



## COUNCIL - WEDNESDAY, 4 JULY 2012

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### Late Items

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#### 7. REPORTS OF THE CABINET, PANELS AND COMMITTEE

- (e) Cabinet (Pages 1 - 12)

**Revised** report of the meeting held on 17th May and 21st June 2012 attached.

- (j) Corporate Governance Panel (Pages 13 - 24)

Report of the meeting held on 26 June 2012 attached.

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## **Cabinet**

### **Report of the meetings held on 17th May and 21st June 2012**

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#### **Matter for Determination**

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#### **1. TREASURY MANAGEMENT ANNUAL REPORT 2011/2012**

By way of a report by the Head of Financial Services (attached as Document 1), the Cabinet has been acquainted with the performance in the investment of the Council's capital receipts for the year ending 31st March 2012.

The Council has continued to carry out its treasury management activities with due regard to minimising risk, and in accordance with the relevant legislation.

Having been acquainted with the deliberations of the Overview and Scrutiny (Economic Well-Being) Panel on this matter, as described in Item No. 2 of their Report, the Cabinet

#### **RECOMMEND**

**that the Council receives the Treasury Management Annual Report 2011/12 and approves the amended Appendix B of the Treasury Management Strategy for 2012/13 reproduced as Document 2.**

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#### **Matters for Information**

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#### **2. APPOINTMENT OF EXECUTIVE COUNCILLORS**

Executive responsibilities for the Municipal Year 2012/13 have been allocated by the Executive Leader of the Council as follows:-

- ◆ Strategic Economic Development - Councillor J D Ablewhite
- ◆ Strategic Planning and Housing - Councillor N J Guyatt
- ◆ Healthy and Active Communities - Councillor T D Sanderson
- ◆ Resources - Councillor J A Gray
- ◆ Environment - Councillor D M Tysoe
- ◆ Customer Services -Councillor B S Chapman

Executive Councillors have been appointed to serve as ex-officio Members of Panels as follows –

**Executive Councillor for**

Strategic Planning and Housing  
Healthy and Active Communities

**Ex-Officio for**

Development Management Panel  
Licensing and Protection Panel/  
Licensing Committee

The Executive Leader has been appointed ex-officio member of the Employment Panel.

**3. REPRESENTATION ON ORGANISATIONS AND PARTNERSHIPS  
2012/13**

The Cabinet has made appointments/nominations in relation to representation on a variety of organisations/partnerships and has authorised the Head of Legal and Democratic Services, after consultation with the Deputy Executive Leader of the Council, to make any changes that may be required throughout the year.

**4. EQUALITY FRAMEWORK FOR LOCAL GOVERNMENT  
EQUALITY PEER CHALLENGE – ACHIEVING ACCREDITATION**

In conjunction with the Overview and Scrutiny Panel (Social Well-Being) and the Employment Panel, Item Nos 1 and 5 of their Reports refer, the Cabinet has noted the accreditation obtained by the Council as an “Achieving” authority under the Equality Framework for Local Government. The Framework is a performance improvement and benchmarking tool which is designed to help local government meet their legal equality duties.

In considering the key findings of the assessment, Executive Councillors have noted that the areas identified for future consideration will be progressed by way of an action plan which includes issues regarding future growth, service equity, engagement and staff communication.

J D Ablewhite  
Chairman

**TREASURY MANAGEMENT ANNUAL REPORT 2011/12  
(Report by the Head of Financial Services)**

**1. INTRODUCTION**

- 1.1 Council approves the Treasury Management strategy for the forthcoming year when it approves the budget and MTP each February. It also receives a mid-year report and an annual report after the end of the financial year. The Council's Strategy also requires scrutiny of the Treasury Management function to be carried out by the Economic Well-being Panel.
- 1.2 The Council approved the 2010/11 treasury management strategy at its meeting on 17th February 2011. The key points were:
- to invest any available funds in a manner that balanced low risk of default by the borrower with a fair rate of interest.
  - to ensure it had sufficient cash to meet its day-to-day obligations
  - to borrow when necessary to fund capital expenditure and to borrow in advance if rates were considered to be low. It envisaged the need for further borrowing in the range of £4.9M to £19.8M.

