Chorley Council

GOVERNANCE COMMITTEE

WEDNESDAY, 14TH JANUARY 2015, 2.30 PM
COMMITTEE ROOM 1, TOWN HALL, CHORLEY

AGENDA

APOLOGIES

Meeting contact Dianne Scambler on 01257 515034 or email dianneb.scambler@chorley.gov.uk

8 **RIPA APPLICATION UPDATE**

The Monitoring Officer will present a verbal report at the meeting.

9 **EXCLUSION OF THE PUBLIC AND PRESS**

To consider the exclusion of the press and public for the following items of business on the ground that it involves the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972.

10 **INTERNAL AUDIT INTERIM REPORT AS AT 28 NOVEMBER 2014** (Pages 51 - 56)

Report of Head of Shared Assurance Services (enclosed)

11 **ANY URGENT BUSINESS PREVIOUSLY AGREED WITH THE CHAIR**

GARY HALL
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillor Paul Leadbetter (Chair), Councillor Peter Goldsworthy (Vice-Chair) and Councillors Julia Berry, Margaret France, Anthony Gee, Matthew Lynch, June Molyneaux and Mick Muncaster.

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or chorley.gov.uk

MINUTES OF	**GOVERNANCE COMMITTEE**
MEETING DATE	**Friday, 12 September 2014**
MEMBERS PRESENT:	Councillor Paul Leadbetter (Chair), Councillor (Vice-Chair) and Councillors Julia Berry, Anthony Gee, Matthew Lynch, June Molyneaux and Mick Muncaster
OFFICERS:	Gary Hall (Chief Executive), Chris Moister (Head of Governance), Susan Guinness (Head of Shared Financial Services), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)
APOLOGIES:	Councillor Peter Goldsworthy and Margaret France
OTHER MEMBERS:	Councillor Peter Ripley (Independent Member)

14.G.33 Minutes

Apologies for absence were received from Councillors Peter Goldsworthy (Vice Chair) and Margaret France.

14.G.34 Declarations of Any Interests

There were no declarations of interest.

14.G.35 External Audit Findings Report 2013/14

The Committee received a report of the External auditor on their audit findings for the authority for the year ending 31 March 2014 that highlighted key matters arising for the Council's financial statements.

The Auditor intended to issue an unqualified opinion on the financial Statements and Value for Money conclusion.

There were a number of key messages arising from the audit of the Council's financial statements. The statements were supported by adequate working papers and no adjustments had been identified that would affect the Council's reported financial position.

A small number of material misstatements had been identified which management had agreed to amend. These related to the accounting treatment for Market Walk, together with accounting requirements for the introduction of changed arrangements for IAS19 costs and NNDR collection.

No significant weaknesses of internal control had been identified and only one minor weakness identified in respect of the bank reconciliation process.

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources had been discussed with the Chief Executive and Head of Shared Financial Services.

Recent DCLG consultation on the bringing forwards of the accounts timetable in future years, (2017/18) represents a significant challenge for both finance and audit teams. For Chorley the technical accounting demands on the team are growing as it enters into non-traditional operational activities adding additional challenge. However, officers were confident that they would continue to deliver.

RESOLVED – That the report be noted.

14.G.36 Statement of Accounts 2013-14

The Head of Shared Financial Services presented a report that sought approval of the audited Statement of Accounts for its publication by 30 September under the requirement of the Accounts and Audit Regulations 2011. Once approved the signed Statement would be published on the Council's website.

The Chair queried why the Accounts had been delayed so long, it was explained that the figures for 2012/13 had been restated to apply a change in accounting policy relating to pension costs. Market Walk had been reclassified as a Property, Plant and Equipment asset, rather than an Investment Property, which had required amendments to several statements and notes.

This was an adjustment that the Council's Chief Financial Officer (Section 151 Officer) fundamentally disagreed with. There seemed to be a lot of inconsistency nationally regarding this type of investment and the External Auditors had agreed to raise this issue at a higher managerial level.

Balances for Short-Term Creditors had been adjusted by £3.628m with Debtors being decreased by the same amount (£3.628m) which had a nil effect in total and a £0.493m restatement in 2012/13 in respect of Long-Term Creditors had been reversed so that the adjustment is implemented in 2013/14.

Grant Thornton also admitted that there had been some staffing issues that had impacted on the audit of the authority's accounts that would be addressed for future. The External auditor did intend to issue an unqualified opinion for both the Statement of Accounts and Value for Money conclusion. This would also indicate that there are no significant weaknesses in internal controls to highlight and that the adjusted misstatements had a nil impact on net expenditure. However, as the accounts were still being worked upon the recommendation in the report needed to be amended.

RESOLVED

1. **That the report be noted**

2. **That the Governance Committee approve the statement of accounts as drawn, subject to any amendments which in the opinion of the Chief Financial Officer (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material. The Chief Financial Officer will exercise this delegation in consultation with the Chair of Governance Committee. In the event the Chief Financial Officer is of the opinion the amendments are considered material, Governance Committee will be reconvened to approve the new Statement of Accounts.**
3. **That once the final Statement of Accounts have been approved the Letter of Representation be approved for signature by the Chair of Governance Committee and Chief Executive.**

14.G.37 Internal Audit Interim Report as at 1 August 2014

The Committee received a report of the Head of Shared Assurance Services advising of the work undertaken in respect of the Internal Audit Plans for Chorley Council and shared Financial Services for the period 1 April – 31 July 2014. The report also gave an appraisal of the Internal Audit Service to date and informed Members of general developments involving or impacting on the work of the service.

