

# Annual Meeting of Council

Wednesday 18 May 2011

Members of Cherwell District Council,

A meeting of Council will be held at Bodicote House, Bodicote, Banbury, OX15 4AA on Wednesday 18 May 2011 at 6.30 pm, and you are hereby summoned to attend.



Ian Davies  
Interim Chief Executive

Tuesday 10 May 2011

## AGENDA

1 **Apologies for Absence**

2 **Declarations of Interest**

Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.

3 **Minutes of Council** (Pages 1 - 10)

To confirm as a correct record the Minutes of Council held on 21 February 2011.

4 **Election of Chairman**

Council is requested to elect a Chairman for the municipal year 2011/12.

**5 Election of Vice-Chairman**

Council is requested to elect a Vice-Chairman for the municipal year 2011/12.

**6 Communications**

To receive communications from the Chairman and/or the Leader of the Council.

**Council Business Reports**

**7 Annual Business (Pages 11 - 18)**

Report of Interim Chief Executive

**Summary**

To note the results of the 5 May 2011 district election, the constitution of Political Groups and the Leader of the Council and Executive for the Municipal Year 2011/12. To gain agreement to the suggested constitution of Committees for the Municipal year 2011/2012 and to advise Council of member attendances for the Municipal Year 2010/11.

**Recommendations**

- (1) To note the results of the District Elections held on 5 May 2011.
- (2) That the constitution of Political Groups and notification of Group Leaders be noted.
- (3) That the appointment of Deputy Leader of the Council, the membership of the Executive and the Executive Portfolios for 2011/12 (to follow) be noted.
- (4) That the allocation of seats on committees that are subject to the political balance requirements be agreed as set out in Table 1.
- (5) That the allocation of seats on committees not subject to political balance requirements be agreed as set out in Table 2.
- (6) To appoint members (and where appropriate, substitute members) to serve on each of the committees and other bodies set out in Tables 1 and 2 in accordance with the nominations to be made by political groups (to follow).
- (7) To appoint a representative to the County Council Health Overview and Scrutiny Committee.
- (8) That the committee meeting attendance for 2010/11 as set out at Appendix 2 be noted.

**8 Joint Shared Chief Executive Delegated Powers (Pages 19 - 24)**

Report of Interim Head of Legal and Democratic Services

**Summary**

To consider the draft joint shared Chief Executive delegated powers and the separate Returning Officer powers and agree these should be adopted as part of the constitution. To agree delegated powers to the Monitoring Officer to make any consequential minor changes to the existing Scheme of Delegation following this change pending a complete review of the Schemes of Delegation of Cherwell and South Northamptonshire once the new joint shared senior management structure is agreed.

### **Recommendations**

Council is recommended to:

- (1) Approve the joint shared Chief Executive delegated powers and the separate Returning Officer powers as attached at appendix one, and to confirm specifically that the Returning Officer powers should be set out in a separate table unattached to any specific position within either organisation
- (2) Adopt these powers with immediate effect and delegate to the Monitoring Officer any interim amendments needed to the existing Scheme of Delegation pending a full review of the two schemes following the appointment of the shared senior management team between South Northamptonshire Council and Cherwell District Council.

## **9 Protocol for Dealing With Conflicts of Interest (Pages 25 - 32)**

Report of Interim Head of Legal and Democratic Services

### **Summary**

To consider, amend as necessary, and adopt a protocol which sets out the roles of officers and members and procedures for dealing with conflicts of interest arising out of the appointment of shared senior management posts serving both authorities

### **Recommendations**

The Joint Arrangements Steering Group has considered and recommends that Council:

- (1) Consider the attached protocol for dealing with the role of officers and members, and the proposed routes for dealing with possible conflicts of interest
- (2) Agree that the protocol be adopted as part of the constitution of Cherwell District Council with immediate effect

## **10 Appointment of Returning Officer and Electoral Registration Officer (Pages 33 - 36)**

Report of Interim Head of Legal and Democratic Services

## Summary

To appoint an Electoral Registration Officer and Returning Officer

## Recommendations

Council is recommended:

- (1) That, in terms of the Representation of the People Act 1983 and all related legislation, and with effect from 1 June 2011, Sue Smith be appointed as Electoral Registration Officer for Cherwell District and South Northamptonshire Councils;
- (2) That, in terms of section 41 of the Local Government Act 1972 and all related legislation, and with effect from 1 June 2011, Sue Smith be appointed as Returning Officer for Cherwell District and South Northamptonshire Councils with authority to act in that capacity for elections to the Council and all parish and town councils within the area of both councils;
- (3) That the Electoral Registration Officer be also appointed or authorised to act in respect of all related electoral, poll or referendum duties, including in relation to County Council elections, elections to the European Parliament, and for national and regional polls or referendums;
- (4) That, in relation to the duties of Returning Officer or any other electoral, referendum or polling duties arising from such appointment, the Returning Officer shall be entitled to be remunerated in accordance with scale of fees approved from time to time by Council for local elections, or the relevant scale of fees prescribed by a Fees Order in respect of national, regional or European Parliament elections, polls or referendums;
- (5) That in all cases where it is a legal requirement or normal practice to do so, the Returning Officer may elect for such fees to be superannuable, and the Council shall pay the appropriate employer's contribution to the superannuation fund, recovering such employer's contributions from central government or other local authorities or agencies where this can be done;
- (6) That, in relation to the conduct of local authority elections and polls, and elections to the United Kingdom Parliament, and all other electoral duties where the Councils are entitled by law to do so, they shall take out and maintain in force insurance indemnifying the Councils, the Electoral Registration Officer and the Returning Officer against legal expenses reasonably incurred in connection with the defence of any proceedings brought against the Councils, Electoral Registration Officer or the Returning Officer and/or the cost of holding another election in the event of the original election being declared invalid (provided that such proceedings or invalidation are the result of the accidental contravention of the Representation of the People Acts or other legislation governing the electoral process, (provided that, in the case of the Officer such proceedings or invalidation arise from an act or omission which the Electoral Registration Officer or Returning Officer reasonably believes is within the Officer's powers); and

- (7) That, in the event of such insurance carrying an 'excess' clause by which an initial portion of risk is not insured, the Councils, through their internal insurance fund or otherwise, will indemnify the Electoral Registration Officer and Returning Officer up to the value of such excess.
- (8) That the Councils note their duty to provide support to the Electoral Registration Officer and Returning Officer.

## **11 Treasury Management Strategy (Pages 37 - 112)**

Report of Head of Finance

### **Summary**

This report sets out the strategy and policy framework for treasury operations for 2011/12 and outlines the Treasury Management Practices for 2011/12.

It fulfils two key requirements of the Local Government Act 2003:-

- approval of the Treasury Management Policy in accordance with the CIPFA Code of Practice on Treasury Management, and
- approval of the Investment Strategy in accordance with the CLG investment guidance.

### **Recommendations**

Council is recommended:

- (1) To approve the Treasury Management Policy and Investment Strategy 2011/12 as recommended by Executive on 7<sup>th</sup> March 2011.

## **12 Corporate Debt Recovery Policy 2011/12 (Pages 113 - 132)**

Report of Head of Finance

### **Summary**

The purpose of this paper is to present for approval to full Council, the Corporate Debt Recovery Policy. The policy (Appendix 1) sets out the council's framework for providing a consistent 'fair but firm' approach to collecting debt ensuring that the council continues to maximise collection performance. The council at present has a record of collecting 99% of all Sundry Debt Income and 98%+ on collection fund debt.

### **Recommendations**

Council is recommended to:

- (1) Approve the content and format of the Corporate Debt Policy (Appendix 1) as recommended by Executive on 4<sup>th</sup> April 2011.

**13 Appointment of New Parish Representative to the Standards Committee**  
(Pages 133 - 136)

Report of Interim Monitoring Officer

**Summary**

To confirm the appointment of Councillor John Coley as the new Parish Representative of the Standards Committee and to confirm that no substitute Parish Representatives be recruited at this time.

**Recommendations**

Council is recommended:

- (1) To approve the appointment of Councillor John Coley as Parish Representative of the Standards Committee for an initial two year term.
- (2) To approve the recommendation of the Standards Committee that in light of the proposals in the Localism Bill to abolish the standards regime, no deputy Parish Representatives be recruited at this stage.

**14 Standards Committee Annual Report 2010/11 and the Future of the Standards Regime** (Pages 137 - 150)

Report of Interim Monitoring Officer

**Summary**

The report presents the Standards Committee Annual Report 2010/11, which was approved by the Standards Committee on 21 March 2011. The report also advises Council of the recommendations agreed by the Standards Committee on the approach Cherwell District Council should take in the light of the proposals in the Localism Bill relating to the Standards Board regime.

**Recommendations**

Council is recommended:

- (1) To note the contents of the Standards Committee Annual Report 2010/11.
- (2) To delegate to the Team Leader – Planning and Litigation / Interim Monitoring Officer authority to update the Standards Committee Annual Report 2010/11 in light of any further announcements about the Standards Board regime by the Government prior to the publication of the Annual Report.
- (3) To note the recommendations agreed by the Standards Committee on the approach Cherwell District Council should take in light of the proposals in the Localism Bill relating to the Standards Board regime, namely that the Standards Committee be abolished and responsibilities transferred to the Accounts Audit and Risk Committee, that a voluntary code of conduct be adopted and limited support continue to be given to the parish councils.

## **FIRST MEETINGS OF COMMITTEES**

At the conclusion of Council, Committees will meet to appoint their Chairmen and Vice-Chairmen. The agenda for these first meetings is included at the back of the agenda.

**Councillors are requested to collect any post from their pigeon hole in the Members Room at the end of the meeting.**

### **Information about this Agenda**

#### **Apologies for Absence**

Apologies for absence should be notified to [democracy@cherwell-dc.gov.uk](mailto:democracy@cherwell-dc.gov.uk) or (01295) 221587 prior to the start of the meeting.

#### **Declarations of Interest**

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item. The definition of personal and prejudicial interests is set out in the constitution. The Democratic Support Officer will have a copy available for inspection at all meetings.

**Personal Interest:** Members must declare the interest but may stay in the room, debate and vote on the issue.

**Prejudicial Interest:** Member must withdraw from the meeting room and should inform the Chairman accordingly.

With the exception of the some very specific circumstances, a Member with a personal interest also has a prejudicial interest if it is one which a Member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest.

#### **Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates**

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

#### **Queries Regarding this Agenda**

Please contact James Doble, Legal and Democratic Services [james.doble@cherwell-dc.gov.uk](mailto:james.doble@cherwell-dc.gov.uk), (01295) 221587

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# Agenda Item 3

## Cherwell District Council

### Council

Minutes of a meeting of the Council held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 21 February 2011 at 6.30 pm

Present: Councillor George Parish (Chairman)  
Councillor Timothy Hallchurch MBE (Vice-Chairman)

Councillor Rick Atkinson  
Councillor Luke Annaly  
Councillor Ken Atack  
Councillor Alyas Ahmed  
Councillor Maurice Billington  
Councillor Fred Blackwell  
Councillor Norman Bolster  
Councillor Ann Bonner  
Councillor Colin Clarke  
Councillor Nick Cotter  
Councillor Margaret Cullip  
Councillor John Donaldson  
Councillor Mrs Diana Edwards  
Councillor Tim Emptage  
Councillor Michael Gibbard  
Councillor Simon Holland  
Councillor Alastair Milne Home  
Councillor Chris Heath  
Councillor David Hughes  
Councillor Russell Hurle  
Councillor Tony Ilott  
Councillor James Macnamara  
Councillor Kieron Mallon  
Councillor Nicholas Mawer  
Councillor Nigel Morris  
Councillor P A O'Sullivan  
Councillor D M Pickford  
Councillor Neil Prestidge  
Councillor G A Reynolds  
Councillor Alaric Rose  
Councillor Daniel Sames  
Councillor Leslie F Sibley  
Councillor Chris Smithson  
Councillor Trevor Stevens  
Councillor Carol Steward  
Councillor Keith Strangwood  
Councillor Lawrie Stratford  
Councillor Rose Stratford  
Councillor Lynda Thirzie Smart  
Councillor Patricia Tompson  
Councillor Nicholas Turner  
Councillor Douglas Webb

Councillor Martin Weir  
Councillor Douglas Williamson  
Councillor Barry Wood

Also Present: Sue Smith – Shared Chief Executive, designate

Apologies for absence: Councillor Andrew Fulljames  
Councillor Mrs Catherine Fulljames  
Councillor Victoria Irvine

Officers: Ian Davies, Interim Chief Executive and Head of Paid Service  
John Hoad, Strategic Director - Planning, Housing and Economy  
Liz Howlett, Head of Legal & Democratic Services and Monitoring Officer  
Karen Curtin, Head of Finance / Section 151 Officer  
Martin Henry, Chief Finance Officer / Section 151 Officer  
Nigel Bell, Team Leader - Planning and Litigation / Interim Monitoring Officer  
James Doble, Democratic, Scrutiny and Elections Manager

## 50 **Declarations of Interest**

Members declared interests in the following agenda items:

### **11. 2011/12 Service and Financial Planning Process, Corporate Plan, Revenue Budget and Capital Programme.**

Councillor Tim Emptage, Personal, as a Kidlington Parish Councillor.

## 51 **Communications**

The Chairman made the following announcements:

The Chairman's Annual Dinner would take place on Friday 25 February at the Banbury House Hotel, in aid of the Horton General Hospital Children's Ward and the Special Care Baby Unit and the League of Friends, Bicester Community Hospital.

Councillors had been invited to the Charity Dinner of Councillor Dermot Bambridge, the Chairman of South Northamptonshire Council on Friday 11 March at The Empress Suite, Towcester Racecourse The dinner in aid of the local operations of St John's Ambulance and Parkinsons UK.

BBC Radio Oxford and St John Ambulance were inviting people to join an attempt to break the world record for the largest first aid class on Saturday 19 March 2011 at the Kassam Stadium, Oxford.

Lastly, the Chairman thanked Liz Howlett, Head of Legal and Democratic Services and Monitoring Officer and Martin Henry, Chief Finance and Section 151 Officer, Martin Henry for their service to the council.

52 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

53 **Urgent Business**

There were no items of urgent business.

54 **Minutes of Council**

The minutes of the meeting held on 8 December 2011 were agreed as a correct record and signed by the Chairman.

55 **Minutes**

a) **Minutes of the Executive, Portfolio Holder Decisions and Executive Decisions made under Special Urgency**

**Resolved**

That the minutes of the meeting of the Executive and Portfolio Holder decisions as set out in the Minute Book be received and that it be noted that since the last meeting of Council, one Executive decision had been taken that was subject to the special urgency provisions of the Constitution.

b) **Minutes of Committees**

**Resolved**

That the minutes of Committees as set out in the Minute Book be received.

56 **Questions**

a) **Written Questions**

There were no written questions.

b) **Questions to the Leader of the Council**

Questions were asked and answers received in the following issues:

Legal costs of investigating charging for Watts Way, Kidlington: Councillor Emptage  
Bicester Parking: Councillor Sibley  
Performance Monitoring: Councillor Hughes

**c) Questions to Committee Chairmen on the minutes**

There were no questions to the Committee Chairman on minutes.

57 **Motions**

There were no motions.

58 **Members Allowances 2011/12**

The Head of Legal and Democratic Services submitted a report to consider and determine the levels of the allowances to be paid to Members for the forthcoming 2011/2012 financial year following the submission of the report of the Council's Independent Remuneration Panel (IRP) on the review of the 2010/2011 Members' Allowances Scheme.

**Resolved**

- (1) That the levels of allowances to be included in the 2011/12 Members' Allowances Scheme, (that is recommending no change to the levels agreed for 2010/11) be agreed.
- (2) That the Head of Legal and Democratic Services be authorised to prepare an amended Members' Allowances Scheme, in accordance with the decisions of the Council for implementation with effect from 1 April 2011.
- (3) That the Head of Legal and Democratic Services be authorised to take all necessary action to revoke the current (2010/11) Scheme and to publicise the revised Scheme pursuant to The Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended).
- (4) That the Independent Remuneration Panel for its thorough and detailed report and set a fee of £300 for IRP Panel Members for the work carried out in 2010/11 and propose the same level of fee for 2011/12.

59 **2011/12 Service and Financial Planning Process, Corporate Plan, Revenue Budget and Capital Programme**

In line with convention, standing orders limiting the length of speeches during debate were lifted for this agenda item.

The Chief Financial Officer submitted a report to review the Council's General Fund Budget, Capital Programme, Earmarked Reserves and General Fund Balances to ensure the robustness of the estimates included and to seek formal adoption of all parts of the Council's financial plans and Corporate Plan for the 2011/12 budget year, which had been circulated separately to members.

An amendment was proposed by Councillor Emptage, seconded by Councillor Williamson that the proposed withdrawal of funding for Christmas lights should instead be funded from the general reserve. A recorded vote on the amendment was requested and subsequently lost, voting was as follows:

Councillor Parish - Abstain	Councillor Hallchurch - Against
Councillor Atkison - Against	Councillor Annaly – Against
Councillor Atack - Against	Councillor Ahmed – Against
Councillor Billington - Against	Councillor Blackwell – Against
Councillor Bolster - Against	Councillor Bonner – Against
Councillor Clarke - Against	Councillor Cotter – For
Councillor Cullip - Against	Councillor Donaldson – Against
Councillor Edwards - Against	Councillor Emptage – For
Councillor Gibbard - Against	Councillor Holland – Against
Councillor Heath - Against	Councillor Hughes - Against
Councillor Hurle - Against	Councillor Illott – Against
Councillor Macnamara - Against	Councillor Mallon – Against
Councillor Mawer - Against	Councillor Milne Home – Against
Councillor Morris - Against	Councillor O'Sullivan – Against
Councillor Pickford - Against	Councillor Prestidge – Against
Councillor Reynolds - Against	Councillor Rose – For
Councillor Sames - Against	Councillor Sibley – Abstain
Councillor Smithson - Against	Councillor Stevens – Against
Councillor Steward - Against	Councillor Strangwood – Against
Councillor L Stratford - Against	Councillor R Stratford – Against
Councillor Thirzie Smart - Against	Councillor Tompson – Against
Councillor Turner - Against	Councillor Webb – Against
Councillor Williamson - For	Councillor Wood - Against

Following debate, a procedural motion that the meeting move to the vote was carried.

### **Resolved**

- (1) That the contents of the report '2011/12 Service and Financial Planning Process, Corporate Plan, Revenue Budget and Capital Programme' in approving the General Fund Budget and Capital Programme for 2011/12 be noted.
- (2) That the 2011/12 General Fund Budget and Capital Programme proposed by the Executive on 7 February 2011 be approved, as detailed in the Budget Book in section Capital Investment (annex 1 to the minutes, as set out in the minute book).
- (3) That the Collection Fund Estimates contained in Annex 1 of the Budget Book (as set out in the minute book) be approved.

- (4) That the Prudential Indicators contained in Annex 2 of the Budget Book (annex 1 to the minutes, as set out in the minute book) be approved.
- (5) That the final Service Plans for 2011/12 as proposed by the Executive on 7 February 2011 and summarised in the Budget Book (annex 1 to the minutes, as set out in the minute book) be approved..
- (6) That the Corporate Plan as detailed in Annex 5 of the Budget Book (annex 1 to the minutes, as set out in the minute book) be approved.

60 **Adjournment of Council Meeting**

The Leader of the Council confirmed that as there were no successful amendments to the budget it would not be necessary for the Council to adjourn to allow the Executive to meet to consider them.

61 **Calculating the amounts of Council Tax for 2011/2012 and setting the Council Tax for 2011/2012**

The Chief Finance Officer and Head of Finance submitted a joint report detailing the calculations for the amounts of Council Tax for 2011/12 and the setting of Council Tax for 2011/2012.

**Resolved**

- (1) That the Calculations for the amount of Council Tax for 2011/12 (annex 2 to the minutes, as set out in the minute book) be approved.
- (2) That the Setting of Council Tax for 2011/2012 as per the detailed recommendations set out in section 8 of annex 2 to the minutes, as set out in the minute book) be approved.

62 **Community Governance and Polling District Review 2012**

The Head of Legal and Democratic Services submitted a report to agree to hold a Community Governance and Polling District Review in 2012 and to agree to consult on the principle of including the development sites of Bankside (Banbury), North West and South West Bicester within the boundaries of Banbury and Bicester Town Councils respectively.

During the course of debate and in reply to issues raised by Councillors the Leader of the Council proposed the additional recommendations that the Interim Chief Executive be delegated in consultation with the Leader of the Council to consider whether the RAF Bicester Domestic site should be included within the proposals and the Interim Chief Executive be delegated in consultation with the Leader of the Council to decide whether the Council should respond to the Oxfordshire Boundary review at this time.

**Resolved**

- (1) That a Community Governance and Polling District Review be held in 2012.
- (2) That as part of the Community Governance Review the council will consult on the principle of including the development sites of Bankside (Banbury), North West and South West Bicester within the boundaries of Banbury and Bicester Town Councils respectively.
- (3) That the Local Government Boundary Commission for England be informed of this intention to consult as part of their consultation on the boundary review of Oxfordshire.
- (4) That the Interim Chief Executive be delegated in consultation with the Leader of the Council to consider whether the RAF Bicester Domestic site should be included within the proposal.
- (5) That the Interim Chief Executive be delegated in consultation with the Leader of the Council to decide whether the Council should respond to the Oxfordshire Boundary review at this time.

63

**Appointment of Shared Chief Executive**

The Joint Personnel Committee and Monitoring Officers (Cherwell District Council and South Northamptonshire Council) submitted a report to seek Council's approval of the recommendations of the Joint Personnel Committee that Sue Smith be appointed to the Post of Shared Chief Executive and Head of Paid Service with effect from a date to be agreed in May with the new post holder by the Head of People and Improvement (Cherwell District Council) and the Head of Corporate Services (South Northamptonshire Council) in consultation with the Chairman and Vice Chairman of the Joint Personnel Committee. The Leader of the Council welcomed Sue Smith. The Leader of the Opposition thanked the Leader of the Council for the inclusive recruitment process and thanked Ian Davies for his work as Interim Chief Executive.

The recommendations set out in the report were proposed by the Leader of the Council, seconded by the Leader of the Opposition and subsequently agreed unanimously.

**Resolved**

- (1) That the recommendation of the Joint Personnel Committee that Sue Smith be appointed Shared Chief Executive from a date to be agreed in May 2011 with the new post holder by the Head of People and Improvement (Cherwell District Council) and the Head of Corporate Services (South Northamptonshire Council) in consultation with the Chairman and Vice Chairman of the Joint Personnel Committee be approved.
- (2) That the recommendation of the Joint Personnel Committee that Sue Smith be appointed the Council's Head of Paid Service for the purposes of Section 4 of the Local Government and Housing Act 1989 with effect from a date to be agreed in May with the new post holder by

the Head of People and Improvement (Cherwell District Council) and the Head of Corporate Services (South Northamptonshire Council) in consultation with the Chairman and Vice Chairman of the Joint Personnel Committee.

- (3) That the term of appointment of Interim Chief Executive/Head of Paid service end on the date on which the new permanent Shared Chief Executive takes up her post.

64 **Interim Monitoring Officer Arrangements**

The Head of Legal and Democratic Services submitted a report to appoint an interim Monitoring Officer from 1 April 2011 for a temporary indefinite period until the new shared senior management team with South Northamptonshire is appointed.

**Resolved**

- (1) That Nigel Bell be appointed as the Council's interim Monitoring Officer with effect from 1 April 2011
- (2) That this appointment continue until the Monitoring Officer role in the new shared senior management team is appointed and in post.

65 **Changes to Scheme of Delegation**

The Head of Legal and Democratic Services submitted a report to recommend changes to the Council's Scheme of Delegation. In the course of discussion members requested that their appreciation for the work carried out by Tony Brummell, Head of Building Control and Engineering Services be placed on record.

**Resolved**

- (1) That the delegated powers of the Head of Building Control and Engineering Services be amended to reflect changes in legislation and to agree combined delegated powers for the new shared team with South Northamptonshire with immediate effect.
- (2) That those powers held previously by the Head of Building Control and Engineering Services not related to Building Control be reallocated to the Head of Planning Policy and Economic Development and the Head of Housing Services as set out in the (annex 3 and 4 to the minutes as set out in the minute book).
- (3) That the power to act in emergencies be extended from Strategic Directors in the absence of the Chief Executive to all Heads of Service in the light of the reduced number of staff in the category and consequent risk that an authorised person is unavailable in an emergency.



66 **Changes to Committee Membership**

**Resolved**

That at the request of the Liberal Democrat Group it be agreed that Councillor Williamson be replaced by Councillor Emptage as substitute on the Planning Committee.

The meeting ended at 8.30 pm

Chairman:

Date:

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## Council

### Annual Council Business Report

18 May 2011

### Report of Chief Executive

#### PURPOSE OF REPORT

To note the results of the 5 May 2011 district election, the constitution of Political Groups and the Leader of the Council and Executive for the Municipal Year 2011/12. To gain agreement to the suggested constitution of Committees for the Municipal year 2011/2012 and to advise Council of member attendances for the Municipal Year 2010/11.

This report is public

#### Recommendations

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There are 8 recommendations, which are included in the relevant section of the report:

**a) District Election Results**

The following were elected for the Wards shown at the district elections held on 5 May 2011:

Ambrosden and Chesterton – Councillor Andrew Fulljames  
Astons and Heyfords – Councillor Mike Kerford-Byrnes  
Banbury Easington – Councillor Nigel Morris  
Banbury Grimsbury and Castle – Andrew Beere  
Banbury Hardwick - Councillor Nicholas Turner  
Banbury Ruscote – Councillor Pat Cartledge  
Bicester East – Councilor Rose Stratford  
Bicester North – Councillor Carol Steward  
Bicester South – Councillor Lynn Pratt  
Bicester Town – Councillor Diana Edwards  
Bicester West – Councillor Les Sibley  
Cropredy – Councillor Ken Atack  
Hook Norton – Councillor Victoria Irvine  
Kidlington North – Councillor Alaric Rose  
Kidlington South – Councillor Neil Prestidge  
Yarnton, Gosford and Water Eaton – Councillor Michael Gibbard

### **Recommendation**

- (1) To note the results of the District Elections held on 5 May 2011.

### **b) Constitution of Political Groups**

The Chief Executive will report on the notifications of the constitution of Political Groups received prior to the meeting and on the notifications from the Political Groups of the names of their Leaders for 2011/12.

### **Recommendation**

- (2) That the constitution of Political Groups and notification of Group Leaders be noted.

### **c) Leader of the Council and Executive 2011/12**

The Chief Executive will report on:

- Any change in the political control of the Council.

See Appendix 1 for the report of the Leader of the Council on Executive Portfolios for the Municipal Year 2011/12.

### **Recommendation**

- (3) That the appointment of Deputy Leader of the Council, the membership of the Executive and the Executive Portfolios for 2011/12 be noted.

### **d) Committee Appointments 2010/11**

#### **Table 1: Allocation of Seats of Proportional Committees**

The Leader of the Liberal Democrat Group has indicated to the Interim Chief Executive that the seat to be nominated to the Conservative Group is on the Appeals Panel

The figures below marked by an asterisk take account of this adjustment.

	TOTAL	CON	LAB	LD
Overview & Scrutiny Committee	12	10	1	1
Resources and Performance Board	12	10	1	1
Planning Committee	18	16	1	1
Personnel Committee	12	10	1	1
Licensing Committee	12	10	1	1
Appeals Panel	10	9*	1	0*
Accounts, Audit and Risk Committee	8	7	1	0
Joint Personnel Committee	5	1	1	0
Joint Appeals Committee	3	2	1	0
<b>Proportional Total by Committee</b>	<b>92</b>	<b>74</b>	<b>9</b>	<b>6</b>
<b>Aggregate Entitlement</b>	<b>92</b>	<b>75</b>	<b>9</b>	<b>5</b>
<b>Adjustment Required</b>		<b>+1</b>	<b>0</b>	<b>-1</b>

**Table 2: Allocation of Seats of Non-Proportional Committees**

	TOTAL	CON	LAB	LD
Standards Committee	8	6	1	1
Council and Employee Joint Committee	12	10	1	1
Joint Arrangements Steering Group	5	4	1	0

**Notes:**

**Overview and scrutiny Committee and Resources and Performance Scrutiny Board,** must not include any members of the Executive.

**Personnel Committee** must include at least one member of the Executive and may not include members of the Appeals Panel

**Appeals Panel** members may not serve as members or substitute members of the Personnel Committee.

**Standards Committee** must not include more than one member of the Executive, and must not include the Leader of the Council.