**2. ECONOMIC REVIEW**

- 2.1 The Eurozone debt crisis dominated the financial year 2011/12. The apparent inability of leaders to either agree on remedial policies or implement fiscal consolidation measures prompted frequent bouts of market volatility, exacerbated by multiple sovereign rating downgrades, as investors positioned themselves for potential government defaults or even the breakup of the Eurozone itself.
- 2.2 Exposure to the Eurozone periphery and new regulations aimed at reducing the need for government support created downward pressure on the creditworthiness of many European banks, prompting a raft of credit rating downgrades. The European Central Bank (ECB) pulled the Eurozone back from the brink in late December by cutting interest rates and providing cheap long-term loans, immediately reducing the near-term risk of a liquidity crisis and temporarily calming financial markets.
- 2.3 The UK's reliance on the Eurozone as a major trading partner was illustrated when it followed the Eurozone into recession over the last six months of the financial year. Other factors responsible for the fall in economic activity included the government's deficit reduction programme and the weakness in household and business spending. The decline in household spending was the result of low confidence and the erosion of

disposable income by persistently elevated inflation, subdued wage growth, higher taxes and rising unemployment. Businesses were in a similarly weak position, with access to credit restricted or too expensive due to a risk-averse banking sector, and subdued domestic and foreign demand.

- 2.4 Weakening economic growth and signs of further deterioration in the Eurozone prompted the Bank of England to loosen monetary policy in October, despite above target inflation. With Bank Rate already at 0.5%, the Monetary Policy Committee (MPC) voted for a further £50bn of quantitative easing which helped push gilt yields to record lows over the following few months. Policymakers justified the action because they were confident inflation would fall quickly back to target during 2012. However, although the annual Consumer Price Index (CPI) rate declined from the September peak of 5.2%, a combination of higher crude oil and food prices caused the rate to rise slightly in March to 3.5%, leaving Bank of England policymakers in the unenviable position of setting policy to battle both weak growth and high inflation.

### 3. PERFORMANCE OF FUNDS

- 3.1 The following table summarises the treasury management transactions undertaken during the 2011/12 financial year and the details of the investments and loans held as at 31 March 2012 are shown in Annex A.

	<b>Principal Amount £m</b>	<b>Interest Rate %</b>
<b>Investments</b>		
at 31 <sup>st</sup> March 2011	15.5	3.50
<b>less</b> matured in year	-161.0	
<b>plus</b> arranged in year	+155.9	
at 31 <sup>st</sup> March 2012	10.4	4.29
<b>Average Investments</b>	<b>20.1</b>	<b>2.90</b>
<b>Borrowing</b>		
at 31 <sup>st</sup> March 2011	13.1	3.13
<b>less</b> repaid in year	-37.4	
<b>plus</b> arranged in year	+38.8	
at 31 <sup>st</sup> March 2012	14.5	2.82
<b>Average Borrowing</b>	<b>12.3</b>	<b>3.23</b>

- 3.2 The average rate of interest on investments of 2.9% was 2.5% above the 7-day benchmark rate of 0.4%. This very good performance was due to £10m of the investments being locked into higher rates before the year started together with the use of liquidity accounts with major banks and building societies which gave the added safety of instant access together with interest rates comfortably in excess of the benchmark.

- 3.3 The Council's exposure to interest rate risk at the end of the year was the £10M long term PWLB borrowing from 3 years ago which is still well below current long term rates and £4.5M short term borrowing for less than 3 weeks at a mixture of 0.3% and 0.5%. This gave an average borrowing rate of 3.23%.
- 3.4 The actual net investment interest (after deduction of interest payable on loans) was a credit of £183k compared with a credit budget of £93k due to the higher than estimated interest rates and higher levels of reserves.

#### **4. STRATEGY – BORROWING**

- 4.1 Long-term borrowing. The strategy allowed for 'must borrow' to finance that part of the capital programme that could not be met from internal funds. There was also a provision for 'may borrow' which allowed borrowing in anticipation of need, based on whether longer term rates seemed low compared with future likely levels. No long-term borrowing was carried out as the rates were not deemed to be low enough, short-term borrowing rates were very low, and for most of the year much of the funding need was covered by internal funding.
- 4.2 Short-term borrowing. The Authority needed to borrow short-term during the year to manage its cash flow; it averaged £2.3m.