The report demonstrated that the Audit Plans were on target to be achieved and that the majority of the performance indicators had either been achieved or had been exceeded.

A table provided a summary of the audit work completed during the period with any control issues identified.

A member of the Internal Audit team had been successful in the recent examinations and meant that all the team are professionally qualified and had achieved the Institute of Internal Auditors Diploma. The Committee offered their congratulations on this achievement.

RESOLVED – That the report be noted.

14.G.38 Strategic Risk Register Update Report

The Committee received a report giving an update of the Strategic Risk Register which included 15 strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

The Strategic Risk Register is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which need to be managed strategically and is reviewed every six months.

Seven of the risk categories remained at the same level with five of these areas identified as ‘high risk’. One new risk had been added to the register following the recent high levels of public interest in consultations and planning applications such as the Gypsy and Traveller site allocation and the Croston flood scheme. Members asked if the wording of this risk could be amended so that it was regarding high profile consultation in general and not specifically related.

Following improvements in performance, four risks had decreased. Reduction in satisfaction with the council, failure to sustain our performance in light of budget cuts and reduction in staff morale with the Council including increase in sickness absence had all been decreased by one. Failure to realise the value of large budget investments and achieve return on investment had decreased by two, following the recent report that income generated from the Market Walk shopping centre had been higher than expected.

Three risk scores had increased since March 2014. The highest increase in risk was for R3, failure to identify/exploit opportunities for new ways of working and alternative business models including options for income generation had increased from 5 to 8. This increase had resulted from the Council's decision to investigate the business case for seeking to become a unitary council and took into account the potential impact to the organisation financially and operationally as well as on partner relationships.

The highest risks continued to be focused on budget cuts and maintaining performance under challenging conditions. These risks continued to be to be managed effectively with a number of actions having already been delivered including the newly formed Chorley Public Service Reform Board, strong Medium Term Financial Strategy and ongoing Business Planning and Corporate Strategy refresh.

RESOLVED – That the report be noted.

14.G.39 Standards Update

The Monitoring Officer reported that there one complaint that had been received but that there had not been a breach of the code.

RESOLVED – That the report be noted.

14.G.40 RIPA Application Update

The Monitoring Officer reported that there had been no RIPA applications made.

14.G.41 Work Programme 2014-15

Following a recent training session for Members of the Governance Committee, it had been agreed that the committee's Work Programme for the year would be included on the agenda for each meeting.

The training session had been well received by the Committee and the Chair thanked the officers for their involvement.

RESOLVED – That the work Programme be noted.

Chair Date

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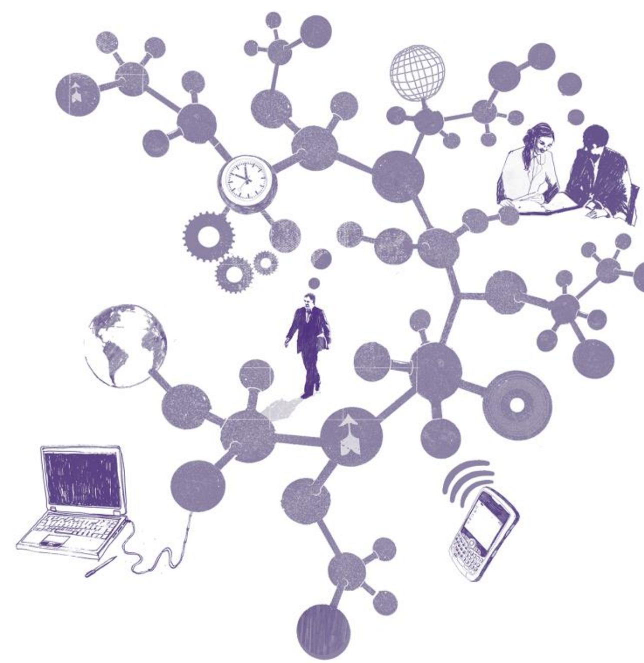
The Annual Audit Letter for Chorley Council

Year ended 31 March 2014

October 2014



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Contents

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Chorley Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 10th April and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)	We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 12th September to the Governance Committee. The key messages reported were: • no adjustments were made affecting the Council's reported financial position • the draft accounts and working papers were of good quality, and finance staff responded promptly to all audit queries • the audit identified a small number of material misstatements which management agreed to amend • we also agreed some minor amendments to disclosure notes within the accounts. We issued an unqualified opinion on the Council's 2013/14 financial statements 23rd September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirmed that the financial statements gave a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.
Value for Money (VfM) conclusion	We issued an unqualified VfM conclusion for 2013/14 on 23rd September 2014. On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we were satisfied that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014. The Council has sound financial governance arrangements and financial controls in place. This is supported by members who consistently provide a robust challenge to financial matters. There is also a well established

