.1.4 NFI 2012 - GREEN/AMBER**

An audit of 'National Fraud Initiative - Data Matching 2012' was undertaken as part of the approved internal audit periodic plan for 2012/13. The Council is required to take part in the NFI Data Matching process which for 2012 included the provision of personal data held in the following data sets: Payroll, Creditors Payment History and Standing Data, Housing Rent, Housing Benefit, Student Eligible for a Loan, Private Supported Care Home Residents, Transport Passes and Permits, Blue Badges, Insurance Claimants, Licenses – Market Trader, Taxi Driver, Personal Licences to sell alcohol and Right to Buy.

The Corporate Director of Finance or equivalent within Authorities is deemed the "responsible officer" for providing the data required for data matching and ensuring compliance with the Data Protection Act 1998 at the same time. For the 2012 exercise the designated Council "responsible officer" was the Head of Service – Finance. The Council's current "responsible officer" is the Head of Function (Resources).

The main findings from this review feeding into the overall assurance level based on the evidence obtained during the review included:

- Some of the Council's forms used for the purposes of collecting personal data do not fully comply with the requirements of the Code of Data Matching Practice by not including Fair Processing Notices informing data subjects that their data may be used for data matching purposes and for the prevention and detection of fraud.
- Some of the Council's forms used for the purposes of collecting personal data do not fully comply with the requirements of the Data Protection Act 1998 by not meeting the first principle of data protection which requires that all forms used for the gathering of personal data include reference to the Act itself and to the identity of the data controller; the purpose of, or purposes for which the data may be processed; and any further information which is necessary to enable the processing to be fair.
- The Council failed to meet the required deadline for the declaration confirming compliance with the fair processing notification requirements for NFI 2012.
- The Council failed to meet the required deadline for the uploading of its data sets to the secure NFI 2012 website.

**Opinion:** An overall GREEN/AMBER audit opinion resulted from the review with six Medium category recommendations being made.

#### **2.1.5 Blue Badges - GREEN**

The Blue Badge scheme is a national parking scheme for people with disabilities who travel either as drivers or passengers. The aim of the scheme is to help people with disabilities park near to where they are going.

Eligibility criteria apply to the issuing of Blue Badges. On the 1st April 2012 changes were made to the Blue Badge scheme where badges were available free of charge for those eligible. Establishments who care for people with disabilities can also apply for a Blue Badge, however a fee of £10.00 is payable for such issues from 1st April 2012. A Blue Badge is only valid for three years and thereafter a new application must be completed.

The Authority is not responsible for the printing or sending out of Blue Badges, this is carried out by Northgate Information Solutions on behalf of the Council again part of the revised National Scheme.

The Authority received funding from the Welsh Government amounting to £9 287 in relation to the scheme in the 2012/13 financial year of which, £7 595 was used to purchase Blue Badges and the remaining balance was spent on buying specialist IT equipment (scanner) to facilitate the processing of Blue Badges.

Welsh Government funding has since ceased and there is no funding available for 2013/14 or beyond. The Authority has allocated £9 550 within the 2013/14 budget for the issuing of Blue Badges.

The main finding from this review was that controls could be enhanced by providing a list to Traffic Officers of all non-returned blue badges known to have belonged to deceased blue badge holders to prevent any potential for their misuse.

**Opinion:** An overall GREEN audit opinion resulted from the review with one Medium and three Low category recommendations being made.

#### **2.1.6 David Hughes Leisure Centre - GREEN**

An audit of David Hughes Leisure Centre was undertaken as part of the approved internal audit periodic plan for 2013/14.

David Hughes Leisure Centre is one of four Council managed leisure centres situated on the Isle of Anglesey, providing sports, leisure and recreational facilities to the public. The total attendance figure for the Leisure Centre for the financial year 2012/13 is stated as 33,469.

**Opinion:** An overall GREEN audit opinion resulted from the review with two Medium and six Low category recommendations being made.

#### **2.1.7 Counter Fraud Arrangements - ADVISORY**

An audit of the Council's counter fraud Arrangements was undertaken to ascertain and record the processes currently in place and to identify gaps in the current counter fraud framework.

This review took the form of a self-assessment of Council's practice and procedure against the best practice contained in the Audit Commission's 'Protecting the Public Purse' Appendix 2 - checklist for those responsible for governance. This checklist was used as there is no equivalent available as yet from the Welsh Government.

The review identified some areas where current procedures and practices do not comply fully with the requirements of the relevant best practice from the Audit Commission's Protecting the Public Purse Appendix 2 "checklist for those responsible for governance."

The report was issued to the two officers with overall responsibility for Counter Fraud and Corruption Policy (Section 151 Officer and Monitoring Officer) for consideration as to the benefits and dis-benefits of amending the Council's counter fraud arrangements more in line with best practice and the risks of not doing so.

**Opinion:** This was an advisory review with no formal opinion.



### **2.1.8 Agency Payments - ADVISORY**

Following a request from the Head of Function (Resources) a review of procedures in place for the determination of employment status of agency, sole traders and contractors was undertaken.

The main finding from this review was that responsibility for the determination of employment status was not formally designated to appropriately trained employees and was not taking place each relevant engagement.

This was an Advisory review and no formal audit opinion resulted.

### **2.1.9 Schools Follow Up Review – ‘Unsatisfactory Progress’**

As part of the approved Internal Audit periodic plan for 2013/14 we have undertaken a review to follow up progress made by Anglesey County Council schools to implement previous High and Medium category internal audit recommendations.

The Auditor visited all the relevant schools and interviewed the Head Teachers responsible for the implementation of recommendations to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance with this status and the controls in place.

Of the 75 recommendations considered in this review 2 were classified as ‘High’ and 73 as ‘Medium’ attention recommendations. Of the recommendations made our follow up found that 47% remained not implemented; 30% had been implemented; 19% were in the process of being implemented and 4% had been superseded. A total of 66% of recommendations, two thirds had not been fully implemented at the time of our review.

The review concluded therefore that the schools included in the review have made ‘unsatisfactory progress’ in implementing internal audit recommendations. Not responding positively and promptly to regulatory reports, including those from Internal Audit, increases the risk that control weaknesses continue.