#### **5. STRATEGY - INVESTMENTS**

- 5.1 The Council's strategy for 2011/12 was based on all investments being managed in-house. The investments were of two types, time deposits and liquidity (call) accounts with banks with a high credit rating and the top 25 building societies by asset value. The strategy included limits on the size of investments with each organisation and country limits. The limits are shown in Annex B.
- 5.2 The strategy was reviewed during the course of the year with the Treasury Management Advisory Group, which re-confirmed their comfort with investments in building societies.
- 5.3 The Authority arranged a facility to invest in a AAA money market fund, as an alternative to using liquidity accounts. However as at 31 March 2012 it had not been used as a higher return was obtained from the liquidity accounts.

#### **6. RISK MANAGEMENT**

- 6.1 The Council's primary objectives for the management of its investments are to give priority to the security and liquidity of its funds before seeking the best rate of return.

- 6.2 **Security** is managed by investing short-term with highly-rated banks, building societies and local authorities in the UK. The Authority receives regular updates from its advisors, Sterling Consultancy Services, sometimes daily, on changes to the credit rating of counterparties. This allows the Council to amend its counterparty list and not invest where there is concern about the credit rating.
- 6.3 **Liquidity.** The Authority has £10m invested in time deposits since December 2008 and due for repayment, £5m in December 2012 and £5m in December 2013, but otherwise the majority of the funds are in liquidity accounts which have a rate or interest above base rate and provide instant access to funds.
- 6.4 Overall, liquidity is managed by producing cash flow forecasts that help set the limit on the duration of the investments in time deposits. The projections tend to be cautious which sometimes resulted in funds being available before they were needed with any surplus easily being invested on a temporary basis.
- 6.5 **Return on investments.** Security and liquidity take precedence over the return on investments, which has resulted in investments during 2011/12 generally being of short duration due to the benefit of good rates on liquidity and growing concerns over the credit rating of counterparties.
- 6.6 When the Authority borrowed £10M in advance in December 2008 it invested the funds at marginally higher interest rates thus protecting the Council from any short term loss of interest.

## **7. COMPLIANCE WITH REGULATIONS AND CODES**

- 7.1 All the treasury management activity undertaken during the financial year complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislation
- 7.2 The Code requires the Council to approve Treasury Management and Prudential Indicators. Those for 2011/12 were approved at the Council meeting on 17<sup>th</sup> February 2011. Annex C shows the relevant indicators and the actual results.

## **8 CONCLUSION**

- 8.1 The performance of the funds in a year when rates stayed very low was pleasing, significantly exceeding both the benchmark and the budgeted investment interest.
- 8.2 In a year of uncertainty in the financial markets all of the Council's investments were repaid in full and on time.



8.3 The Authority has carried out its treasury management activities with due regard to minimising risk, and in accordance with legislation. During the year it reviewed its strategy in the light of external events in the markets.

## **9 RECOMMENDATION**

9.1 It is recommended that Cabinet note this report.

### **BACKGROUND INFORMATION**

2011/12 cash management files and working papers  
Reports to the Cabinet and Treasury Management Advisory Group  
CIPFA Code on Treasury Management

### **CONTACT OFFICER**

Mrs Eleanor Smith      Accountancy Manager      Tel. 01480 388157

## BORROWING AND INVESTMENTS AT 31 MARCH 2012

	SHORT-TERM RATING		DATE INVESTED/ BORROWED	AMOUNT		INTEREST RATE %	REPAYMENT DATE	YEAR OF MATURITY
	FITCH	MOODY'S		£M	£M			
<b>BORROWING</b>								
<b>Short term</b>								
Coventry City Council			19-Mar-12	-2.0		0.30	18-Apr-12	2012/13
Shropshire Council			14-Mar-12	-2.5		0.50	20-Apr-12	2012/13
					-4.5			
<b>Long term</b>								
PWLB			19-Dec-08	-5.0		3.91	19-Dec-57	2057/58
PWLB			19-Dec-08	-5.0		3.90	19-Dec-58	2058/59
					-10.0			
<b>TOTAL BORROWING</b>					<b>-14.5</b>			
<b>INVESTMENTS</b>								
<b>IN-HOUSE</b>								
<b>Short term</b>								
Natwest Liquidity Account	F1	P1		0.3		0.80		2012/13
Cambridge Building Society		Not rated		0.1		1.25		2012/13
					0.4			
<b>Medium term</b>								
Royal Bank of Scotland	F1	P1	19-Dec-08	5.0		4.04	19-Dec-12	2012/13
Skipton Building Society	F3		19-Dec-08	5.0		4.85	19-Dec-13	2013/14
					10.0			
<b>TOTAL - INVESTMENTS</b>					<b>10.4</b>			
<b>NET BORROWING</b>					<b>-4.1</b>			