Key messages

Value for Money (VfM) conclusion	approach to strategic financial planning, through the three year medium term financial strategy, which is aligned to the corporate priorities of the Council. Over the next three years to 2016/17, the Council, along with many other councils, is forecasting a significant budget gap. Encouragingly efficiencies for 2014/15 have already been fully delivered, but there remains a considerable challenge going forward. The Council remains in line with its stated policy of maintaining general fund reserves at or around £2m and is in line with the s151 officer's assessment of the level of general fund balances needed in the context of current risks. It remains important that the Council keeps this under close review in the context of changing risks and uncertainties around the financial position in the medium to long term. The Council continues to adopt a flexible and challenging approach to the way it delivers its services. The Council is not afraid to think progressively when it comes to identifying ways to ensure that its resources are effectively used. The recent decision to purchase the Market Walk shopping centre is an example where the Council was prepared to be innovative to identify additional income streams, whilst actioning wider corporate objectives. The risks were clearly evaluated as part of the decision making process and actions taken to minimise them where possible.
Whole of Government Accounts	We confirmed that the Council's income, expenditure, assets and liabilities in the consolidation pack, which the Council prepared to support the production of the Whole of Government Accounts, were below the audit threshold of £350m. As a result we confirmed only, as required, that the amounts in the pack for Property, Plant and Equipment and the net Pensions Liability were consistent with the amounts in the financial statements.
Certification of grant claims and returns	We are currently auditing the Council's Housing Benefit Grant Claim. The Council has good arrangements in place for submitting claims to be certified by us in line with the recognised deadlines. The claim is supported by appropriate evidence and staff have responded promptly to any queries raised by us.
Audit fee	Our fee for 2013/14 is £69,404, including an estimated grants certification fee of £9,064. Further detail is provided in Appendix A.

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee*	59,440	60,340
Grant certification fee**	12,350	9,064
Total fees	**71,790**	**69,404**

* During the year there was a one off fee rebate issued by the Audit Commission of £8,134 which reduced the Council's net audit fee for the year. The rebate is not reflected in the above figure, which is shown gross of the rebate. There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils and has been agreed by the Audit Commission.

**The 'actual' grant certification fee is estimated, based on the latest indicative fees published by the Audit Commission, which reflects the removal of the requirement to certify the NDR3 return.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	April 2014
Audit Findings Report	September 2014
Annual Audit Letter	October 2014

Grant Thornton

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5 January 2015

Dear Gary

Certification work for Chorley Borough Council for year ended 31 March 2014

We are required to certify certain claims and returns submitted by Chorley Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified one claim for the financial year 2013/14 relating to expenditure of £26.2 million. Further details of the claim certified are set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £9,064. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2013/14

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	26,158,759	No	0	No	None

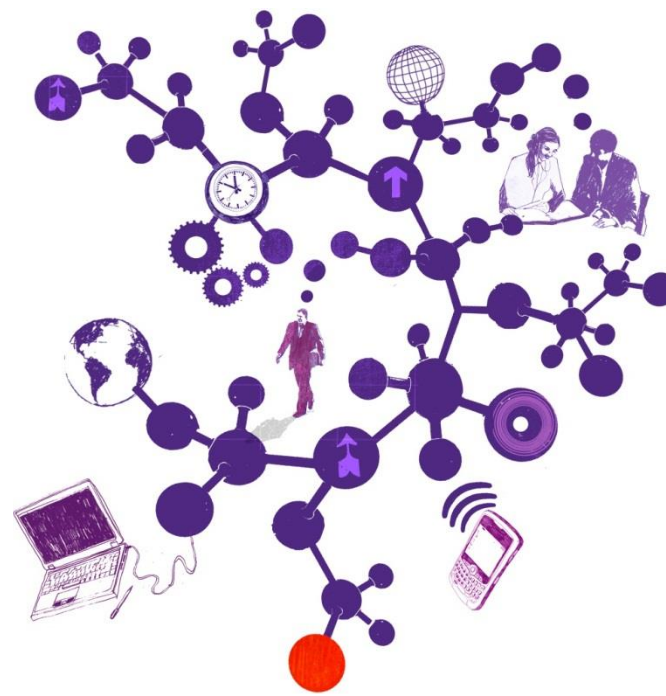
Appendix B: Fees for 2013/14 certification work

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	10,300	9,064	9,064	0	N/a
National non-domestic rates return (NNDR3)	2,050	N/a	N/a	N/a	No requirement to certify this return in 2013/14
Total	12,350	9,064	9,064	0	N/A

Governance Committee Update for Chorley Council

Year ended 31 March 2015

December 2014



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Introduction

This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (http://www.grant-thornton.co.uk/en/Services/Public-Sector/). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at December 2014

Work	Planned date	Complete?	Comments
2013-14 Audit Our audit for the year ended 31 March 2014 is now complete.	October 2014	Yes	Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Chorley Council in respect of the year ending 31 March 2014.
2013-14 Certification of claims and returns We are required to certify certain claims and returns submitted by the Council to government departments on an annual basis.	December 2014	Yes	Our work to complete certification of claims and returns is complete. We will report the findings from our work to the Governance Committee in January 2015.
2014-15 Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.	March 2015	On track	We anticipate presenting our audit plan to the March Governance Committee.
Interim accounts audit Our interim fieldwork visit includes: • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion.	February to March 2015	On track	We will update members with progress on the interim audit at the March Governance Committee.