### **2.1.10 Schools Thematic Review - ADVISORY**

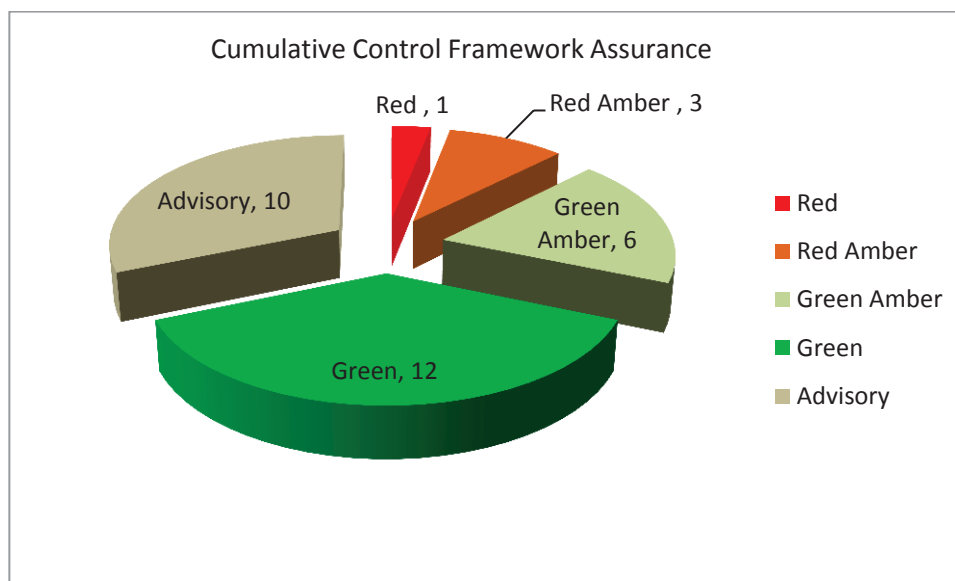
A thematic review of issues identified through Internal Audit work carried out at schools during 2012/13 and 2013/14 to date was issued to the Education Service. The review concluded that there was a lack of financial guidance and training provided for headteachers and staff with financial responsibilities. Recommendations to address this situation were included in the report.

### **2.1.11 Schools Key Controls Audit - Finance and Governance**

A Final report from audit work at one school was completed in the period. The review resulted in a Green/Amber audit opinion. Recommendations to strengthen internal control weaknesses identified have been made with the relevant Headteacher concerned.

**2.2 Summary of Outcomes of Reports Issued to Date** – since the 01 April 2013 we have issued ten final reports from the Internal Audit Operational Plan 2012-13; twenty two from the 2013-14 plan and three referral reports. To date a total of thirty two final reports has been issued in 2013/14.

A summary of the grades given for the final reports issued is shown in the pie chart below. The summary of grades issued is as follows:



### 3 INTERNAL AUDIT FORWARD WORK PROGRAMME

Scheduled Review Title	Service Area	Current Status
VAT Procedures	Finance	Due December 2013
Grant Claim Processes	Finance	Due December 2013
Empty Homes Grants	Housing	Due December 2013
Payroll	Finance	Started November 2013
Sundry Debtors	Finance	Started November 2013
Council Tax	Finance	Started November 2013
National Non Domestic Rates	Finance	Started November 2013
Homelessness	Housing	Started November 2013
Cash Receipting	Finance	Started November 2013
Corporate Complaints Procedure	Corporate	Scheduled December 2013
Overtime & Flexi Time Arrangements	Corporate	To be arranged
Two school Audits ( <i>Caergheliog and Bodorgan</i> )	Education	Started November 2013

### 4. REFERRALS

**4.1** During the course of the year the Internal Audit Section is required to carry out work on matters which come to light during the programmed audit work, or matters which are brought to its attention by other Departments, or work which other Departments request the Internal Audit Section to carry out. Work may also

be requested by the External Auditor to provide information or to assist in the provision of information. Some of these referrals result in the issue of formal audit reports whilst others will be recorded in File Notes (e.g. where the allegation / information is found to be incorrect and therefore there is nothing to report, or the amount of work is not sufficient to warrant a full audit report or the matter is covered by an External Auditor's report).

- 4.2 A number of File Notes have been issued in the period to date in 2013/14. None of the work resulting in a File Note has identified any evidence of fraud or irregularity.
- 4.3 As reported at the last Audit Committee one referral from 2012/13 has been referred to the Police. The Internal Audit Team received a visit from two police officers in November 2013 following up details of the referral made. The Committee will be informed of the outcome of this case in due course.

## 5. RECOMMENDATION TRACKING

- 5.1 For reporting to this Committee only recommendations made since 01-04-2011 have been included in the recommendation tracking analysis.
- 5.2 The performance in implementing all recommendations in the period is below target with 53% of 'High' and 'Medium' recommendations having been recorded as implemented. The performance in relation to recommendations other than those in Education is 71% (Figures as at 22-11-13).
- 5.3 A graph showing the breakdown of recommendation implementation by Service is provided at Appendix A.

## 6. CURRENT AUDIT CONCERNS

- 6.1 These are concerns that have been identified from previous internal audit work that have not been addressed and those identified from work during this period.
  - **Business Continuity** – Recommended actions to strengthen controls in this area have been collated from a number of assurance provider reports, including those of Internal Audit and have been included in a Corporate Information Management Action Plan.
  - **Risk Management** – The Council is in the process of developing its Risk Management Framework and embedding risk management in the organisation. The Corporate Risk Register is still in development and a regular reporting regime to be implemented.
  - **Information Management** – Internal Audit undertook three reviews in 2012-13 in the areas of Modern Records Management, Data Security and Business Continuity and reported significant weaknesses in these areas. The Information Commissioner's Office has also undertaken a review in this area and identified similar issues and control weaknesses. A programme Board had been established to implement the Action Plan from the Information Commission's report.
  - **Governance** - Issues relating to non-compliance with key corporate policy and procedure were identified again in 2012-13, for example in relation to corporate procurement. Review also found that there has been limited use of

the Council's system for electronic sign off of policies which records users as having read, understood and agreed to abide by policies. Without such record of sign off it is more difficult to show that the policies have been adequately disseminated to relevant staff. A report concerning these issues was issued in 2011-12, however a number of key recommendations remained unimplemented at the end of 2012-13.

