

# EXTRAORDINARY COUNCIL

Friday, 17 October 2008

**Present:** Councillor Terry Brown (Mayor), Councillor Iris Smith (Deputy Mayor), Councillors Ken Ball, Eric Bell, Julia Berry, Judith Boothman, Alistair Bradley, Pat Case, Henry Counce, Alan Cullens, Magda Cullens, Mike Devaney, David Dickinson, Doreen Dickinson, Dennis Edgerley, Peter Goldsworthy, Marie Gray, Pat Haughton, Harold Heaton, Catherine Hoyle, Kevin Joyce, Hasina Khan, Roy Lees, Laura Lennox, Adrian Lowe, Marion Lowe, Peter Malpas, Thomas McGowan, Greg Morgan, Simon Moulton, Mick Muncaster, Mark Perks, Debra Platt, Geoffrey Russell, Rosie Russell, Edward Smith, Shaun Smith, John Walker, Stella Walsh and Peter Wilson

## 08.C.186 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Nora Ball, Alan Cain, Anthony Gee, Keith Iddon, June Molyneaux, Joyce Snape and Ralph Snape.

## 08.C.187 DECLARATIONS OF ANY INTERESTS

There were no declarations of interest in the items on the agenda, by any of the Members present.

## 08.C.188 SUSPENSION OF STANDING ORDERS FOR THE MEETING

The Mayor proposed that standing orders be suspended for the duration of the meeting to allow Members to speak without a limit on timing.

**RESOLVED** - That Standing Orders be waived to allow for the main speaker from the Labour and Conservative Groups to speak for an unlimited period, but otherwise the rules of debate remain as for as an ordinary Council meeting.

## 08.C.189 COUNCIL'S FINANCIAL POSITION AND INVESTMENTS

The Mayor announced that this Extraordinary Meeting of the Council had been requested by five Members of the Labour Group (Councillors P Wilson, J Molyneaux, A Gee, L Lennox and M Lowe) who had "called for an emergency meeting of the full Council in order to discuss the Council's financial position and investments".

The Executive Member (Resources) provided a statement on the current situation, reporting that the Chief Executive had notified Members by e-mail once the Council's position was known. He then outlined the facts in relation to the Council's position:

- Chorley Council had invested £2m in the Icelandic Bank, Landsbanki on 9 September 2008. This was due to mature in December 2008. The Bank was now in receivership and its assets had been frozen. A number of Councils (116 in total) were in a similar position, having invested in Icelandic Banks which had gone into receivership. This included Lancashire County Council, along with a number of other public bodies including hospitals, universities and charities.
- The Government had indicated that it would do all it could to assist local authorities and the Local Government Association (LGA) has been working with local authorities on our behalf to help recover our position.

- Chorley Council made investments in line with the Treasury Management Strategy approved by the Council in February 2008. The strategy follows best practice in maximising income from investments whilst also spreading and minimising risk. The Treasury Management Strategy forms part of the budget setting process.
- The Council investments are managed externally by Sector Treasury Services. Investments can be both short term and long term and decisions on the investments were made using the international credit ratings provided by credit agencies.
- On 9 September when the Council investment of £2m was made, the credit rating for Landsbanki was good and remained so until 30 September. There is now a Government investigation underway as to how the credit rating agencies continued to show a good rating up until such a late stage prior to the Icelandic Bank going into receivership.
- The administrators dealing with the receivership of Landsbanki cannot say when, or how much this and other Councils and public bodies can recover.
- The decisions on investments are delegated and undertaken by officers. The Chief Executive has undertaken an investigation into whether the Director of Finance acted appropriately in undertaking this investment. Her findings have concluded that he acted both appropriately and in the best interests of the Council.
- As a Council we are also reviewing the Treasury Management risk ratings, seeking to minimise further, the risk to taxpayer's money.

Councillor Alistair Bradley asked a series of questions on the period of deposit, the rate of interest on offer, the investment of larger deposits over longer periods of time and the amount of the Councils' investment abroad.

Councillor Peter Wilson commented on changes to long term interest rates earlier in the year which he felt should have been cause for concern, Treasury advice about security and liquidity, and the fact that Councillors are unaware of where the Council's investments lie.

Councillor Ken Ball voiced his support for the Executive Member (Resources) and his confidence in the ruling Conservative administrative, and the Councils' management team.

A number of Labour Members raised comments from members of the public and staff about potential impact on Council services and staffing. The Leader of the Council gave assurance that residents and staff need not be concerned about services and staffing levels. Officers had acted on the best advice available and made a decision to invest along with many other local Councils and public bodies.

Councillor Adrian Lowe expressed concern about comments first seen in the press and requested a commitment to regular and clear updates on investments for all Councillors and questioned whether the slippage in the Capital Programme was linked to the Council's investment position.

The Leader of the Council replied that the Council's investment position changed on a very frequent basis and offered updating through quarterly monitoring reports. There was no link to current slippage in the Capital Programme.

Councillor Dennis Edgerley commented on the significant impact that the loss of £2m could have on the Council, including the removal of current balances and the potential need to borrow money and capitalise it over a long term period. He further commented that there

appeared to be an ongoing trend from short term to longer-term investments, which carried a higher risk. The amount of money that the Council had available to invest had increased due to the increase in direct debits but the Council had a duty to invest those funds responsibly and that responsibility lay with the Leader of the Executive Member for (Resources).

Councillor Edgerley proposed a vote of no confidence in the Executive Member (Resources) and the Leader of the Council (seconded by Councillor Adrian Lowe). The vote was **LOST**.

Councillor Ball proposed that the Council has every confidence in the officers over their actions in the last few months, (seconded by Councillor M Devaney). The vote was **CARRIED**.

**RESOLVED** - That the Council has every confidence in officers of the Council in relation to the investment of Council funds in the last few months.

Mayor