**IN-HOUSE FUND MANAGEMENT 2011/12  
(IF NO FURTHER BORROWING IN ANTICIPATION)**

<b>Duration of investments</b>	No investment shall be longer than 5 years. Maximum duration for a Building Society with a rating of BBB+ or lower, or no credit rating, is 6 months																
<b>Types of investments</b>	Fixed term Deposits Deposits at call, two or seven day notice Corporate bonds Money market funds																
<b>Credit Ratings</b>	Excluding Building Societies Short term rating F1 by Fitch or equivalent) Long-term rating of AA- by Fitch or equivalent if the investment is longer than 1 year.																
<b>Maximum limits per counterparty (group), country or non-specified category</b>	<table> <tr> <td>F1+ or have a legal position that guarantees repayment for the period of the investment</td> <td>£5M</td> </tr> <tr> <td>F1</td> <td>£4M</td> </tr> <tr> <td>Building Society with assets over £2bn in top 25 (Currently 10)</td> <td>£5M</td> </tr> <tr> <td>Building Society with assets over £1bn if in top 25 (Currently 3)</td> <td>£4M</td> </tr> <tr> <td>Building Society with assets under £1bn in top 25</td> <td>£3M</td> </tr> <tr> <td>Liquidity (Call) Account with a credit rating of F1+ or with a legal position that guarantees repayment or a Building Society.</td> <td>£5M</td> </tr> <tr> <td>BUT total invest with counterparty/group shall not exceed</td> <td>£8M</td> </tr> <tr> <td>Money market fund AAA Credit rating</td> <td>£4m</td> </tr> </table> <p><b>Limit for Non-specified investments</b></p> <ul style="list-style-type: none"> <li>- £10M in time deposits more than one year</li> <li>- £5M in corporate bonds</li> <li>- £10M in total</li> </ul> <p><b>Country limits</b></p> <ul style="list-style-type: none"> <li>- UK - unlimited</li> <li>- £5M in a country outside the EU</li> <li>- £10M in a country within the EU (excluding UK)</li> <li>- £20M in EU countries combined (excluding UK)</li> </ul> <p>These limits will be applied when considering any new investment from 23 February 2011. Lower limits may be set during the course of the year or for later years to avoid too high a proportion of the Council's funds being with any one counterparty.</p>	F1+ or have a legal position that guarantees repayment for the period of the investment	£5M	F1	£4M	Building Society with assets over £2bn in top 25 (Currently 10)	£5M	Building Society with assets over £1bn if in top 25 (Currently 3)	£4M	Building Society with assets under £1bn in top 25	£3M	Liquidity (Call) Account with a credit rating of F1+ or with a legal position that guarantees repayment or a Building Society.	£5M	BUT total invest with counterparty/group shall not exceed	£8M	Money market fund AAA Credit rating	£4m
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Money market fund AAA Credit rating	£4m																
<b>Benchmark</b>	LGC 7 day rate																

**Prudential Indicators for 2011/12 relating to Treasury Management  
Comparison of actual results with limits**

**EXTERNAL DEBT****The authorised limit for external debt.**

This is the maximum limit for borrowing and is based on a worst-case scenario. This limit, and the operational boundary below, were set to allow up to £36.5m of borrowing in anticipation of need.

2011/12 Limit £000	2011/12 Actual £000
65,000	15,100

**The operational boundary for external debt.**

This reflects a less extreme position. Although the figure can be exceeded without further approval it represents an early warning monitoring device to ensure that the authorised limit (above) is not exceeded.

2011/12 Limit £000	2011/12 Actual £000
60,000	15,100

Both of these actual results reflect the fact that long term rates were not considered low enough to borrow in anticipation of need

**TREASURY MANAGEMENT****Exposure to investments with fixed interest and variable interest.**

These limits are given as a percentage of total investments. Investments of less than 12 months count as variable rate.

	2011/12 Limit	2011/12 Actual as at 31.3.12
Upper limit on fixed rate exposure	100%	96%
Upper limit on variable rate exposure	100%	4%

### Borrowing Repayment Profile

The proportion of 2011/12 borrowing that matured in successive periods.