- **Schools Recommendation Implementation** – There is a continuing issue with regards to schools implementing internal audit recommendations. These recommendations relate to financial and governance issues within schools which should be of concern to Head Teachers and to the Education Department.
- **Unimplemented High Category Recommendations** – High Category recommendations showing as status unimplemented are recorded in the following review areas:
  - **Data Security 1787.12/13** – issued: September 2012 – Report sponsor: – Head of Function – Legal and Administration – Issue: secure disposal of confidential waste; Current recorded status – included in Information Management Programme Board Action Plan.
  - **Modern Records Management 1808.12/13** – issued: October 2012 – Report sponsor: – the then Head of Leisure & Culture; Issues: - Need for a Modern records Management Policy and discontinuing use of Ysgol Y Graig; Current recorded status – included in Information Management Programme Board Action Plan.
  - **HR MyView 1866.13/14** – issued: July 2013 – Report Sponsors: HR Manager and Head of Function – Resources; Issue: lack of segregation of duties over some system areas between establishment and payroll; Current recorded status: Finance and HR are liaising on system administration and access groups on the Northgate system to provide an adequate separation between access to amend establishment records and access to amend payroll details.
  - **Corporate Procurement 1825.12/13** – Issued: December 2012 – Report Sponsor – the then Head of Service Finance - Issue: lack of an adequate framework; need to update Contract Procedure Rules (CPRs) and Financial Procedure Rules (FPRs); Need for training for all Authorised Signatories on new CPRs and FPRs; Current recorded status: - Procurement Team is working with other North Wales authorities on revised Contract Procedures Rules.
  - **Business Continuity 1812.12/13** – issued: September 2012: Report Sponsors: Head of Planning and ICT Manager; Issues: lack of an ICT Disaster Recovery Policy in line with ISO 27002 standards for Information Security and need for roles and responsibilities for Business Continuity to be defined; Current recorded status: There is a draft ICT DR Plan which is being integrated into the developing Business Continuity arrangements. A group has been set up to look formally at Business Continuity corporately.
  - **Subsistence Hotel Costs 1746.11/12**; Issued: September 2011; Report Sponsors: Head of Profession HR and Audit Manager; Issues: – Need to introduce revised Travel and Subsistence policy especially in relation to subsistence payments made via Creditors and by Corporate Procurement Card to those staff requiring P11Ds; Internal Audit to carry out review of compliance with revised policy after six months of its implementation;

Current recorded status: The Travel and Subsistence Policy update has been linked to Job Evaluation in terms of agreement with Unions and is now dependent upon the timescales for JE.

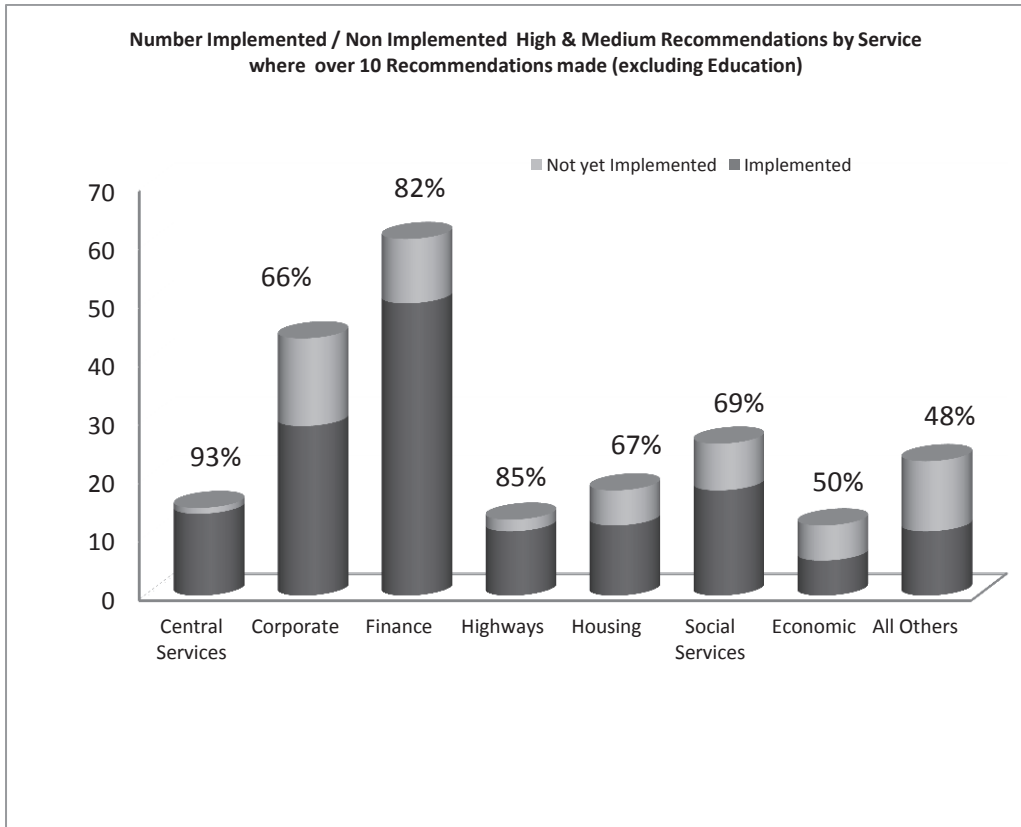
- **Direct Payments 1883.13/14:** Issued: July 2013 – Report Sponsor: Head of Service – Adult Services; Issues: Evidence of CRB checks to be provided for staff employed as carers by Service Users; Current recorded status: Following receipt of legal advice procedures have been amended to ensure that CRB checks are obtained where appropriate.
- **Corporate Policies – Thematic Review 1761.11/12:** Issued: January 2012; Report Sponsor: Chief Executive – subsequently delegated to Head of Policy; Issues: wide spread non compliance with key corporate policies identified by audit testing; need to create a list of key corporate policies, authors, revision dates etc.; Corporate and key Service policies should be added to the 4Policy system in order to provide evidence that target audience post holders have read, understood and agree to abide by relevant policies; Current recorded status: This process is still being developed within the Policy Unit.

**AUDIT MANAGER  
03 DECEMBER 2013**

**APPENDIX A**

**Recommendation Tracking Table –Non Education High & Medium Recommendations Created Since 01-04-2011** **Progress Table:** % implemented / non implemented of high and medium category recommendations by service where over 10 recommendations made But excluding Education; which total at the end of the period was **71%** of all such recommendations.