**Council Employee Joint Committee** has a fixed membership, comprising the number indicated in the total column.

**Joint Personnel Committee** may not serve as members or substitute members of the Joint Appeals Committee

**Joint Appeals Committee** members may not serve as members or substitute members of the Joint Personnel Committee.

**Recommendations**

- (4) That the allocation of seats on committees that are subject to the political balance requirements be agreed as set out in Table 1.
- (5) That the allocation of seats on committees not subject to political balance requirements be agreed as set out in Table 2.
- (6) To appoint members (and where appropriate, substitute members) to serve on each of the committees and other bodies set out in Tables 1 and 2 in accordance with the nominations to be made by political groups (to follow).

**e) Appointment of Representative**

Council is asked to appoint a representative to the County Council Health Overview and Scrutiny Committee.

The 2010/11 representative was Councillor Mrs Rose Stratford.

**Recommendation**

- (7) To appoint a representative to the County Council Health Overview and Scrutiny Committee.

**f) Council Meeting Attendance Municipal Year 2010/11**

The attendance of Councillors at committee meetings in the municipal year 2010/11 is set out at Appendix 2 to this report.

**Recommendation**

- (8) That the committee meeting attendance for 2010/11 as set out at Appendix 2 be noted.

**Key Issues for Consideration/Reasons for Decision and Options**

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The following options have been identified. The approach in the recommendations is believed to be the best way forward

- Option One** To agree the recommendations
- Option Two** To amend and agree the recommendations

**Consultations**

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- Political Groups** The responses of political groups will be tabled at the meeting.

**Implications**

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- Financial:** There are no financial implications arising from the report.  
Comments checked by Karen Curtin, Head of Finance  
01295 221551
- Legal:** It is a legal requirement for Council to agree proportionality and appoint committees.  
Comments checked by James Doble, Democratic,  
Scrutiny and Elections Manager 01295 221587
- Risk Management:** In ensuring the legal requirements are met risk to the authority is mitigated.  
Comments checked by Claire Taylor, Corporate Strategy

and Performance Manager 01295 221563

**Wards Affected**

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All

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
Appendix 1	Executive Portfolios 2011/12
Appendix 2	Committee Attendance 2010/11
<b>Background Papers</b>	
None	
<b>Report Author</b>	James Doble, Democratic, Scrutiny and Elections Manager
<b>Contact Information</b>	01295 221587 james.doble@Cherwell-dc.gov.uk



Key: "~" - attendance not required (not Committee Member) In Attendance S - present as substitute	COUNCIL	EXECUTIVE	ACCOUNTS, AUDIT & RISK COMMITTEE	PERSONNEL COMMITTEE	STANDARDS COMMITTEE	OVERVIEW AND SCRUTINY COMMITTEE	RESOURCES & PERFORMANCE SCRUTINY BOARD	LICENSING COMMITTEE	PLANNING COMMITTEE
IA -	6	14	8	7	6	9	8	4	16
<b>Number of Meetings</b>	6	14	8	7	6	9	8	4	16
<b>Councillor</b>									
Councillor Alyas Ahmed	4	~	~	~	~	~	6	~	~
Councillor Luke Annaly	4	~	~	1 (S)	~	~	~	~	~
Councillor Ken Atack	5	11	7	4	1 (S)	1 (IA)	1 (IA)	~	13
Councillor Rick Atkinson	5	~	~	3	~	2 (IA)	6	~	~
Councillor Maurice Billington	5	~	~	~	~	~	7	~	2
Councillor Fred Blackwell	4	~	~	~	2	~	~	1	13
Councillor Norman Bolster	5	11	~	3	~	~	~	~	~
Councillor Ann Bonner	3	~	~	~	0	8	1 (IA)	~	~
Councillor Colin Clarke	4	9	~	~	~	2 (IA)	~	~	10
Councillor Nick Cotter	5	~	~	~	~	5	~	1	1
Councillor Margaret Cullip	3	~	~	~	~	1 (IA)	6	~	~
Councillor John Donaldson	3	~	6	~	~	4	~	~	~
Councillor Diana Edwards	4	~	~	~	~	~	~	~	9
Councillor Tim Emptage	5	~	6	~	~	3 (IA/S)	8	~	~
Councillor Andrew Fulljames	3	~	~	~	~	7	~	~	3 (S)
Councillor Mrs Catherine Fulljames	3	1 (IA)	~	~	~	~	~	~	10
Councillor Michael Gibbard	4	11	~	~	~	3 (IA)	~	1	10
Councillor Timothy Hallchurch MBE	5	~	~	~	1	1 (S)	~	2	1 (S)
Councillor Chris Heath	4	~	~	~	2	~	~	~	13
Councillor Simon Holland	5	~	~	~	~	1 (S)	~	~	~
Councillor David Hughes	3	~	~	~	~	1 (IA)	~	~	10
Councillor Russell Hurler	5	~	~	5	1	1 (IA)	~	~	8 (S)
Councillor Tony Ilt	5	~	~	~	~	1 (IA)	~	2	~
Councillor Victoria Irvine	3	~	~	2	~	~	~	~	~
Councillor James Macnamara	5	11	~	~	2	1 (IA)	1 (IA)	~	12

Councillor Kieron Mallon	4	~	~	~	~	~	~	1 (IA)	~
Councillor Nicholas Mawer	5	2 (IA)	7	~	~	2 (IA)	8	~	~
Councillor Alistair Milne Home	4	~	~	~	~	8	~	1 (S)	13
Councillor Nigel Morris	2	11	~	~	~	1 (IA)	3 (IA)	~	~
Councillor P A O'Sullivan	4	~	~	~	~	~	~	3	2 (S)
Councillor George Parish	4	~	~	3	0	~	~	~	~
Councillor Debbie Pickford	5	11	~	~	~	~	~	~	11
Councillor Neil Prestidge	3	~	~	~	~	0	~	~	~
Councillor G A Reynolds	3	12	~	4	~	~	~	2	13
Councillor Alaric Rose	3	~	~	~	~	1 (IA)	~	~	~
Councillor Daniel Sames	4	4 (IA)	~	~	~	10	~	~	~
Councillor Leslie F Sibley	5	2 (IA)	~	~	~	4 (IA)	~	~	9
Councillor Chris Smithson	5	~	~	2	~	6	~	~	11
Councillor Trevor Stevens	5	~	7	~	~	6	~	~	14
Councillor Carol Steward	3	~	~	~	~	2 (IA)	6	~	~
Councillor Keith Strangwood	4	~	~	~	~	6	1 (IA)	~	~
Councillor Lawrie Stratford	5	1 (IA)	5	5	1 (S)	6	1 (S)	2	10
Councillor Mrs Rose Stratford	4	~	5	4	3	3	~	2	11
Councillor Lynda Thirzie Smart	5	~	~	3	~	7	~	~	~
Councillor Patricia Tompson	4	~	~	1 (IA)	~	~	5	~	~
Councillor Nicholas Turner	5	11	~	1 (S)	~	~	~	~	~
Councillor Douglas Webb	5	~	~	~	~	1 (IA)	7	3	~
Councillor Martin Weir	4	~	~	~	~	1 (IA)	5	~	~
Councillor Douglas Williamson	5	~	~	~	1	2 (S)	~	~	~
Councillor Barry Wood	5	12	6	5	~	~	1 (IA)	~	4 (IA)

## Council

### Joint Shared Chief Executive Delegated Powers

18 May 2011

### Report of Interim Head of Legal and Democratic Services

#### PURPOSE OF REPORT

To consider the draft joint shared Chief Executive delegated powers and the separate Returning Officer powers and agree these should be adopted as part of the constitution. To agree delegated powers to the Monitoring Officer to make any consequential minor changes to the existing Scheme of Delegation following this change pending a complete review of the Schemes of Delegation of Cherwell and South Northamptonshire once the new joint shared senior management structure is agreed.

This report is public
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#### Recommendations

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Council is recommended to:

- (1) Approve the joint shared Chief Executive delegated powers and the separate Returning Officer powers as attached at appendix one, and to confirm specifically that the Returning Officer powers should be set out in a separate table unattached to any specific position within either organisation
- (2) Adopt these powers with immediate effect and delegate to the Monitoring Officer any interim amendments needed to the existing Scheme of Delegation pending a full review of the two schemes following the appointment of the shared senior management team between South Northamptonshire Council and Cherwell District Council.

#### Executive Summary

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##### Introduction

- 1.1 The shared Chief Executive for South Northamptonshire Council and Cherwell District Council was appointed at the respective Council meetings of the two authorities in February.
- 1.2 Both Councils have existing Schemes of Delegation in place

- 1.3 Experience elsewhere suggests harmonising delegated powers is both useful for those in shared posts, and critical to avoid confusion and mistakes about which Scheme of Delegation is being used. The Joint Arrangements Steering Group has considered the draft powers and recommends the attached draft to Council

### **Proposals**

- 1.4 The draft incorporates powers currently vested in the Chief Executive post at both authorities.
- 1.5 One suggested change is to remove the Returning Officer powers from the Chief Executive delegations ( which is where they were at Cherwell) and to place them in a separate list so that those powers can move as necessary to whichever post is appointed to carry out the Returning Officer functions. This makes explicit the Returning Officer powers but does not fix which post will carry them out, which increases flexibility.
- 1.6. The second change is to extract the specific Chief Executive powers from the much longer list of specific powers (vested in the Chief Executive and Directors) and general powers (vested in the Chief, Executive, Directors and Heads of Service) which are currently listed in South Northamptonshire's Scheme of Delegation. It is proposed that these other powers are vested in the Directors and the Directors/Heads of Service on an interim basis pending completion of the complete review referred to above.
- 1.7 The introduction setting out the statutory responsibility of the Chief Executive as Head of Paid Service has also been added to make clear the responsibilities of the role for the public in line with the transparency agenda.

### **Conclusion**

- 1.8 The new shared joint Chief Executive started with us on 16 May. It is suggested that the harmonised powers should be in place ready to be used as soon as possible
- 1.9 This is the first stage of a process of harmonisation which will be required if the shared senior management team is to operate as effectively and efficiently as possible.
- 1.10 The contents of Appendix 1 were approved by South Northamptonshire Council at its full Council meeting on 20 April to come into effect from the commencement in post of the Shared Chief Executive.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 2.1 It is much easier for shared posts to have a single harmonised list of the powers they may exercise. Experience elsewhere suggests not doing this carries a much higher risk of confusion, and therefore challenge, where powers have not been exercised appropriately ( because the shared postholder has exercised a power correctly for one authority, but is acting for the other authority at the time).

The following options have been identified. The approach in the recommendations is believed to be the best way forward

- Option One** To adopt the harmonised joint delegated powers as attached and approved by the Joint Arrangements Steering Group
- Option Two** To adopt the harmonised joint delegated powers as further amended by Council
- Option Three** To postpone harmonisation until the complete review of the two Schemes of Delegation is carried out when the new shared senior management team structure is agreed

### Consultations

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**Interim Chief Executive** The proposed scheme of delegation (attached to this report) is supported

### Implications

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- Financial:** There are no financial implications  
Comments checked by Karen Curtin, Head of Finance 01295 221551 Karen.curtin@cherwell-dc.gov.uk
- Legal and Risk Management:** There is a legal risk of challenge if powers are not harmonised and the shared Chief Executive exercises a power of delegation in one Council that is only applicable to the other.  
Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686 Liz.Howlett@cherwell-dc.gov.uk

### Wards Affected

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All

### Document Information

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Appendix No	Title
Appendix 1	Draft shared Joint Chief Executive Delegated Powers and delegated powers of Returning Officer
<b>Background Papers</b>	
Respective constitutions of South Northamptonshire and Cherwell	
<b>Report Author</b>	James Doble, Democratic, Scrutiny and Elections Manager Kevin Lane , Head of Corporate Services
<b>Contact Information</b>	01295 221587 james.doble@cherwell-dc.gov.uk

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## **Scheme of Delegation for the Shared Chief Executive**

This post is the Head of Paid Service and has responsibility for the overall management of the staff who work for Cherwell and South Northamptonshire Council under section 4 of the Local Government and Housing Act 1989. This post is responsible for ensuring the proper use of evaluation systems for determining what staff are paid and reporting as and when required by either authority on the number and grade of staff required.

### **Emergencies**

If Cherwell and/or South Northamptonshire need to act urgently in any matter (including without limitation, complying with the Emergency Plan, the Business Recovery or Business Continuity Plan or taking any action under new legislation) the Chief Executive may authorise any action taken or expenditure incurred as necessary.

If the Chief Executive is unwell, unobtainable, has an inability to act or where there is no Chief Executive in post a Director may act in their absence. In the absence of any Director any Head of Service may act.

The Chief Executive, Director or Head of Service may delegate responsibility to another nominated officer where appropriate.

All such action shall be reported to the relevant committee, Executive or Council as may be appropriate at the earliest opportunity.

### **Release of Information**

Determination of appeals/review requests from people dissatisfied with a decision not to release Council held information

### **Suspension or dismissal**

The suspension or dismissal of a Director or Head of Service subject to consultation with the [Head of People and Improvement (CDC)/Human Resources Manager (SNC)] and the Monitoring Officer. If the suspension or dismissal is of either of these two posts external professional advice will be sought. No dismissal of the Monitoring Officer or the Section 151 Officer can take place in the absence of an investigation report carried out by a designated independent person.

### **Anti Social Behaviour**

Taking action under the Anti Social Behaviour Act 2003, including the making of statutory orders, where the Chief Executive is specifically named as the relevant Council Officer within the Act.

## **Scheme of Delegation for the Returning Officer**

- Authority to take such action and make such decisions as are necessary as Electoral Registration Officer and Returning Officer/Acting Returning Officer (for Parliamentary and European elections)/Deputy Returning Officer (For County Council elections)/Counting Officer (for referenda).
- Assigning officers in relation to requisitions of the Electoral Registration Officer
- Providing assistance to the Returning Officer at Parliamentary, European and County Council elections and to the Chief/Regional Counting Officer for referenda
- Power to fill vacancies in the event of insufficient nominations and make temporary appointments to Parish Councils
- Declaring vacancies in office in certain cases and giving notice of casual vacancies
- Consulting on proposed changes to the scheme of elections
- Duties relating to providing notice to the Electoral Commission and relating to publicity

Version five 04.03.2011



## Council

### Protocol for dealing with conflicts of interest

18 May 2011

### Report of Interim Head of Legal and Democratic Services

#### PURPOSE OF REPORT

To consider , amend as necessary, and adopt a protocol which sets out the roles of officers and members and procedures for dealing with conflicts of interest arising out of the appointment of shared senior management posts serving both authorities

This report is public
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#### **Recommendations**

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The Joint Arrangements Steering Group has considered and recommends that Council:

- (1) Consider the attached protocol for dealing with the role of officers and members, and the proposed routes for dealing with possible conflicts of interest
- (2) Agree that the protocol be adopted as part of the constitution of Cherwell District Council with immediate effect

#### **Executive Summary**

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##### **Introduction**

- 1.1 The Agreement under section 113 of the Local Government Act 1972 entered into by South Northamptonshire Council and Cherwell District Council on 9 December 2010 stipulated that a protocol to deal with “conflicts of interest of individual officers in the shared senior management team, and the roles of individual officers in the shared senior management team in providing advice to the Councils jointly and separately”, should be in place within six months of the 9 December 2010.
- 1.2 There are a number of issues arising from the sharing of a senior management team. One of these is the capacity of the shared officers to support the processes, and expectations, of each authority, which can be very different. Another is that there can be conflicts of interest between the two authorities. The shared senior management team will need to recognise these

conflicts. An agreed process for resolving those conflicts should assist all members and officers.

### **Proposals**

- 1.3 The starting point for this protocol has been to set out the statutory roles of officers and members.
- 1.4 We have then tried to envisage where problems might arise and suggest the best route for resolving the situation as quickly and effectively as possible. The important point is that all members and officers understand the potential for conflict, and recognise the need to deal with it. All members and officers need to respect the position of the shared senior management team who will be potentially caught in the middle and looking for guidance on an agreed way forward.

### **Conclusion**

- 1.5 Although it has not been possible to find precedents for this (which does not mean they do not exist) it is clear from discussions with authorities further down this route that it can be an issue.
- 1.6 The recommendation is therefore to consider this now before the appointment of the shared senior management team so that an agreed way of working, and of dealing with conflicts, is in place before they are appointed.
- 1.7 The protocol as appended was approved by South Northamptonshire Council at its full Council meeting on 20 April 2011 and will come into effect from the date of the SNC Annual Meeting on 17 May 2011.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 2.1 One of the challenges of sharing a senior management team is the expectations of two differing cultures and two sets of members used to working in a particular way. To some extent the impact of this will only emerge over time but this protocol is a starting point for setting out agreed ways of working, respective roles and steps to take if there is a conflict.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

- |                     |   |
|---------------------|---|
| <b>Option One</b>   | Adopt the protocol as drafted   |
| <b>Option Two</b>   | Amend the protocol  |
| <b>Option Three</b> | Postpone consideration of the protocol until nearer the June deadline |

## Consultations

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<b>Interim Chief Executives</b>	The proposed protocol ( attached to this report) is supported
<b>Chief Executive Designate</b>	The proposed protocol is supported

## Implications

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**Financial Implications:** There are no financial implications to adopting the protocol. There would be costs to using external consultants if this proved necessary because of conflicts of interest but that is not possible to quantify at this point.

Comments checked by Karen Curtin, Head of Finance  
01295 221551 karen.curtin@cherwell-dc.gov.uk

**Legal and Risk Management:** An agreed protocol at this stage helps to minimise the risk of challenge to decisions made by the shared senior management team.

There could be reputational , financial or legal risk if an officer acted in a situation where they were conflicted from giving best objective advice in the public interest

Comments checked by Kevin Lane, Interim Head of Legal and Democratic Services 01295 221686  
kevin.lane@cherwell-dc.gov.uk

## Wards Affected

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All

## Document Information

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<b>Appendix No</b>	<b>Title</b>
Appendix 1	Protocol on respective roles of members and officers and dealing with conflicts of interest
<b>Background Papers</b>	
Respective constitutions of South Northamptonshire and Cherwell	
<b>Report Authors</b>	James Doble, Democratic, Scrutiny and Elections Manager Kevin Lane, Head of Corporate Services
<b>Contact Information</b>	01295 221587 james.doble@cherwell-dc.gov.uk 01327 322127 kevin.lane@southnorthants.gov.uk

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# **The Respective Roles of Members and Officers and Dealing with Conflicts of Interest**

## **Introduction**

Cherwell District Council (CDC) and South Northamptonshire Council (SNC) have created a shared senior management team and, subject to the acceptance by both Councils of business cases, intend to create shared teams below this level in the future.

Shared officers will be dividing their time on an equal basis between the two authorities (although peaks of work in one or other Council may result in short term variations from this) and will at all times act in the best interests of both authorities. Underpinning this is an acknowledgment that where a smaller number of senior officers will be serving two organisations, there will be a need to reflect this new set of circumstances in the way in which officers have to operate.

The members of the two authorities need to be sensitive to this change with regard to the respective roles of officers and members. In particular all members and officers need to be aware of the action to be taken when there is an actual or potential conflict of interest in acting for both authorities.

Having a protocol of this nature is a requirement of the Section 113 agreement between the two councils. This protocol also addresses a requirement arising from the SNC Annual Audit letter for 2009/10.

## **The role of Members**

The full Council in both authorities is collectively responsible for setting Council policy within the defined policy framework. Both authorities state their intention to remain sovereign bodies under the Section 113 agreement of December 9<sup>th</sup> 2010 but in setting their own Council policy they will have regard to the views and policies of the other authority and will endeavour to avoid adopting any policy which explicitly and overtly contradicts the policy of the other authority.

CDC has established an Executive to bring forward the delivery of its agreed policies. Members of the Executive are both collectively and individually accountable for carrying through the Council's policy objectives. SNC has established a Cabinet to bring forward the delivery of its agreed policies and members of the Cabinet are collectively (but not individually) accountable for carrying through the Council's policy objectives.

At neither authority are members directly involved in the day to day provision of services to the public but members of the Executive/Cabinet will have a close involvement with officers in dealing with the effectiveness of service provision. It is recognised that on occasion this may result in the need for

immediate contact with officers but where practicable such contact will be on a managed basis. In order to make best use of officer and member time, there will be mutually managed contact between Executive/Cabinet members and officers on service provision where members pursue matters on behalf of their constituents.

As only Executive/Cabinet portfolio holders have executive authority/responsibilities as members all other members will need to pursue matters with the appropriate portfolio holder or officer through a managed approach. A portfolio holder at CDC may issue instructions to a director or head of service on matters within their own portfolio, and within the CDC scheme of delegation of the relevant constitution, but in doing so must be aware of any possible conflict in policy, or budget, or time available arising from the sharing of that officer between two authorities. At SNC, where portfolio holders are not vested with individual decision taking power, such instructions can only be given by the Cabinet collectively but the same principles and approach will be followed.

A portfolio holder at CDC may not issue instructions below head of service level.

No member (portfolio holder or otherwise) should become involved in the day to day management or operation of the department, which shall be the responsibility of the head of service.

### **The role of Officers**

Officers are equally accountable to the Council and the Executive/Cabinet. All shared officers are equally accountable to both Councils and to CDC's Executive and SNC's Cabinet.

Officers are professional advisers on policy and carry out the instructions of the Council and the Executive/Cabinet as well as exercising powers that are delegated to them and taking operational decisions within their areas of responsibility. The possibility of conflict between the Councils arising from those policies and instructions should be minimised by identifying from the outset where potential conflict might arise and referring, if necessary, such conflict through the dispute resolution mechanism in the Section 113 agreement.

### **How these roles work in practice**

Decisions on matters relating to each Council's policy framework are taken by members at meetings of full Council, usually after having considered the recommendations of the Executive/Cabinet or appropriate Committee which in turn considers the recommendations of the officers.

Decisions on policy matters within the relevant Council's policy framework are taken by the Executive or the relevant portfolio holder (at CDC) or Cabinet (at SNC) having considered the recommendations of officers.

The Councils each have an adopted scheme of delegation. These schemes set out what is delegated to which body or officer, either conditionally or unconditionally. The Councils can each review their scheme of delegation at any time to ensure decisions are being taken at the appropriate level. The process of delegation ensures that members are not overloaded with relatively less important matters and can concentrate on important policy issues and the effectiveness of service provision and continuous improvement in service. Members who are not portfolio holders have an important role in representing the views of their constituents and ensuring through scrutiny that the Council's policies and plans are effectively delivered. Some members (portfolio holders and otherwise) have roles on regulatory committees dealing with matters such as planning and licensing.

To minimise the possibility of any conflict of interest, or defect in process, the schemes of delegations of the two authorities should be harmonised so far as possible. Where differences need to remain there should be a clear business case for this.

It is recognised that there may be rare occasions in a regulatory context where it is not possible to reconcile the interests of both Councils with their respective legal responsibilities. Such conflicts shall be managed by ensuring that relevant officers in each Council are ring fenced from each other to ensure that due regard is taken of each Council's regulatory duties and the need for certain matters to remain confidential to one or other Council.

### **Statutory requirements**

The Councils derive their powers from statute. Some of these are mandatory (i.e. the Councils must do them) and some are discretionary (i.e. the Councils may carry them out if they wish). In all cases members and officers of both authorities may only operate within the law.

Both Councils must have a Head of Paid Service, a Monitoring Officer and a Section 151 Officer. These officers are part of the shared senior management team and have an obligation to act in the best interests of both authorities.

If any of these statutory posts consider that there is a conflict of interest within their area of responsibility which is affecting the ability of either, or both, Councils to function effectively the most appropriate statutory officer may take a report to both full Councils setting out the conflict of interest and proposals for resolution.

### **Summary**

Members are responsible for setting Council policy.

Officers are responsible for advising members on the setting of Council policy and for ensuring such policy is implemented.

The scheme of delegation determines which body or person deals with particular matters, and at which level decisions are taken.

The day to day management and operation of services is the responsibility of officers.

Where officers are dividing their time equally between two authorities members need to have regard to less time being available for their authority alone and the need to manage contact with officers to ensure the optimum use of both member and officer time.

If conflicts arise in relation to the respective regulatory duties of each Council steps will be taken to ensure the ring fencing of officers at each Council and the confidentiality of information as necessary.

Otherwise, where there is actual or potential conflict there are three routes depending on the nature of the conflict,

1. agree to pay for appropriate external support to advise either or both authorities.
2. refer the issue through the dispute mechanism in the section 113 agreement
3. the most appropriate statutory officer may refer the matter to either or both full Councils for resolution.

Version Five 16 March 2011



## Council

### Appointment of Electoral Registration Officer and Returning Officer

18 May 2011

### Report of Interim Head of Legal and Democratic Services

#### PURPOSE OF REPORT

To appoint an Electoral Registration Officer and Returning Officer

This report is public
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#### Recommendations

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Council is recommended:

- (1) That, in terms of the Representation of the People Act 1983 and all related legislation, and with effect from 1 June 2011, Sue Smith be appointed as Electoral Registration Officer for Cherwell District and South Northamptonshire Councils;
- (2) That, in terms of section 41 of the Local Government Act 1972 and all related legislation, and with effect from 1 June 2011, Sue Smith be appointed as Returning Officer for Cherwell District and South Northamptonshire Councils with authority to act in that capacity for elections to the Council and all parish and town councils within the area of both councils;
- (3) That the Electoral Registration Officer be also appointed or authorised to act in respect of all related electoral, poll or referendum duties, including in relation to County Council elections, elections to the European Parliament, and for national and regional polls or referendums;
- (4) That, in relation to the duties of Returning Officer or any other electoral, referendum or polling duties arising from such appointment, the Returning Officer shall be entitled to be remunerated in accordance with scale of fees approved from time to time by Council for local elections, or the relevant scale of fees prescribed by a Fees Order in respect of national, regional or European Parliament elections, polls or referendums;
- (5) That in all cases where it is a legal requirement or normal practice to do so, the Returning Officer may elect for such fees to be superannuable, and the Council shall pay the appropriate employer's contribution to the superannuation fund, recovering such employer's contributions from central government or other local authorities or agencies where this can be done;

- (6) That, in relation to the conduct of local authority elections and polls, and elections to the United Kingdom Parliament, and all other electoral duties where the Councils are entitled by law to do so, they shall take out and maintain in force insurance indemnifying the Councils, the Electoral Registration Officer and the Returning Officer against legal expenses reasonably incurred in connection with the defence of any proceedings brought against the Councils, Electoral Registration Officer or the Returning Officer and/or the cost of holding another election in the event of the original election being declared invalid (provided that such proceedings or invalidation are the result of the accidental contravention of the Representation of the People Acts or other legislation governing the electoral process, (provided that, in the case of the Officer such proceedings or invalidation arise from an act or omission which the Electoral Registration Officer or Returning Officer reasonably believes is within the Officer's powers); and
- (7) That, in the event of such insurance carrying an 'excess' clause by which an initial portion of risk is not insured, the Councils, through their internal insurance fund or otherwise, will indemnify the Electoral Registration Officer and Returning Officer up to the value of such excess.
- (8) That the Councils note their duty to provide support to the Electoral Registration Officer and Returning Officer

## **Details**

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- 1.1 Both Cherwell District and South Northamptonshire Councils have a statutory responsibility to appoint a Returning Officer and Electoral Registration Officer.
- 1.2 The positions of Returning Officer and Electoral Registration Officer are a personal responsibility on the officer concerned. In other words, the appointments are separate from appointment as an Officer of the Councils. In carrying out each role the Officer concerned is accountable to his or her statutory responsibility, not to the Councils that are their main employer. For that reason, the provisions in the resolution need to be more explicit than would be the case with ordinary appointments.
- 1.3 It should be noted that whilst these are separate appointments the councils have a duty to provide support to the appointee as set out below:

### **Assistance for Electoral Registration Officers**

In England a district council or London borough council is required to assign such officers to assist the registration officer (ERO) as may be required for carrying out his functions under the 1983 Act (section 52(4) of the 1983 Act, as substituted by Schedule 4 to the 1985 Act).

### **Assistance for Returning Officers**

Section 28(5) of the 1983 Act (as amended by paragraph 6(b) of Schedule 4 to the Act of 1985 and Schedule 16 to the 1994 Act) requires district councils and London borough councils in England to assign officers of the council to assist the RO/ARO in carrying out all or any of his duties at an election.

- 1.4 At its meeting on 20 April 2011 South Northamptonshire Council considered

and approved a similar set of recommendations to those set out above.

## **Conclusion**

- 1.5 In accordance with the Shared Chief Executives job description (agreed as part of the business case) the responsibilities as Electoral Registration Officer and Returning Officer have been assigned to the Shared Chief Executive. As an experienced Returning Officer and Electoral Registration Officer, the appointment of Sue Smith will help to ensure that elections and electoral registration are delivered consistently and to a high standard.