<b>Borrowing</b>	<b>Upper limit</b>	<b>Actual As at 31.3.12</b>	<b>Lower limit</b>
Under 12 months	75%	31%	0%
12 months and within 24 months	25%	0%	0%
24 months and within 5 years	25%	0%	0%
5 years and within 10 years	50%	0%	0%
10 years and above	100%	69%	0%

### Investment Repayment Profile

Limit on the value of investments that cannot be redeemed within 364 days.

<b>2011/12 Limit £000</b>	<b>2011/12 Actual - maximum in year £000</b>	<b>2011/12 Actual as at 31.3.12 £000</b>
18,700	10,000	5,000

IN-HOUSE FUND MANAGEMENT (IF NO FURTHER ADVANCE BORROWING)

<b>Duration of investments</b>	No investment shall be longer than 5 years. Maximum duration for a Building Society with no rating is 1 month.																
<b>Types of investments</b>	Fixed term Deposits Deposits at call, two or seven day notice Corporate bonds Money market funds UK Government bonds and Supranational Bank bonds.																
<b>Credit Ratings</b>	<b>Building Societies</b> All Building Societies with ratings of BBB or above. Building Societies with no ratings. <b>Money Market Funds</b> AAA credit rating <b>Local Authorities or UK Government</b> No rating required <b>Non-Building Societies</b> Short term rating F1 by Fitch or equivalent. <b>Short term rating F2 by Fitch or equivalent for liquidity accounts</b> Long-term rating of AA- by Fitch or equivalent if the investment is longer than 1 year.																
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Money market fund AAA Credit rating	£4m																
<b>Benchmark</b>	LGC 7 day rate																

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## **Corporate Governance Panel**

### **Report of the meeting held on 26th June 2012**

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#### **Matter for Decision**

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#### **1. NEW STANDARDS REGIME**

In conjunction with the Standards Committee, the Panel has considered a report by the Head of Legal and Democratic Services and Monitoring Officer, a copy of which is reproduced elsewhere on the Agenda, on the provisions of the Localism Act 2011 relating to Standards and the Code of Conduct. Draft regulations were published on the 10th June 2012, with changes to be implemented with effect from 1st July 2012.

The Panel has considered the implications of the regulations upon the Council, which will result in the existing national Code of Conduct ceasing on 30th June 2012. This requires a new Code of Conduct to be adopted and in place by the 1st July 2012 (or as soon as possible thereafter). The Panel has considered a number of proposed new model Codes of Conduct, whilst taking into account the views of the Standards Committee. Members of the Panel expressed support for the proposed Code of Conduct recommended by the Committee which is reproduced as Annex B of the report by the Head of Legal and Democratic Services and Monitoring Officer. Subsequent to the Standards Committee, the recommended Code has been updated, a copy of which is reproduced as Annex A hereto.

The Panel has further considered matters relating to the registration and disclosure of Members' Interests, the appointment of a new Standards Committee; including independent persons and Parish Council representatives, arrangements for responding to complaints and whether a Member should withdraw from a meeting room during consideration of any item of business in which he/she may have a disclosable pecuniary interest. Subsequent to the meetings of the Standards Committee and the Panel, an additional paragraph 4.2.4 has been added and paragraph 4.2.1 amended to reflect this proposal. Having regard to the arrangements for responding to complaints, comment was made that there should be provision for individuals to have a right of appeal on any decisions made against them.

Given that the changes require amendments to be made to the Council's Constitution, the Panel

## **RECOMMEND**

**that the Council**

- (a) adopt the Code of Conduct reproduced at Annex A hereto as the new Code for Huntingdonshire;**
- (b) authorise the Head of Legal and Democratic Services and Monitoring Officer to establish and maintain a new Register of Members' Interests in compliance with the requirements of the Localism Act 2011 and the Council's Code of Conduct and ensure it is available for public inspection in accordance with the Act;**
- (c) authorise the Head of Legal and Democratic Services and Monitoring Officer to establish and maintain new Registers of Interest for each Parish Council in Huntingdonshire in compliance with the Localism Act 2011 and the Code of Conduct adopted by the respective Parish Councils and ensure that they are available for public inspection in accordance with the Act;**
- (d) appoint a Standards Committee comprising seven elected Members of the District Council based on appropriate political proportionality and to include one Member who is a Member of the Executive (as currently constituted);**
- (e) invite Parish Councils to nominate two Parish Councillors to be co-opted as non-voting members of the Committee;**
- (f) authorise the Head of Legal and Democratic Services and Monitoring Officer to commence the process for the appointment of at least two independent persons (one permanent and one able to act in reserve) and to undertake a review of the role and remuneration of the position;**
- (g) establish a Selection Panel comprising three Members of the Standards Committee to short list and interview candidates for the position of independent persons and to recommend an appointment to Council;**
- (h) authorise the Head of Legal and Democratic Services and Monitoring Officer to pursue, if appropriate, the possibility of a joint**