In our opinion therefore based on the self assessed data in the Progress Table above the Council has made **'adequate progress'** in the period in implementing High and Medium categorised Internal Audit recommendations.



## EXECUTIVE SUMMARY OF RED ASSURANCE REPORTS

### CREDITORS –

## 1 EXECUTIVE SUMMARY

### 1.1 INTRODUCTION

An audit of Creditor Payments was undertaken as part of the approved internal audit periodic plan for 2013/14. Two modules have been audited surrounding creditors' payments, the Purchasing module which allows orders to be raised and authorised, and the Creditors module which allows the invoice to be scanned and processed for payment.

The Purchasing module is also the main interaction between the requisitioners and approvers. Interactions include, creating creditors, approving creditors, raising requisitions and approving. Both systems although integrated require to be set up individually (e.g. users are set up twice). We were informed that details from both systems, including approval levels etc. differ in some cases because of this. It is unclear at the time of the review how this has come about as originally the Council had one authorised signatories list for authorising orders and payments however different limits have been applied in some cases for creditors, purchasing and requisitioning (only for approvers).

The system allows the requisitioner to raise an order for any amount, the approver is required to electronically authorise the requisition before an official order is created on the system. The requisitioner will receive an email to confirm that the authoriser has approved the requisition and an attached order to be printed off for the supplier.

Once an invoice is received by the Council it is forwarded to Creditors to scan the invoice or if received by email, to print off the invoice prior to scanning. When scanned, the system automatically populates the information to the right boxes to be paid automatically through the system. It was seen that some departments received their own invoices and that this can cause delays in payment whilst they are forwarded to Creditors. It is intended that a PO Box for all Council invoices will be set up so that invoices will be directly received by Creditors by accessing the PO Box mail.

Once the relevant goods and / or services detailed on the order are received a goods received note (GRN) must be entered to the system detailing which goods and services have been received. This can involve a part order if appropriate.

All invoices are paid automatically if the GRN and invoice match the original scanned purchase order. In circumstances where a scanned invoice does not match an original purchase order on the system exactly then an alerter (electronic email containing the details of the image/the scanned invoice) is sent to the departments to either query the invoice or to amend the purchase order and GRN to allow payment to be made. This may involve the addition of items to the purchase order and the coding of the additional items. The amended purchase order then requires re-authorisation prior to payment.

If the invoice received however does not contain a recognisable purchase order number then it is assumed that no purchase order has been raised and such invoices are scanned and sent electronically to the relevant departments to resolve. These can then either be paid through payment request or the services can create purchase orders for them as appropriate.

Payments are made regularly twice a week and the payment runs have been processed by the Senior Payments and Payroll Officer or the Senior Creditors Officer in the past. Payments are made through BACS and cheques. CHAPS payments are not a part of the regular creditors run however the Auditor has been notified that this payment method may be used for certain payments such as those to HMRC.

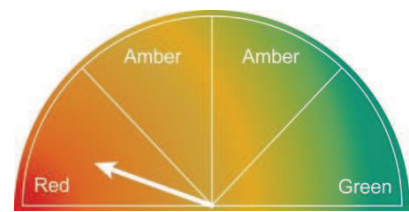
A new printer was required for printing creditor cheques on the CIVICA system. The printer however has not always been compatible with the printing of the cheques in the past and as a result duplicate cheques have been printed on occasion. Controls need to be introduced to enable the identification of duplicate printed cheques when they do occur.

Control procedures and documents are available for the control of BACS and Cheque payments. Manual cheque procedures however were unclear at the time of the review. BACS payments are authorised on the system based on secure log in for each accountant only to authorise. Controls for detecting duplicate payments on the system are present for all payments apart from the printing of

cheques. A report must be produced for each payment run to ensure that the system can recognise whether potential duplicates exist.

The Creditors section paid 9033 invoices between April to July 2013 with a total value of approximately £6.3M (source: Report generated of Voucher with GL lines by the Project Team).

## 1.2 CONCLUSION



Taking account of the issues identified, the Council cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action needs to be taken to ensure this risk is managed.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings of this review are:

### The following weaknesses in the system were identified during the review:

- There are no formal written instructions detailing all the processes and procedures involved with creditor payments established for the Civica creditors system;
- Guidance to ensure roles and responsibilities of central creditors and services for each stage of processing have not been established;
- Our testing of invoices processed and paid during the first six months from April to September 2013 found that the segregation between service and central Creditors in relation to the approval of invoices had not been maintained. This had resulted in a number of the invoices in our sample being processed and paid by Creditors without the authorisation of services. It is understood that this practice had now been stopped. We will carry out further testing in March 2014 to provide assurance that this segregation is now being maintained. Such non implementation of segregation of duties increases the risk of unauthorised, incorrect, or irregular payments being made;
- There is a lack of procedures for implementing identified duplicate payments on the system;
- Controls for issuing payments through manual cheques require strengthening and as a result manual cheques continue to be issued unnecessarily and in some cases identified issued to by-pass the electronic controls. The current procedure for the issuing of manual cheques also involves an inherent risk of duplicate payment;
- Guidance and procedure for the determination of employment status in line with HMRC requirements were not in place at the time of review. This increases the risk that PAYE requirements are not applied where applicable with subsequent risk of penalties from HMRC;
- Controls for maintaining and locating physical invoices were found to be in need of strengthening. Current practice does not allow for the prompt location of invoices on request. This could create issues for the External Auditor during creditor checks for Statement of Accounts assurances;
- Procedures for processing/dealing with payment requests were not established at the time of the review which has resulted in a number of payments being made without an appropriate audit trail on the system or supporting documents available for review. This increases the risk of duplicate payments being generated and not being identified prior to payment;
- System generated duplicate reports were found not to have been reviewed and actioned promptly in all instances. No evidence of the review of such reports is maintained.
- It was found during review that the system is not updated promptly following returned payments;
- No formal written processes exists for checks to be conducted on the amendments of creditors details on the system (including supplier bank details) and segregation of duties over the processing and approval of such changes were found to have not been consistently applied;



- Controls over the setting up and amendment of the logical access rights of users were found to be weak with no audit trail of the requests for set up or amendment being maintained. We also identified a number of leavers from Council employment who still had active 'Active Directory' accounts for network access and active access to Civica. This increases the risk of unauthorised access and presents an increased risk to the security and integrity of the Council's financial data.