## **Key Issues for Consideration/Reasons for Decision and Options**

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The following options have been identified. The approach in the recommendations is believed to be the best way forward

**Option One** To make an alternative appointment as Returning Officer and Electoral Registration Officer from either the staff of the Council or from outside the Council

## **Implications**

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**Financial:** The election fees for the Returning Officer are met from existing council budgets and external government grant.

Comments checked by Karen Muir, Corporate Systems Accountant 01295 221559

**Legal:** It is a legal requirement that the councils appoint a Returning Officer and Electoral Registration Officer. The recommendations set out in this report meet this requirement.

Comments checked by Kevin Lane, Interim head of Legal and Democratic Services 01295 221686

**Risk Management:** The principal risks associated with these appointments fall on the Officer who holds them. The risks to the Councils are that without making adequate provision to remunerate, train and indemnify that Officer it may fail to identify a person prepared to undertake these statutory tasks or, having made such an appointment, run the reputational risk associated with a successful legal challenge that exposes the Officer to significant financial loss as a result of a failure of the Councils to do what is lawful and appropriate.

Comments checked by Claire Taylor, Community and Corporate Planning Manager, 01295 221563

**Wards Affected**

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All

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
	None
<b>Background Papers</b>	
None	
<b>Report Author</b>	James Doble, Democratic, Scrutiny and Elections Manager Cherwell District Council
<b>Contact Information</b>	01295 221587 James.doble@Cherwell-dc.gov.uk

## Council

### 2011/12 Treasury Management Strategy and Treasury Management Practices

18th May 2011

### Report of the Head of Finance

#### PURPOSE OF REPORT

This report sets out the strategy and policy framework for treasury operations for 2011/12 and outlines the Treasury Management Practices for 2011/12.

It fulfils two key requirements of the Local Government Act 2003:-

- approval of the Treasury Management Policy in accordance with the CIPFA Code of Practice on Treasury Management, and
- approval of the Investment Strategy in accordance with the CLG investment guidance.

This report is public

#### Recommendations

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Council is recommended:

- (1) To approve the Treasury Management Policy and Investment Strategy 2011/12 as recommended by Executive on 7<sup>th</sup> March 2011.

#### Executive Summary

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- 1.1 The purpose of this document is to outline the Treasury Management Strategy for the financial year 2011/12.
- 1.2 The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA) and adopted in full by the Council in 2004, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates. The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment.
- 1.3 The strategy meets the requirements included within the DCLG's Guidance on Local Government Investments. It also includes the option of appointing external Fund Managers for at least a proportion of the portfolio, should the Council determine their use at any time during the year.
- 1.4 The proposed strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the views of the Council's Treasury Management Team. This is informed by market forecasts provided by the Council's treasury advisor, Sector.

- 1.5 In consultation with Sector and with full reference to the CIPFA Code of Practice, the Council has reviewed its risk appetite and associated priorities in relation to security, liquidity and yield in respect of returns from various financial instruments.
- 1.6 The strategy detailed in Appendix 1 covers:
- Treasury limits in force which limit the treasury risk and activities of the Council
  - Prospects for interest rates
  - The borrowing strategy
  - Prudential Indicators
  - The current treasury position
  - The investment strategy
  - Creditworthiness policy
  - Policy on use of external service providers.
- 1.7 The Treasury Management Practices that the Council is operating to are detailed in Appendix 2.
- 1.8 The highest standard of stewardship of public funds remains of the upmost importance to the Council. This document sets out the Council's priorities and policies for making, and managing investments made by the Council in the course of undertaking treasury management activities during the 2011/12 financial year.

## **Background Information**

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On April 1 2011 the Icelandic district court found in favour of those authorities which, in partnership with the Local Government Association (LGA) and law firm Bevan Brittan, challenged the decision.

This judgment means that councils' claims have been recognised as deposits with priority status over other creditors' claims and will be at the front of the queue when it comes to getting money repaid.

The result means that we should see the lion's share of our investment returned along with a portion of the interest it would have generated.

The council must now pay close attention to the detail of the court's decision and recognises that a further challenge could be mounted by its opponents.

If there is any further legal challenge, we will continue to work in conjunction with the LGA on the legal claim. The Council put aside 1% of the £6.5m principle to fund the legal challenge and as at 31 March 2011 have incurred £43k of costs. Any further costs in relation to an appeal will be monitored but are expected to be within the £65k allocated.

## **2010/11 Performance**

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- 2.1 The Council has £22.5m and £20m respectively invested with fund managers Tradition UK and Investec. In addition it has around £25m managed in-house (including Eco Town funds of £9.2m) which fluctuates during the year. The recent value for money review recommended a review of each of these operations in light of the current economic climate, reducing balances in investments planned to fund the Capital Programme and the need to contribute to efficiency savings. This review is ongoing and the outcome will be presented in the 2010/11 annual report but is expected to deliver further efficiency savings.

- 2.2 The 2010/11 interest projections as at March 31st 2011 show an expected investment income of £1.348m which is on track to budget and all investments are compliant with the strategy.
- 2.3 The 2010/11 Annual Report on Treasury Management will be presented to the Executive in June 2011 along with the Revenue and Capital Outturn reports. This report will give full information on the performance of the Council's fund managers and in-house operation.

### **Icelandic Deposits Update**

- 2.4 Cherwell District Council is one of 123 local authorities that have been affected by the collapse of Icelandic banking institutions. The Council currently has a total of £6.5 million in short term investments (i.e. those with maturity periods of up to one year) with one of the affected banks Glitnir.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 The following options have been identified. The approach in the recommendations is believed to be the best way forward

**Option One** To review draft strategy and consider proposals arising.

**Option Two** To approve or reject the recommendations above or request that Officers provide additional information.

### **Consultations**

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**Corporate Management Team** February 2011

**Accounts, Audit and Risk Committee:** Qtrly reviews in 2010

**Council's Treasury Management advisers** - Advice and guidance has been sought from Sector

**Executive Committee:** 7<sup>th</sup> March 2011

### **Implications**

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**Financial:** The strategy proposed in this report, together with the interest rates forecast, is in line with the assumptions made when the 2011/12 budget was prepared. The costs of treasury operations, debt management, expenses and investment income are included in the 2011/12 budget.

Comments checked by Eric Meadows, Service Accountant, 01295 221552.

**Legal:** There is a requirement for the Council to fulfil two key requirements of the Local Government Act 2003:-

- approval of the Treasury Management Policy in accordance with the CIPFA Code of Practice on Treasury Management; and
- Approval of the Investment Strategy in accordance with the DCLG investment guidance.

Comments checked by James Doble, Democratic, Scrutiny and Elections Manager 01295 221587.

**Risk Management:**

- a) Risk of capital loss – the prime objective of treasury management activities is to ensure the security of the amounts invested. This is managed by using a counterparty list which only includes organisations having a suitable credit rating and which has a maximum amount that can be invested with each organisation at any one time.
- b) Liquidity – investments are linked to known future cash flows to ensure sufficient funds are available as and when they are required.
- c) Interest Receivable – this is regularly monitored against budget and reported through the Performance management Framework.

Comments checked by Karen Muir, Corporate System Accountant, 01295 221559.

**Wards Affected**

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All

**Corporate Plan Themes**

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An Accessible and Value for Money Council

**Executive Portfolio**

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Councillor James Macnamara  
Portfolio Holder for Resources and Communication

**Document Information –**

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Appendix No	Title
Appendix 1	Treasury Management Strategy
Appendix 2	Treasury Management Practices
Background Papers	
Sector TMSS template Local Government Act 2003 CIPFA's revised Prudential Code for Capital Finance in Local Authorities (2009) CIPFA's revised Treasury Management Code of Practice (2009) Prudential Indicator working files Capital Programme 2011-2014 Medium Term Financial Strategy 2011/12 Budget Booklet	
Report Author	Karen Curtin, Head of Finance Jessica Lacey, Technical Accountant
Contact Information	01295 221551 <a href="mailto:karen.curtin@cherwell-dc.gov.uk">karen.curtin@cherwell-dc.gov.uk</a>



**APPENDIX 1**

**CHERWELL DISTRICT COUNCIL**

**Treasury Management Strategy**

Annual Investment Statement

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**2011/12**



# 1. Introduction

## 1.1 Background

Treasury management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”

## 1.2 Statutory requirements

The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); this sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

## 1.3 CIPFA requirements

The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 1st March 2002.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated bodies are the Executive Committee and Accounts, Audit and Risk Committee

## **1.4 Treasury Management Strategy for 2011/12**

The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Sector Treasury Services.

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the investment strategy
- creditworthiness policy
- policy on use of external service providers

## **1.5 Balanced Budget Requirement**

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. Any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

## **2. The Borrowing Requirement**

The Council is debt free and has no plans to enter into any long term debt arrangements. As such this section is irrelevant for the 2011/12 Treasury Management Strategy. This would be reviewed in subsequent years if there was a decision to go back into debt.

## **3. Prudential and Treasury Indicators for 2011/12 – 2013/14**

Prudential and Treasury Indicators (Appendix 1 to this report) are relevant for the purposes of setting an integrated treasury management strategy. These indicators were approved by the Council as part of the 2011/12 Budget process on 21<sup>st</sup> February 2011.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The Code was adopted on 1<sup>st</sup> March 2002 by the full Council

## **4. Prospects for Interest Rates**

The Council has appointed Sector Treasury Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix 2 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

## **Sector Bank Rate forecast for financial year ends (March)**

- 2010/ 2011 0.50%
- 2011/ 2012 1.00%
- 2012/ 2013 2.25%
- 2013/ 2014 3.25%

There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected. A detailed view of the current economic background is contained within Appendix 3 to this report.

## **5. Annual Investment Strategy**

### **5.1 Investment Policy**

The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -

- (a) the security of capital
- (b) the liquidity of its investments.
- (c) the yield on the investments

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed in Appendix 4 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Appendix 6.

### **5.2 Creditworthiness policy**

This Council uses the creditworthiness service provided by Sector Treasury Services. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide

potential counterparties. The Council will therefore use counterparties within the following durational bands

- Yellow 5 years for UK Government backed securities and Local Authorities
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service does though, use ratings from all three agencies, but by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

All credit ratings will be monitored weekly. The latest counterparty list can be seen in Appendix 1G. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings, Sector will advise the Council of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

### **5.3 Country limits**

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in appendix 5. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

In the current economic climate, officers have not placed deposits with overseas banks or Money Market Funds and have only dealt with UK institutions, although the authority to use overseas banks and Money Market Funds would be granted by approving the annual investment strategy. This approach is under constant review, and could change should officers feel that in doing so it would not comprise the security or liquidity of the Council's investment portfolio.

### **5.4 Investment Strategy**

**In-house funds:** The Council has in-house managed funds which are mainly cash-flow derived and there is a core balance available for investment over a longer period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

## External fund managers

Currently £42.5m (63%) of the Council's funds are externally managed on a discretionary basis by Investec and Tradition UK. The Council has used external fund managers since 1997. These fund managers and amounts held are currently under review as we look to rebalance funds as expenditure in our capital programme continues. Treasury was subject to a value for money review in December 2010 so we are also looking to reduce the costs in this area.

The Council's external fund managers will comply with the Annual Investment Strategy. The agreement between the Council and Investec additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The minimum credit criteria to be used by Investec is as follows: -

	Fitch	Moody's	Standard and Poors
Long Term	A	A2	A
Short Term	F1	P-1	A-1
Individual/Financial Strength	B or C	C	N/A
Support	3 or 2	N/A	N/A

(The combination of Fitch ratings above is either B3 or C2)

All investments held with Investec can be liquidated immediately if required and do not have to be held to maturity. Obviously there may be a cost implication which would impact on the total returns.

The Council currently has investments which span the financial year

	Category	Amount	Maturity	Rate
Nationwide BS	External	£3,000,000	06/06/2011	1.15%
Bank of Scotland	External	£5,000,000	26/07/2011	2.05%
Ulster Bank	In-house	£3,000,000	11/08/2011	1.48%
Clydesdale Bank	In-house	£5,000,000	25/08/2011	1.70%
Lloyds Bank	External	£1,500,000	02/09/2011	1.90%
Barclays Bank	External	£5,000,000	28/10/2011	6.35%
Lloyds Bank	In-house	£4,000,000	02/03/2012	1.74%
Barclays	External	£3,000,000	01/05/2012	2.50%
Bank of Scotland	External	£2,500,000	16/11/2012	2.45%

## Local Authority Mortgage Guarantee Scheme

An opportunity has arisen for the Council to participate in the Local Authority Mortgage Guarantee Scheme (LAMGS) and may be used to assist the Housing Service meet its strategy. The Council would be required to place a deposit with the mortgage provider(s) up to the full value of the guarantee. The deposit will be in place for the term of the guarantee i.e. 5 years (with the possibility of a further 2 year extension if the account is 90+ days in arrears at the end of the initial 5 years) - and may have conditions/structures attached. The mortgage provider will not hold a legal charge over the deposit. Each application would be considered on a case by case basis and would need to be authorised by Portfolio Holder for Planning and Housing, Portfolio Holder for Resources, Head of Housing and Chief Financial Officer.

**Interest rate outlook:** Bank Rate has been unchanged at 0.50% since March 2009. Bank Rate is forecast to commence rising in quarter 3 of 2011 and then to rise gently from thereon. Bank Rate forecasts for financial year ends (March) are as follows: -

- 2010/ 2011 0.50%
- 2011/ 2012 1.00%
- 2012/ 2013 2.25%
- 2013/ 2014 3.25%

There is downside risk to these forecasts if economic growth is weaker and slower than expected. There is also a risk that the MPC could decide to start raising Bank Rate in quarter 2 of 2011 if it feels it needs to defend its credibility in containing inflation and the inflation expectations of the public.

The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this council.

The suggested budget for investment returns on investments placed for periods less than three months during each financial year is as follows: -

2011/12	1.10%
2012/13	2.10%
2013/14	3.30%
2014/15	4.10%
2015/16	4.50%

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 15 day accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Notwithstanding any of the above, should the Council be presented with an investment opportunity throughout the year which, while breaches the terms of this strategy, is considered by the Portfolio Holder of Resources and Chief Financial Officer to be too much of an attractive offer for the Council not to take advantage of, we will enter in to that deal. This would only be done with the express prior confirmation from the Portfolio Holder of Resources and Chief Financial Officer and would not in anyway compromised the Councils beliefs of Security, Liquidity, and Yield. This decision would be presented to the Finance Scrutiny Committee at the earliest opportunity.

**5.5 End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

**5.6 Policy on the use of external service providers**

The Council uses Sector Treasury Services as its external treasury management advisers.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.



It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## **5.7 Scheme of delegation**

### **5.7.1 Full council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

### **5.7.2 Executive**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- approving the selection of external service providers and agreeing terms of appointment.

### **5.7.3 Accounts Audit & Risk Committee**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing regular monitoring reports and acting on recommendations

## **5.8 Role of the Chief Financial Officer (Section 151 officer)**

### **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

## **Appendices**

- 1A Prudential and Treasury indicators
  - 1B Interest rate forecasts
  - 1C Economic background
  - 1D Specified and non specified investments
  - 1E Approved countries for investments
  - 1F Glossary
  - 1G Counterparty List (latest)
- 
- 2 Treasury Management Practices (TMP`s)

## APPENDIX 1A Prudential and Treasury Indicators

The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This total expenditure can be paid for immediately by resources such as capital receipts, capital grants etc. However, where these resources are insufficient any residual expenditure will form a borrowing need.

The summary capital expenditure projections are shown below and this forms the first prudential indicator:

	<b>2009/10 Actual £000s</b>	<b>2010/11 Estimated £000s</b>	<b>2011/12 Estimated £000s</b>	<b>2012/13 Estimated £000s</b>	<b>2013/14 Estimated £000s</b>
Capital Expenditure 11/12 approved	17,676	5,582	13,923	5,704	599
<b>Financed by:</b>					
Capital receipts	(16,897)	(4,907)	(11,926)	(5,306)	(599)
Capital grants	(455)	(375)	(375)	-	-
Revenue funded reserves	(60)	(300)	<b>(1,622)</b>	(398)	-
Direct Revenue Financing	<b>(264)</b>	-	-	-	-
<b>Net financing need for the year</b>	-	-	-	-	-

### The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.

The Council is debt free and has no plans to enter into any long term debt arrangements. As such this section is largely irrelevant but is included for completeness if there was a decision to go back into debt. Therefore, the Council has a nil Minimum Revenue Provision for 2011/12.

The Council is asked to approve a NIL CFR projection as in the following table:

<b>Capital Financing Requirement</b>	<b>2009/10 Actual £000s</b>	<b>2010/11 Estimated £000s</b>	<b>2011/12 Estimated £000s</b>	<b>2012/13 Estimated £000s</b>	<b>2013/14 Estimated £000s</b>
<b>Capital Financing Requirement:</b>					
Total CFR	-	-	-	-	-
Movement in CFR	-	-	-	-	-
<b>Movement in CFR represented by:</b>					
Net financing need for the year (above)	-	-	-	-	-
MRP/VRP and other financing movements	-	-	-	-	-
Movement in CFR	-	-	-	-	-

### **The Use of the Council's resources and the Investment Position**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

<b>Year End Resources</b>	<b>2009/10 Actual £000s</b>	<b>2010/11 Estimated £000s</b>	<b>2011/12 Estimated £000s</b>	<b>2012/13 Estimated £000s</b>	<b>2013/14 Estimated £000s</b>
Fund balances	(1,777)	(1,200)	(1,200)	(1,200)	(1,200)
Capital receipts	(46,290)	(37,728)	(23,805)	(18,101)	(17,502)
Earmarked reserves	(7,070)	(6,820)	(6,820)	(6,820)	(6,820)
Total Core Funds	(55,137)	(45,748)	(31,825)	(26,121)	(25,522)
Working Capital*	(9,382)	(9,382)	(9,382)	(9,382)	(9,382)
<b>Expected Investments</b>	<b>(64,519)</b>	<b>(55,130)</b>	<b>(41,207)</b>	<b>(35,503)</b>	<b>(34,904)</b>

\* Working capital balances are estimated year end; mid year may be higher

### **Limits to Borrowing Activity**

Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2010/11 and the following two financial years.

<b>Borrowing</b>	<b>2009/10 Actual £000's</b>	<b>2010/11 Estimated £000's</b>	<b>2011/12 Estimated £000's</b>	<b>2012/13 Estimated £000's</b>	<b>2013/14 Estimated £000's</b>
Gross Borrowing	-	-	-	-	-
Investments	(64,519)	(55,130)	(41,207)	(35,503)	(34,904)

Net Borrowing	(64,519)	(55,130)	(41,207)	(35,503)	(34,904)
CFR	-	-	-	-	-

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

A further two prudential indicators control or anticipate the overall level of borrowing. These are:

- The Authorised Limit for External Debt – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council.
- The Operational Boundary for External Debt – This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.

The Council operates under the following Authorised Limit and Operational Boundary:

<b>Authorised limit</b>	<b>2009/10 Actual £000s</b>	<b>2010/11 Estimated £000s</b>	<b>2011/12 Estimated £000s</b>	<b>2012/13 Estimated £000s</b>	<b>2013/14 Estimated £000s</b>
Borrowing	10,000	10,000	10,000	10,000	10,000
Other long term liabilities	500	500	500	500	500
Total	10,500	10,500	10,500	10,500	10,500
<b>Operational Boundary</b>	<b>2009/10 Actual £000s</b>	<b>2010/11 Estimated £000s</b>	<b>2011/12 Estimated £000s</b>	<b>2012/13 Estimated £000s</b>	<b>2013/14 Estimated £000s</b>
Borrowing	-	-	-	-	-
Other long term liabilities	-	-	-	-	-
Total	-	-	-	-	-

### **Affordability Prudential Indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. The Council is asked to approve the following indicators:

Actual and Estimates of the ratio of financing costs to net revenue stream – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of interest against the net revenue stream. Since becoming debt free the indicator is negative because the Council has no borrowing but carries substantial investments.

	<b>2009/10 Actual %</b>	<b>2010/11 Estimated %</b>	<b>2011/12 Estimated %</b>	<b>2012/13 Estimated %</b>	<b>2013/14 Estimated %</b>
Non-HRA	-	-	-	-	-

Estimates of the incremental impact of capital investment decisions on the Council Tax – This indicator identifies the revenue costs associated with **new schemes** introduced to the three year capital programme recommended in the budget report compared to the Council's existing approved commitments and current plans.

**Incremental impact of capital investment decisions on the Band D Council Tax**

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Council Tax - Band D	£0.36	(£0.25)	(£0.50)

**Treasury Management Prudential Indicators and Limits on Activity**

The Council then has three further treasury prudential indicators:

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>Interest rate Exposures</b>			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%
<b>Maturity Structure of fixed interest rate borrowing 2011/12</b>			
	Lower	Upper	
Under 12 months	0%	100%	
12 months to 2 years	0%	0%	
2 years to 5 years	0%	0%	
5 years to 10 years	0%	0%	
10 years and above	0%	0%	
<b>Maximum principal sums invested &gt; 364 days</b>			
Principal sums invested > 364 days	£m 0	£m 0	£m 0

## APPENDIX 1B Interest Rate Forecasts

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

### 1. Individual Forecasts

#### Sector

Interest rate forecast – 21.2.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Bank rate	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%	3.00%	3.25%	3.25%
3 month LIBID	0.70%	0.80%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	3.00%	3.25%	3.50%	3.50%
6 month LIBID	1.00%	1.10%	1.20%	1.50%	1.80%	2.10%	2.40%	2.60%	2.80%	3.20%	3.50%	3.80%	4.00%
12 month LIBID	1.50%	1.60%	1.80%	2.10%	2.40%	2.70%	3.00%	3.10%	3.20%	3.40%	3.70%	4.00%	4.20%
5yr PWLB rate	3.70%	3.70%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.50%	4.60%	4.70%	4.80%
10yr PWLB rate	4.90%	4.90%	4.90%	4.90%	4.90%	5.00%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%
25yr PWLB rate	5.40%	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%
50yr PWLB rate	5.40%	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%

#### Capital Economics

Interest rate forecast – 12/1/11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%
5yr PWLB rate	3.20%	3.20%	3.00%	2.75%	2.75%	2.90%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%
10yr PWLB rate	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%
25yr PWLB rate	5.25%	5.25%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%
50yr PWLB rate	5.30%	5.30%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%

#### UBS

Interest rate forecast (for quarter ends) – 6/1/11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Bank rate	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
10yr PWLB rate	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
25yr PWLB rate	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%
50yr PWLB rate	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%

2. Survey of Economic Forecasts

**HM Treasury February 2011**

The current Q4 2011 and Q4 2012 forecasts are based on the February 2011 report. Forecasts for 2011 – 2015 are based on 32 forecasts in the quarterly forecast for February 2011.

BANK RATE FORECASTS	quarter ended			annual average Bank Rate				
	actual	Q4 2011	Q4 2012	ave. 2011	ave. 2012	ave. 2013	ave. 2014	ave. 2015
Median	0.50%	1.00%	2.00%	0.80%	1.50%	2.40%	3.20%	3.70%
Highest	0.50%	2.00%	3.50%	2.10%	2.80%	3.10%	4.30%	5.00%
Lowest	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	1.20%	2.00%



# APPENDIX 1C Economic Background

## 3.1 Global economy

The Eurozone sovereign debt crisis peaked in May 2010 prompted, in the first place, by major concerns over the size of the Greek government's total debt and annual deficit. However, any default or write down of Greek debt would have substantial impact on other countries, in particular, Portugal, Spain and Ireland. This crisis culminated in the EU and IMF putting together a €750bn support package in mid May. A second crisis, this time over Ireland in November, culminated in Ireland also having to take a bail out. There was another crisis in early January 2011 when Portugal narrowly avoided having to resort to taking a similar bail out package. However, this looks as if Portugal has only delayed what appears to be inevitable so there are widespread expectations that there will be another sovereign debt crisis in 2011.

The unexpectedly high rate of growth in quarters 2 and 3 of 2010 in the UK and the Euro zone in Q2 were driven by strong growth in the construction sector catching up from inclement weather earlier in the year and by other short term factors not expected to be enduring; general expectations are for anaemic (but not negative) growth in 2011 in the UK and EU, though growth in the US looks as if it could be about twice as strong on the back of fiscal cuts increasing consumer disposable income and confidence.

## 3.2 UK economy

Following the general election in May 2010, the coalition government has put in place an austerity plan to carry out correction of the public sector deficit over the next five years. The inevitable result of fiscal contraction will be major job losses during this period, in particular in public sector services. This will have a knock on effect on consumer and business confidence and appears to have also hit the housing market as house prices have started on a negative trend from 2010. Mortgage approvals are also at very weak levels and declining, all of which indicates that the housing market is likely to remain weak in 2011.

**Economic Growth** – GDP growth has peaked in the current period of recovery at 1.2% in quarter 2 of 2010. Growth in quarter 3 @ +0.7% was also unexpectedly high but the first estimate for Q4 was a huge shock at -0.5% and reflected the effect of snow in December. Overall, the outlook is for anaemic growth in 2011/12 and the Bank of England has downgraded its estimate for growth in 2011 from 2.6% to 2.0% in the February 2011 Inflation Report.

**Unemployment** – the trend for 2011 is likely to be one of steadily increasing unemployment.

**Inflation and Bank Rate** – CPI has remained high during 2010. It peaked at 3.7% in April and then gradually declined to 3.1% in September (RPI 4.6%) before returning to a rising path and hitting 4.0% in January 2011. The outlook is for further upward pressure with CPI to reach as much as 5% in early 2011 before starting to subside again. Although inflation has remained stubbornly above the MPC's 2% target, the MPC is confident that inflation will fall back over the next two years and should then be near to the target level.

The Bank of England finished its programme of quantitative easing (QE) with total purchases of £200bn by November 2009. However, major expectation that there could be a second round of quantitative easing in late 2010 or early 2011, to help support economic growth, evaporated after the surprises of the Q3 GDP figure of +0.7% and the November Inflation Report revising the forecast for short term inflation sharply upwards.

Sector's central view is that Bank Rate will start to increase in Q3 2011 (August) but there are risks both ways on this timing

**AAA rating** – prior to the general election, credit rating agencies had been issuing repeated warnings that unless there was a major fiscal contraction, the UK's AAA sovereign rating was at significant risk of being downgraded. Sterling was also under major pressure during the first half of the year. However, after the Chancellor's budget on 22 June 2010, Sterling strengthened against the US dollar and confidence has returned that the UK will retain its AAA rating. In

addition, international investors viewed UK government gilts as being a safe haven from EU government debt during mid 2010. The consequent increase in demand for gilts helped to add downward pressure on gilt yields and PWLB rates during the first half of 2010/11.

### **3.3 Sector's forward view**

It is currently difficult to have confidence as to exactly how strong UK economic growth is likely to be during 2011/12, and there are a range of views in the market. Sector has adopted a moderate view. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:

- the strength / weakness of economic growth in our major trading partners - the US and EU
- the danger of currency war and resort to protectionism and tariff barriers if China does not adequately address the issue of its huge trade surplus due to its undervalued currency
- the degree to which government austerity programmes will dampen economic growth and undermine consumer confidence
- changes in the consumer savings ratio
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- the potential, in the US, for more quantitative easing, and the timing of this, and its subsequent reversal in both the US and UK
- the speed of recovery of banks' profitability and balance sheet imbalances and the consequent implications for the availability of credit to borrowers
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy
- political risks in the Arab world, Middle East and Korea and the knock on potential effects on oil production in the first two areas

The overall balance of risks is weighted to the downside. However, concerns around some residual risk of a double dip recession and deleveraging, creating a downward spiral of falling demand, falling jobs and falling prices, have now been replaced with concerns around the inflationary effects of increases in world commodity prices stoking the fires of inflation.

Sector believes that 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 the high volume of debt issuance in other major western countries. However, most of this increase has already occurred in the second half of 2010/11 as a result of a major change in market sentiment.

# APPENDIX 1D Specified and Non-Specified Investments

## SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	<b>* Minimum 'High' Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	n/a	In-house
Term deposits – local authorities	n/a--	In-house
Term deposits – banks and building societies **	Green	In-house/Tradition
Term deposits – banks and building societies **	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec

Since the credit crunch crisis there have been a number of developments which require separate consideration and approval for use: -

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.2.10. The banks which have used this explicit guarantee are as follows: -

- Bank of Scotland
- Barclays
- Clydesdale
- Coventry Building Society
- Investec bank
- Nationwide Building Society
- Rothschild Continuation Finance plc
- Standard Life Bank
- Tesco Personal Finance plc
- Royal Bank of Scotland
- West Bromwich Building Society
- Yorkshire Building Society

**LIMITS:**

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>*** Max £</b>	<b>Max. maturity period</b>
Term Deposits – Local Authorities	--	In-house	<b>£10m</b>	<b>364 days</b>
UK nationalised banks	green	In-house /Tradition	<b>£15m</b>	<b>364 days</b>
UK nationalised banks	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	<b>£5m</b>	<b>364 days</b>
Banks nationalised by high credit rated (sovereign rating) countries – non UK	green	In-house/Tradition	<b>£5m</b>	<b>364 days</b>
Banks nationalised by high credit rated (sovereign rating) countries – non UK	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	<b>£5m</b>	<b>364 days</b>
Money Market Funds	AAA	In-house	<b>£10m</b>	

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

N.B. buy and hold may also include sale at a financial year end and repurchase the following day in order to accommodate the requirements of SORP.