**recruitment exercise with Cambridgeshire Authorities to appoint independent persons;**

- (i) authorise the Head of Legal and Democratic Services and Monitoring Officer, after consultation with the Chairmen of the Standards Committee and Corporate Governance Panel and appointed independent person(s), to finalise the protocol for the discharge of functions in relation to allegations that a Member of Huntingdonshire District Council or Parish Council in the District failed to comply with the adopted Code of Conduct;**
- (j) appoint the Head of Legal and Democratic Services and Monitoring Officer as the Proper Officer to receive complaints of failure to comply with the Code of Conduct and authorise him/her to determine allegations in accordance with the agreed protocol;**
- (k) authorise the Head of Legal and Democratic Services and Monitoring Officer, after consultation with the Chairmen of the Standards Committee and Corporate Governance Panel, to make any appropriate variations to the Constitution consequent upon the changes to the District Council's Standards arrangements; and**
- (l) amend the Council's Procedure Rules (Standing Orders) to require that a Member must withdraw from a meeting room during the consideration of any item of business in which he/she has a disclosable pecuniary interest.**

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**Matters for Information**

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**2. INSPECTION BY THE INTERCEPTION OF COMMUNICATIONS COMMISSIONER**

The outcome of an inspection by the Interception of Communications Commissioner was reported to the Corporate Governance Panel. The inspection was undertaken on 13th March 2012 and concludes that the Council's use of the Regulation of Investigatory Powers Act is of a satisfactory level. Members' attention was drawn to areas identified for improvement. The Panel has noted the actions taken in response to the proposed recommendations.

### **3. INTERNAL AUDIT SERVICE – INTERNAL AUDIT PLAN**

The Panel was provided with an opportunity to comment upon the Internal Audit and Assurance Plan for the twelve month period commencing 1st August 2012. Attention was drawn to a number of new areas included in this year's plan and discussion has also taken place on the resources required to deliver the plan. Additional resource support will be provided externally through Deloitte's to cover the anticipated time spent by a member of the Internal Audit Team on Employee Liaison Advisory Group (ELAG) duties over the course of the year.

Matters discussed included the Council's computer audit arrangements, the yearly inspections undertaken, the level of external support provided through Deloitte's over the previous year and the methodology used to calculate the number of days spent for each audit activity.

### **4. ANTI-FRAUD AND CORRUPTION MEASURES**

The Panel has expressed its support for the aims of the new Local Government Fraud Strategy, which was launched by the National Fraud Authority in April 2012. The Strategy seeks to encourage local authorities to adopt a tougher approach to tackling fraud. Attention was drawn to the likely fraud losses projected for Huntingdonshire relating to Council Tax, procurement and payroll fraud. Upon review however, it was confirmed to Members that the losses are significantly lower than projected.

The Panel was informed of the difficulties faced by Officers in identifying procurement fraud, a matter that is acknowledged by the Office of Fair Trading. A challenge remains within the Internal Audit Team to ensure that appropriate controls are in place to help identify such cases.

The Panel has discussed the work of the Fraud Team and noted that half the Team's work is attributed to investigating benefit fraud with the remaining time spent on other initiatives such as tenancy fraud and investigations into rent deposit schemes.

Members wish to gain a better understanding of the fraud risks faced by the Council and highlighted the need to ensure that there are adequately resourced fraud resources available in the future. The Panel has established a Working Group for this purpose. This approach was welcomed by the Executive Councillor for Resources.