During the first six months of implementation up to the date of reporting there have been a number of required changes to access rights for operational reasons. This is normal during implementation periods however user group and individual access rights are now in need of review to ensure that appropriate segregation of duties is maintained and that access rights are in line with operational requirements.

- It was not clear at the time of the review as to the current status of the Authorised Signatories List due to the setting up of access rights and limits within Civica modules which are not in line with the Authorised Signatories List. It has therefore been recommended in the report that the Authorised Signatories List be reviewed and updated;
  - There were no system controls present for the re-authorising of amended purchase orders. This increases the risk of unauthorised or irregular payments being made without the knowledge of the budget holder; and
  - There was a lack of formal process for the on-going review of outstanding payments to ensure that invoices are being processed and paid promptly. This increases the risk of back logs on the system and reputational damage to the Council where delays in processing occur.
-

This page is intentionally left blank

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>REPORT TO</b>	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	<b>11 DECEMBER 2013</b>
<b>SUBJECT</b>	<b>TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY: MID-YEAR REVIEW REPORT 2013/14</b>
<b>LEAD OFFICER</b>	<b>CLARE J WILLIAMS</b>
<b>CONTACT OFFICER</b>	<b>CLARE J WILLIAMS (TEL: 2601)</b>
<b>Nature and reason for reporting</b>	
For scrutiny - consistent with professional guidance.	

## 1. Background

1.1 Two of the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) are the receipt by the full council of a mid-year review report on treasury management activity and the delegation of the role of scrutiny of treasury management strategy and policies. This report will fulfill those requirements and covers the following:

- An economic update for the first six months, and looking forward to the second half, of 2013/14;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2013/14;
- A review of the Council's borrowing strategy for 2013/14;
- A review of any debt rescheduling undertaken during 2013/14;
- A summary of activity since quarter 2;
- A look ahead to next year; and
- A review of compliance with Treasury and Prudential Limits for 2013/14

## 2. Economic Update

2.1 The Council's treasury advisers (Capita Asset Services (formerly called Sector)) provided a summary of the economic background and the economic outlook shortly after the end of the first quarter (Appendices 1 & 2) and have also recently provided the following forecast.

	<b>Dec 2013</b>	<b>Mar 2014</b>	<b>Jun 2014</b>	<b>Sep 2014</b>	<b>Dec 2014</b>	<b>Mar 2015</b>	<b>Jun 2015</b>
<b>Bank Rate (%)</b>	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>5yr PWLB rate (%)</b>	2.50	2.50	2.60	2.70	2.70	2.80	2.80
<b>10yr PWLB rate (%)</b>	3.60	3.60	3.70	3.80	3.80	3.90	3.90
<b>25yr PWLB rate (%)</b>	4.40	4.40	4.50	4.50	4.60	4.60	4.70
<b>50yr PWLB rate (%)</b>	4.40	4.40	4.50	4.50	4.60	4.70	4.80

2.2 Capita recently provided a commentary alongside the interest rate forecast above which links back to August and the Bank of England Inflation Report that was issued at that time, which was referred to in the previous report. This commentary can be found in Appendix 3.

**2.3** Last year HM Treasury launched a discounted borrowing rate to provide cheaper PWLB borrowing to local authorities, effective from 1 November 2012 on a 12 month rolling basis. In order to be eligible for this 'certainty rate', which is 0.2% below the current standard rate, local authorities are required to submit specified information by a deadline of mid September. This Authority again complied with the requirements and, therefore, continues to be eligible for this discounted rate. The above forecasts for PWLB rates incorporate this discount.

### **3. Treasury Management Strategy Statement and Annual Investment Strategy Update**

**3.1** The Treasury Management Strategy Statement (TMSS) for 2013/14 was approved by this Council on 5 March 2013. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position.

### **4. The Council's Capital Position (Prudential Indicators)**

**4.1** This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

#### **4.2 Prudential Indicator for Capital Expenditure**

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

<b>Capital Expenditure</b>	<b>2013/14 Original Estimate £m</b>	<b>Position as at 30 September 2013 £m</b>	<b>2013/14 Current Estimate £m</b>
Council Fund	19,000	6,394	23,600
HRA	4,900	1,031	4,100
<b>Total</b>	<b>23,900</b>	<b>7,425</b>	<b>27,700</b>

**4.2.1** The current estimate for capital expenditure is ahead of the original estimates mainly due to there being grant funded schemes (100% grant funded) awarded subsequent to the original estimates and due to the inclusion of an estimate for the anticipated equal pay capitalisation direction. Due to movements on the programme and individual budgets the increased expenditure is considered affordable within the revenue budget for 2013/14.

#### **4.3 Changes to the Financing of the Capital Programme**

**4.3.1** There are no significant changes to the financing of the capital programme to report at this stage other than the potential for unsupported borrowing relating to the capitalisation of equal pay claims. This position will become clearer as the year end approaches.

#### **4.4 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary**

**4.4.1** The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

#### 4.4.2 Prudential Indicator – Capital Financing Requirement

4.4.2.1 We are projected to be marginally ahead of the original forecast capital financing requirement. This is on the basis of being awarded the capitalisation direction for equal pay.

#### 4.4.3 Prudential Indicator – External Debt/the Operational Boundary

	2013/14 Original Estimate £m	2013/14 Revised Estimate £m
<b>Prudential Indicator – Capital Financing Requirement</b>		
CFR – Council Fund	88,500	90,252
CFR – HRA	23,700	24,044
Total CFR	112,200	114,296
Net movement in CFR	6,436	7,881
<b>Prudential Indicator – External Debt/the Operational Boundary</b>		
Borrowing	117,000	89,590
Other long term liabilities	2,000	Nil
Total debt 31 March	119,000	89,590

#### 4.5 Limits to Borrowing Activity

4.5.1 The first key control over the treasury activity is a prudential indicator to ensure that, over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2013/14 Original Estimate £m	Position as at 30 September 2013 £m
Gross borrowing	112,300	96,100
Plus other long term liabilities	Nil	Nil
Gross borrowing	112,300	96,100
CFR (year end position)	112,300	n/a

4.5.2 By the end of the year the CFR is projected to be £114m, and there is a borrowing requirement of £25m as a result. The treasury management strategy statement (Section 3.5.1) states that a flexible approach will be adopted with regards to the choice between internal and external borrowing. This has been, and will continue to be, the case, with consideration to all the factors listed in that section. The decision to continue to internalise has been driven mainly due to 2 factors: (1) To limit the Authority's exposure to credit risk (2) to limit the cost of carry. These are set against the backdrop of PWLB and investment rates continuing to remain at historically low levels with only a steady increase forecast into the medium term. This current stance is in line with many other local authorities that have been asked in seminars and workshops attended by officers within the finance service. The appointed treasury advisors (Capita Asset Services) have also supported the decision to continue to internalise borrowing at this time. External borrowing at year end is therefore, expected to be £90m. Any changes to the current approach will be reported as appropriate.