**Accounting treatment of investments**

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**NON-SPECIFIED INVESTMENTS:** A maximum of 30% will be held in aggregate in non-specified investment

1. Maturities of ANY period

	* Minimum Credit Criteria	Use	Max Amount £m	Max. maturity period
Term deposits – local authorities	--	In-house	£5m	5 years
Term deposits – banks and building societies	Purple	In-house	£5m	2 years
Collateralised deposit	N/A	In-house	£10m	5 years
Commercial paper issuance covered by a specific UK Government (explicit) guarantee and issued by banks covered by the UK bank support package	UK sovereign rating or * Short-term F1, Long-term A <sub>+</sub> , Individual B/C, Support 3/2	Investec	£1m	1 years
Corporate Bonds issuance covered by UK Government (implicit) guarantee and issued by banks covered by the UK bank support package : <b>the use of these investments would constitute capital expenditure</b>	UK sovereign rating or * Short-term F1, Long-term A <sub>+</sub> , Individual B/C, Support 3/2	Investec	£1m	1 years
Corporate Bonds other : <b>the use of these investments would constitute capital expenditure</b>	Short-term F1, Long-term A <sub>+</sub> , Individual B/C, Support 3/2	Investec	£1m	1 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	UK sovereign rating or * Short-term F1, Long-term A <sub>+</sub> , Individual B/C, Support 3/2	Investec	£1m	1 years
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	* Short-term F1 <sub>+</sub> , Long-term A <sub>+</sub> , Individual B <sub>-</sub> or C <sub>-</sub> , Support 3 OR 2 <sub>-</sub>	Investec	£1m	1 years
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	Short-term F1 <sub>+</sub> , Long-term A <sub>+</sub> , Individual B <sub>-</sub> or C <sub>-</sub> , Support 3 OR 2 <sub>-</sub>	Investec	£1m	1 years

Certificates of deposit issued by banks and building societies NOT covered by UK Government guarantee support package (implicit guarantee)	Short-term F1__, Long-term __A__, Individual __B__ or C__, Support __3 OR 2__	Investec	£1m	<b>1 years</b>
UK Government Gilts	UK rating sovereign	Investec	£1m	<b>1 years</b>
Local authority mortgage guarantee scheme	N/A	In-house	£5m	<b>5 years</b>

Local Authority Collateralised Deposit - Term deposits with UK institutions where such deposits are secured on loans made to other UK local authorities. These deposits will not form part of the limits determined by the individual institution's credit rating criteria. Investment is permitted subject to a maximum exposure of £10m, for a maximum term of 3 year(s).

Collateralised deposit can be structured or not – structured.

## APPENDIX 1E Approved countries for investments

### AAA

- Canada
- Denmark
- Finland
- France
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.
- U.S.A.

### AA+

- Australia
- Belgium
- Spain \*

### AA

- Hong Kong
- Japan
- Kuwait
- Qatar (AA S&P rating)
- UAE

### AA-

- Italy
- Portugal \*
- Saudi Arabia

\* Sector has suggested that clients exercise care and caution when considering placing deposits with Portuguese and Spanish banks as their economies are currently under severe pressure.

Ireland no longer appears on this list as it has been downgraded to A+.

**For the purpose of the 2011/12 Strategy Cherwell District Council has decided not to place deposits with Spanish & Portuguese banks including Santander UK.**

## APPENDIX 1F - GLOSSARY

<b>Asset Class Limits</b>	Limit on the amount of the total portfolio that can be invested an asset class for example credit rated Banks, Money Market Funds unrated Building Societies
<b>Asset Life</b>	The length of the useful life of an asset e.g. a school
<b>Borrowing / Investment Portfolio</b>	A list of loans or investments held by the Council.
<b>Borrowing Requirement</b>	The amount that the Council needs to borrow to finance capital expenditure and manage debt.
<b>Callable deposit</b>	Funds placed with a financial institution without a fixed maturity date (i.e. the money can be 'called' or withdrawn at any time).
<b>Capitalisation direction</b>	Government approval to use capital resources to fund revenue expenditure.
<b>Cash deposits</b>	Funds placed with a financial institution with a fixed maturity date and interest rate.
<b>Certificates of deposits</b>	(CD). CDs evidence fixed maturity time deposits with issuing banks or other deposit-taking institutions. Maturities range from less than a week to five years. They are normally negotiable and enjoy a liquid secondary market. They state the (1) amount deposited, (2) rate of interest, and (3) minimum period for which the deposit should be maintained without incurring early withdrawal penalties.
<b>CIPFA Code of Practice on Treasury Management</b>	A code of practice issued by CIPFA detailing best practice for managing the treasury management function.
<b>Collateralised Deposit</b>	Term deposits with UK institutions where such deposits are secured against a collateral pool comprised of loans made to UK local authorities.
<b>Counterparty</b>	Banks, Building Societies and other financial institutions that the Council transacts with for borrowing and lending.
<b>Credit Arrangements</b>	Methods of financing such as the use of finance leases
<b>Credit Ratings</b>	A scoring system used by credit rating agencies such as Fitch, Moody's and Standard and Poors to indicate the creditworthiness and other factors of a Governments, banks, building societies and other financial institutions.
<b>Creditworthiness</b>	How highly rated an institution is according to its credit rating.
<b>Debt Management Office</b>	An agency of the HM Treasury and its responsibilities include debt and cash management for the UK Government
<b>Debt Rescheduling</b>	Refinancing loans on different terms and rates to the original loan.
<b>Financial instrument</b>	Document (such as a bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
<b>Fitch Ratings</b>	A credit rating agency.
<b>Forward commitment</b>	Written agreement by a lender to advance a loan on a



	future date at a specified interest rate. It automatically expires if not exercised by the potential borrower.
<b>Gilts</b>	Also known as Gilt-edged Securities. UK central Government debt. It may be dated (redeemable) or undated. Undated gilts are perpetual debt, paying a fixed periodic coupon but having no final redemption date. Gilt yields are conventionally quoted in the UK markets on a semi-annual basis.
<b>Interest Rate exposures</b>	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
<b>Lender Option Borrower Option (LOBO)</b>	Loans that have a fixed rate for a specified number of years then can be varied by the lender at agreed intervals for the remaining life of the loan.
<b>Limits for external debt</b>	A Prudential Indicator prescribed by the Prudential Code sets limits on the total amount of debt the Council could afford.
<b>Liquidity</b>	Access to cash that is readily available.
<b>Lowest Common Denominator</b>	Whereby rating agencies provide credit ratings of institutions and the lowest rating is applied to determine whether they meet the criteria to be on the Council's lending list.
<b>Maturity</b>	The date when an investment is repaid or the period covered by a fixed term investment.
<b>Maturity Structure of Borrowings</b>	A profile of the Council's loan portfolio in order of the date in which they expire and require repayment.
<b>Minimum Revenue Provision</b>	The minimum amount, which must be charged to an authority's revenue account each year for the prudent repayment of debt.
<b>Money Market Funds</b>	Open ended collective investment fund that invests in highly-liquid short-term financial instruments (with maturities typically 90 days to less than one year).
<b>Moody's</b>	A credit rating agency.
<b>Non Specified Investments</b>	Investments deemed to have a greater potential of risk, such as investments for longer than one year or with institutions that do not have credit ratings, like some Building Societies. Limits must be set on the amounts that may be held in such investments at any one time during
<b>Portfolio</b>	A number of different assets, liabilities, or assets and liabilities together, considered as a whole. For example, a diversified investment portfolio. An investor in such a portfolio might hold a number of different investment assets within the portfolio, with the objectives of growing the total value of the portfolio and limiting the risk of losses.
<b>Prudential Borrowing</b>	Borrowing undertaken by the Council that does not attract government support to help meet financing costs.
<b>Prudential Code for Capital Finance in Local Authorities</b>	The capital finance system is based on the Prudential Code developed by CIPFA. The key feature of the system is that local authorities should determine the level of their capital investment and how much they borrow to finance that investment based on their own assessment of what

	they can afford.
<b>Prudential Indicators</b>	The key objectives of the Prudential Code are to ensure that the capital investment plans are affordable, sustainable and prudent. As part of this framework, the Prudential Code sets out several indicators that must be used to demonstrate this.
<b>Public Works Loan Board (PWLB)</b>	A central government agency which provides loans to local authorities and other prescribed institutions at interest rates slightly higher than those at which the Government itself can borrow.
<b>Credit Rated</b>	Institutions that possess a credit rating from a credit rating agency such as Fitch, Moody's or Standard and Poors.
<b>Risk Control</b>	Putting in place processes to control exposures to events.
<b>Security</b>	Placing cash in highly rated institutions.
<b>Sovereign debt rating</b>	Assessment of the international rating agencies of the likelihood that a particular country will default on its loans.
<b>Specified Investments</b>	Investments that offer high security and liquidity. They must have a maturity of no longer than 364 days.
<b>Standard and Poors</b>	A credit rating agency.
<b>Supranational Institutions</b>	Multi national structures - an amalgamation of different countries offering investment opportunities - for example Euro Investment Bank
<b>UK Government Investments</b>	Debt Management Office (DMO) deposits and bonds (gilts) for which maturity date at time of purchase is less than 365 days away
<b>Yield</b>	The rate of return on the current market value of an asset or liability, usually expressed as a percentage per annum. For example, today's yield to maturity of a bond measures the total return to an investor in the bond, reflecting both the interest income over the life of the bond and any capital gain (or loss) from today's market value to the redemption amount payable at maturity.

# SECTOR

## Sector Treasury Services - Credit List

Friday 18th February 2011



**Institution Benchmark**







iTraxx Senior Financials Index 161.84 (161.28)






Upper Boundary (iTraxx + 50bps) 211.84

**Sovereign Benchmark**





iTraxx SOVX Western Europe Index 173.66 (173.98)


Upper Boundary (SOVX + 20bps) 193.66

Counterparty	Credit Ratings													Subjective Overlay														
	Fitch Rating						Moody's Ratings					S&P Ratings		CDS Data														
	Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indeb Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted)	
<b>Australia</b> 	SB	AA+						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	52.1	-3.1%	-4.8%	10.6%	9.9%	In Range	Not Applicable	
(I) Australia and New Zealand Banking Group Ltd	PO	AA-		F1+	B		1	RD	Aa1		P-1	RD	B	SB	AA		A-1+		P - 24 mths	O - 12mths	102.5	-4.4%	-8.1%	-3.8%	-2.5%	In Range	O - 12mths	
(I) Commonwealth Bank of Australia	SB	AA		F1+	A/B		1	RD	Aa1		P-1	RD	B	SB	AA		A-1+		P - 24 mths	P - 24 mths	102.1	-4.6%	-8.4%	-4.0%	-2.2%	In Range	P - 24 mths	
(I) Macquarie Bank Limited	SB	A+		F1	B		3	NO	A1		P-1	NO	C+	SB	A		A-1		G - 3 mths	G - 3 mths	174.1	-5.9%	-9.5%	-9.9%	-10.1%	Monitoring	N/C - 0 mths	
(I) National Australia Bank Ltd	SB	AA		F1+	B		1	RD	Aa1		P-1	RD	B	SB	AA		A-1+		P - 24 mths	O - 12mths	102.5	-4.4%	-8.1%	-4.0%	-3.6%	In Range	O - 12mths	
(I) Westpac Banking Corporation	SB	AA		F1+	A/B		1	RD	Aa1		P-1	RD	B	SB	AA		A-1+		P - 24 mths	P - 24 mths	102.5	-4.4%	-8.1%	-3.6%	-2.3%	In Range	P - 24 mths	
<b>Belgium</b> 	SB	AA+						SB	Aa1					NO	AA+				Not Applicable	Not Applicable	167.8	0.1%	-18.0%	24.8%	47.7%	In Range	Not Applicable	
(I) Fortis Bank	SB	A+		F1+	C/D		1	SB	A1		P-1	NO	C-	NO	AA		A-1+		R - 6 mths	G - 3 mths	100.0	-4.6%	-18.4%	-10.8%	0.9%	In Range	G - 3 mths	
(I) KBC Bank NV	SB	A		F1	D		1	NO	Aa3		P-1	NO	C+	SB	A		A-1		G - 3 mths	G - 3 mths	226.9	-2.1%	-9.9%	59.8%	86.0%	Out Of Range	N/C - 0 mths	
<b>Canada</b> 	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable								Not Applicable
(I) Bank of Montreal	SB	AA-		F1+	B		1	RD	Aa2		P-1	RD	B-	SB	A+		A-1		O - 12mths	R - 6 mths								No Data Available
Bank of Nova Scotia	SB	AA-		F1+	B		1	SB	Aa1		P-1	SB	B	SB	AA-		A-1+		O - 12mths	O - 12mths								No Data Available
(I) Canadian Imperial Bank of Commerce	SB	AA-		F1+	B		1	NO	Aa2		P-1	NO	B-	SB	A+		A-1		O - 12mths	O - 12mths								No Data Available
National Bank of Canada	SB	A+		F1	B		2	SB	Aa2		P-1	SB	B-	SB	A		A-1		R - 6 mths	R - 6 mths								No Data Available
(I) Royal Bank of Canada	SB	AA		F1+	A/B		1	SB	Aa1		P-1	SB	B	PO	AA-		A-1+		P - 24 mths	P - 24 mths								No Data Available
(I) Toronto Dominion Bank	SB	AA-		F1+	B		1	NO	Aaa		P-1	NO	B+	PO	AA-		A-1+		P - 24 mths	P - 24 mths								No Data Available
<b>Denmark</b> 	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	46.6	-2.1%	-3.4%	47.8%	22.9%	In Range	Not Applicable	
(I) Danske Bank As	SB	A+		F1	B/C		1	RD	A1		P-1	NO	C	NO	A		A-1		G - 3 mths	G - 3 mths	122.2	0.1%	-2.0%	20.2%	95.5%	In Range	G - 3 mths	
<b>Finland</b> 	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	37.3	-2.6%	-2.0%	38.3%	33.4%	In Range	Not Applicable	
1 Nordea Bank Finland plc	SB	AA-		F1+	B		1	SB	Aa2		P-1	SB	B-	SB	AA-		A-1+		O - 12mths	O - 12mths								No Data Available
<b>France</b> 	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	90.0	-0.3%	-13.6%	11.1%	26.8%	In Range	Not Applicable	
(I) BNP Paribas	SB	AA-		F1+	B		1	SB	Aa2		P-1	SB	B-	NO	AA		A-1+		O - 12mths	O - 12mths	94.4	-8.0%	-18.6%	-0.2%	3.3%	In Range	O - 12mths	
(I) 2 CALYON Corporate and Investment Bank	SB	AA-		F1+	C		1	SB	Aa3		P-1	SB	D	NO	AA-		A-1+		R - 6 mths	G - 3 mths	126.2	-5.8%	-19.2%	-6.3%	1.0%	In Range	G - 3 mths	

	Counterparty	Credit Ratings																Subjective Overlay									
		Fitch Rating							Moody's Ratings					S&P Ratings				CDS Data									
		Fitch Term Status	L Term	S Term	Fitch Indiv Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/ Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted)
3	Credit Industriel et Commercial	SB	AA-	F1+		B/C	1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	R - 6 mths	R - 6 mths								No Data Available
(f)	Credit Agricole SA	SB	AA-	F1+			1	SB	Aa1		P-1	SB	C+	NO	AA-		A-1+	O - 12mths	O - 12mths	125.6	-9.8%	-24.7%	-7.0%	-0.3%	In Range	O - 12mths	
(f)	Societe Generale	SB	A+	F1+		B/C	1	NO	Aa2		P-1	NO	C+	SB	A+		A-1	R - 6 mths	R - 6 mths	124.8	-8.9%	-20.8%	-5.7%	5.1%	In Range	R - 6 mths	
	<b>Germany</b>		SB	AAA				SB	Aaa					SB	AAA			Not Applicable	Not Applicable	53.0	-0.3%	-12.6%	41.9%	20.6%	In Range	Not Applicable	
(f)	Commerzbank AG	SB	A+	F1+		D	1	RD	Aa3		P-1	NO	C-	NO	A		A-1	G - 3 mths	N/C - 0 mths	189.2	2.9%	-0.4%	91.6%	101.5%	Monitoring	N/C - 0 mths	
(f)	Deutsche Bank AG	NO	AA-	F1+		B/C	1	SB	Aa3		P-1	SB	C+	SB	A+		A-1	R - 6 mths	R - 6 mths	100.1	-0.1%	4.2%	6.5%	-4.1%	In Range	R - 6 mths	
	DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	SB	A+	F1+		B/C	1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	R - 6 mths	R - 6 mths							No Data Available	
(f) ♦	Landesbank Baden Wuerttemberg	SB	A+	F1+		C/D	1	NO	Aa2		P-1	NO	C-					R - 6 mths	G - 3 mths	193.3	-0.4%	-13.7%	35.1%	77.8%	Monitoring	N/C - 0 mths	
	Landesbank Berlin AG	SB	AA-	F1+		C/D	1	SB	A1		P-1	SB	D+					G - 3 mths	G - 3 mths							No Data Available	
	Landesbank Hessen-Thueringen Girozentrale (Helaba)	SB	A+	F1+			1	SB	Aa2		P-1		C-	SB	A		A-1	G - 3 mths	G - 3 mths							No Data Available	
	Landwirtschaftliche Rentenbank	SB	AAA	F1+			1	SB	Aaa		P-1			SB	AAA		A-1+	O - 12mths	O - 12mths							No Data Available	
(f)	Norddeutsche Landesbank Girozentrale	SB	A	F1		C/D	1	NO	Aa2		P-1	NO	C-	NO	A-		A-2	G - 3 mths	N/C - 0 mths	159.7	-4.5%	-13.9%	29.3%	33.5%	In Range	N/C - 0 mths	
21	UniCredit Bank AG	SB	A+	F1+		C	1	SB	A1		P-1		C-	SB	A		A-1	G - 3 mths	G - 3 mths	98.6	1.5%	-20.0%	13.5%	11.5%	In Range	G - 3 mths	
	<b>Hong Kong</b>		SB	AA+				PO	Aa1					SB	AAA			Not Applicable	Not Applicable	45.8	1.8%	0.5%	3.7%	-7.8%	In Range	Not Applicable	
	Hong Kong and Shanghai Banking Corporation Ltd	SB	AA	F1+		A/B	1	SB	Aa1		P-1		B+	SB	AA		A-1+	P - 24 mths	P - 24 mths							No Data Available	
	<b>Italy</b>		SB	AA-				SB	Aa2					SB	A+			Not Applicable	Not Applicable	175.0	-1.0%	-14.6%	-3.0%	-4.0%	Monitoring	Not Applicable	
	Banca IMI SpA	SB	AA-	F1+			1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	G - 3 mths	G - 3 mths							No Data Available	
(f) ♦4	Intesa Sanpaolo	SB	AA-	F1+		B	1	SB	Aa2		P-1	NO	B-	SB	A+		A-1	O - 12mths	O - 12mths	170.8	-3.7%	-12.5%	38.2%	45.4%	Monitoring	R - 6 mths	
(f) ♦5	UniCredit SpA	SB	A	F1		B/C	1	SB	Aa3		P-1	NO	C	SB	A		A-1	G - 3 mths	G - 3 mths	195.7	-2.1%	-11.7%	45.0%	42.8%	Monitoring	N/C - 0 mths	
	<b>Japan</b>		SB	AA				SB	Aa2					SB	AA-			Not Applicable	Not Applicable	79.5	-0.5%	-8.3%	38.4%	16.5%	In Range	Not Applicable	
	Bank of Tokyo Mitsubishi UFJ	SB	A	F1		B/C	1	SB	Aa2		P-1	SB	C	SB	A+		A-1	R - 6 mths	R - 6 mths	77.1	0.9%	-6.6%	42.4%	12.4%	In Range	R - 6 mths	
	Chiba Bank, Ltd.	SB	A	F1		B/C	2	SB	A1		P-1	SB	C	SB	A		A-1	G - 3 mths	G - 3 mths							No Data Available	
	Mitsubishi UFJ Trust and Banking Corporation	SB	A	F1		B/C	1	SB	Aa2		P-1	SB	C	SB	A+		A-1	R - 6 mths	R - 6 mths							No Data Available	
	Mizuho Corporate Bank Ltd	SB	A	F1		C/D	1	SB	Aa3		P-1	SB	D+	SB	A+		A-1	G - 3 mths	G - 3 mths	95.8	3.2%	-3.4%	44.7%	15.3%	In Range	G - 3 mths	
	Norinchukin Bank					C/D	1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	G - 3 mths	G - 3 mths							No Data Available	
	Sumitomo Trust & Banking Co Ltd	SB	A	F1		B/C	1	SB	Aa3		P-1	SB	C	SB	A+		A-1	G - 3 mths	G - 3 mths							No Data Available	
	<b>Kuwait</b>		SB	AA				SB	Aa2					SB	AA-			Not Applicable	Not Applicable							No Data Available	

	Counterparty	Credit Ratings																Subjective Overlay						Suggested Duration (CDS Adjusted)					
		Fitch Rating						Moody's Ratings					S&P Ratings			CDS Data													
		Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indeb Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/ Outlook Adjusted)	18/02/11	Week % Change		1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	
	National Bank of Kuwait	SB	AA-		F1+		B		1	SB	Aa2		P-1	SB	C+	SB	A+		A-1	O - 12mths	O - 12mths								No Data Available
	<b>Luxembourg</b>	SB	AAA							SB	Aaa					SB	AAA			Not Applicable	Not Applicable								Not Applicable
	Banque et Caisse d'Epargne de l'Etat									SB	Aaa		P-1	SB	C+	SB	AA+		A-1+	O - 12mths	O - 12mths								No Data Available
	Clearstream Banking	SB	AA		F1+				1							SB	AA		A-1+	O - 12mths	O - 12mths								No Data Available
	<b>Netherlands</b>	SB	AAA							SB	Aaa					SB	AAA			Not Applicable	Not Applicable	52.9	-4.9%	-10.9%	12.2%	8.2%	In Range	Not Applicable	
	Bank Nederlandse Gemeenten	SB	AAA		F1+				1	SB	Aaa		P-1	SB	A	SB	AAA		A-1+	P - 24 mths	P - 24 mths								No Data Available
(f) 6	Cooperatieve Centrale Raiffeisen Boerenleenbank BA	SB	AA+		F1+		A/B		1	NO	Aaa		P-1	NO	B+	NO	AAA		A-1+	P - 24 mths	P - 24 mths	67.0	-9.2%	-12.1%	-3.5%	-8.1%	In Range	P - 24 mths	
(f)	ING Bank NV	SB	A+		F1+		C		1	SB	Aa3		P-1	NO	C+	SB	A+		A-1	R - 6 mths	R - 6 mths	114.6	-2.8%	-19.0%	-5.2%	10.0%	In Range	R - 6 mths	
	<b>Norway</b>	SB	AAA							SB	Aaa					SB	AAA			Not Applicable	Not Applicable	21.6	0.0%	-2.3%	-0.8%	-6.4%	In Range	Not Applicable	
(f) 7	DnB NOR Bank	SB	A+		F1		B		1	SB	Aa3		P-1	RD	C	SB	A+		A-1	R - 6 mths	R - 6 mths								No Data Available
(f)	<b>Portugal</b>	NO	A+							RD	A1					NW	A-			Not Applicable	Not Applicable	459.2	4.2%	-4.3%	12.9%	75.7%	Out Of Range	Not Applicable	
(f)	Banco BPI SA	NO	A-		F2		B/C		2	RD	A2	RD	P-1	RD	C-	NW	A-	NW	A-2	N/C - 0 mths	N/C - 0 mths	586.8	1.8%	-10.4%	12.4%	64.2%	Out Of Range	N/C - 0 mths	
(f)	Banco Santander Totta SA	SB	AA		F1+		B		1	RD	A1	RD	P-1	RD	C	NW	A	NW	A-1	N/C - 0 mths	N/C - 0 mths								No Data Available
(f)	Caixa Geral de Depositos SA	NO	A		F1		C		1	RD	A1	RD	P-1	RD	D+	NW	A-	NW	A-2	N/C - 0 mths	N/C - 0 mths	464.6	2.9%	-14.6%	9.2%	44.1%	Out Of Range	N/C - 0 mths	
	<b>Qatar</b>									SB	Aa2					SB	AA			Not Applicable	Not Applicable	105.5	5.9%	23.3%	19.9%	18.2%	In Range	Not Applicable	
	Qatar National Bank	SB	A+		F1		B/C		1	SB	Aa3		P-1		C-	SB	A+		A-1	R - 6 mths	R - 6 mths								No Data Available
	<b>Saudi Arabia</b>	SB	AA-							SB	Aa3					SB	AA-			Not Applicable	Not Applicable	138.3	10.6%	86.9%	77.1%	93.5%	In Range	Not Applicable	
	Arab National Bank	SB	A		F1		B/C		1	SB	A1		P-1	SB	C	SB	A		A-1	G - 3 mths	G - 3 mths								No Data Available
◆	Riyad Bank	SB	A+		F1		B/C		1	SB	A1		P-1	SB	C	SB	A+		A-1	G - 3 mths	G - 3 mths	213.9	0.0%	0.0%	0.0%	0.0%	Out Of Range	N/C - 0 mths	
◆	Samba Financial Group	SB	A+		F1		B/C		1	SB	Aa3		P-1	SB	C+	SB	A+		A-1	R - 6 mths	R - 6 mths	205.0	0.6%	12.0%	15.1%	15.0%	Monitoring	G - 3 mths	
	<b>Singapore</b>	SB	AAA							SB	Aaa					SB	AAA			Not Applicable	Not Applicable								Not Applicable
8	DBS Bank Ltd	SB	AA-		F1+		B		1	SB	Aa1		P-1	SB	B	SB	AA-		A-1+	O - 12mths	O - 12mths	48.3	0.0%	-6.8%	10.3%	10.3%	In Range	O - 12mths	
	Oversea Chinese Banking Corporation Ltd	SB	AA-		F1+		B		1	SB	Aa1		P-1	SB	B	SB	A+		A-1	O - 12mths	O - 12mths	48.8	0.0%	-6.7%	11.4%	11.4%	In Range	O - 12mths	
	United Overseas Bank Ltd	SB	AA-		F1+		B		1	SB	Aa1		P-1	SB	B	SB	A+		A-1	O - 12mths	O - 12mths	48.8	0.0%	-6.7%	11.4%	11.4%	In Range	O - 12mths	
(f)	<b>Spain</b>	SB	AA+							RD	Aa1					NO	AA			Not Applicable	Not Applicable	248.3	1.9%	-17.1%	-3.0%	19.3%	Out Of Range	Not Applicable	