Progress at December 2014

Work	Planned date	Complete?	Comments
2014-15 final accounts audit Including: • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion.	July to September 2015	On track	We will report the findings from our final accounts audit to the September Governance Committee.
Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion will consider the arrangements in place at the Council for securing financial resilience and for challenging how the Council secures economy, efficiency and effectiveness.	January to September 2015	On Track	We will report the findings from our VFM work audit to the September Governance Committee.

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2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Protecting the Public Purse 2014

Local government guidance

On 23 October 2014 the Audit Commission released its national report, *Protecting the Public Purse 2014, Fighting Fraud against Local Government*.

'Protecting the Public Purse', the final one being issued before the Commission closes at the end of March 2015, looks at the landscape of fraud against councils and how this has changed since 1990, when the Audit Commission first turned the spotlight on to local government fraud with its 'Protecting the Public Purse' reports. The report highlights that:

- In total, local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year, continuing the decline noted in *PPP 2013*. However, their value increased by 6 per cent.
- In the past 5 years, councils have shifted their focus from benefit fraud to non-benefit fraud. From 2016, they will no longer deal with benefit fraud.
- Councils will need to focus on the non-benefit frauds that present the highest risk of losses, including those that arise from the unintended consequences of national policies.
- Overall, councils are detecting more non-benefit frauds, but detection rates for some types of frauds have fallen.
- Councils are detecting more housing tenancy fraud and more fraud in schools.

The report includes a number of recommendations for all Local Government bodies and a self assessment checklist to review the counter fraud arrangements in place.

Chorley Council

Report of	Meeting	Date
Chief Executive	Governance Committee	14 January 2015

TREASURY STRATEGY AND PRUDENTIAL INDICATORS 2014/15 - MID TERM REVIEW

PURPOSE OF REPORT

1. To report on performance and compliance with Prudential Indicators in financial year 2014/15 to the end of November.

RECOMMENDATION(S)

2. That the report be noted.

3. That an updated list of financial institutions and investment criteria should be prepared and presented to Council for approval with the annual Investment Strategy for 2015/16.

EXECUTIVE SUMMARY OF REPORT

4. The report takes into account changes to revenue and capital budgets reported to Executive Cabinet during 2014/15. Prudential Indicators have been updated to reflect rephasing of capital expenditure and changes to financing.

5. The Capital Financing Requirement (CFR) has been recalculated to reflect rephasing of capital expenditure to be financed by borrowing from 2013/14, and from 2014/15 to later years. Net borrowing – gross borrowing and other long-term liabilities less surplus cash invested – is expected to be much lower than the CFR in 2014/15.

6. Average interest earned is 0.64% to the end of November. However, cash balances have been used as a source of internal borrowing to minimise external borrowing at higher rates of interest, thereby achieving revenue budget savings.

7. The report reviews a number of issues arising in the UK banking sector. While no immediate change to investment counterparties is required, regulatory changes may have an impact on ratings given to UK banks. The list of counterparties will be reviewed and be presented for approval with the Investment Strategy for 2015/16.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

8. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

9. Special Council of 25 February 2014 approved the Prudential Indicators for 2014/15 to 2016/17; the Treasury Management Strategy and Treasury Indicators for 2014/15; and the Annual Investment Strategy 2014/15. The Annual Minimum Revenue Provision (MRP) Policy for 2014/15 was approved by Council on 11 November 2013, when the purchase of Market Walk was agreed.

10. The Treasury Management Annual Report for 2013/14 was presented to Governance Committee of 25 June 2014. Changes to total capital expenditure in 2013/14, and the financing of it by borrowing (external and internal), have an impact on Prudential Indicators in 2014/15. See Table 1 and Table 3 below.

11. This report reflects rephasing of capital expenditure, and other changes to the capital programme and revenue budgets, reported to Executive Cabinet during 2014/15.

12. The Code of Practice for Treasury Management requires Councils to review their treasury strategies and activities half yearly. This report satisfies that requirement.

PRUDENTIAL INDICATORS

Capital Expenditure 2014/15

13. The Prudential Indicator reported on 25 February 2014 took account of estimated capital expenditure and sources of financing from 2013/14 to 2016/17. The Capital Expenditure prudential indicator for 2014/15 has been updated to include expenditure rephased from 2013/14 to 2014/15, and from 2014/15 to later years, as shown in the table below.

Table 1 - Capital Expenditure	**2014/15 Estimate £'000**	**Net Changes £'000**	**2014/15 Revised £'000**
Capital expenditure incurred directly by the Council	11,924	(6,157)	5,767
Less Capital resources - Capital Receipts/grants & contributions/revenue financing	(4,019)	(498)	(4,517)
Unfinanced amount (affects CFR)	**7,905**	**(6,655)**	**1,250**

14. The unfinanced total represents the expenditure that would be financed by Prudential Borrowing, whether external or use of internal balances. The largest variance is the

rephasing of £6.65m in respect of the Chorley East Health Centre, because the project is now expected to commence during 2015/16 and continue into 2016/17.

15. The Council's treasury advisors Capita Asset Services have provided the following interest rates forecast. Public Works Loan Board (PWLB) interest rates in Table 2 below include the certainty rate adjustment. Compared to the rates forecast presented to Council in February 2014, PWLB rates are currently lower than expected and are not considered likely to increase as much as previously suggested. On the other hand, an increase in Bank rate was not expected until the June quarter of 2016, whereas now it is considered that the first increase could be a year earlier. The Bank of England issued an inflation report in November 2014, in which it suggested that the interest rate could remain at 0.5% until later in 2015, because of a possible reduction in inflation below 1% early in 2015.