- 4.5.3** It is not envisaged that there will be any difficulties for the current or future years in complying with this prudential indicator.
- 4.5.4** A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<b>Authorised limit for external debt</b>	<b>2013/14 Original Indicator (£m)</b>	<b>Position as at 30 September 2013 (£m)</b>
Borrowing	122,000	96,100
Other long term liabilities	2,000	Nil
<b>Total</b>	<b>124,000</b>	<b>96,100</b>

## **5. Investment Portfolio 2013/14**

- 5.1** In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. Indeed, the introduction of the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.
- 5.2** The Council held £25m of investments as at 30 September 2013 (£14m at 31 March 2013) and the investment portfolio yield for the first six months of the year was 0.90%. A full list of investments as at 30<sup>th</sup> September 2013 can be found in Appendix 5. A summary of the investments and rates can be found in Appendix 4.
- 5.3** The approved limits within the Annual Investment Strategy were not breached during the first six months of 2013/14.
- 5.4** The Council's budgeted investment return for 2013/14 is £0.3m. As indicated in the strategy, some borrowing has been internalised and so, during the year, the projected investment returns are below those budgeted for. However, there have been corresponding savings on loan interest and the forecast net outturn is within budget.
- 5.5 Investment Counterparty criteria**
- 5.5.1** The current investment counterparty criteria selection approved in the TMSS is meeting the requirements of the treasury management function, although it is continuing to be challenging to place funds as the credit quality of counterparties continues at a reduced level.
- 5.5.2** In terms of continuing investments, it has previously been reported that there have been credit rating issues with Santander UK plc. During the quarter the decision was made to continue investing with the bank. The basis for this decision is in line with the basis reported in quarter 1:

- The approved 2013/14 Annual Investment Strategy, section 4.3, details the creditworthiness policy. In summary, the process is to apply minimum credit ratings for investments. Layered on top of this is Sector's creditworthiness service, which results in suggested investment durations. In addition to this, reference is made to market data and information;
- Santander's credit rating remained unchanged during the quarter, with all the long term ratings being 2 levels below the approved lending list criteria, and 2 of the short term ratings being 1 level below the criteria;
- The advice from the Authority's appointed treasury management advisers (Capital Asset Services) was that it was appropriate to continue investing (with the suggested duration being to up to 100 days);
- Independent analysis and monitoring of the markets backed up the conclusions reached by Capital Asset Services;
- Given all the considerations stated above, the decision was made to continue to invest with Santander, on a call basis only.

## **6. Borrowing**

**6.1** The projected capital financing requirement (CFR) for 2013/14 is £7.9m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has projected year end borrowings of £90m and will have used £25m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

**6.2** A summary of investments held can be found in Appendix 4.

## **7. Debt Rescheduling**

**7.1** No debt rescheduling was undertaken during the first six months of 2013/14.

## **8. Activity Since Quarter Two**

**8.1** Since the end of the quarter two fixed term deposits matured: one was a 6 month, £5m deposit with the Royal Bank of Scotland (RBS) at a rate of 0.95% and the other was a 364 Day, £5m deposit with RBS at a rate of 1.58%. The first maturity was reinvested in full with RBS for 3 months at a rate of 0.8%. The second maturity was reinvested with RBS on a call basis only at a rate originally at 0.6%. The decision to reinvest with RBS was mainly due to the fact that its part nationalised status makes it one of the most creditworthy counterparties; however, it was also offering very competitive interest rates. The second maturity was reinvested on call basis only in order to maintain flexibility. The rate currently received on the call account has recently risen from the original rate by 20 basis points to 0.8. This decision to invest with RBS was supported by Capita Asset Services.

**8.2** Additionally, investments have continued with Santander on a call basis only.

**8.3** No other fixed term investments have been made since the end of the quarter and no new borrowing or debt rescheduling has taken place.

## **9. Plans for next year**

**9.1** At its next meeting in February, this Committee will consider the plans for borrowing and investment for the next financial year. The initial plans, according to the current strategy are:

- to use the available general supported borrowing allocation of £2.193m (£2.140m in 2013/14) plus any unused allocation brought forward from this year;
- to use the Highways Local Government Borrowing Initiative borrowing availability in full; and
- to borrow, on an unsupported basis, to fund capital investment priorities, linking in to the transformation objectives.

## **10. Recommendation**

To consider the content of the report and to pass the report onto the next meeting of the County Council together with any comments.



**Cefndir Economaidd / Economic background**

During 2013/14 economic indicators suggested that the economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations.

The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.0% y/y, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income.

The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre 2008.

Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 started to come down, but only slowly, as Government expenditure cuts took effect and economic growth started to show through in a small increase in tax receipts. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan, and monetary policy was unchanged in advance of the new Bank of England Governor, Mark Carney, arriving. Bank Rate remained at 0.5% and quantitative easing also stayed at £375bn. In August, the MPC provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%, which was not expected until mid 2016. However, 7% is only a point at which the MPC will review Bank Rate, not necessarily take action to change it. The three month to July average rate was 7.7%.

CPI inflation (MPC target of 2.0%), fell marginally from a peak of 2.9% in June to 2.7% in August. The Bank of England expects inflation to fall back to 2.0% in 2015.