	Counterparty	Credit Ratings															Subjective Overlay										
		Fitch Rating					Moody's Ratings					S&P Ratings			Suggested Duration	Suggested Duration (Watch/ Outlook Adjusted)	CDS Data										
		Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indiv Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status			FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status
(I)	Banco Bilbao Vizcaya Argentaria	SB	AA-		F1+	B		1	RD	Aa2		P-1	NO	B-	NO	AA		A-1+	N/C - 0 mths	N/C - 0 mths	254.7	2.7%	-13.0%	31.9%	39.7%	Out Of Range	N/C - 0 mths
(I)	Banco Popular Espanol	SB	A		F1	B/C		2	RD	Aa3		P-1	NO	C-	NO	A		A-1	N/C - 0 mths	N/C - 0 mths	367.9	0.8%	-30.3%	18.7%	35.0%	Out Of Range	N/C - 0 mths
(I) ⚡	Banco Santander	SB	AA		F1+	A/B		1	RD	Aa2		P-1	NO	B-	NO	AA		A-1+	P - 24 mths	O - 12mths	242.1	3.0%	-15.7%	37.4%	59.7%	Out Of Range	N/C - 0 mths
(I)	Confederacion Espanola de Cajas de Ahorros	NO	A+		F1	B/C		2	RD	Aa3		P-1	NO	C	NO	AA-		A-1+	N/C - 0 mths	N/C - 0 mths							No Data Available
	<b>Sweden</b> 	SB	AAA						SB	Aaa						SB	AAA		Not Applicable	Not Applicable	32.2	-1.3%	-8.2%	14.2%	-13.4%	In Range	Not Applicable
(I) 9	Nordea Bank AB	SB	AA-		F1+	B		1	SB	Aa2		P-1	NO	C+	SB	AA-		A-1+	O - 12mths	O - 12mths							No Data Available
10	Skandinaviska Enskilda Banken AB	SB	A+		F1	B		1	SB	A1		P-1	SB	C-	SB	A		A-1	G - 3 mths	G - 3 mths	83.4	1.2%	-4.7%	7.3%	2.5%	In Range	G - 3 mths
(I) 11	Swedbank AB	SB	A		F1	B/C		1	RU	A2		P-1	RU	D+	SB	A		A-1	G - 3 mths	G - 3 mths	90.0	0.0%	-8.8%	5.9%	7.0%	In Range	G - 3 mths
	Svenska Handelsbanken AB	SB	AA-		F1+	B		1	SB	Aa2		P-1	SB	C+	SB	AA-		A-1+	O - 12mths	O - 12mths	58.6	-0.3%	-7.5%	22.7%	13.4%	In Range	O - 12mths
	<b>Switzerland</b> 	SB	AAA						SB	Aaa						SB	AAA		Not Applicable	Not Applicable							Not Applicable
(I) 12	Credit Suisse	SB	AA-		F1+	B		1	NO	Aa1		P-1	NO	B	SB	A+		A-1	O - 12mths	O - 12mths	87.3	-4.2%	-10.7%	1.7%	-5.8%	In Range	O - 12mths
(I)	UBS AG	SB	A+		F1+	C		1	NO	Aa3		P-1	NO	C	SB	A+		A-1	R - 6 mths	G - 3 mths	87.4	-3.7%	-10.4%	2.0%	-13.0%	In Range	G - 3 mths
	<b>U.A.E</b> 								SB	Aa2						SB	AA		Not Applicable	Not Applicable							Not Applicable
	National Bank of Abu Dhabi	SB	AA-		F1+	B/C		1	SB	Aa3		P-1	SB	C	SB	A+		A-1	R - 6 mths	R - 6 mths	160.0	3.0%	8.3%	8.8%	-0.9%	In Range	R - 6 mths
	<b>U.K</b> 	SB	AAA						SB	Aaa						SB	AAA		Not Applicable	Not Applicable	61.0	0.8%	-8.5%	-0.4%	-5.7%	In Range	Not Applicable
13	Bank of New York Mellon (International) Ltd	SB	AA-		F1+			1											O - 12mths	O - 12mths							No Data Available
(I)	Barclays Bank plc	SB	AA-		F1+	B		1	SB	Aa3		P-1	SB	C	NO	AA-		A-1+	O - 12mths	R - 6 mths	121.4	-6.6%	-4.3%	25.1%	4.4%	In Range	R - 6 mths
14 ⚡	Cater Allen																		O - 12mths	R - 6 mths							G - 3 mths
(I)	Citibank International Plc	NW	A+	NW	F1+			1	NO	A2		P-1	SB	C-	NO	A+		A-1	G - 3 mths	N/C - 0 mths							No Data Available
(I) 15	Clydesdale Bank	SB	AA-		F1+	C		1	RD	A1		P-1	SB	C-	NO	A+		A-1	G - 3 mths	G - 3 mths							No Data Available
	Co-operative Bank Plc	SB	A-		F2	B/C		3	SB	A2		P-1	SB	D+					N/C - 0 mths	N/C - 0 mths							No Data Available
(I) 16	Credit Suisse International	SB	AA-		F1+			1	NO	Aa1		P-1			SB	A+		A-1	O - 12mths	O - 12mths							No Data Available
	Crown Agents Bank Ltd	SB	A		F1	B/C		2											G - 3 mths	G - 3 mths							No Data Available
17	DB UK Bank Limited								SB	A2		P-1	SB	C+					G - 3 mths	G - 3 mths							No Data Available
	HFC Bank Ltd	SB	AA-		F1+			1		A3		P-1							O - 12mths	O - 12mths							No Data Available
(I)	HSBC Bank plc	SB	AA		F1+	B		1	NO	Aa2		P-1	NO	C+	SB	AA		A-1+	O - 12mths	O - 12mths	78.4	6.5%	-1.8%	15.9%	8.8%	In Range	O - 12mths
(I)	MBNA Europe Bank	NW	A+	NW	F1+			1											O - 12mths	R - 6 mths							No Data Available

Counterparty	Credit Ratings																Subjective Overlay										
	Fitch Rating							Moody's Ratings					S&P Ratings				CDS Data										
	Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indiv Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/ Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted)
Northern Rock plc	SB	BBB+		F2		C	2							SB	A-		A-2	N/C	N/C								No Data Available
(1) 20 Santander UK plc	SB	AA-		F1+		B	1	NO	Aa3		P-1	NO	C-	NO	AA		A-1+	O - 12mths	R - 6 mths	184.3	0.6%	0.3%	34.0%	62.5%	Monitoring	G - 3 mths	
Standard Chartered Bank	SB	AA-		F1+		B	1	SB	A1		P-1	SB	B-	SB	A+		A-1	R - 6 mths	R - 6 mths	80.0	-1.7%	-4.4%	2.2%	-7.7%	In Range	R - 6 mths	
Sumitomo Mitsui Banking Corporation Europe Ltd	SB	A		F1		C	1	SB	Aa2		P-1	SB	C	SB	A+		A-1	G - 3 mths	G - 3 mths	80.5	5.7%	-10.4%	40.1%	-9.3%	In Range	G - 3 mths	
(1) UBS Ltd	SB	A+		F1+			1	NO	Aa3		P-1			SB	A+		A-1	O - 12mths	O - 12mths							No Data Available	
<b>U.S.A</b>		SB	AAA					SB	Aaa					SB	AAA			Not Applicable	Not Applicable	46.7	1.1%	-10.8%	13.8%	2.2%	In Range	Not Applicable	
(1) Bank of America, N.A.	NW	A+	NW	F1+		B/C	NW	1	NO	Aa3		P-1	SB	C-	NO	A+	A-1	R - 6 mths	G - 3 mths							No Data Available	
(1) 18 Bank of New York Mellon, The	SB	AA-		F1+		A/B	NW	1		Aaa		P-1		B+	SB	AA	A-1+	P - 24 mths	P - 24 mths							No Data Available	
(1) Citibank, N.A.	NW	A+	NW	F1+		B/C	NW	1	NO	A1		P-1	SB	C-	NO	A+	A-1	R - 6 mths	G - 3 mths							No Data Available	
(1) 19 Deutsche Bank Trust Company Americas	NO	AA-		F1+				1	RD	Aa3		P-1	RD	C	SB	A	A-1	R - 6 mths	G - 3 mths							No Data Available	
(1) HSBC Bank USA, N.A.	SB	AA		F1+		B/C		1	NO	Aa3		P-1	NO	C	SB	AA	A-1+	O - 12mths	R - 6 mths							No Data Available	
(1) JP Morgan Chase Bank NA	SB	AA-		F1+		B	NW	1	NO	Aa1		P-1	NO	B	NO	AA-	A-1+	O - 12mths	O - 12mths	65.2	-0.7%	-18.3%	-25.6%	-33.2%	In Range	O - 12mths	
(1) Northern Trust Company	SB	AA-		F1+		B	NW	3	SB	Aa3		P-1	SB	B	SB	AA	A-1+	R - 6 mths	R - 6 mths							No Data Available	
(1) State Street Bank and Trust Company	SB	A+		F1+		B	NW	1	NO	Aa2		P-1	NO	B	NO	AA-	A-1+	O - 12mths	R - 6 mths							No Data Available	
(1) Wells Fargo Bank NA	SB	AA-		F1+		B	NW	1	NO	Aa2		P-1	SB	C+	NO	AA	A-1+	O - 12mths	R - 6 mths	84.5	-3.1%	-18.8%	-21.8%	-14.5%	In Range	R - 6 mths	
<b>UK BUILDING SOCIETIES</b>																											
Coventry BS	SB	A		F1		B		5	SB	A3		P-2	SB	C-				N/C - 0 mths	N/C - 0 mths							No Data Available	
(1) Leeds BS	SB	A		F1		B/C		5	SB	A2		P-1	NO	C+				N/C - 0 mths	N/C - 0 mths							No Data Available	
(1) Nationwide BS	NO	AA-		F1+		B		1	SB	Aa3		P-1	SB	C-	NO	A+	A-1	R - 6 mths	R - 6 mths	154.6	-0.1%	-6.7%	17.2%	13.3%	In Range	R - 6 mths	
(1) Newcastle BS	NO	BBB-		F3		C/D		5	NO	Baa2		P-2	NO	D-				N/C - 0 mths	N/C - 0 mths							No Data Available	
(1) Norwich and Peterborough BS	NO	BBB+		F2		C		5	NO	Baa2		P-2	NO	D				N/C - 0 mths	N/C - 0 mths							No Data Available	
(1) Nottingham BS									NO	A3		P-2	NO	C-				N/C - 0 mths	N/C - 0 mths							No Data Available	
(1) Principality BS	SB	BBB+		F2		C		5	SB	Baa2		P-2	PO	D-				N/C - 0 mths	N/C - 0 mths							No Data Available	
(1) Skipton BS	SB	A-		F2		B/C		5	NO	Baa1		P-2	NO	D+				N/C - 0 mths	N/C - 0 mths							No Data Available	
(1) West Bromwich BS	NO	BBB-		F3		C/D		5	SB	Baa3		P-3	SB	E+				N/C - 0 mths	N/C - 0 mths							No Data Available	
(1) Yorkshire BS	SB	A-		F2		B/C		5	NO	Baa1		P-2	NO	D+	SB	A-	A-2	N/C - 0 mths	N/C - 0 mths	167.2	0.0%	0.7%	14.0%	2.0%	Monitoring	N/C - 0 mths	
<b>AAA Rated</b>																											
Collateralised LA Deposit*		AAA								Aaa					AAA			Y - 60 mths	Y - 60 mths							No Data Available	



Counterparty	Credit Ratings													Subjective Overlay													
	Fitch Rating					Moody's Ratings					S&P Ratings			CDS Data													
	Fitch LT Term Status	L Term	Fitch ST Term Status	S Term	Fitch Indiv Status	Fitch Support Status	Support	Moody's LT Term Status	L Term	Moody's ST Term Status	S Term	Moody's FSB Status	FSR	S&P LT Term Status	L Term	S&P ST Term Status	S Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted)	
Multilateral Development Banks		AAA						Aaa						AAA				Y - 60 mths	Y - 60 mths							No Data Available	
Supranationals		AAA						Aaa						AAA				Y - 60 mths	Y - 60 mths							No Data Available	
UK Gilts		AAA						Aaa						AAA				Y - 60 mths	Y - 60 mths							No Data Available	
* This is an assumed rating on the basis that all collateral is LA LOBOs which is government risk																											
<b>NATIONALISED AND PART NATIONALISED BANKS</b>																											
Lloyds Banking Group plc	SB	AA-		F1+		C	1	SB	A1					SB	A		A-1										Not Applicable
Bank of Scotland Plc	SB	AA-		F1+		C	1	SB	Aa3		P-1	SB	D+	SB	A+		A-1	B - 12 mths	B - 12 mths								Not Applicable
Lloyds TSB Bank Plc	SB	AA-		F1+		C	1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	B - 12 mths	B - 12 mths	184.1	-6.5%	-8.5%	15.7%	4.9%			Not Applicable
Royal Bank of Scotland Group plc	SB	AA-		F1+		C/D	1	SB	A1		P-1			SB	A		A-1										Not Applicable
National Westminster Bank Plc	SB	AA-		F1+			1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	B - 12 mths	B - 12 mths								Not Applicable
The Royal Bank of Scotland Plc	SB	AA-		F1+		C/D	1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	B - 12 mths	B - 12 mths	206.9	-0.2%	-8.2%	28.6%	12.0%			Not Applicable
(I) Ulster Bank Ltd	SB	A+		F1+		E	1	NO	A2		P-1	NO	D-	NW	A-	NW	A-2	B - 12 mths	B - 12 mths								Not Applicable

Key

- Newly included on, or deleted from, the list OR Changes to ratings which have a significant effect
- Change to ratings
- (!) Ratings on Rating Watch / Rating Alert / Rating Outlook
- New rating/ affirmation of rating
- × Ratings withdrawn
- ↕ Change of duration based on CDS overlay

60 Months	Y
24 Months	P
12 Months	B
12 Months	O
6 Months	R
3 Months	G
0 Months	N/C

NO	Negative Outlook	DG NO	Downgrade & Negative Outlook
NW	Negative Watch	DG NW	Downgrade & Negative Watch
DG	Downgrade	DG RD	Downgrade & Under Review For Possible Downgrade
RD	Under Review for Possible Downgrade	DG SB	Downgrade & Stable Outlook
PO	Positive Outlook	DG EW	Downgrade & Evolving Watch
PW	Positive Watch	DG EO	Downgrade & Evolving Outlook
UP	Upgrade	DG DO	Downgrade & Developing Outlook
RU	Under Review for Possible Upgrade	DG UN	Downgrade & Direction Uncertain
SB	Stable Outlook	UP PO	Upgrade & Positive Outlook
EW	Evolving Watch	UP PW	Upgrade & Positive Watch
EO	Evolving Outlook	UP RU	Upgrade & Under Review For Possible Upgrade
WD	Rating Withdrawn	UP SB	Upgrade & Stable Outlook
DO	Developing Outlook	UP EW	Upgrade & Evolving Watch
UN	Direction Uncertain	UP EO	Upgrade & Evolving Outlook
		UP DO	Upgrade & Developing Outlook
		UP UN	Upgrade & Direction Uncertain

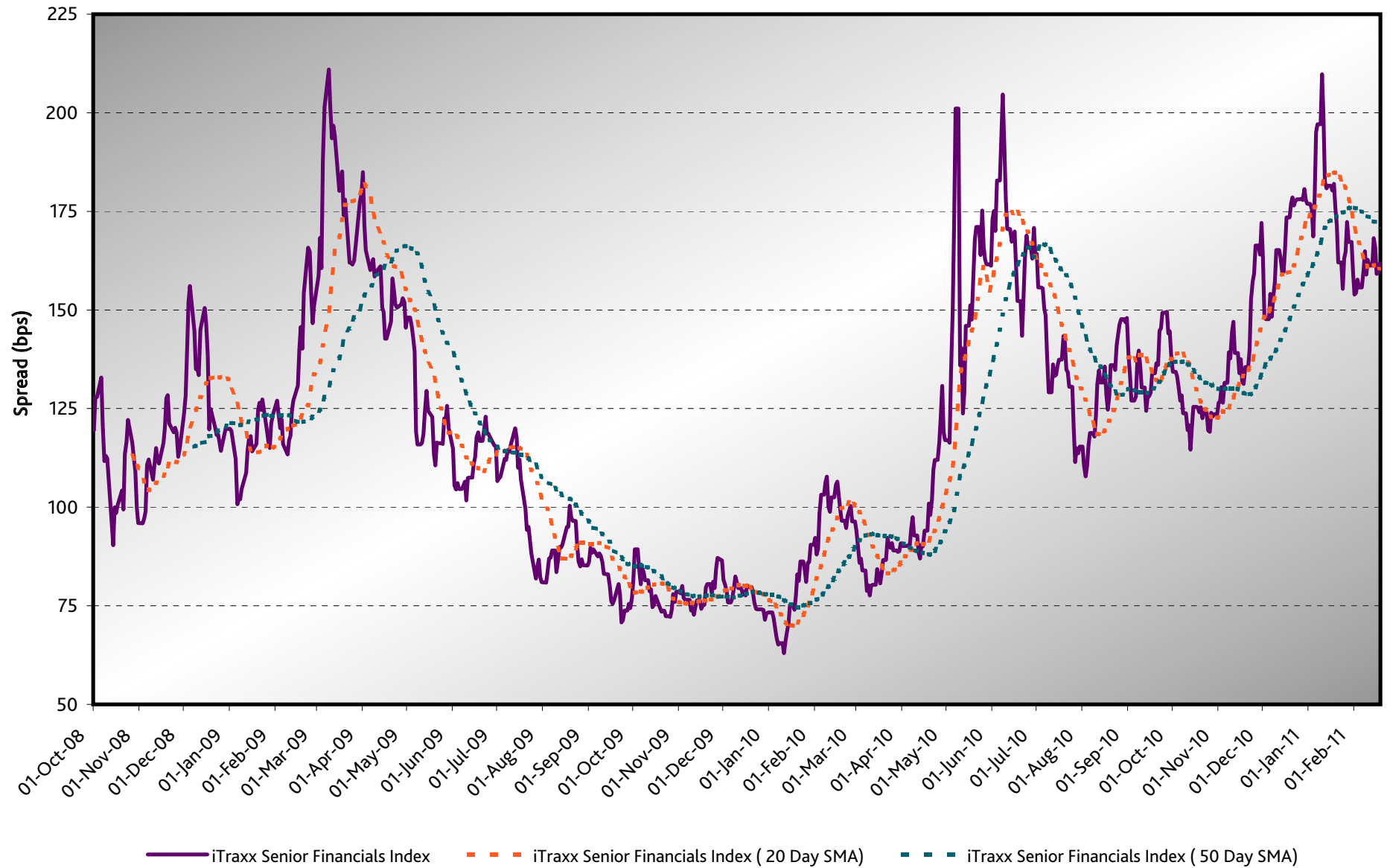
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## Additional Notes

Reference	Institution	Notes
1	Nordea Bank Finland Plc	Name changed from Mertia Bank Ltd.
2	CALYON Corporate and Investment Bank	Name changed from Credit Agricole Indosuez and Credit Lyonnais transferred its investment banking activities to Credit Agricole Indosuez
3	Credit Industriel et Commercial	Name changed from Compagnie Financiere de CIC et de l'Union Europeenne to CIC Group and then changed to Credit Industriel et Commercial (CIC)
4	Intesa Sanpaolo	Merger between Unicredit Banca di Roma Spa and Unicredit SpA
5	UniCredit SpA	Merger between Unicredit Banca di Roma Spa and Unicredit SpA
6	Coöperatieve Centrale Raiffeisen - Boerenleenbank BA	Also trades as Rabobank/Rabobank International/Rabobank Netherland
7	DnB NOR Bank	Merger between the former Den Norske Bank and Union Bank of Norway Jan04
8	DBS Bank Ltd	Name changed from Development Bank of Singapore Ltd
9	Nordea Bank AB	(publ) Name changed from Nordea Bank Sweden (previously Nordbanken AB)
10	Skandinaviska Enskilda Banken AB	(publ) (SEB AB)
11	Swedbank AB	Name changed from ForeningsSparbanken AB
12	Credit Suisse	Merger between Credit Suisse and Credit Suisse First Boston
13	Bank of New York Mellon (International) Ltd	Formerly, The Bank of New York Europe Ltd
14	Cater Allen	Unconditionally guaranteed by Santander UK
15	Clydesdale Bank	Yorkshire Bank is the trading entity of Clydesdale Bank
16	Credit Suisse International	Name changed from Credit Suisse First Boston International
17	DB UK Bank Limited	Name changed from Morgan Grenfell and Co Ltd
18	Bank of New York Mellon, The	Formerly Bank of New York, The
19	Deutsche Bank Trust Company Americas	Name changed from Bankers Trust Company
20	Santander UK plc	Name changed from Abbey National plc
21	UniCredit Bank AG	Name changed from Bayerische Hypo und Vereinsbank

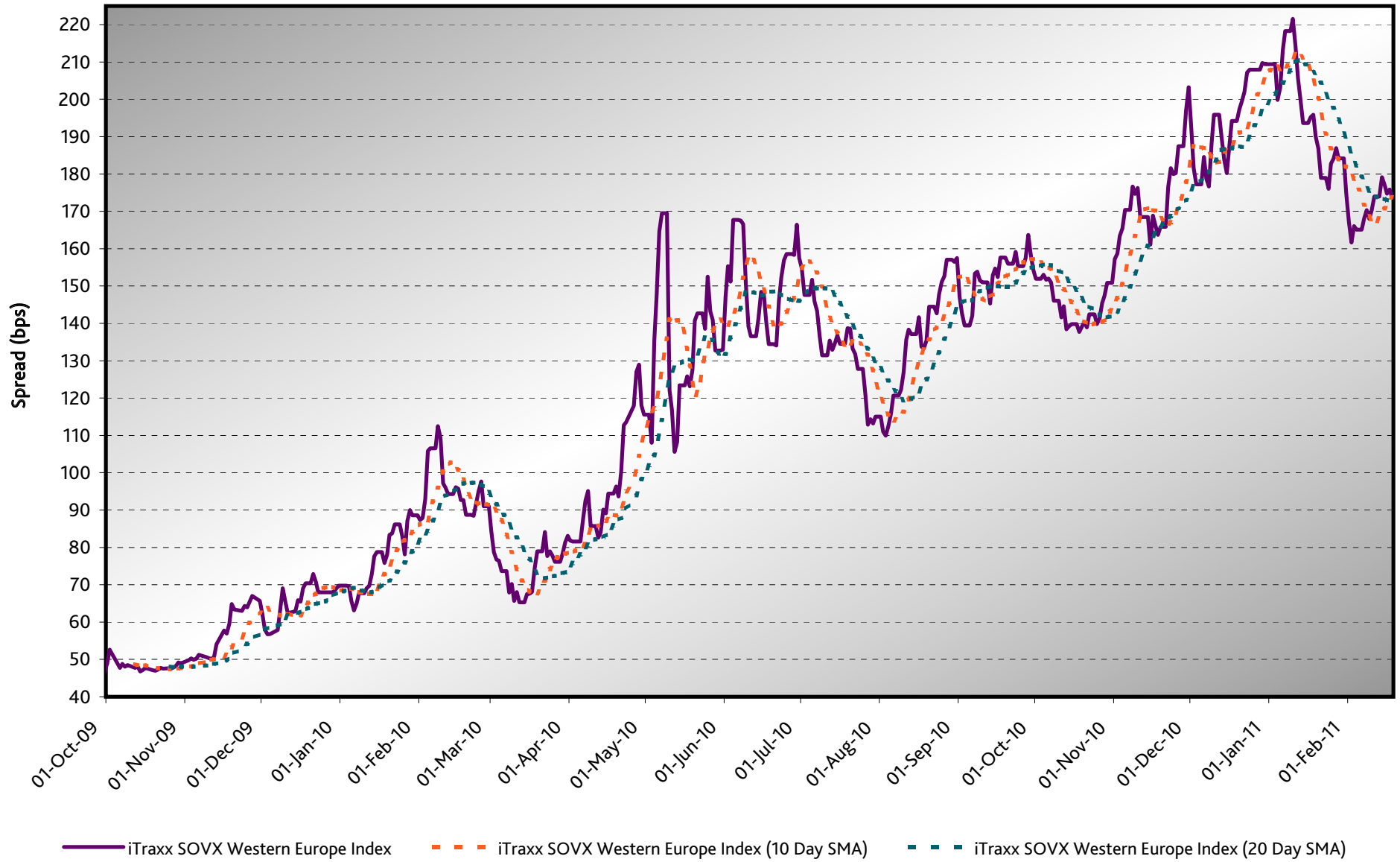
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Page 76



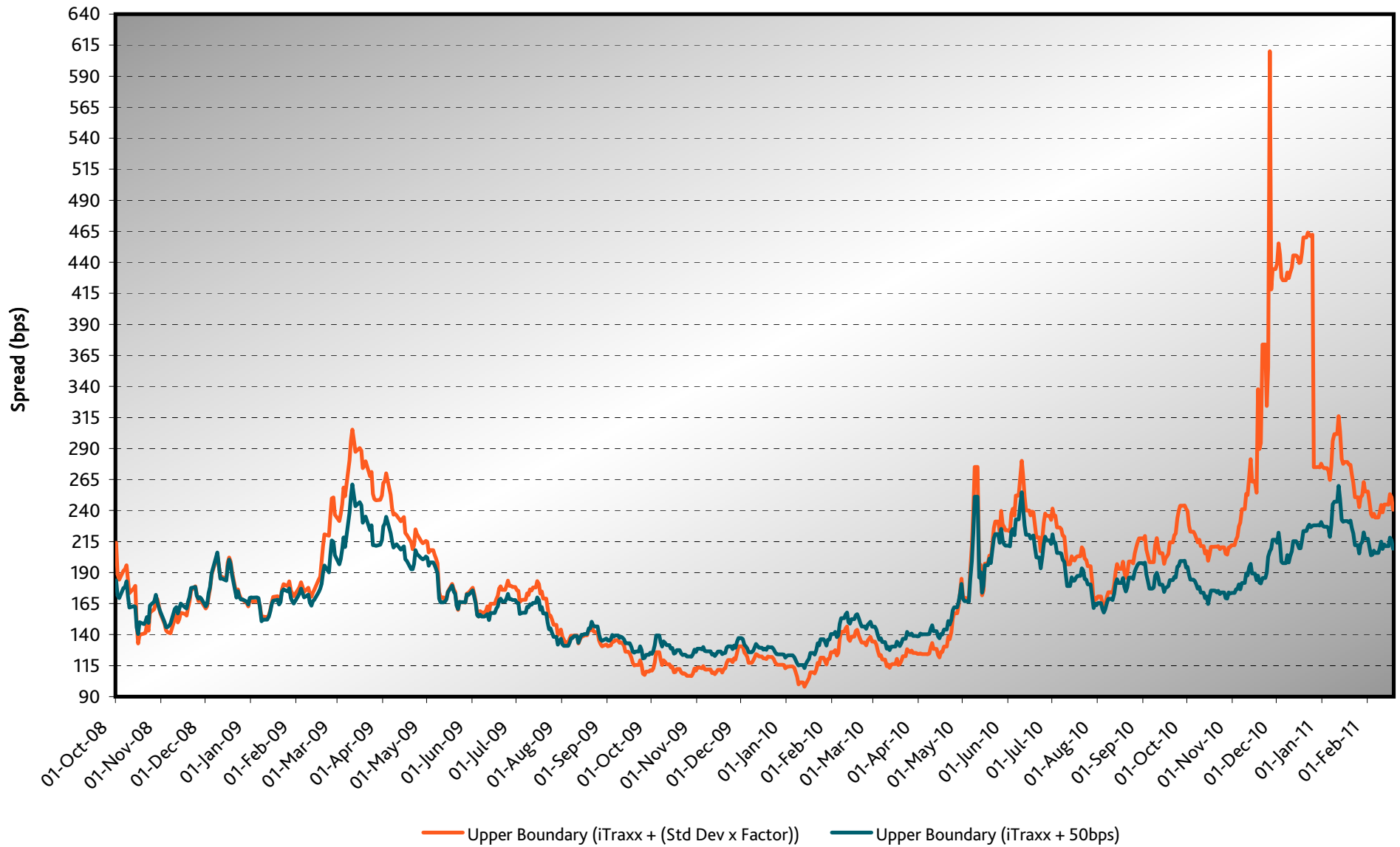
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Page 77



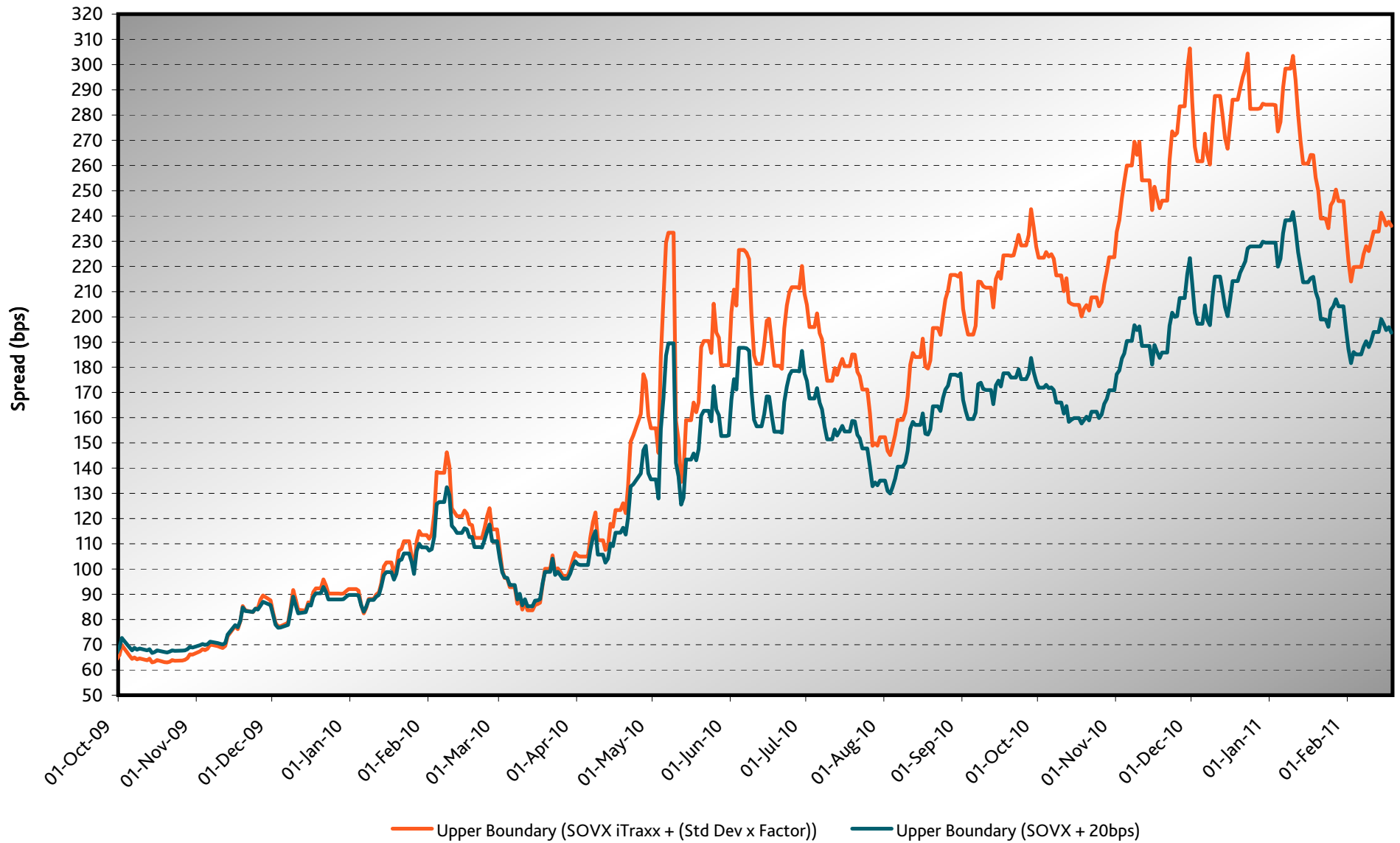
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Page 78



# SECTOR

Page 79



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## APPENDIX 2

# CHERWELL DISTRICT COUNCIL Treasury Management Practices 2011-12

# Contents

	<b>Page</b>
<b>TMP 1</b> Treasury risk management	.....3
<b>TMP 2</b> Performance measurement	.....16
<b>TMP 3</b> Decision-making and analysis	.....17
<b>TMP 4</b> Approved instruments, methods and techniques	.....18
<b>TMP 5</b> Organisation, clarity and segregation of responsibilities, and dealing arrangements	.....19
<b>TMP 6</b> Reporting requirements and management information arrangements	.....23
<b>TMP 7</b> Budgeting, accounting and audit arrangements	.....25
<b>TMP 8</b> Cash and cash flow management	.....26
<b>TMP 9</b> Money laundering	.....26
<b>TMP 10</b> Training and qualifications	.....28
<b>TMP 11</b> Use of external service providers	.....29
<b>TMP 12</b> Corporate governance	.....31

## **TMP1 Risk Management**

The Head of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

### **1.1 Credit and Counterparty Risk Management**

Credit and counter-party risk is the risk of failure by counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

#### **1.1.1 Policy on the use of credit risk analysis techniques**

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
3. Sector - the Councils Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
4. We will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

The Council uses the Sector creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows: -

- Green – 3 months
- Red – 6 months
- Orange – 1 year
- Purple – 2 year
- Yellow for UK Government backed securities – 5 years

In addition a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document produced by Sector "Guide to Establishing Credit Policies April 2009" for a full explanation.