### **5. FINAL ACCOUNTS 2011/12 AND AUDIT OF 2010/11 ACCOUNTS**

The Head of Financial Services provided an update on the 2010/11 accounts which were yet to be approved for publication. It is hoped that these accounts will be finalised by 4th July 2012. There is currently one matter outstanding that requires attention before they are passed on to the external auditors for review. An explanation was delivered on the reasons for the delay and a number of lessons have

been learnt from the process which have been taken into account when finalising the 2011/12 financial statements. Having regard to the latter, the Panel received assurance that the 2011/12 accounts will be ready for audit by 30th June 2012.

Members continue to express their concerns over the delay in the publication of the 2010/11 accounts and questioned whether external specialist support continued to be provided for these accounts. Additionally, a brief update was delivered on the appointment of a replacement Accountancy Manager, in light of the fact that the current post holder will soon be leaving the authority. The Panel has received assurances that external specialist support will not be required in the future.

The Panel has requested a report to be submitted to a future Panel meeting on the lessons learnt together with the additional costs incurred by the Council which are attributed to the delay with the publication of the 2010/11 accounts. Members suggested that this should be considered at a special meeting of the Panel, the approach for which was welcomed by the Executive Councillor for Resources. The Chairman has agreed to review how best to proceed pending the finalisation of the 2010/11 accounts. Arising from discussions on the matter, the external auditors confirmed that they will be submitting their own audit report on the 2010/11 accounts which will be submitted at a future meeting of the Panel.

## **6. FINAL ACCOUNTS 2011/12 – ACCOUNTING POLICIES**

*This item was submitted as an urgent item under Section 100 B (3) (b) of the Local Government Act 1972 (as amended by the Local Government (Access to Information) Act 1985).*

The Panel has approved minor changes to the accounting policies which are required by 30th June 2012 to enable the 2011/12 accounts to be passed on to the external auditors for audit.

## **7. EXTERNAL AUDIT PLAN 2011/12**

Representatives from the Council's external auditors have delivered to the Panel the draft external audit plan for 2011/12. They have indicated that they will prioritise the 2010/11 accounts before moving on to the 2011/12 accounts whilst also acknowledging the number of lessons learnt from the previous year. Members' attention was drawn to the key audit risk areas identified and noted the approach that will be undertaken to complete these audits.

Clarification was received on how the Value for Money Conclusion was evidenced by the auditors and attention was drawn to the audit fees for the 2011/12 year which, at £116,801, complied with the standards set by the Audit Commission and represented a slight reduction when compared to the previous year.

The Panel's views on fraud were sought by the external auditors. Any areas to bring to the attention of the external auditors will arise from

the Working Group's investigations into fraud (Item No. 4 of the Report refers).

**8. INTERNAL AUDIT SERVICE – TERMS OF REFERENCE AND INTERNAL AUDIT STRATEGY**

The Panel was informed of recent developments arising from the Chartered Institute of Public Finance and Accountancy and the Institute of Internal Auditors who are developing national Public Sector Internal Audit Standards. A review of the Internal Audit Service's Terms of Reference and Internal Audit Strategy has therefore been delayed pending the receipt of these Standards.

**9. COMPLAINTS**

An analysis of the Council's internal complaints and a summary of complaints involving the District Council which have been determined by the Local Government Ombudsman in 2011/12 has been received by the Panel. In addition, the Panel has approved a revised Compliments, Complaints and Lessons Learned Policy to take into account feedback received from two recent external assessments relating to Customer Service Excellence and the Equality Framework for Local Government.

**10. TRAINING OF PANEL MEMBERS**

Members of the Panel received details of their anticipated work programme for 2012 and in doing so agreed to address any future training requirements on a meeting by meeting basis.

E R Butler  
Chairman

## HUNTINGDONSHIRE DISTRICT COUNCIL

### CODE OF CONDUCT FOR MEMBERS

#### **Introduction**

Huntingdonshire District Council (the Authority) has adopted this Code of Conduct pursuant to Section 27 of the Localism Act 2011 to promote and maintain high standards of behaviour by its members and co-opted members whenever they are acting in their capacity as a member of the Authority or when they claim to act or give the impression of acting as a representative of the Authority.

This Code is based on the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership (“the Nolan Principles”).