Financial markets sold off sharply following comments from Ben Bernanke (the Fed chairman) in June that suggested the Fed. may 'taper' its asset purchases earlier than anticipated. The resulting rise in US Treasury yields was replicated in the UK. Equity prices fell initially too, as Fed. purchasing of bonds has served to underpin investor moves into equities out of low yielding bonds. However, as the market moves to realign its expectations, bond yields and equities are likely to rise further in expectation of a continuing economic recovery. Increases in payroll figures have shown further improvement, helping to pull the unemployment rate down from a high of 8.1% to 7.3%, and continuing house price rises have helped more households to escape from negative equity. In September, the Fed. surprised financial markets by not starting tapering as it felt the run of economic data in recent months had been too weak to warrant taking early action. Bond yields fell sharply as a result, though it still only remains a matter of time until tapering does start.

Tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a renewed flare-up. Economic survey data improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of Eurozone recession.

**Allan gan / From: CAPITA ASSET SERVICES – TREASURY SOLUTIONS**

## Rhagolygon Economaidd am ail hanner 2013/14 / Economic outlook for the second half of 2013/14

Economic forecasting remains difficult with so many external influences weighing on the UK. Volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds. Downside risks to UK gilt yields and PWLB rates include:

- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable: the coalition government fell on 29 September.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

Upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- Increased investor confidence that sustainable robust world economic growth is firmly expected, together with a reduction or end of QE operations in the US, causing a further flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- In the longer term - a reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth, causing the ratio of total Government debt to GDP to rise to levels that provoke major concern.

The overall balance of risks to economic recovery in the UK is now weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last, and it remains exposed to vulnerabilities in a number of key areas. The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Near-term, there is some residual risk of further QE if there is a dip in strong growth or if the MPC were to decide to take action to combat the market's expectations of an early first increase in Bank Rate. If the MPC does take action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years, such action could cause gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The tension in the US over passing a Federal budget for the new financial year starting on 1 October and raising the debt ceiling in mid October could also see bond yields temporarily dip until agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed. will cause bond yields to rise.

**Allan gan / From: CAPITA ASSET SERVICES – TREASURY SOLUTIONS**

## Sylwadau ar y rhagolygon diweddaraf ar raddfeydd llog/Commentary on the latest interest rates forecasts

Since the August Bank of England Inflation Report we have had a continuing run of strong economic news which has consolidated confidence in a UK economic recovery. Such a run of resoundingly good economic news is not something that the UK is accustomed to and so it has taken some time for markets (and forecasters!) to shed some continuing caution that this is all too good to be true and could just be a statistical aberration. What we have seen since August is an initial robust rise in gilt yields, especially in shorter / medium term yields e.g. 5 and 10 years, followed by a partial backtracking. This overall rise in yields reflects the market view that the Bank of England's target level for unemployment of 7%, before it will review changing Bank Rate, will be reached much sooner than the Bank's view back in August of towards the end of 2016. In its latest quarterly Inflation Report this month, the Bank has shortened this period to possibly as early as the end of 2014. Financial markets have also moved their expectations back from their over optimism, which reached fever pitch in September, and are now expecting a first increase in Bank Rate in Q2 2015. This is not our house view however, and the Bank has been at pains to emphasise that reaching a 7% unemployment rate is NOT a trigger for the first increase in Bank Rate but this target is only an assurance that they will NOT increase Bank Rate before that rate is reached. 7% is, therefore, merely a point at which the MPC would start to ask the question whether Bank Rate warrants being increased. This question will then be dependent on MPC forecasts for inflation and growth. The MPC does have a twin mandate of controlling inflation AND supporting the Government's policy for growth and employment. Provided inflation looks likely to stay near to the target rate of 2% (Bank forecast is now 1.9% Q4 2015), the MPC are likely to give priority to supporting growth and employment. This could mean a continuation of loose monetary policy and consequently an extended period of historically low Bank Rate compared to what we have viewed as being 'normal' rates.

This latest house view is very different from market expectations of a first increase in Bank Rate of Q2 2015. It should be noted that in this latest forecast, although we have moved the first increase in Bank Rate forward to Q2 2016, we are only forecasting Bank Rate to reach 1.25% in Q1 2017. This is a slow rate of increase because we have major reservations that the current bout of strong economic growth (the Bank has now upped its forecasts for 2014 to 2.8% and for 2015 to 2.5%), will wilt as the major stimulus has come from consumer spending and an uplift in borrowing to buy property. Whilst the release of this burst of pent up demand to buy property is having a very welcome effect on the economy, this surge is very likely to fade in time and will then leave a major question mark over where growth is going to come from. Basically, there are four main areas of demand in the UK economy: -

1. Consumers – but most consumers are maxed out on borrowing and trying to pay down debt. In addition, most consumers are experiencing declining disposable income as wage increases are less than inflation. This will not reverse until productivity and business investment improve so as to warrant paying higher wages. It is mainly higher wages that could provide a solid stimulus to an increase in consumer expenditure which would then underpin strong growth.
2. Government – again, maxed out on borrowing and committed to austerity programmes to reduce its expenditure.
3. Foreigners buying our exports – but the EU, our major export market, is likely to experience tepid growth, at best, for the next few years.
4. Business investment in fixed capital formation; but this has fallen from 13.5% to 10.4% of GDP over the last six years. Why should companies increase this level of investment when labour productivity has fallen significantly over the last six years, and so there should be potential to improve productivity in order to facilitate increased levels of production? Export markets also look relatively weak, so again, there is little need to invest in order to expand production for that reason. Finally, the Bank keeps on commenting on the level of surplus capacity in the economy so there is an issue as to how long it will take for that capacity to absorb increases in levels of production before new investment appears on the agenda of companies.

Turning to the US, in terms of the start of Fed tapering of asset purchases, we are still of the view that tapering will start soon, but not now till Q1 2013 at the earliest; so there is no material change in our US outlook. However, UK gilt yields are still closely tracking movements in US treasury yields and these could, therefore, be volatile as the political deadlock and infighting between Democrats and Republicans over the budget, and the raising of the debt limit, has only been kicked down the road, rather than resolved. The Fed. is likely to want to prefer to delay tapering until it knows what sort of agreement eventually emerges so that it can ascertain what impact it is likely to have on the US economy and consumers.