5. Credit ratings for individual counterparties can change at any time. The Head of Finance is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
6. The Council will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
- The quality financial press
  - Market data
  - Information on government support for banks and
  - The credit ratings of that government support
7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows: -

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>*** Max £</b>	<b>Max. maturity period</b>
Term Deposits – Local Authorities	--	In-house	<b>£10m</b>	<b>364 days</b>
UK nationalised banks	green	In-house /Tradition	<b>£15m</b>	<b>364 days</b>
UK nationalised banks	* Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3 OR 2_	Investec	<b>£5m</b>	<b>364 days</b>
Banks nationalised by high credit rated (sovereign rating) countries – non UK	green	In-house/Tradition	<b>£5m</b>	<b>364 days</b>
Banks nationalised by high credit rated (sovereign rating) countries – non UK	* Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3 OR 2_	Investec	<b>£5m</b>	<b>364 days</b>
Money Market Funds	AAA	In-house	<b>£10m</b>	

8. Diversification: the Council will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -
- Maximum amount to be placed with any one institution - £15m
  - Group limits where a number of institutions are under one ownership – maximum of £15m
  - Country limits – a minimum sovereign rating of \_AA-\_\_ is required for an institution to be placed on our approved lending list. The list of countries which currently meet this criteria is: -

AAA

- Canada
- Denmark

- Finland
  - France
  - Germany
  - Luxembourg
  - Netherlands
  - Norway
  - Singapore
  - Sweden
  - Switzerland
  - U.K.
  - U.S.A.
- AA+
- Australia
  - Belgium
  - Spain \*
- AA
- Hong Kong
  - Japan
  - Kuwait
  - Qatar (AA S&P rating)
  - UAE
- AA-
- Italy
  - Portugal \*
  - Saudi Arabia

\* Sector has suggested that clients exercise care and caution when considering placing deposits with Portuguese and Spanish banks as their economies are currently under severe pressure.

Ireland no longer appears on this list as it has been downgraded to A+.

For the purpose of the 2011/12 Strategy Cherwell District Council has decided not to place deposits with Spanish & Portuguese banks including Santander UK

9. Investments will not be made with counterparties that do not have a credit rating in their own right
10. The definition of '**high credit quality**' in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1. This schedule also sets out the categories of investment instruments which fall into the specified investments category as they entail **minimum procedural formalities** in terms of the placing of those investments by the treasury management team. Minimal procedural formalities mean that the team is well experienced and knowledgeable in using these types of instruments and they pose minimal risk in their use.
11. The Council's external fund managers Investec & TUK, will adhere to the counterparty credit criteria and maximum individual limits set by the Council;

however it is understood that Investec may use a subset of the counterparty list so derived.

12. A full individual listing of Counterparties and Counterparty Limits as at 28 February 2011 is attached at Appendix 2a.

## 1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business /service objectives will be thereby compromised.

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. We will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

### 1.2.1. Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

### 1.2.2. Details of:

a) Standby facilities

At the end of each financial day any unexpected surplus funds are transferred to the RBS Money Market account. The balance on this account is instantly accessible if the group bank account becomes overdrawn.

b) Bank overdraft arrangements

A £250,000 overdraft at 1% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts.

c) Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

## 1.3 Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

## 1.4 Exchange Rate Risk Management

As the Council only trades in Sterling, this section is not relevant.

## 1.5 Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

## 1.6 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

This organisation will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

### 1.6.1. References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- Guidance on Housing Capital Receipts Pooling ODPM 23.3.2004
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2009,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2009
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- Financial Services Authority's Code of Market Conduct
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations

### **1.6.2 The Council's Scheme of Delegated Functions Procedures for Evidencing the Council's Powers/Authorities to Counterparties**

The Council's powers to borrow and invest are contained in legislation.

#### **England and Wales**

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

- a. the scheme of delegation of treasury management activities which is contained in the Treasury Management Strategy 2011/12 which states which officers carry out these duties
- b. the document which sets which officers are the authorised signatories.

#### **Required Information on Counterparties**

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

### **1.6.3 Statement on the Council's Political Risks and Management of Same**

The Head of Finance shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

### **1.6.4 Monitoring Officer**

The monitoring officer is the Head of Legal & Democratic Services; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

### **1.6.5. Chief Financial Officer**

The Chief Financial Officer is the Head of Finance; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to



make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

## **1.7 Fraud, Error and Corruption, and Contingency Management**

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

- a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

### **1.7.1. Details of Systems (including Internet Services)**

#### **Authority**

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans/deposits and investments are negotiated by the responsible officer or authorised persons.
- Loan/deposit procedures are defined in the Council's Financial Regulations.

#### **Investment and borrowing transactions**

- A detailed register of all loans and investments is maintained in the LOMAS system.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Technical Accountant for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Technical Accountant for resolution.
- Contract notes for transactions carried out by the external fund managers will be received and maintained.

### **Regularity and security**

- Lending is only made to institutions on the Approved List of Counterparties.
- The LOMAS system prompts the Officers that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution (see 1.5.1.6.) that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorization of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The LOMAS system can only be accessed by a password.
- There is adequate insurance cover for employees involved in loans management and accounting.
- Capital and interest withdrawals and capital injections in respect of monies managed by external fund managers can only be carried out in writing by the authorised signatories to the fund management agreement and notified to the fund managers.

### **Checks**

- The bank reconciliation is carried out daily from the bank statement to the financial ledger.
- The LOMAS system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- An investment income listing is produced every month when a review is undertaken against the budget for interest earnings.
- The valuations and investment income statements received monthly from the Council's fund managers will be checked and retained for audit inspection. The authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices
- We have complied with the requirements of SORP and IFRS Code and will account for the fund as Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Income and Expenditure Account

### **Calculations**

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated.

### **Emergency and Contingency Planning Arrangements Disaster Recovery Plan**

In the event of Bodicote House being rendered unusable key staff will relocate to Thorpe Lane to ensure business continuity. If the electronic banking systems are unavailable information can be accessed by telephone and payments made manually by the bank.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites.

### **1.7.2. Insurance Cover Details**

#### **Fidelity Insurance**

The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £1m for all staff, £6m for Accountants and £10m for the Head of Finance and S151 Officer.

#### **Professional Indemnity Insurance**

The Council also has a 'Professional Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to those staff who work in Human Resources, Legal and Regeneration & Estates only.

#### **Business Interruption**

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal. This is limited to £8.3m.

### **1.8 Market Risk Management**

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

## TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

### SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	<b>* Minimum 'High' Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	n/a	In-house
Term deposits – local authorities	n/a--	In-house
Term deposits – banks and building societies **	Green	In-house/Tradition
Term deposits – banks and building societies **	* Short-term F1__, Long-term _A_, Individual _B_ or _C_, Support _3_ OR 2_	Investec

Since the credit crunch crisis there have been a number of developments which require separate consideration and approval for use: -

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.2.10. The banks which have used this explicit guarantee are as follows: -

- Bank of Scotland
- Barclays
- Clydesdale
- Coventry Building Society
- Investec bank
- Nationwide Building Society
- Rothschild Continuation Finance plc
- Standard Life Bank
- Tesco Personal Finance plc
- Royal Bank of Scotland
- West Bromwich Building Society
- Yorkshire Building Society

**LIMITS:**

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>*** Max £</b>	<b>Max. maturity period</b>
	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>*** Max £</b>	<b>Max. maturity period</b>
Term Deposits – Local Authorities	--	<b>In-house</b>	<b>£10m</b>	<b>364 days</b>
UK nationalised banks	<b>green</b>	<b>In-house /Tradition</b>	<b>£15m</b>	<b>364 days</b>
UK nationalised banks	<b>* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_</b>	<b>Investec</b>	<b>£5m</b>	<b>364 days</b>
Banks nationalised by high credit rated (sovereign rating) countries – non UK	<b>green</b>	<b>In-house/Tradition</b>	<b>£5m</b>	<b>364 days</b>
Banks nationalised by high credit rated (sovereign rating) countries – non UK	<b>* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_</b>	<b>Investec</b>	<b>£5m</b>	<b>364 days</b>
Money Market Funds	<b>AAA</b>	<b>In-house</b>	<b>£10m</b>	

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

N.B. buy and hold may also include sale at a financial year end and repurchase the following day in order to accommodate the requirements of SORP.

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**NON-SPECIFIED INVESTMENTS:** A maximum of 30% will be held in aggregate in non-specified investment

## 1. Maturities of ANY period

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>Max Amount £m</b>	<b>Max. maturity period</b>
Term deposits – local authorities	--	In-house	£5m	<b>5 years</b>
Term deposits – banks and building societies	Purple	In-house	£5m	<b>2 years</b>
Collateralised deposit	N/A	In-house	£10m	<b>5 years</b>
Commercial paper issuance covered by a specific UK Government (explicit) guarantee and issued by banks covered by the UK bank support package	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	<b>1 years</b>
Corporate Bonds issuance covered by UK Government (implicit) guarantee and issued by banks covered by the UK bank support package : the use of these investments would constitute capital expenditure	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	<b>1 years</b>
Corporate Bonds other : the use of these investments would constitute capital expenditure	Short-term F1, Long-term A_, Individual B/C, Support 3/ 2	Investec	£1m	<b>1 years</b>
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	- UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2__	Investec	£1m	<b>1 years</b>
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£1m	<b>1 years</b>
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£1m	<b>1 years</b>

Certificates of deposit issued by banks and building societies NOT covered by UK Government guarantee support package (implicit guarantee)	Short-term F1 __, Long-term _A_, Individual _B_ or C_, Support _3_ OR 2_	Investec	£1m	<b>1 years</b>
UK Government Gilts	UK sovereign rating	Investec	£1m	<b>1 years</b>
Local authority mortgage guarantee scheme	N/A	In-house	£5m	<b>5 years</b>

Local Authority Collateralised Deposit - Term deposits with UK institutions where such deposits are secured on loans made to other UK local authorities. These deposits will not form part of the limits determined by the individual institution's credit rating criteria. Investment is permitted subject to a maximum exposure of £10m, for a maximum term of 3 year(s).

Collateralised deposit can be structured or not – structured.

## **TMP 2 Performance Measurement**

### **2.1 Evaluation and Review of Treasury Management Decisions**

The Council has a number of approaches to evaluating treasury management decisions: -

- a. quarterly reviews carried out by the Executive Committee
- b. reviews with our treasury management consultants Sector
- c. annual review after the end of the year as reported to Full Council
- d. comparative reviews
- e. strategic, scrutiny and efficiency value for money reviews

#### **2.1.1 Periodic reviews during the financial year**

The Head of Finance holds a treasury management review meeting with the treasury management team every quarter to review actual activity against the Treasury Management Strategy and cash flow forecasts. This includes total investments including average rate and maturity profile and changes to the above from the previous review and against the Treasury Management Strategy.

#### **2.1.2 Reviews with our treasury management consultants**

The treasury management team also holds reviews with Sector and our Fund Managers every quarter to review the performance of the investment portfolio.

#### **2.1.3 Annual Review after the end of the financial year**

An Annual Treasury Report is submitted to Full Council each year after the close of the financial year which reviews the performance of the investment portfolio. This report contains the following: -

- a. total investments at the beginning and close of the financial year and average interest rates
- b. investment strategy for the year compared to actual strategy
- c. explanations for variance between original strategies and actual
- d. actual investment rates available through the year
- e. comparison of return on investments to the investment benchmark
- f. compliance with Prudential and Treasury Indicators
- g. other

#### **2.1.4 Comparative reviews**

When data becomes available, comparative reviews are undertaken to see how the performance of the Council's investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club
- other

### **2.2 Policy Concerning Methods for Testing Value for money in Treasury Management**

#### **2.2.1 Frequency and processes for tendering**

Tenders are normally awarded on a 3 year basis with the option to extend for 3 years, if approved by the Finance Scrutiny Committee. The process for advertising and awarding contracts will be in line with the Council's Procurement Strategy.



### **2.2.2 Banking services**

The Council's banking arrangements are to be subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate. If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

The tender with the Council's current bankers NatWest is due for review in 2011/12.

### **2.2.3 Money-broking services**

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services.

### **2.3.4 Policy on External Managers (Other than relating to Superannuation Funds)**

The Council's policy is to appoint full-time professional cash/external investment fund managers to manage a proportion of its cash and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883].

The delegation of investment management to external managers will entail the following:

- Formal contractual documentation;
- Agreement on terms for early termination of the contract;
- Setting of investment instruments, constraints/parameters/conditions
- Setting of investment counterparty limits;
- Setting a performance measurement benchmark and a performance target;
- Frequency of performance reporting;
- Frequency of meetings with investment managers;

The Code of Practice places an obligation on the Council to monitor the performance of the fund managers. This Council has appointed Sector Treasury Services Limited to assist in this respect.

## **TMP 3 Decision-making and Analysis**

### **3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:**

#### **3.1.1 Records to be kept**

The Treasury section has a computerised database system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained: -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment transactions
- Confirmations from borrowing institutions where deals are done directly
- Certificates for market loans, local bonds and other loans
- Contract notes received from fund managers
- Fund managers valuation statements

### **3.1.2 Processes to be pursued**

- Cash flow analysis.
- Investment maturity analysis
- Ledger reconciliation
- Performance information (e.g. monitoring of actual against budget for interest earned, also monitoring of average pool rate, investment returns, etc).

### **3.1.3 Issues to be addressed.**

#### **3.1.3.1. In respect of every treasury management decision made the Council will:**

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

#### **3.1.3.2 In respect of investment decisions, the Council will:**

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;

## **TMP 4 Approved Instruments, Methods and Techniques**

### **4.1 Approved Activities of the Treasury Management Operation**

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing.

### **4.2 Approved Techniques**

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

### **4.3 Approved Methods and Sources of Raising Capital Finance**

Finance will only be raised if necessary and in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

#### **Other Methods of Financing**

Government and EC Capital Grants  
 Lottery monies  
 PFI/PPP  
 Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

#### **4.4 Investment Limits**

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

#### **4.5 Borrowing Limits**

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

### **TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

#### **5.1 Allocation of responsibilities**

##### **(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

##### **(ii) Executive Committees**

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities

- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

**(iii) Accounts, Audit and Risk Committee**

- receiving and reviewing regular monitoring reports and acting on recommendations

**(iv) Chief Finance Officer with responsibility for scrutiny**

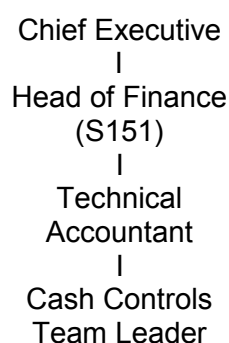
- reviewing the treasury management policy and procedures and making recommendations to the Head of Finance.

## **5.2 Principles and Practices Concerning Segregation of Duties**

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of broker's confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

### 5.3 Treasury Management Organisation Chart



### 5.4 Statement of the treasury management duties/responsibilities of each treasury post

#### 5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Head of Finance. This person will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers.
- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Technical Accountant or the Cash Controls Team Leader must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least one of the named officers above.
- k) The responsible officer will ensure that the Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

#### 5.4.2. Technical Accountant / Cash Controls Team Leader

The responsibilities of this post will be: -

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers

- d) supervising treasury management staff
- e) monitoring performance on a day-to-day basis
- f) submitting management information reports to the responsible officer
- g) identifying and recommending
- h) opportunities for improved practices

#### **5.4.3. The Head of the Paid Service – the Chief Executive**

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports regularly to the Full Council on treasury policy, activity and performance.

#### **5.4.4. The Monitoring Officer – the Head of Legal Services**

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

#### **5.4.5. Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

### **5.5 List of Approved Brokers**

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

### **5.6 Policy on Taping of Conversations**

It is not this Council's policy to tape broker's conversations

### **5.7 Direct Dealing Practices**

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

### **5.8 Documentation Requirements**

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

## **TMP 6 Reporting Requirements and Management Information Arrangements**

### **6.1 Annual programme of reporting**

- a) Annual reporting requirements before the start of the year: -
  - a. review of the organisation's approved clauses, treasury management policy statement and practices
  - b. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy and the Annual Investment Strategy
- b) Quarterly review
- c) Annual review report after the end of the year

### **6.2 Annual Treasury Management Strategy**

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Executive and then to Full Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone investing if fixed interest rates are expected to rise, or invest early if fixed interest rates are expected to fall.
3. The Treasury Management Strategy Statement is concerned with the following elements:
  - a) Prudential and Treasury Indicators
  - b) current Treasury portfolio position
  - c) borrowing requirement
  - d) prospects for interest rates
  - e) borrowing strategy
  - f) investment strategy
  - g) creditworthiness policy
  - h) policy on the use of external service providers
  - i) any extraordinary treasury issue
4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

### **6.3 The Annual Investment Strategy Statement**

At the same time as the Council receives the Treasury Management Strategy it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non specified investments
- c) Which specified and non specified instruments the Council will use
- d) Whether they will be used by the in house team, external managers or both (if applicable)
- e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- f) Which credit rating agencies the

- g) How the Council will deal with changes in ratings, rating watches and rating outlooks
- h) Limits for individual counterparties and group limits
- i) Country limits
- j) Levels of cash balances
- k) Interest rate outlook
- l) Budget for investment earnings
- m) Use of a cash fund manager
- n) Policy on the use of external service providers

### **6.5 Policy on Prudential and Treasury Indicators**

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the Full Council

### **6.6 Mid year review**

The Council will review its treasury management activities and strategy on a quarterly basis. This review will consider the following: -

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management indicators for local authorities.

### **6.7 Annual Review Report on Treasury Management Activity**

An annual report will be presented to the Executive and then to the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a) transactions executed and their revenue (current) effects
- b) report on risk implications of decisions taken and transactions executed
- c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
- d) performance report
- e) report on compliance with CIPFA Code recommendations
- f) monitoring of treasury management indicators

### **6.8 Management Information Reports**

Management information reports will be prepared every quarter by the Technical Accountant and will be presented to the Executive Committee.

These reports will contain the following information: -

- a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);
- b) measurements of performance including effect on loan charges/investment income;
- c) degree of compliance with original strategy and explanation of variances.
- d) any non compliance with Prudential limits or other treasury management limits.



## **TMP 7 Budgeting, Accounting and Audit Arrangements**

### **7.1 Statutory/Regulatory Requirements**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

### **7.2 Accounting Practices and Standards**

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

### **7.3 Sample Budgets / Accounts / Prudential and Treasury Indicators**

The Technical Accountant will prepare a three year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Head of Finance will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

### **7.4 List of Information Requirements of External Auditors.**

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from LOMAS
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- External fund manager's valuations including investment income schedules and movement in capital values.

### **7.5 Monthly Budget Monitoring Report**

Monthly Budget Monitoring reports are produced for the Heads of Service, whilst a quarterly budget monitoring report goes to Executive. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

## **TMP 8 Cash and Cash Flow Management**

### **8.1 Arrangements for Preparing/Submitting Cash Flow Statements**

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

### **8.2 Bank Statements Procedures**

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. A formal bank reconciliation is undertaken on a daily basis by the Controls Assistant.

### **8.3 Payment Scheduling and Agreed Terms of Trade With Creditors**

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments. (We have an additional agreement to pay local suppliers within 14 days of invoice receipt.) .

### **8.4 Arrangements for Monitoring Debtors / Creditors Levels**

The Technical Accountant is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a daily basis to assist in updating the cash flow models.

### **8.5 Procedures for Banking of Funds**

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the Controls Officers to deposit in the Council's banking accounts. They will tell the Cash Controls Team Leader each morning of cash and cheques banked the previous day so that the figures can be taken into account in the daily cash flow.

### **8.6 Practices Concerning Prepayments to Obtain Benefits**

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

## **TMP 9 Money Laundering**

### **9.1 Proceeds of Crime Act 2002**

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

## 9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

## 9.3 The Money Laundering Regulations 2007

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

## 9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following: -

- a) evaluate the prospect of laundered monies being handled by them
- b) determine the appropriate safeguards to be put in place
- c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d) make all its staff aware of their responsibilities under POCA
- e) appoint a member of staff to whom they can report any suspicions.
- f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the Head of Legal and it shall be a requirement that all services and departments implement this corporate policy and procedures.

## 9.5 Methodologies for Identifying Deposit Takers

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on [www.fsa.gov.uk](http://www.fsa.gov.uk).

All transactions will be carried out by CHAPS for making deposits or repaying loans.

## **TMP 10 Training and Qualifications**

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Technical Accountant to ensure that all staff under his / her authority receives the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

### **10.1 Details of Approved Training Courses**

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

### **10.2 Records of Training Received by Treasury Staff**

The Learning & Development Team maintain records on all staff and the training they receive.

### **10.3 Statement of Professional Practice (SOPP)**

1. Where the Chief Financial Officer is a member of a CCAB body there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CCAB must also comply with the Code.

### **10.4 Member training records**

Records will be kept of all training in treasury management provided to members.

### **10.5 Members charged with governance**

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

## **TMP 11 Use of External Service Providers**

### **11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers**

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

#### **11.1.1 Banking Services**

- a) Name of supplier of service is the NatWest Bank.
- b) Regulatory status – banking institution authorised to undertake banking activities by the FSA
- c) The branch address is:
- d) 1 Town Hall Buildings, Bridge Street, Banbury OX16 5JS
- e) Contract commenced 1991
- f) Cost of service is variable depending on schedule of tariffs and volumes

#### **11.1.2 Money-Broking Services**

The Council will use money brokers for investment and temporary borrowing. It will seek to give an even spread of business amongst the approved brokers.

#### **11.1.3 Consultants'/Advisers' Services**

##### **Treasury Consultancy Services**

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc. The performance of consultants will be reviewed by the Head of Finance every quarter to check whether performance has met expectations.

- a) Name of supplier of service is Sector Treasury Services Limited. Their address is 17 Rochester Row, London SW1P 1QT Tel: 0871 664 6800
- b) Regulatory status: investment adviser authorised by the FSA
- c) Contract commenced 1<sup>st</sup> April 2010 and runs for 3 years.
- d) Cost of service is £7,500 per year.

##### **External Fund Managers**

- Investec Asset Management Ltd, 2 Gresham Street, London EC2V 7QP
- Gresham Street, London EC2V 7QP. 020 7597 2000

- Contract commenced 20<sup>TH</sup> June 2001.  
Fee is 0.15% of fund and minimum fee of £9,750 – Fees are deducted quarterly from the income received.
- The fund guidelines, limits, benchmarks and targets agreed with the manager are contained in the investment management agreement.
- Valuations and performance data versus the benchmark are provided by the manager monthly. Fund performance review meetings are held semi-annually

#### **External Fund Managers**

- Tradition (UK) Ltd , Beaufort House, 15 St Botolph Street, London EC3A 7QX
- Contract commenced 6th February 1997.
- Fee is performance based & linked to average 7 day LIBID.
- The fund guidelines, limits, benchmarks and targets agreed with the manager are contained in the investment management agreement.
- Valuations and performance data versus the benchmark are provided by the manager monthly. Fund performance review meetings are held semi-annually

Other Consultancy services may be employed on short term contracts as and when required.

#### **11.1.4 Credit Rating Agency**

The Council receives a credit rating service through its treasury management Consultants, the costs of which are included in the consultant's annual fee.

#### **11.2 Procedures and Frequency for Tendering Services**

See TMP2

## **TMP 12 Corporate Governance**

### **12.1.1 List of Documents to be Made Available for Public Inspection**

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -

Treasury Management Policy Statement  
Treasury Management Strategy  
Annual Investment Strategy  
Annual Treasury Review Report  
Treasury Management monitoring reports  
Annual accounts and financial instruments disclosure notes  
Annual budget  
3 Year Capital Plan

Minutes of Council committee meetings

Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.

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## Council

### Cherwell District Council Debt Recovery Policy 2011/12

18 May 2011

#### Report of the Head of Finance

##### PURPOSE OF REPORT

The purpose of this paper is to present for approval to full Council, the Corporate Debt Recovery Policy. The policy (Appendix 1) sets out the council's framework for providing a consistent 'fair but firm' approach to collecting debt ensuring that the council continues to maximise collection performance. The council at present has a record of collecting 99% of all Sundry Debt Income and 98%+ on collection fund debt.

This report is public
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##### Recommendations

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The Council is recommended to:

- (1) To approve the content and format of the Corporate Debt Policy (Appendix 1) as recommended by Executive on 4<sup>th</sup> April 2011.

##### Executive Summary

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The policy sets out the principles of recovering debt at Cherwell District Council and will support officers and Members in understanding the purpose and role of debt collection. The council is required to collect income from private individuals and business for a variety of reasons some statutory while others may be discretionary or essential for well being. In undertaking this process it is inevitable that the council will be required to pursue the recovery of arrears from individuals or businesses that may experience difficulty in paying such accounts. An agreed policy of how the council manages and collects debts is key in ensuring consistency and best practice.

The policy will apply to all council departments and will not prejudice any legal action the council may wish to take in recovery of the debt. It seeks to be 'fair but firm' and the full range of collection and recovery methods will be exercised if debts are not paid. The policy objectives are to collect debt promptly, effectively, efficiently and economically, while ensuring fair treatment to all debtors.

The aims of the policy are:

- Ensure a professional, consistent and timely approach to recovery action across all Council functions
- Help minimise debts to the Authority

- Promote a co-ordinated approach to sharing debtor information and managing multiple debts owed to the Council.
- Ensure that individual and exceptional circumstances are given due consideration when pursuing debts
- Ensure that debts are managed in accordance with legislative provisions and best practice
- Treat individuals consistently and fairly, regardless of age, sex, gender, disability and sexual orientation and to ensure that individual's rights under data protection and human rights legislation are protected.