Table 2 - Interest Rate Forecast	**Dec 2014 %**	**Mar 2015 %**	**Jun 2015 %**	**Sep 2015 %**	**Dec 2015 %**	**Mar 2016 %**	**Jun 2016 %**
Bank rate	0.50	0.50	0.75	0.75	1.00	1.00	1.25
5 yr PWLB	2.50	2.70	2.70	2.80	2.90	3.00	3.10
10 yr PWLB	3.20	3.40	3.50	3.60	3.70	3.80	3.90
25 yr PWLB	3.90	4.00	4.10	4.30	4.40	4.50	4.60
50 yr PWLB	3.90	4.00	4.10	4.30	4.40	4.50	4.60

Any increase in the cost of new external borrowing to finance capital expenditure would need to be reflected in the revenue budget.

Capital Financing Requirement (CFR) 2014/15

16. The CFR measures the indebtedness resulting from the Council's Capital Programme. It increases when the Council incurs unfinanced capital expenditure or leasing liabilities. The CFR is used to calculate the charge to the revenue account for debt repayment known as the Minimum Revenue Provision or MRP.

17. The CFR for the current year has been recalculated to take account of the rephasing of capital expenditure from 2013/14 to 2014/15, and from 2014/15 to later years. The largest variance is the rephasing of Chorley East Health Centre from 2014/15 to 2015/16 to 2016/17. Of the £32.865m CFR as at 1 April 2014, £23,341m is in respect of Market Walk.

Table 3 - Capital Financing Requirement (CFR)	**2014/15 Estimate £'000**	**Net Changes £'000**	**2014/15 Revised £'000**
Estimated CFR at start of year	32,518	347	32,865
Reasons for change in estimated CFR			
Unfinanced Capital Expenditure	7,905	(6,655)	1,250
Annual Revenue Charge (MRP)	(471)	11	(460)
Estimated CFR at end of year	**39,952**	**(6,297)**	**33,655**

The CFR and Borrowing 2014/15

18. The Prudential Code requires that borrowing net of investments should not exceed the CFR for the preceding year plus any anticipated increase in the current and next two years. This is in order to ensure that Councils borrow only for capital investment purposes. As at 31 March 2014, net borrowing as reported in the Treasury Management Annual Report 2013/14 was £18.739m and therefore was well below the CFR. Net borrowing will not exceed the CFR in 2014/15, and the actual year-end figure will be confirmed in the Treasury Management Annual Report for the financial year.

19. As there is a large margin between net borrowing and the CFR, the Council could take additional external borrowing should it need to top-up cash balances. However, there would be a “carrying cost” of additional borrowing, because the interest rates payable would exceed the interest rates receivable on the cash balances. As indicated in Table 4 below, the average rate of interest earned this year to November is 0.64%, whereas interest payable on new PWLB loans would be 2.5% to 3.9% (see Table 2 above).

Operational Boundary for External Debt 2014/15

20. The Operational Boundary for external debt should reflect the most likely, but not worst case, scenario consistent with the Council’s approved budgets. Gross borrowing and other long-term liabilities should not exceed the Operational Boundary. The figure approved on 25 February 2014 was £35.647m, being the forecast gross borrowing and other long-term liabilities as at 31 March 2015. Actual borrowing at that date is expected to be lower, firstly because of the rephasing of the Chorley East Health Centre scheme to later years; and secondly because as much as possible of the CFR is matched by internal rather than external borrowing. Use for internal borrowing is the most effective use of the Council’s cash balances while available. The Operational Boundary was set at a value based on the CFR to allow additional external borrowing should cash balances be depleted, without breaching the Prudential Indicator.

Authorised Limit 2014/15

21. The Authorised Limit should allow headroom above the Operational Boundary to accommodate the fluctuations that can occur in cash flows. The figure approved for 2014/15 was £37.647m, and there is no reason to amend this at present.

Ratio of Financing Costs to the Revenue Stream 2014/15

22. The Ratio of Financing Costs to the Revenue Stream shows the percentage of the Council’s income from Government grants and council tax that has been used to meet interest costs and debt repayment. The actual figure for 2014/15 will be presented in the Treasury Management Annual Report 2014/15 in June 2015.

Incremental Impact of Capital Investment Decisions 2014/15

23. The Incremental Impact of Capital Investment Decisions measures the cumulative impact of capital expenditure on the revenue budget. It is not possible to make a meaningful comparison against this indicator other than when it is restated in the annual Treasury Strategy, which will be presented to Council in February 2015.

TREASURY ACTIVITY

24. Investment activity up to the end of November 2014 is summarised in the following table.

Table 4 - Investment Activity	Average Daily Investment £'000	Earnings to 30/11/14 £	Average Rate %
Fixed Term Deposits	2,000	12,563	0.98
Call Accounts	3,614	12,549	0.53
Money Market Funds	600	1,363	0.37
Total	**6,214**	**26,475**	**0.64**

A full list of current investments is shown at Appendix A. The current list of Financial Institutions and Investment Criteria is attached as Appendix B.