### **Short term turbulence in financial markets**

We can only repeat our previous warnings that we are in times when events can precipitate major volatility in markets. While Ireland has made very good progress towards probably being able to exit from its bail out soon, it looks increasingly likely that Greece is now going to need a third bailout package, though not one on the same scale as the first two. Concerns are also rising over Portugal requiring another bailout. Slovenia looks increasingly like it is heading towards a bailout. A growing lack of confidence in the Eurozone austerity programmes could cause bond yields to rise for Eurozone countries. This could help maintain UK gilts as a safe haven and so depress gilt yields close to current levels for an extended period.

This latest forecast is based on an initial assumption that we will not be heading into a major resurgence of the Eurozone debt crisis, or a break-up of the Eurozone, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where Eurozone institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the Eurozone will be tepid for the next couple of years and is, therefore, likely to dampen UK growth, as the EU is our biggest export market. We are also concerned that some Eurozone countries experiencing low growth, will, over the next few years, see a significant increase in total government debt to GDP ratios. There is a potential danger for these ratios to rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the Eurozone debt crisis. While the ECB has adequate resources to manage a debt crisis in a small Eurozone country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the European Central Bank and to Eurozone politicians. Our PWLB forecasts are based around a balance of risks. However, we would flag up the potential for upside risks, especially for longer term PWLB rates, as follows: -

- A further increase in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities;
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields;
- A reversal of Sterling's safe-haven status on an improvement in financial stresses in the Eurozone;
- A reversal of QE; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

It should be highlighted how unpredictable PWLB rates and bond yields continue to be as we are experiencing exceptional levels of volatility which are highly correlated to political developments, (or lack of them), in the sovereign debt crisis.

**Allan gan / From: CAPITA ASSET SERVICES – TREASURY SOLUTIONS**

**Crynodeb Benthycu a Buddsoddi – Chwarter 1 a 2 2013/14**  
**Borrowing and Investment Summary – Quarters 1 and 2 2013/14**

	30 Medi / Sept 2013		30 Mehefin / June 2013	
	£m	%	£m	%
Benthycu – graddfa sefydlog Borrowing – fixed rate	96.1	5.53	96.1	5.53
Benthycu – graddfa amrywiol Borrowing – variable rate	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – galw hyd at 30 diwrnod Deposits – Call to 30 days	14.7	0.67	13.7	0.67
Adneuon – Tymor sefydlog < 1 bl. Deposits – Fixed Term < 1 year	10.0	1.27	10.0	1.27
Adneuon – Tymor sefydlog 1 bl. + Deposits – Fixed Term 1 year +	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Cyfanswm Adneuon Total Deposits	24.7	0.90	23.7	0.92
Cyfartaledd Adneuon yn y Chwarter Average Deposits in the Quarter	25.7	0.88	28.0	0.92

Ni torwyd unrhyw un o'r dangosyddion trysorlys yn ystod hanner cyntaf y flwyddyn.  
None of the treasury indicators were breached during the first half of the year.

**Graddfeydd Credyd Gwrthbartion buddsoddi a'r adneuoedd a ddelir gyda phob un ar Mehefin 2013 \***  
**Credit ratings of investment counterparties and deposits held with each as at 30 September 2013\***

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuoedd / Deposit £'000	Hyd (Galw tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O/I)/ Period (From / To)	Graddfa Dychweliad/ Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating	Graddfa Tymor Byr Fitch Short Term Rating	Graddfa Tymor Hir Moody's Long Term Rating	Graddfa Tymor Byr Moody's Short Term Rating	Graddfa Tymor Hir Standard & Poor's (S&P) Long Term Rating	Graddfa Tymor Byr Standard & Poor's (S&P) Short Term Rating	Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration
Lloyds Banking Group plc	Bank of Scotland plc	10,000	Galw/ Call	n/a	0.40	A	F1	A2	P-1	A	A-1	Glas - 12 mis/ Blue - 12 months
HSBC Holdings plc	HSBC Bank plc	489	Galw/ Call	n/a	0.25	AA-	F1+	Aa3	P-1	AA-	A-1+	Oren - 12 mis / Orange - 12 months
Santander Group plc	Santander UK plc	4,169	Galw/ Call	n/a	0.80	A	F1	A2	P-1	A	A-1	Gwyrdd - 3 mis/ Green - 100 days
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc	5,000	Tymor Sefydlog/ Fixed Term (364 diwrnod/days)	Tachwedd/ November 2012 Tachwedd/ November 2013	1.58	A	F1	A3	P-2	A	A-1	Glas - 12 mis / Blue - 12 months
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc	5,000	Tymor Sefydlog/ Fixed Term (6 mis/months)	Mai /May 2013 / Tachwedd/ November 2013	0.95	A	F1	A3	P-2	A	A-1	Glas - 12 mis / Blue - 12 months

\* Ceir y Rhestr Benthycy Cymeradwyedig yn Atodiad 5 o'r Datganiad Strategaeth Rheoli Trysorlys 2013/14/Strategaeth Buddsoddi Blynyddol/ The Approved Lending List can be found at Appendix 5 of the 2013/14 Treasury Management Strategy Statement / Annual Investment Strategy

\*\* Sef tymor ar pwynt y buddsoddi/Being term at the point of investment.

- Santander oedd yr unig sefydliad i beidio â chwrdd â meini prawf y Rhestr Benthycy Cymeradwyedig. Fe parhawyd i fuddsoddi yn Santander. Trafodir hyn yn Rhan 5.5.2./The only institution not to meet the Approved Lending List credit criteria was Santander. Investment in Santander did continue though. This is discussed in Section 5.5.2.  
Yn Atodiad 6 ceir y graddfeydd credyd cyfatebol ar gyfer y 3 asiantaeth graddio y cyfeirir atynt uchod./The equivalent credit ratings for the 3 rating agencies referred to above can be found at Appendix 6.

**Graddfeydd Credyd Cyfatebol/  
Equivalent Credit Ratings (Fitch, Moodys, S&P)**

<b>Tymor Hir Fitch Long Term</b>	<b>Tymor Hir Moodys Long Term</b>	<b>Tymor Hir S&amp;P Long Term</b>
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
<b>Tymor Byr Fitch Short Term</b>	<b>Tymor Byr Moodys Short Term</b>	<b>Tymor Byr S&amp;P Short Term</b>
F1+	d/b / n/a	A-1+
F1	P-1	A-1
F2	P-2	A-2
F3	P-3	A-3

This page is intentionally left blank