## Background Information

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2.1 The Corporate Debt Recovery Team has responsibility for recovering overdue debt to the Council across multiple service areas.

These service areas are as follows:

- Council Tax
- Business Rates (NNDR)
- Service Charges for leaseholders
- Housing benefit overpayments
- Sundry debts (i.e. Council services)
- Excess Charge Notices

It was agreed when this team was set up that an updated corporate debt policy (Appendix A) is required each year in order to document how we manage debt within the Council.

## Implications

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<b>Financial:</b>	There are no implications.
<b>Legal:</b>	There are no implications.
<b>Risk Management:</b>	<p>This report has been produced in compliance with the council's Risk Management strategy. There are no risks directly associated with this report as it is for consultation only at this point. The risks to the council of not implementing a consistent approach to managing debt and maximising income are high. The current economic conditions and council savings targets cannot be addressed unless an efficient and effective approach to income collection and recovery is embedded across the organisation. Failure to meet these targets may result in the loss of services and an increased and unsustainable debt position for some customers.</p> <p>Comments checked by Karen Muir, Corporate System Accountant 01295 21559</p>

## Wards Affected

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All

## Corporate Plan Themes

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All

## Executive Portfolio.

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Councillor James MacNamara, Portfolio Holder for Resources.

## Document Information

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Appendix No	Title
Appendix 1	Corporate Debt Policy
Background Papers	
None	
Report Author	Karen Curtin, Head of Finance Jessica Lacey, Technical Accountant
Contact Information	01295 221551 <a href="mailto:karen.curtin@cherwell-dc.gov.uk">karen.curtin@cherwell-dc.gov.uk</a>  01295 221564 <a href="mailto:jessica.lacey@cherwell-dc.gov.uk">jessica.lacey@cherwell-dc.gov.uk</a>

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# CHERWELL DISTRICT COUNCIL

## CORPORATE DEBT POLICY

***Summary of policy :***

*This policy details the principles to be adopted by the Council when undertaking the collection of debt from both citizens and businesses.*

**CONTENTS**

Introduction	2
Policy Objectives	3
Scope of the policy	4
Information	6
Use of other agencies	7
Excess Charge Notices	7
Visiting customers	7
Write-off policy	7
Credits	10
Complaints	10
Review and monitoring	11
The policy in operation	11
Relationship with third parties	12
Priority Debt	13
Bad debt provision	14
Performance monitoring and reporting	14
Glossary	14

## **1.1 INTRODUCTION**

The Policy has been developed to help meet the Council's Corporate Plan priorities, particularly in respect of an accessible, value for money council.

The Corporate Debt Policy will be supported by other key players and agencies including: The Council's Customer Services Team, Banbury & Bicester Citizens Advice Bureau (CAB), and Capita.

The policy will be subject to an annual review.

## **1.2 THE NECESSITY AND OBJECTIVES OF THE POLICY**

The Council's debt recovery policy has the following objectives:

"In order to maximise income for the provision of services, Cherwell District Council's Corporate Debt Recovery Team will collect all debt owing to it promptly, effectively, efficiently and economically, while ensuring fair treatment to all debtors."

## **1.3 PURPOSE – WHY HAVE A CORPORATE DEBT POLICY?**

Cherwell District Council is required to collect monies from both its citizens and businesses for a variety of reasons.

In undertaking this collection function it is inevitable that the Council will be required to pursue the recovery of arrears from persons and or businesses that may experience difficulty in paying such accounts. An agreed policy of how the Council manages and collects debts is key therefore in ensuring consistency and best practice in such situations.

The Corporate Debt Policy identifies where responsibility for collection of different debts lie, and sets out the principals and standards in relation to contact , recovery process, repayments and benefit / money advice.

Integral to the policy is the provision of support mechanisms and practices to all customers. It details the approach to collecting debt in Cherwell and also provides practical help, advice and support in the management of multiple debts.

The policy sets the framework for a consistent and sensitive approach to collecting debt whilst at the same time ensuring that the Council continues to maximise collection performance.

This policy covers all debts owed to the Council

Including:

- Council Tax
- Benefit overpayments
- Business Rates (NNDR)
- Sundry debts, e.g. unpaid fees and charges
- Excess Charge Notices.

## **1.4 HOW IS IT TO BE USED?**

This policy will apply to all Council departments. Some of the citizens of Cherwell may have multiple debts with the Council. The policy does not prejudice any legal action that the Council may wish to take.

It seeks to be "fair but firm" and the full range of collection and recovery methods will be used as appropriate if debts are not paid. The policy works within and takes account of relevant legislation e.g. on Data Protection, Human rights etc.

The Council will apply this policy and provide the same level of service at the initial enquiry stage. However, each service will apply its' own procedures and processes in recovery of the debt.

### **1.5 POLICY OBJECTIVES – WHAT ARE WE TRYING TO DO?**

The aims of this policy are to:

- Ensure a professional, consistent and timely approach to recovery action across all Council functions
- Help minimise debts to the Authority
- Promote a co-ordinated approach to sharing debtor information and managing multiple debts owed to the Council.
- Ensure that individual and exceptional circumstances are given due consideration when pursuing debts
- Ensure that debts are managed in accordance with legislative provisions and best practice
- Treat individuals consistently and fairly, regardless of age, sex, gender, disability and sexual orientation and to ensure that individual's rights under data protection and human rights legislation are protected.

### **1.6 CONTACT WITH CUSTOMERS**

We will strive to improve contact with customers by:

- Encouraging the customer to make early contact with our customer services team in respect of debt related matters
- Using plain English techniques in written letters and documents
- Coordinating publicity and marketing campaigns
- Promoting advice and support services

### **1.7 WHAT DOES IT COVER?**

The policy covers the following:

- How people can access advice and support
- How ability to pay will be assessed
- How information may be shared
- How the Council uses collection and other external agencies
- How we will conduct personal visits to debtors
- How we will deal with irrecoverable debts
- Corporate approach for dealing with customer credits
- The Council's Corporate Complaints Procedure
- What procedures are used
- Arrangements for policy review and impact monitoring

### **1.8 SCOPE OF THE POLICY**

#### **1.8.1 Access, Advice and Support**

Where appropriate, documentation will advise customers where to get help and advice about benefits and debt problems. This will normally include information about local Citizens Advice Bureau's and other free debt advice centres. Similarly, where appropriate, information about claiming Housing Benefit and Council Tax Benefit will be included with arrears letters. In this respect, the Council will make every effort to advise people of their right to apply for benefit assistance, including pro-active take up campaign as appropriate. The Council recognises the importance of bringing such matters to the attention of individuals at the earliest opportunity.



The Council will also advise individuals / businesses as to the range of other discounts, reliefs and reductions available at both the time an account is issued and in subsequent communications.

Staff in personal contact with customers (e.g. in the Contact Centre, Link points, visitors and other enquiry staff) will signpost them as to where they can obtain advice on benefits and debt matters appropriate to their needs.

We will ensure that all written communications uses language appropriate to the intended recipient and that plain English is the standard wherever possible. We will explain complex terminology when it is required to be used by law. All documents will be issued in a timely manner, in accordance with statutory deadlines where appropriate and will explain the legal options open to the Council to collect debts in a factual manner, taking into account the stage of recovery achieved.

### **1.18.2 Assessment of Ability to Pay**

The Council, in pursuing debt recovery, will act in accordance with statutory regulations and advice issued by professional bodies, external auditors etc.

In terms of efficiency and effectiveness, experience shows that as a general rule, collection is maximised by pursuing debts on an individual basis in a timely manner. In addition, the existence of different recovery legislation in relation to Council Tax, Housing Benefits, Sundry Income etc, tends to support this approach.

Where it is apparent that a customer is unable to pay an account, or a number of like accounts as requested, then the aim will be, to agree an arrangement to pay (where appropriate), which takes into consideration the specific circumstances of the customer.

Ability to pay will be based on the disposable income in proportion to the level of debt, the extent of debts owing to the Council. The initial intention of arrangements to pay will be to clear the debt(s) as soon as possible and as a rule of thumb, the minimum position as far as the Council is concerned, should be that an individuals indebtedness to the Council does not worsen.

In practice this may mean ensuring that the current or most recent account is cleared, while making the maximum contribution to clearing other debts.

Staff will always seek to make realistic arrangements to clear outstanding amounts by regular payments, in preference to taking legal action for recovery.

A financial statement may be required to support a request for an arrangement. This will be a list of the customers' household income and expenditure. Documents to support the information contained in the financial statement may be requested and required before an arrangement can be agreed.

A financial statement can be completed with the help of an independent agency such as the Citizens Advice Bureau.

Persons in multiple arrears will be offered the opportunity to discuss the debt with a member of the Corporate Debt Recovery Team.

## **2.0 INFORMATION**

### **2.1 PROVISION OF:**

In addition to detailing the amount payable and a description of the charge, the Council will include the following information on all accounts:-

- (a) The payment options available.
- (b) A contact number for queries in relation to the accuracy of the account.
- (c) A contact number for discussing payment arrangements where the customer has difficulty in paying the amount requested on the account.

Wherever possible the contact number in (b) and (c) will be the same.

Where it is necessary to issue recovery documentation (e.g. a reminder or summons) following non-payment of an initial account, or because an instalment arrangement has not been adhered to, then the Council will include the information detailed above on such documents.

The Council will wherever possible provide information to meet specific communication needs in the following formats: -

- (a) Braille
- (b) Large Print
- (c) Audio Tape
- (d) Community Languages
- (e) Electronic format

In meeting individual needs the Council will, where practical, ensure that individual preferences are documented so that ongoing and future correspondence can be delivered in the preferred format.

The Council will ensure that wherever possible arrangements are in place to offer an interpretation service from our Link Points and over the telephone to assist persons whose first language is not English.

Correspondence with customers will refer to and deal with all / or similar accounts outstanding wherever possible.

### **2.3 SHARING OF:**

The Council will ensure that all computer systems used to bill and recover monies, satisfy statutory requirements and offer the full range of recovery options to be pursued.

Staff involved in the collection and recovery of accounts will be given appropriate training in the use of the various computer systems as required.

Subject to any limitations imposed by the data protection act and human rights legislation, access to debtors' information contained on different systems will be made available, in order that an individuals full indebtedness can be established and properly dealt with.

In order to be successful and ensure consistency, it is necessary to establish good working practices across Council Departments, statutory and voluntary agencies, and all service providers when dealing with multiple debts.

Partner organisations should have in place policies and procedures, to ensure compliance with data protection principals, appropriate customer service standards and investigating customer complaints.

## **2.4 USE OF OTHER AGENCIES**

Cherwell district Council, on successfully taking court action against a debtor, is empowered to enforce payment through a number of statutory remedies, including powers which impact on a person's possessions or liberty e.g. the right to seize goods, to request imprisonment etc and will apply the most appropriate remedy.

One of the remedies is Levy of Distress, which Cherwell District Council exercises through the use of an external Enforcement Agency.

To ensure effective, consistent and appropriate application of Distress, Cherwell District Council's appointment of Enforcement services is through contractual agreement, including a detailed Code of Conduct which the enforcement officers must follow.

The Council will ensure that these more 'severe' powers for example removal of goods, will only be used when all other reasonable methods have failed and where all appropriate internal and statutory processes have been properly followed.

## **2.5 EXCESS CHARGE NOTICES (ECN)**

The Corporate Debt Recovery Team will be responsible for the recovery of unpaid ECN's once cases are passed from Parking Services and will take legal action if required. Cases will be sent in the first instance to Collection agents working on behalf of Cherwell District Council. Should this prove to be unsuccessful cases will be evaluated and court action will be considered.

## **2.6 VISITING CUSTOMERS**

The Recovery Team Leader or Senior Recovery Officer may undertake visits to persons / businesses in arrears in order to resolve accounts outstanding.

All staff or third parties making such visits will act in accordance with the relevant policies.

The Council will make every effort where possible to co-ordinate visits to debtors so that where appropriate, different debts owed by the same individual / business can be addressed at the same time.

## **3.0 WRITE OFF POLICY**

### **3.1 WHEN WRITE OFF MAY BE APPROPRIATE**

It will be necessary to write off irrecoverable debts in a variety of circumstances and these can be broadly summarised below. Although the amount of the debt would normally dictate the amount of time and resource allocated in trying to collect the various debts, in the circumstances shown below the debt may be written off irrespective of the amounts involved. Each heading is detailed below explaining actions that will be taken by the Council.

### **3.2 REASONS FOR WRITING OFF A DEBT:**

- The debt is not cost effective to pursue taking into consideration the recovery effort already undertaken. The Council will consider writing off a debt where it would cost more to recover the debt than the value of the debt itself. In the instance of Housing Benefit overpayment the Council will maintain a record of the debt and, should the debtor reclaim benefit, consider instigating recovery procedures.
- The debt is time barred under the Limitation Act.
- The debtor can not be traced – where internal and external tracing procedures have been exhausted.
- The debtor is deceased and confirmation has been received that no money is recoverable from the estate.
- The court has requested that the debt be remitted.

- The debtor's age health or other social factors make it inappropriate to pursue the debt.

Criteria to take into account when considering writing off of a debt.

Each case must be treated on its merits. Further guidance is given below on the treatment of these categories. It should be remembered that debt could be resurrected if for example, an absconder should reappear after the debt has been written off.

Small value, non-recurring debts below £50, after all appropriate recovery action has been attempted.

Debt below £500 for Council Tax & £1000 for NNDR and over 4 years old and no contact has been made with the debtor during this time.

Debts which are uneconomical to collect or where it is considered inappropriate to continue with legal or recovery action due to individuals known personal or financial circumstances. E.g. elderly or mentally impaired and suffering from hardship with non-attachable benefits.

Debts where a company has ceased to trade leaving no assets.

Debts that cannot be legally enforced e.g. statute barred.

Local Authority errors and exercising discretion not to recover a recoverable overpayment.

The Council will consider writing off debts based on the customer's personal, medical or financial circumstances. These would normally have to be considered exceptional or severe before a write off will be agreed.

These criteria can apply, regardless of how the debt arose, although the category may contribute to a decision on whether or not to write off a debt. (E.g. it may not be appropriate to write off a debt, which has arisen due to fraud even if other criteria have been met.)

The customer is under severe emotional distress (e.g. bereavement) and likely to remain so for the foreseeable future. It might be appropriate to consider deferring recovery in some circumstances. Write off may also be considered for Housing Benefit overpayment if the customer was under severe emotional distress at the time that she/he failed to disclose information.

The customer suffers severe ill health. This is also likely to lead to emotional distress and financial hardship.

The customer is declared bankrupt (although recovery from ongoing Housing Benefit can still proceed regardless of bankruptcy). If it is the Council who is making the customer bankrupt, then the Overpayment will be included in the proceedings.

The customer has died. If we are aware of the existence of an estate or we know of capital that would cover the debt, then recovery should be sought. We do not expect a partner or relative to repay out of their own funds. Considerable sensitivity is needed in these cases.

These examples are not exhaustive and are guides rather than rules. It may be appropriate to recover from a customer who suffers from ill health, but, for example, has considerable capital.

### **3.3 CUSTOMER REQUESTED WRITE OFF (SUBJECT TO MEETING ONE OF THE ABOVE CRITERIA)**

Requests for write off must normally be in writing and signed by the customer or their authorised representative and are retained in DIP. In exceptional circumstances a formal written submission from the customer may not be required but there must be a written record in the Document Imaging system containing the necessary details. For example a member of staff may receive a telephone call and due to the exceptional personal circumstances of the customer it may be decided not to insist on written confirmation.

### **3.4 WRITE OFF RECORDING AND PROCESSING**

Debts over £2,500 (C/Tax) £5,000 (NNDR) considered for Write off should be recorded and presented in a report.

Reports will be prepared by the Corporate Recovery Team and presented in the first instance to the Recovery Team Leader for checking.

The report will detail:

- The name and last known address of the debtor.
- The reference number if applicable.
- The date the debt was raised.
- The initial debt figure.
- The balance outstanding.
- The reason for requesting write off and recovery action to date– based on the categories in this policy.

### **3.5 WRITE OFF LIMITS**

#### **3.5.1 Revenues**

<b>Post Holder</b>	<b>Limit for write-offs</b>	
	<b>Council Tax</b>	<b>Business Rates</b>
Portfolio Holder	Exceeding £10,000	Exceeding £10,000
Head of Finance	Up to £10,000	Up to £10,000
Service Assurance Technical Specialist –Local Taxation & NNDR	Up to £2,500	Up to £5,000
Service Assurance Officer	Up to £500	Up to £500

#### **3.5.2 Housing and Council Tax Benefits**

<b>Post Holder</b>	<b>Limit for write-offs</b>
Portfolio Holder	Exceeding £10,000
Head of Finance	Up to £10,000
Service Assurance Technical Specialist – Benefits	Up to £2,500
Service Assurance Officer	Up to £500

**3.5.3 Sundry Debts**

The debt will be referred back to the departments as a recommendation for write off. Once the recommendation is accepted in accordance with each departments own limits the debt will be written off in accordance with the following limits.

<b>Post Holder</b>	<b>Limit for write-offs</b>
Portfolio Holder	Exceeding £5,000
Head of Finance	Up to £5,000
Technical Accountant	Up to £1,000
Recovery Team Leader	Up to £500

**3.5.4 Excess Charge Notices**

The debt will be referred back to the Vehicle Parks & Town Team Leader as a recommendation for write off. Once the Recommendation is accepted in accordance with the departments own limits, the debt will be written off in accordance with the limits below.

<b>Post Holder</b>	<b>Limit for write-offs</b>
Portfolio Holder	Exceeding £5,000
Head of Finance	Up to £5,000
Technical Account	Up to £500
Recovery Team Leader	Up to £250
Senior Recovery Officer	Up to £100

No debt should be written off unless the authorising officer is satisfied that all the steps detailed in the write-off policy and guidance documents have been taken to trace the debtor and/or obtain payment.

The Head of Finance has delegated authority to write off bankruptcies and insolvencies and has authorised the Client Team Manager, The Service Assurance Technical Specialists and the Corporate Recovery Team Leader to perform these duties on their behalf.

**4.0 CREDITS**

Cherwell District Council will develop a corporate approach to refunding credits, in that where ever possible; checks will be made for other outstanding debts to the customer, prior to a refund being made.

Where other debts are identified, it may be necessary to obtain the customer’s permission, prior to a credit transfer.

**5.0 COMPLAINTS**

The Council will endeavour to resolve problems in relation to debt collection at an early stage, in an informal manner.

Where this is not possible, debtors will be advised of the Corporate Complaints Procedure, should they wish to take the matter further.

To access the Corporate Complaints Procedure please visit the following web page:  
[Cherwell District Council - Compliments & complaints](#)

## **6.0 WHAT PROCEDURES WILL BE USED**

Cherwell District Council will develop a consistent “first contact” procedure in respect of information given to customers making a debt enquiry. All customers will be informed of the options available to manage their debt(s) and of the relevant service providers who may be able to offer assistance.

Cherwell District Council has established comprehensive procedures documents for the pursuance of debt.

## **7.0 POLICY REVIEW AND MONITORING**

The Corporate Debt Policy and its effectiveness will be monitored. This will be carried out by the Corporate Debt Recovery Team, which will meet regularly to discuss any problems and issues that have resulted from the policy.

The Corporate Debt Policy will be reviewed annually. This will enable it to be updated where necessary and take account of changes in legislation.

New approaches and ways of working will inevitably be introduced and the Corporate Debt Policy will need to be adapted to take these into account.

## **8.0 THE POLICY IN OPERATION**

### **8.1 We will take practical steps to:**

- Raise awareness of debt with customers
- Identify how much / how it has occurred
- Raise awareness of the implications of non-payment

### **8.2 For those who can pay:**

- We will provide information on how to pay by advising on methods, payment frequencies and at which locations people can pay
- The Council will encourage automated payment methods wherever possible, this being the most cost efficient option
- The Council will make arrangements for the payment of accounts outside of traditional office hours and through internet technology, 24 hours a day, 7 days a week
- Wherever practical the Council will request payments in advance so as to maximise cash flow and to minimise the necessity to issue accounts requiring collection, which in turn will minimise the opportunities for debt to arise
- The Council will make available the use of electronic forms.

### **8.3 For those who can't pay**

- We will advise what happens if debts are not paid
- We will inform who can give help / advice
- We will encourage people to get help from a range of sources
- We will make referrals to appropriate agencies

## **8.4 Our approach will be**

- A supportive approach to debt recovery with a pro-active referral process where possible. We will deliver a service which meets the needs of each individual and sign post to other support agencies including the CAB.
- Whilst the Council will ensure that arrears are pursued in a timely manner, it does recognise that certain individuals will require more sympathetic and sensitive treatment e.g. in the case of recent bereavement, major illness or where the customer requires special assistance in handling their financial affairs.

## **9.0 WHAT SERVICES WILL CUSTOMERS RECEIVE?**

In determining how customers can best be supported and encouraged to address debt issues, it is important that service provision at the first point of contact is delivered in a sensitive way.

Once a customer has made contact it is imperative that he / she is referred on to the most appropriate source of debt management support.

On initial contact with Cherwell District Council, customers will be informed of the options available to manage their debt(s) and of the relevant service provider. Where appropriate, customers will be informed of debt advice and support services available to them outside the Council.

Customers presenting with a single debt will be able to make a payment or where the debt cannot be cleared, a realistic agreement to pay via the first point of contact.

## **9.1 WHAT SERVICE WILL CUSTOMERS WITH MULTIPLE DEBTS RECEIVE?**

Customers presenting with multiple debts need to believe that there is a solution to their debt problems and should be actively encouraged to share with staff, information on all monies owed, in order for the most appropriate referral to be made.

The Policy does not promote a “one size fits all” approach, but rather looks to work with the customer to take agreed steps to help address multiple debts.

To this end, the response to debt recovery will vary as different solutions will be needed to address the far ranging complexity of cases etc.

The provision of individual responses will also take into account diversity and exclusion issues. Support will be offered including access to interpreters for customers whose first language is not English, ensuring staff attending appointments are able to address the individual customer’s needs. Where requested the provision of supporting information for customers will be made available in an appropriate format, e.g. large print, Braille or audio.

Where practicable, we will also require our partners to ensure the same level of service is provided and encourage other agencies to mirror our approach to diversity and inclusion issues.

## **10.0 RELATIONSHIPS WITH THIRD PARTIES**

### **10.1 Enforcement Agents**

Cherwell District Council’s Corporate Debt Recovery Team uses Bristow & Sutor, an external enforcement company to act on Liability Orders that have been obtained at the Magistrates Court against non-payers. The enforcement agents are instructed to act against debtors who have not made a satisfactory arrangement for payment, or who have not provided financial details to enable an attachment of earnings or a deduction from benefit to be set up. They are also used as collection agents for the collection of Sundry debts, Housing Benefit Overpayments and Excess parking notices.



Enforcement agents, where instructed will be required to work at all times within agreed guidelines and Code of Practice; the efficiency and effectiveness of them will be monitored and appropriate action taken if required.

You can find out more about Bristow & Sutor at [www.bristowsutor.co.uk](http://www.bristowsutor.co.uk)

## **10.2 CAPITA**

Cherwell District Council uses Capita to deal with the Revenues & Benefits functions.

The Corporate Debt Recovery Team will liaise with The Service Assurance Team to ensure that any errors are recorded and are reported back to Capita in a timely manner. Regular meetings between representatives from Capita, The Service Assurance Team, Customer Services and the Corporate Debt Recovery Team will be held to ensure that all parties can discuss and resolve any outstanding issues.

A Service level agreement is in place between Capita and The corporate Debt Recovery Team. This agreement is signed by both parties and is subject to an annual review.

The Corporate Debt Recovery Team will provide:

- Direct contact points
- Training and briefing sessions when requested
- Produce training material and procedure notes when requested

## **10.3 Citizens Advice Bureau**

The Corporate Debt Recovery Team has strong links with the Banbury & Bicester CAB. They work closely together to ensure the best possible advice and help is offered to the residents of Cherwell.

The Corporate Debt Recovery Team will provide:

- Direct contact points
- Training and briefing sessions when requested
- Produce training material when requested

You can find out more about the CAB at [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

## **10.4 Customer Services Team**

The Corporate Debt Recovery Team will work closely with the Council's customer services team to ensure the best possible service to the residents and businesses of Cherwell.

The Corporate Debt Recovery Team will provide:

- Direct contact points
- Training and briefing sessions when requested
- Produce training material and procedure notes when requested

## **11.0 PRIORITY DEBT**

There are many types of debt, but those considered as "priority" debts are those debts owed to creditors who can take the strongest legal action against an individual who does not pay.

It isn't the size of a debt that makes it priority but what creditors can do to recover their money.

Individuals are often but not always aware of the consequences of failure to pay and frequently pay to whoever shouts the loudest.

The procedures supporting this policy would ensure customer awareness of what priority debts are.

### **11.1 THE POLICY IDENTIFIED THE FOLLOWING AS EQUAL PRIORITY DEBTS:**

- Rent arrears – as it can result in eviction.
- Mortgage arrears – as they can result in repossession.
- Council Tax – as it can result in bailiff action, attachment of earnings / benefits, bankruptcy.
- Imprisonment or loss of home.
- Other secured loans – as they can result in loss of home.

### **11.2 OTHER PRIORITY DEBTS**

- Income Tax and VAT – as they can result in bankruptcy or imprisonment
- County Court Judgements - can result in bailiff action, Attachment of Earnings or bankruptcy
- Fines or Compensation / Costs Orders – as they can result in imprisonment
- Maintenance / child support – as it can result in repossession of goods or even imprisonment
- Hire purchase – will be considered essential if, for example it is for the purchase of a car needed to get the owner to work.
- Water Rates – as it can result in bailiff action
- Business Rates – as it can result in bailiff action, bankruptcy or imprisonment
- Benefit overpayments – as it can result in deductions from on-going rent / benefits
- Maintenance or child support – as it can result in bailiff action or imprisonment
- Penalty Charge Notices (parking contraventions) - can result in bailiff actions

The following are considered non priority debts: Credit / store cards, unsecured personal loans, bank overdrafts, credit / interest free / hire purchase agreements, catalogue debts and money borrowed from family and friends.

### **12.0 BAD DEBT PROVISION**

The Head of Finance in conjunction with Service Accountants must ensure there is adequate provision for bad debts, in accordance with CIPFA's Code of Practice on Local Authority Accounting in United Kingdom – A Statement of Recommended Practice.

The Corporate Debt Recovery Team will ensure that, where there is little or no likelihood of receiving payment, the invoice is flagged as a potential bad debt. If income is received, the Team will 'un-park' the invoice and revert to original status.

### **13.0 PERFORMANCE MONITORING AND REPORTING OF DEBT**

Targets for the collection of Council tax, Business rates, Housing benefit overpayment and sundry debt collection are set at the start of each financial year.

Each month a comprehensive summary report of the Council's debt position and performance will be issued to the Head of Finance and relevant members.

### **14.0 GLOSSARY**

Safe working practice note No 50, personal safety at work policy - This covers working alone / outside visits.

The Council's Constitution - Heads of service have delegated powers for writing off of bad debt up to £5,000 and arrears for council tax and business rates up to £10,000. Any write off above that limit must be an individual portfolio holder decision.

NNDR - National Non Domestic Rates – Business Rates

DIP - Document Imaging system – The system that is used by Cherwell District Council to store all documents and can be accessed by authorised users.

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## Council

### Appointment of New Parish Representative to the Standards Committee

18 May 2010

### Report of Team Leader – Planning and Litigation / Interim Monitoring Officer

#### PURPOSE OF REPORT

To confirm the appointment of Councillor John Coley as the new Parish Representative of the Standards Committee and to confirm that no substitute Parish Representatives be recruited at this time.

This report is public
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#### Recommendations

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Council is recommended:

- (1) To approve the appointment of Councillor John Coley as Parish Representative of the Standards Committee for an initial two year term.
- (2) To approve the recommendation of the Standards Committee that in light of the proposals in the Localism Bill to abolish the standards regime, no deputy Parish Representatives be recruited at this stage.

#### Executive Summary

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##### Introduction

- 1.1 In March 2011 Councillor Greenslade-Hibbert advised that he would be stepping down from the Standards Committee. Councillor Greenslade-Hibbert would not be standing for re-election at the May 2011 parish elections and would therefore not be qualified to sit on the Standards Committee as Parish Representative.
- 1.2 The resignation of Councillor Greenslade-Hibbert would leave a vacancy on the Committee. It is important to appoint to this vacancy as soon as possible to ensure the Committee does not fall below the minimum requirements for Parish Representatives.