25. The average interest earned of 0.64% exceeds the benchmark of 0.35% (being the average LIBID 7 day rate).

26. No changes to counterparties are proposed at present, though Capita Asset Services have recommended that their clients should change their credit methodologies to reflect changes by main rating agencies (Fitch, Moody's, and Standard & Poor's). See Appendix C for further explanation. A revised list of financial institutions and investment criteria will be prepared and presented to Council for approval with the annual Investment Strategy for 2015/16.

27. Capita Asset Services provided an update on the regulatory framework for Money Market Funds (MMFs). They advise that they "continue to believe that Money Market Funds are an appropriate investment option for clients to consider, both now and in the future. They currently offer levels of security, liquidity and diversification that many other investment types cannot".

28. Our treasury consultants and CIPFA advise that local authorities should base investment decisions on multiple sources of intelligence, rather than relying on one source of information. Capita Asset Services provide weekly summaries of the ratings produced by the main agencies. However, the Shared Financial Services' Financial Accountancy team has registered directly with Fitch, Moody's, and Standard & Poor's, so that up-to-date ratings can be checked on each agency's web site. Other sources of intelligence are being investigated. Daily e-mail alerts are received from the financial press. Company watch alerts have been set up for all appropriate UK banks, and copies of financial statements obtained.

TREASURY CONSULTANTS' ADVICE

29. Appendix C presents the advice of Capita Asset Services in respect of credit criteria, Money Market Funds regulatory update, economic performance to date and outlook, including interest rate forecasts.

30. Further advice has been received to assist in the preparation of the 2015/16 Investment Strategy. Our treasury consultants have considered the implications of European Union Directives on Bank Recovery and Resolution (BRRD) and Deposit Guarantee Schemes (DGSD), which will be implemented during 2015 with the objective of making the financial system sounder. The new measures are part of a complete overhaul of financial market and institution-level regulatory changes, which are aimed at making financial markets safer, thus

promoting investor confidence. However, the reaction of rating agencies could have consequences for councils' Investment Strategies.

31. Should action by rating agencies reduce the number of suitable counterparties, local authorities should have alternative options available, and Capital Asset Services continue to recommend use of Money Market Funds as an alternative to banks and building societies.

REVIEW OF UK BANKING SECTOR ISSUES

32. The need to monitor counterparty market stress indicators is emphasised by the fact that banks have rarely been out of the news headlines since the financial crisis of 2008. On 12 November 2014, for example, news media reported the significant fines imposed by US, UK and Swiss regulators on five banks, following a global probe into allegations of rate-rigging in the foreign exchange markets. This is referred to in the news media as the "forex scandal" or "forex probe". The UK's Financial Conduct Authority (FCA) levied fines totalling £1.115 billion on Citibank, HSBC Bank, JPMorgan Chase Bank, The Royal Bank of Scotland, and UBS AG. The FCA is continuing an investigation in respect of Barclays Bank's foreign exchange business area. US regulators also fined the Bank of America. The Bank of England's chief currency trader was dismissed for 'serious misconduct' following an internal review by the Bank.

33. On 22 December, the Chancellor confirmed that the government would extend the legislation originally put in place to regulate Libor to cover seven further financial benchmarks, including the main foreign exchange ("forex") benchmark. Those found guilty of manipulating the benchmarks would face up to seven years imprisonment. Policing of the benchmarks would be the responsibility of the FCA, which regulates financial firms providing services to consumers, and maintains the integrity of the UK's financial markets. The government published a number of recommendations on 17 December to ensure that the way the financial regulators, the FCA and the Prudential Regulation Authority, make enforcement decisions continues to be fair, transparent, and efficient, following a review.

34. The "forex scandal" followed the "Libor scandal", a series of fraudulent actions connected to the Libor (London Interbank Offered Rate), of 2012 to 2014. In that period, UK and US regulators fined a number of banks, including Barclays Bank, UBS, The Royal Bank of Scotland, Deutsche Bank, JPMorgan, Lloyds Bank and Bank of Scotland.

35. On 10 November 2014, it was reported that the Financial Stability Board (FSB), a global regulator, has proposed new rules to prevent banks that are "too big to fail" from being bailed out by taxpayers. FSB Chairman and governor of the Bank of England Mark Carney explained that the new system would ensure that bank shareholders, and lenders to banks such as bondholders, would become the first in line to bear the brunt of future losses if banks could not pay out of their own resources. The proposed new rules are subject to consultation, and should take effect in 2019. Global systemically important banks would need to hold a minimum amount of cash to ensure that they would be able to survive big losses without turning to governments for help. The FSB has proposed that the cash set aside should be worth 15-20% of the bank's assets, which is a far bigger cushion against losses than is required by current banking rules. The ratings agencies are removing the previous ratings "uplift" given due to implied levels of sovereign support in response to the evolving regulatory regime.

36. The Chancellor on 17 December set out the next stage in the government's plan to return Lloyds Banking Group to private ownership, by announcing the sale of part of the government's remaining shareholding in the firm through a trading plan. Previous share sales raised £7.4 billion, reducing the government's stake in the bank from around 40% to just under 25%. The trading plan will be in place for approximately six months, and involves selling shares gradually in the market in an orderly and measured way. Shares will not be

sold below the average price that the previous government paid for them. The number of shares sold under the trading plan will depend on market conditions, among other factors.