#### **1 Application**

This Code of Conduct applies to you whenever you are acting, claim to act or give the impression you are acting in your capacity as a Member of the Authority, including –

- 1.1 at formal Meetings of the Authority
- 1.2 when acting as a representative of the Authority
- 1.3 in taking any decision as a Cabinet Member or a Ward Councillor
- 1.4 in discharging your functions as a Ward Councillor
- 1.5 when corresponding with the authority other than in a private capacity

#### **2 Meeting**

In this Code “Meeting” means any meeting organised by or on behalf of the Authority, including :-

- 2.1 any meeting of the Council, or a Committee or Sub-Committee of Council
- 2.2 any meeting of the Cabinet and any Committee of the Cabinet
- 2.3 at any briefing by Officers; and
- 2.4 at any site visit to do with the business of the Authority

#### **3 General Conduct**

You must –

- 3.1 provide leadership to the authority and communities within its area, by personal example and
- 3.2 respect others and not bully or threaten or attempt to bully or threaten any person
- 3.3 respect the confidentiality of information which you receive as a Member by–
  - 3.3.1 not disclosing confidential information to third parties unless required by law to do so or where there is a clear and over-riding public interest in doing so; and
  - 3.3.2 not obstructing third parties' legal rights of access to information
- 3.4 not conduct yourself in a manner which is likely to bring the Authority into disrepute
- 3.5 use your position as a Member in the public interest and not for personal advantage
- 3.6 comply with the Authority's reasonable rules on the use of public resources for private and political purposes
- 3.7 exercise your own independent judgement, taking decisions for good and substantial reasons by–
  - 3.7.1 attaching appropriate weight to all relevant considerations including, where appropriate, public opinion and the views of political groups;
  - 3.7.2 paying due regard to the advice of Officers, and in particular to the advice of the statutory officers, namely the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer; and
  - 3.7.3 stating the reasons for your decisions where those reasons are not otherwise apparent
- 3.8 do nothing that causes the Authority to act unlawfully.

#### **4 Disclosable Pecuniary Interests**

- 4.1 You have a disclosable pecuniary interest if it is of a description specified in regulations made by the Secretary of State and either:
  - (a) it is an interest of yours, or
  - (b) it is an interest of:
    - (i) your spouse or civil partner; or
    - (ii) a person with whom you are living as husband and wife; or
    - (iii) a person with whom you are living as if you were civil partners;

and you are aware that other person has the interest.
- 4.2 You must -
  - 4.2.1 comply with the statutory *and the Authority's* requirements to register, disclose and withdraw from participating in respect of any matter in which you have a disclosable pecuniary interest.

- 4.2.2 ensure that your register of interests is kept up to date and notify the Monitoring Officer in writing within 28 days of becoming aware of any change in respect of your disclosable pecuniary interests.
- 4.2.3 make a verbal declaration of the existence and nature of any disclosable pecuniary interest at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- 4.2.4 *Where you have a disclosable pecuniary interest, whether the interest is registered or not, you must not (unless you have obtained a dispensation from the Authority's Monitoring Officer) –*
  - (i) *participate, or participate further, in any discussion of the matter at the meeting; or*
  - (ii) *remain in the meeting room whilst the matter is being debated or participate in any vote taken on the matter at the meeting.*

## **5 Other Interests**

- 5.1 In addition to the requirements of Paragraph 4, if you attend a meeting at which any item of business is to be considered and you are aware that you have a “non-disclosable pecuniary interest or non-pecuniary interest” in that item, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent
- 5.2 You have a “non-disclosable pecuniary interest or non-pecuniary interest” in an item of business of your authority where –
  - 5.2.1 a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or
  - 5.2.2 it relates to or is likely to affect any of the interests listed in the Table in the Appendix to this Code, but in respect of a member of your family (other than a “relevant person”) or a person with whom you have a close association

and that interest is not a disclosable pecuniary interest.

## **6 Gifts and Hospitality**

- 6.1 You must, within 28 days of receipt, notify the Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £50 which you have accepted as a Member from any person or body other than the authority.
- 6.2 The Monitoring Officer will place your notification on a public register of gifts and hospitality.

**NOTE:** Members must also comply with the relevant Codes and Protocols contained in Part 5 of the Constitution.

## Appendix

### Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<i>Interest</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992).
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either—  (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or



(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose –

“the Act” means the Localism Act 2011;

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

“director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

“M” means a member of a relevant authority;

“member” includes a co-opted member;

“relevant authority” means the authority of which M is a member;

“relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) or 31(7), as the case may be, of the Act;

“relevant person” means M or any other person referred to in section 30(3)(b) of the Act;

“securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

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