## Proposals

- 1.3 The legal minimum number of Parish Representatives on the Standards Committee is two. The Standards Committee currently has one deputy parish representative: Councillor Coley. The Committee has the discretion to decide how it recruits parish representatives and make recommendations to Council accordingly. Councillor Coley indicated that he would be happy to become a full member of the Standards Committee. This was approved by the Committee and is now being recommended to Council for approval.
- 1.4 If Council approves the recommendation to appoint Councillor Coley as a full Parish Representative, the Committee will have no deputy Parish Representatives. In light of the proposals in the Localism Bill to abolish the Standards for England regime, which removes the requirement for councils to have a local standards committee, the Committee recommends that no deputy parish representatives be recruited at this time.

## Conclusion

- 1.5 The Council is required to appoint a minimum of two Parish Representatives to the Standards Committee. Parish Representatives are important members of Standards Committees particularly in assisting with the local assessment of complaints.

## Key Issues for Consideration/Reasons for Decision and Options

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- 2.1 It is a requirement that the Council must appoint a certain number of parish representatives.
- 2.2 The Committee also needs to maintain a certain number parish representatives to assist in the local assessment of complaints.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

<b>Option One</b>	Accept the recommendations as drafted
<b>Option Two</b>	Amend the recommendations
<b>Option Three</b>	Reject the recommendations

## Implications

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<b>Financial:</b>	The costs for the Parish Representatives are contained within the budget.  Comments checked by Karen Muir, Corporate System Accountant 01295 221559
<b>Legal:</b>	Until the Localism Bill receives Royal Assent in late 2011,

the committee has a responsibility to comply with the Standards for England guidance on committee membership. It is necessary to maintain a certain level of parish representatives to ensure the committee can carry out the local assessment of complaints.

Comments checked by Nigel Bell, Team Leader – Planning and Litigation 01295 221687

**Risk Management:**

Until the Localism Bill receives Royal Assent in late 2011, the Council has a requirement to follow the Standards for England guidance relating to Standards Committee membership, failure to comply with the guidance could result in intervention by Standards for England which would be damaging to the Council's reputation.

Comments checked by James Doble, Democratic, Scrutiny and Elections Manager, 01295 221589

**Wards Affected**

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All

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
None	
<b>Background Papers</b>	
Local Standards Framework Guide for authorities	
<b>Report Author</b>	Natasha Clark, Senior Democratic and Scrutiny Officer
<b>Contact Information</b>	01295 221589 Natasha.Clark@cherwell-dc.gov.uk

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## Council

### Standards Committee Annual Report 2010/11 and the Future of the Standards Regime

18 May 2011

#### Report of Team Leader – Planning and Litigation / Interim Monitoring Officer

##### PURPOSE OF REPORT

The report presents the Standards Committee Annual Report 2010/11, which was approved by the Standards Committee on 21 March 2011. The report also advises Council of the recommendations agreed by the Standards Committee on the approach Cherwell District Council should take in the light of the proposals in the Localism Bill relating to the Standards Board regime.

This report is public

##### Recommendations

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Council is recommended:

- (1) To note the contents of the Standards Committee Annual Report 2010/11.
- (2) To delegate to the Interim Monitoring Officer authority to update the Standards Committee Annual Report 2010/11 in light of any further announcements about the Standards Board regime by the Government prior to the publication of the Annual Report.
- (3) To note the recommendations agreed by the Standards Committee on the approach Cherwell District Council should take in light of the proposals in the Localism Bill relating to the Standards Board regime, namely that the Standards Committee be abolished and responsibilities transferred to the Accounts Audit and Risk Committee, that a voluntary code of conduct be adopted and limited support continue to be given to the parish councils.

##### Executive Summary

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##### Standards Committee Annual Report 2010/11

- 1.1 The Standards Committee Annual Report 2010/11 is attached (Appendix 1). The Annual Report contains information relating to the work of the Standards Committee in monitoring the ethical framework.

- 1.2 The Standards Committee considered and approved the Annual Report 2010/11 at its meeting on 21 March 2011.
- 1.3 Once the content of the report is noted, it will be formatted into the corporate style for distribution. The Standards Committee agreed the publicity arrangements for the Annual Report: there will be a press release, it will be published on the Council's website and it will be emailed to every Parish Council.

### **The Future of the Standards Regime**

- 1.4 The Localism Bill was published on 13 December 2010, as the vehicle to provide the legislative framework required to achieve many of the ambitions which were set out in the government's 'Big Society' agenda.
- 1.5 The Standards Regime, Standards Board and National Code of conduct fall within the principle 'lifting the burden of democracy' in the Localism Bill.
- 1.6 The Bill proposes to retain and introduce new mechanisms for upholding standards for councillors:
  - Monitoring Officers will be required to continue to maintain a register of interests for elected and co-opted members.
  - Elected members will be required to continue to declare personal interests and will not be allowed to use their position improperly for personal gain.
  - Wilful failure to comply with these requirements and declare interests will become a criminal offence. Prosecutions may only be brought by the Director of Public Prosecutions. The offence will be punishable by a fine of up to £5000 and potentially disqualification for up to five years.
  - In terms of Parish Councils, conduct becomes a matter for the Parish Council in question and no longer a matter for the district council or the district council's Monitoring Officer to investigate.
- 1.7 Additionally the Bill narrows the scope of predetermination as a basis of alleging bias. A decision-maker is not to be taken to have had, or to have appeared to have had, a closed mind just because they had previously done anything that directly or indirectly indicated what view the decision-maker took, or might take.

This essentially seems to replicate the existing common law position. A councillor is not to be taken to have had or to have appeared to have had a closed mind when making the decision just because that decision-maker had previously directly or indirectly indicated what view they might take. The 'just because' is significant since this effectively maintains the current common law position that there needs to be particular evidence of predetermination at the point of making the decision. However, whilst the law on bias remains unaffected, in that local authority decisions must be and be seen to be taken fairly and without bias, the proposed provisions in the Bill effectively enshrine in statute the common law position on predetermination. The key point is that councillors have a primarily democratic, rather than a judicial, role and their actions should be judged in that context.

- 1.8 It is anticipated that the Bill will receive Royal Assent in late 2011. The present conduct regime will continue to function in a normal manner, considering, investigating and determining allegations of misconduct until a fixed date (“the appointed date”), which is likely to be around two months after the Bill receives Royal Assent. This means that until the appointed day, an allegation of misconduct can be made but after the appointed day, no further allegations of misconduct can be made under the Standards for England regime. It also means that at the appointed day, allegations will be in the process of investigation and appeals against sanctions will be pending. Transitional measures will be put in place to address this.
- 1.9 The Localism Bill provides for significant changes to maintaining and monitoring standards in local government. It is important the council considers the implications and agrees the approach it will wish to take as early as possible to ensure a smooth transition.
- 1.10 In light of the proposals in the Bill, the Standards Committee considered the proposals at its meeting of 21 March 2011 and agreed the following recommendations to Council, of the approach Cherwell District Council may wish to take in light of the proposals in the Localism Bill relating to the Standards Board regime: That the Standards Committee be abolished and the responsibilities be transferred to the Accounts Audit and Risk Committee (the terms of reference of the Standards Committee and an annotated Standards Committee Terms of Reference in light of the Localism Bill proposals are attached as appendices 2 and 3 respectively), that a voluntary code of conduct be adopted and that limited support continue to be given to the parish councils.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 The Standards Committee has an important role in seeking to ensure high standards of behaviour amongst Councillors in the District. It is important for their role to be understood by the public. The Committees Annual Report is part of that engagement process.
- 3.2 The Localism Bill includes proposals which will transform the ethical framework in local government, notably through the abolition of Standards for England, the removal of the requirement for local authorities to have a Code of Conduct and local Standards Committees and conduct becoming a matter for parish councils to determine. Councils will still however have a duty to promote and maintain high standards of conduct and may choose to adopt a voluntary Code of Conduct and maintain a Standards Committee.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

- Option One** To agree the recommendations as set out in the report.
- Option Two** To amend the recommendations.

## Implications

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- Financial:** The cost of printing and distributing the Annual Report will be met from existing budgets.  
Until the Localism Bill passes into legislation there are no direct implications. It should be noted however that the Value for Money Review Corporate and Democratic Core approved by Executive in December 2010 included savings of £25,451 in 2011/12 for the deletion of the Standards Committee and the Standards Committee investigation budget.  
The cost of all investigations to date have related to parish councils so a reduced role, at least in the current climate, is welcomed.  
Comments checked by Karen Muir, Corporate System Accountant 01295 221559
- Legal:** There are no legal implications relating to the Standards Committee Annual report.  
The current standards regime must continue until the Localism bill becomes law. Whilst there will be no requirement to have a code there will be a duty to uphold high standards of conduct and having a voluntary code of conduct will help to satisfy that duty.  
Comments checked by Nigel Bell, Team Leader – Planning and Litigation / Interim Monitoring Officer, 01295 22 1687
- Risk Management:** There are no risk implications relating to the Standards Committee annual report.  
Until the Localism Bill passes into legislation there are no direct implications  
Comments checked by James Doble, Democratic, Scrutiny and Elections Manager, 01295 221587

## Wards Affected

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All

## Document Information

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Appendix No	Title
Appendix 1	Standards Committee Annual Report 2010/11
Appendix 2	Standards Committee Terms of Reference
Appendix 3	Annotated Standards Committee Terms of Reference in light of the Localism Bill proposals
Background Papers	
None	
Report Author	Natasha Clark, Senior Democratic and Scrutiny Officer
Contact Information	01295 221589 <a href="mailto:natasha.clark@cherwell-dc.gov.uk">natasha.clark@cherwell-dc.gov.uk</a>

## **The Cherwell Standard**

A review of the work of Cherwell District Council's Standards Committee in 2010/11

### **Cherwell District Council and South Northamptonshire Council Shared Management Arrangements**

Many district councils in England are either in a formal partnership arrangement with a neighbouring district or are seriously talking about it. They are doing this to help save council taxpayers' money, to preserve services for residents, and to respond to expected cuts in Government funding over the coming years. Experience in other parts of the country has shown that efficiencies can be gained from a shared chief executive, management team and specialist positions between two authorities. All those who have successfully shared a management team have advised us to do it and reap the rewards; none have regretted it.

In December 2010 the Members of Cherwell District Council and South Northamptonshire Council agreed to share a senior management team comprising twelve posts: a Chief Executive, three Directors and eight Heads of Service, to reap the rewards outlined above. The initial saving is a significant amount that will go a long way to addressing our current financial situation, as we are under pressure from the effects of the recession as well as major reductions in grant support from the Government.

In February 2011 both Cherwell District Council and South Northamptonshire Council appointed Sue Smith as the shared Chief Executive. Sue has been the Chief Executive of Harborough District Council since 2005. In a local government career spanning 30 years, Sue has held key posts as:

- Deputy Chief Executive, Lichfield District Council 2002 – 2005
- Corporate Director, Communications, Culture, Community, Regeneration and Partnerships, Lichfield District Council 2001 – 2002
- Head of Leisure Services, Lichfield District Council 1995 - 2001

Sue took up the post of shared Chief Executive on 16 May 2011, but has attended some key meetings already as well as getting to know the area better. It is anticipated that the shared Directors and Heads of Service will be appointed by September 2011, subject to the final structure being approved first by both full Councils.

Cherwell District Council and South Northamptonshire Council stress that the shared management arrangement is not a merger of the two councils but a model that strives to show that working together is the best way we can deliver good quality services to residents in both districts in the years to come.

### **Monitoring Officer Arrangements at Cherwell District Council**

In accordance with the Local Government Act 1972, there is a statutory requirement on the authority to designate three statutory officers; Head of

Paid Service (Chief Executive), Monitoring Officer and Section 151 Officer/  
Chief Finance Officer.

Liz Howlett, Head of Legal and Democratic Services, was the Monitoring Officer. She left Cherwell at the end of March. Given the proposals for a shared senior management team it is uncertain at this point where the Monitoring Officer role will sit in the new structure and what other services the shared Monitoring Officer may manage. In February 2011 Council agreed interim arrangements to ensure the Council has a Monitoring Officer as required by the law pending the review and restructure of the senior management team. Nigel Bell, Team Leader – Planning and Litigation, was appointed Interim Monitoring Officer with effect from 1 April.

### **The Localism Bill and the Future of the Standards Regime**

The Local Government Act 2000 established standards committees in local authorities to promote good conduct by Councillors and Staff. The Localism Bill, published on 13 December 2010, contains proposals to abolish the standards regime.

The Bill abolishes Standards for England which was the national coordinating body for the standards regime. The Bill does abolish the mandatory national code of conduct and the requirement to have a Standards Committee but it leaves it to each local authority to decide whether it wishes to have a voluntary local code of conduct.

As there is no longer a national code it will be for each local authority, if it wishes to have a code, to decide what should be in that code. Local authorities may revise the code they have, adopt a new code to replace the existing code or withdraw the existing code without replacing it. Local authorities will be required to deal with complaints about breaches of their code of conduct, if they have one, but no sanctions other than censure will be available. Even if an authority chooses not to have a code of conduct it will need a mechanism to deal with complaints about the behaviour, or activities, of councillors. The view of Cherwell District Council's Standards Committee is that the Council should adopt a voluntary code of conduct and continue to give limited support to parish councils in the district. However, Members believe that the Standards Committee should be abolished and the responsibilities that will remain in light of the Localism Bill proposals be transferred to the Accounts, Audit and Risk Committee.

What will remain is a duty to promote good conduct and an obligation to disclose and register interests. The Monitoring Officer will continue to be responsible for establishing and maintaining the register of Members' interests. It will be an offence to fail to register, or fail to disclose, an interest. Prosecutions may only be brought by the Director of Public Prosecutions. The offence will be punishable by a fine of up to £5000 and potentially disqualification for up to five years.

It is anticipated that the Bill will receive Royal Assent in late 2011.

### **Local Assessment of Complaints**

Until the Localism Bill receives Royal Assent in late 2011 the present conduct regime will continue to function as before, considering, investigating and determining allegations of misconduct until a fixed date (“the appointed date”), which is likely to be around two months after the Bill receives Royal Assent. This means that until the appointed day, an allegation of misconduct can be made but that after the appointed day, no further allegations of misconduct can be made under the Standards for England regime. It also means that at the appointed day, allegations will be in the process of investigation and appeals against sanctions will be pending. Transitional measures will be put in place to address this.

Therefore, until the appointed date, all cases involving misconduct allegations will continue to be dealt with locally by the Standards Committee. The Standards Committee can investigate cases, refer cases to the Standards for England or resolve cases through other means such as mediation or training.

All code of conduct complaints must be sent to Nigel Bell, Interim Monitoring Officer, Bodicote House, Bodicote, Banbury, OX15 4AA

### **Meetings of the Standards Committee 2010/11**

Number of times a general meeting of the Standards Committee has been held	3
Number of times an Assessment Sub-Committee has met	2
Number of times a Review Sub-Committee has met	1
Number of Hearings	0

### **Appointments to the Standards Committee**

At the end of 2010/11 Councillor Alan Greenslade-Hibbert (Parish Representative) stepped down from the Standards Committee as he was not standing for election in May to Mollington parish council. Cherwell District Council thanks Councillor Greenslade-Hibbert for his service to the Committee and the district.

The legal minimum number of parish representatives on the committee is two. The parish representatives carry out an extremely important role on the committee and particularly on the assessment subcommittees. If the assessment subcommittee is considering a complaint relating to a parish council there must be a parish representative on the subcommittee. Councillor John Coley, who was previously a substitute Parish Representative, was appointed by the Standards Committee and approved by Council in May 2010 to serve as a full member on the Committee.

In the light of the proposals in the Localism Bill which no longer require councils to operate Standards Committee, the Committee will be not be seeking to appoint any new parish substitute members.

## **Complaints**

During 2010/11 we received one complaint which was made against parish councillors and related to an alleged breach of the Shenington with Alkerton Parish Council's Code of Conduct. A Standards Assessment Sub-Committee meeting was arranged to consider the complaint. The Sub-Committee felt that the complaint did not warrant further action.

## **Cost of Complaints**

The cost of holding two Assessment Sub-Committees and one Review Sub-Committee in 2010/11 was £717. There is a lot of other work surrounding complaints not reflected in these figures and they do not take account of the time spent mediating for parish councils. There is no power in the legislation to recharge parish councils for the cost of investigating complaints about them. There is also little scope at present to reject repetitive complaints.

## **Training**

During 2010/11 the Standards Committee arranged training in a number of different areas.

### **Code of Conduct and Governance**

In May 2010 Liz Howlett, former Monitoring Officer, held a training session for all Councillors providing guidance on the Code of Conduct and explaining what personal and prejudicial interests are and when they should be declared. The session also covered the role of the Standards Committee, Standards for England and the Corporate Governance framework. It also covered the Annual Governance Statement, the governance framework and how Standards Committee and Accounts, Audit and Risk Committee work together.

### **Planning Training**

In order for Councillors to participate in planning decisions they must attend Planning Training. A Planning training session was held in May 2010. The session aimed to explain and guide Councillors through the often complex planning system so that they can make sound decisions, and explain them to their constituents.

### **Freedom of Information, Data Protection and Information Security**

Liz Howlett, former Monitoring Officer, and Gareth Jones, Information Systems Manager held a training session for Members in May 2010 which provided an overview of the Freedom of Information Act 2000 (including use of email) and our responsibilities under the Data Protection Act 1998.

## **Training for parish councils**

The Oxfordshire Association of Local Councils continues to support the five district councils who set up a training forum for new parish clerks in 2010. The aim of the forum is to provide training and guidance so new parish clerks are equipped to carry out their role with confidence. The forum meetings have



covered topics ranging from data protection and freedom of information to parish elections. The next meeting of the forum will be held on Thursday 26 May at West Oxfordshire District Council.

### **Complaints to the Local Government Ombudsman**

A total of 12 enquiries and complaints were received about the Council in 2010/2011.

- 4 related to Planning and Building Control, all of which were passed for investigation
- 1 related to housing, which was passed for investigation
- 1 related to local taxation and was referred for investigation
- 2 related to transport and highways, one of which was investigated
- 4 other contacts, of which one was about taxi licensing, were passed for investigation.

Of the 12 decisions taken during 2010/2011:

- In 7 cases the Ombudsmen found no evidence of maladministration
- One complaint was resolved by way of a local settlement between the Council and the complainant
- Two complaints were not pursued at the Ombudsman's discretion
- Two complaints are still currently being investigated

The local settlement was in respect of a complaint about Housing Benefit, notably that the Council did not deal with the complainant's application for hardship relief as it should have done. The complaint was considered and the Ombudsman ruled that there was fault on the Council's part for the delay in determining the application. The complainant had argued that they were led to believe that there was a good chance that the application would be successful. They were further encouraged because their account had been suspended and the length of time the consideration was taking.

The Ombudsman accepted that the complainant's hopes were raised but did not conclude that they had sufficient reason to conclude that hardship relief would be granted and should not have made decisions on the basis that it would be. The Ombudsman did agree that the complainant had not received the service they were entitled to expect from the Council and acknowledged that the Council had agreed to pay £250 compensation against the arrears.

### **Member Expenses**

Each year the Council is required to publish information relating to allowances received and expenses claimed by Councillors. Since 2009 the information is published on the Council website ([www.cherwell.gov.uk](http://www.cherwell.gov.uk)) and updated monthly making the information more accessible to members of the public. The levels of the allowance and expenses are recommended by an Independent Remuneration Panel who meet in the autumn and report to Council each year as part of the budget setting process. In February 2011 Full Council considered the report of the Panel and agreed that there would be no increase in Members' allowances in 2011/12.

## **Transparency Agenda**

The Coalition Government has set out the need for greater transparency across its operations to enable the public to hold public bodies and politicians to account. This includes commitments relating to public expenditure, intended to help achieve better value for money. Cherwell District Council believes transparency is a key condition and driver for the delivery of our services. As a publicly funded organisation, we have a duty to our residents to be transparent in our business operations and outcomes. In addition to publishing information on Member expenses, the Council also publishes the following information on its website, [www.cherwell.gov.uk](http://www.cherwell.gov.uk):

- Contracts Register, which lists all live contracts in place with a lifetime value greater than £10,000
- List of council jobs
- Payments to suppliers where the charge to a specific cost centre over a financial year is greater than or equal to £500. In contrast to many other local authorities, Cherwell District Council exceeds the Governments requirements and publishes the payments to suppliers in a format that enables members of the public to view the payment date, the transaction number in our records, the supplier name, how we classify the payment in our accounts and the amount of payment.
- Pay and benefits of staff earning over £50,000 per annum

## **Corporate Governance Panel Annual Governance Report**

It is important for Members to be actively involved in the governance of the authority. The Accounts Audit and Risk Committee takes prime responsibility for corporate governance and formally agrees the Annual Governance Statement. The Standards Committee also has a key role in the corporate governance arrangements of the Council as it is responsible for the Council's ethical framework. The Corporate Governance Panel is tasked with validating and reviewing the assurance arrangements of the Council and monitoring any actions necessary to address areas of weakness identified. The Standards Committee and the Accounts Audit and Risk Committee are both represented on the Corporate Governance Panel.

The Corporate Governance Panel reviews the draft Annual Governance Statement which eventually forms part of the Statement of Accounts which the Accounts, Audit and Risk Committee will consider in June 2011.

### Standards Committee Terms of Reference

(Membership as set out in the standards committee procedure rules)

- Promoting and maintaining high standards of conduct by all Councillors and co-opted members within the district.
- Assisting the Councillors and co-opted members to observe the Members' Code of Conduct.
- To provide advice and guidance on the Code of Conduct for members of parish and town councils through the Monitoring Officer.
- Advising the Council on the adoption or revision of the Members' Code of Conduct.
- Monitoring the operation and effectiveness of the Members' Code of Conduct.
- Advising, training or arranging to train Councillors, employees and co-opted members on matters relating to the Members' Code of Conduct.
- Assessment and review of complaints about Members, to conduct determinations' hearings and to impose sanctions as a consequence of a finding of misconduct within the limits set by statutory regulations and following the Standards Board Guidance.
- Granting dispensations to Councillors, co-opted members and Parish and Town Councillors from requirements relating to interests set out in the Members' Code of Conduct.
- Granting exemptions for politically restricted posts.
- To make representation to the Local Government Association, Central Government and Standards Board about any matter relating to the general principles of conduct for Members or employees of the Council.
- To be responsible for liaison between the Council and external agencies in connection with any matter within the Committee's Terms of Reference.
- Provide advice and guidance to Councillors appointed to serve as the Council's representatives on outside bodies.
- To produce an annual report to Council on the activities of the committee.
- To act as a selection panel and to advise the Council on the appointment of independent members and Parish Representatives on the Committee.

- To carry out a general review of the Council's procedures, including the Council's Constitution, where changes are proposed which may impact on the ethical framework and to report to the Council any changes required. Only changes which may impact on the ethical framework need to be considered by the Standards Committee. Whether there is such an impact shall be determined by the Head of Legal and Democratic Services.

The Standards Committee may appoint subcommittees to exercise functions in relation to the hearing, adjudication and determination of any sanction, of cases pursuant to Sections 57A and 57B of the Local Government Act 2000 involving:

- the initial assessment of an allegation;
- the review of any decision to take no action in respect of an allegation;
- a direction that action is taken other than to refer an allegation for investigation and
- the hearing and determination of a complaint and the imposition of a sanction as appropriate following a completed investigation by the Monitoring Officer.

**Annotated Standards Committee Terms of Reference in light of the Localism Bill proposals**

(Membership as set out in the standards committee procedure rules)

*The following 7 points could be transferred to the Accounts, Audit and Risk Committee*

- Promoting and maintaining high standards of conduct by all Councillors and co-opted members within the district.
  - *This will remain*
- Assisting the Councillors and co-opted members to observe the Members' Code of Conduct.
  - *This is dependent on whether Members choose to adopt a voluntary Code of Conduct*
- To provide advice and guidance on the Code of Conduct for members of parish and town councils through the Monitoring Officer.
  - *Districts will no longer have responsibility, it will be discretionary*
- Advising the Council on the adoption or revision of the Members' Code of Conduct.
  - *This is dependent on whether Members choose to adopt a voluntary Code of Conduct*
- Monitoring the operation and effectiveness of the Members' Code of Conduct.
  - *This is dependent on whether Members choose to adopt a voluntary Code of Conduct*
- Advising, training or arranging to train Councillors, employees and co-opted members on matters relating to the Members' Code of Conduct.
  - *This is dependent on whether Members choose to adopt a voluntary Code of Conduct*

*The following areas could be deleted as they would no longer be relevant.*

- Assessment and review of complaints about Members, to conduct determinations' hearings and to impose sanctions as a consequence of a finding of misconduct within the limits set by statutory regulations and following the Standards Board Guidance.
- Granting dispensations to Councillors, co-opted members and Parish and Town Councillors from requirements relating to interests set out in the Members' Code of Conduct.

- Granting exemptions for politically restricted posts.
- To make representation to the Local Government Association, Central Government and Standards Board about any matter relating to the general principles of conduct for Members or employees of the Council.
- To be responsible for liaison between the Council and external agencies in connection with any matter within the Committee's Terms of Reference.
- Provide advice and guidance to Councillors appointed to serve as the Council's representatives on outside bodies.
- To produce an annual report to Council on the activities of the committee.
- To act as a selection panel and to advise the Council on the appointment of independent members and Parish Representatives on the Committee.
- To carry out a general review of the Council's procedures, including the Council's Constitution, where changes are proposed which may impact on the ethical framework and to report to the Council any changes required. Only changes which may impact on the ethical framework need to be considered by the Standards Committee. Whether there is such an impact shall be determined by the Head of Legal and Democratic Services.

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- a direction that action is taken other than to refer an allegation for investigation and
- the hearing and determination of a complaint and the imposition of a sanction as appropriate following a completed investigation by the Monitoring Officer.

**Committee:** First Meetings of Committees  
**Date:** Wednesday 18 May 2011  
**Time:** 6.45pm or on the rising of Council which ever is later  
**Venue:** Bodicote House

## AGENDA

Meetings of various Committees will be held immediately on the rising of the Council Meeting, in order to elect their Chairman and Vice-Chairman for 2011/12, and to conduct any other business as may be specified.

Members are asked to remain in their places at the conclusion of the Council Meeting and to stand for the period during which Committees of which they are a member are called into session.

The Chairman of the Council will preside over the election of the Chairman of each Committee who, once appointed, will preside over the election of the Vice-Chairman. In each case, the names of Members moved and seconded will be put to the vote, unless only one name is submitted, in which case that Member will be declared appointed unopposed.

### 1. **Accounts, Audit and Risk Committee**

- a) The Chairman of the Council will call for nominations for the office of Chairman.
- b) The Chairman of the Committee will then call for nominations for the office of Vice-Chairman.

### 2. **Appeals Panel**

- a) The Chairman of the Council will call for nominations for the office of Chairman.
- b) The Chairman of the Committee will then call for nominations for the office of Vice-Chairman.

**3. Licensing Committee**

- a) The Chairman of the Council will call for nominations for the office of Chairman.
- b) The Chairman of the Committee will then call for nominations for the office of Vice-Chairman.

**4. Overview and Scrutiny Committee**

- a) The Chairman of the Council will call for nominations for the office of Chairman.
- b) The Chairman of the Committee will then call for nominations for the office of Vice-Chairman.

**5. Personnel Committee**

- a) The Chairman of the Council will call for nominations for the office of Chairman.
- b) The Chairman of the Committee will then call for nominations for the office of Vice-Chairman.

**6. Planning Committee**

- a) The Chairman of the Council will call for nominations for the office of Chairman.
- b) The Chairman of the Committee will then call for nominations for the office of Vice-Chairman.

**7. Resources and Performance Scrutiny Board**

- a) The Chairman of the Council will call for nominations for the office of Chairman.
- b) The Chairman of the Committee will then call for nominations for the office of Vice-Chairman.



## **Information about this Agenda**

### **Apologies for Absence**

Apologies for absence should be notified to [democracy@cherwell-dc.gov.uk](mailto:democracy@cherwell-dc.gov.uk) or prior to the start of the meeting.

### **Declarations of Interest**

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item. The definition of personal and prejudicial interests is set out in the constitution. The Democratic Support Officer will have a copy available for inspection at all meetings.

**Personal Interest:** Members must declare the interest but may stay in the room, debate and vote on the issue.

**Prejudicial Interest:** Member must withdraw from the meeting room and should inform the Chairman accordingly.

With the exception of the some very specific circumstances, a Member with a personal interest also has a prejudicial interest if it is one which a Member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest.

### **Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates**

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

### **Queries Regarding this Agenda**

Please contact James Doble, Democratic, Scrutiny and Elections Manager, 01295 221587, [james.doble@cherwell-dc.gov.uk](mailto:james.doble@cherwell-dc.gov.uk)

**Ian Davies**  
**Interim Chief Executive**

Published on 11 May 2011

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