37. The Bank of England's "stress test" that assessed major UK banks' ability to withstand another financial crisis was published on 16 December. Media reports concentrated on the Co-operative Bank having failed the test. Lloyds Banking Group and the Royal Bank of Scotland, both currently investment counterparties, passed the test but were found to be at risk in the event of a "severe economic downturn". The Bank of England emphasised that the "stress test" scenario of economic downturn was "extreme" and not likely to materialise; and the Bank will submit UK banks to an annual stress test from now onwards. Capita Asset Services focused on the positive news in the report, in particular expectation of continued asset quality improvements, and therefore did not advise of any urgent need to change investment limits for the Lloyds and RBS groups.

38. At the end of December 2014, Mervyn King, former Governor of the Bank of England, was quoted in the news media as saying that the banking system is now safer, but not yet at the point where it has been made completely safe.

39. On 2 January 2015, RBS shares fell by 1.2% after media reports that it could face fines of £5 billion over sales of mortgage-backed securities in the US.

IMPLICATIONS OF REPORT

40. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

41. This report complies with statutory requirements. Statistical content is consistent with the assumptions in the approved capital and revenue budgets for 2014/15, including changes approved during the year.

COMMENTS OF THE MONITORING OFFICER

42. The Monitoring Officer has no comments.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	2 January 2015	Treasury Strategy & Prudential Indicators 2014-15.docx

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Appendix A

List of investments as at 30 November 2014

Counterparty	Type	Amount	Rate %	Date	Maturity
BOS Corporate	Term Deposit	£2,000,000.00	0.98%	07/11/2014	09/02/2015
Barclays	Call Account	£550,169.64	0.55%	On Call	

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Appendix B

Financial Institutions and Investment Criteria (2014/15 Treasury Strategy)

Category	Institutions	CAS colour code	Sovereign rating	Max period	Limit per Institution
Sovereign or Sovereign "type"	DMADF Local Authority			6 months 1 year	No limit £3m
UK Partly nationalised institutions	RBS group (inc Nat West) Lloyds Group (inc HBoS & Lloyds)	Blue Blue	AAA	1 year 1 year	£5m per group £5m per group
Independent UK Institutions	HSBC Barclays, Nationwide	Orange Green Green	AAA	Restricted to 3 months	£2m £2m £2m
Money Market Funds	Standard Life Global liquidity MM Fund Prime Rate MMF	Aaa/MR1+		instant access	£3m £3m
Deposit/Call Accounts	Barclays Bank of Scotland Nat West Lancs CC		AAA	Call accounts with instant access	£3m less value of term deposits

Note – Deposits with any one institution shall not exceed £3m

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Appendix C

The following is the advice of Capital Asset Services, treasury management consultants to Chorley and South Ribble Shared Financial Services

Credit Criteria

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts", making the Support, Financial Strength and Viability ratings redundant. This process may commence during this financial year. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to councils' credit methodologies are required.

As a result of these rating agency changes, the credit element of future methodologies should focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information should continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that has always been taken, but is a change to the use of Fitch and Moody's ratings.

Money Market Fund Regulatory Update

The European Commission published its proposal for a new regulatory framework for Money Market Funds (MMFs) on 4th September 2013. According to the Commission, the aim of the new regulations was to reduce "run risk" on MMFs and the potential for a wider impact on financial markets. The publication of the proposals was also the start of a lengthy political process, as both the European Parliament and the European Council have to debate, amend and agree a final version. This final version then needs to be ratified by a vote in the European Parliament before being signed off by European Union Member State Ministers.

In March 2014 the European Parliament cancelled their vote on the proposed changes because of persistent disagreements between members. The latest position is that in November there are a series of roundtables scheduled to begin discussing the proposals again. It is hoped there will be a new set of proposals agreed by March 2015. The Council of the European Union then has to have a similar process as before of agreeing the proposals. The schedule of legislation at the Council is currently managed by Italy whose term comes to an end in December. Italy would like to get the proposals agreed before they hand over, but we understand this is unlikely to happen. The next term (Jan – June 15) is to be run by Latvia who are not expected to have the appetite to look at this area. In July next year, Luxembourg take over control and they are much more likely to be involved, especially given that a number of MMF operate out of the country. If Italy does not manage to get the proposals agreed by December, we are told it will likely happen between July and December next year.

After the European Parliament and the Council of the European Union have agreed proposals, there will be a trialogue between the European Commission, European Parliament & European Council to agree a final set of rules. This is not expected to happen until mid / end next year, but it may take even longer. After these rules are agreed at the political level, the European Securities and Markets Authority (ESMA) and the European Commission will be required to provide the technical detail ahead of implementation. Furthermore, MMFs will be provided a grandfathering period to allow them to alter their structure / parameters to meet the new proposals.

We will continue to keep clients updated on the progress of the regulatory process. In the meantime, we continue to believe that Money Market Funds are an appropriate investment option for clients to consider, both now and in the future. They currently offer levels of security, liquidity and diversification that many other investment types cannot. Furthermore, we do not expect this relative position will change following the future implementation of European regulations.

Economic performance to date and outlook

United Kingdom

After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May and July, which is the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly near to 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q1 or Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.

Eurozone

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (purchase of sovereign debt).

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

Interest rate forecasts

Capita Asset Services undertook a review of its interest rate forecasts in mid-August, after the Bank of England's Inflation Report. By the beginning of September, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, had caused a further flight into safe havens like gilts and depressed PWLB rates further. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 1 of 2015.

Our PWLB forecasts are based around a balance of risks. However, there are potential upside risks, especially for longer term PWLB rates, as follows: -

- A further surge 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.

Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- UK strong economic growth is currently dependent on consumer spending and the unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partners - the EU and US, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalising of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for 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.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti-austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competiveness are also urgently required to lift the economy out of stagnation.

- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns that the reluctance of western economies to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future), has created potentially unstable flows of liquidity searching for yield and therefore heightened the potential for an increase in risks in order to get higher returns. This is a return of the same environment which led to the 2008 financial crisis.

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Report of	Meeting	Date
Monitoring Officer	Governance Committee	14 January 2015

MEMBERS CODE OF CONDUCT; MEMBERS DISCHARGING THE ROLE OF A COUNCILLOR

PURPOSE OF REPORT

1. To seek guidance from the Governance Committee and if necessary make recommendations to Council about the point at which members are deemed to be discharging their role as a councillor.

RECOMMENDATION(S)

2. That members
   a. Reaffirm the current position in the treatment of when members are treated as acting as a councillor; or
   b. That members recommend to Council that guidance be issued to members by the Monitoring Officer confirming when they will be treated as acting as a councillor.

EXECUTIVE SUMMARY OF REPORT

3. Although there have been relatively few complaints made against the conduct of members one of the issues that is frequently the cause for discussion between the Monitoring Officer and the Independent Person is "when a Councillor is acting as a Councillor?". Using guidance from under the previous standards regime this had a high threshold. A Member had to clearly be acting as a Councillor (eg signing a letter as Cllr. or when attending a meeting as a councillor). This followed the guidance given by the Standards Board for England following the Ken Livingston case. Given that the new regime was intended to be light touch, the Monitoring Officer has supported following this guidance. However, the Independent Person has indicated his view that this approach is too restrictive. This has been supported by members of this committee who have expressed the view that members of Chorley Council should routinely demonstrate higher standards of behaviour than that required by the local standards regime.
4. Any change in approach would have to be brought to all members attention and although this would not require a constitutional change the guidance note would be best issued with the approval of full council.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

5. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more	X

		to meet the needs of residents and the local area	

BACKGROUND

6. The issue of 'when is a councillor acting as a councillor?' was recently part of a standards complaint which pertained to a councillors journey to attend at council meetings. In line with the guidance used under the previous regime the journey to and from meetings was not treated by the Monitoring Officer as meaning the councillor was acting as a councillor. The Independent Person, understandably, challenged this quite rightly pointing out that the whole purpose for the journey was to be in a position to discharge their obligations as a Councillor and that the journey and role were indivisible.
7. The Monitoring Officer has some sympathy with this view.

8. The intention of a local standards regime, introduced by the Localism Act, was that it should be light touch. Any regime should not unnecessarily limit a members ability to properly represent the community nor participate in decision-making. The code should simply comply with the Nolan Principles of Public life. The code adopted by this council only prevented members from participating in a decision if they would be financially affected by it. Other non-pecuniary interests only required declaration and do not prevent participation in the matter. In this way the Council's adopted code of conduct is light touch.

9. Members of the Governance Committee have previously indicated that there is an expectation that whilst the standards regime is light touch, a higher standard of behaviour is expected from members. Extending the scope of the local standards regime does not impact on a Councillor ability to represent the residents of the borough. It should not though extend the scope to the point that there is no separation between the member as a councillor and the member as a resident.

10. However, there would need to be clarity over the occasions when members would be treated as being councillors and this will be difficult to define, or once defined will be prescriptive and potentially need regular amendment to reflect different situations that may arise.

11. Whilst the Monitoring Officer has sympathy with the view of the Independent Member over the times when Councillors should be treated as acting as Councillors and therefore subject to the Code of Conduct, caution should be exercised over extending the remit of the operation of the Code. It is suggested that members are treated as acting as Councillors in the following situations:-

    a. Travelling to and from meetings of the Council or meetings at which the member is acting as a councillor; or
    b. Immediately before or after a meeting or other event at which the member will act or has acted as a councillor; or
    c. Makes any public statement (including on Social Media) connected to their role as a councillor (this is distinguished from comment on the business of the council clearly made as a member of the public).

    These proposed situations are to be the basis for a discussion at the meeting and in any event if adopted should be applied reasonably. For example if a Councillor was returning from a holiday with the intention of attending a Council meeting immediately upon their return the whole of that journey should not be treated as falling within the definition "travelling to a meeting" of the Council. With these suggested extensions to the applicability of the Code the context of the complained of incident must be taken into account.

IMPLICATIONS OF REPORT

12. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

13. There are no financial implications although by extending the scope of the application of the code of conduct there may be an impact on the resource needed to deal with complaints. This can be absorbed in existing resources.

COMMENTS OF THE MONITORING OFFICER

14. Contained in the body of the report.

CHRIS MOISTER
MONITORING OFFICER

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Chris Moister	5160	5 January 2015	

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