

A meeting of the **CORPORATE GOVERNANCE COMMITTEE** will be held in **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **THURSDAY, 25 JULY 2019** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 5 - 10)

To approve as a correct record the Minutes of the meeting of the Committee held on 12th June 2019.

**H Peacey
388007**

2. MEMBERS' INTERESTS

To receive from Members declarations as to disclosable pecuniary and other interests in relation to any Agenda Item.

3. CODE OF CONDUCT COMPLAINTS - UPDATE (Pages 11 - 14)

To provide a summary and update of completed or ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the start of the year.

**L Jablonska
388004**

4. POLLING DISTRICTS AND POLLING PLACES REVIEW
(Pages 15 - 26)

To receive a report by the Elections and Democratic Services Manager on the Polling Districts and Polling Places Review.

**L Jablonska
388004**

5. LOCAL GOVERNMENT ETHICAL STANDARDS - A REVIEW BY THE COMMITTEE ON STANDARDS IN PUBLIC LIFE
(Pages 27 - 140)

To receive a report on Local Government Ethical Standards.

**L Jablonska
388004**

6. APPROVAL FOR PUBLICATION OF THE 2018/19 ANNUAL GOVERNANCE STATEMENT AND THE ANNUAL FINANCIAL REPORT (Pages 141 - 256)

To consider a report by the Head of Financial Services.

**C Mason
388157**

A copy of the Annual Governance Statement (Appendix A) will be **TO FOLLOW**.

7. IMPLEMENTATION OF INTERNAL AUDIT ACTIONS (Pages 257 - 266)

To receive a report by the Head of Financial Services on the implementation of internal audit actions.

**C Mason
388157**

8. DISPOSALS AND ACQUISITIONS POLICY: LAND AND PROPERTY - UPDATE ON THRESHOLDS (Pages 267 - 270)

To receive a report by the Head of Financial Services providing an update on the Disposals and Acquisitions Policy.

**C Mason
388157**

9. CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT (Pages 271 - 272)

To receive the Corporate Governance Committee Progress Report.

**H Peacey
388007**

Dated this 17 day of July 2019



Head of Paid Service

Notes

1. Disclosable Pecuniary Interests

(1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*

(2) *A Member has a disclosable pecuniary interest if it -*

(a) relates to you, or

(b) 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 the other person has the interest.

(3) *Disclosable pecuniary interests includes -*

(a) any employment or profession carried out for profit or gain;

(b) any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);

(c) any current contracts with the Council;

(d) any beneficial interest in land/property within the Council's area;

(e) any licence for a month or longer to occupy land in the Council's area;

(f) any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or

(g) a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.

Non-Statutory Disclosable Interests

(4) *If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.*

(5) *A Member has a non-statutory disclosable interest where -*

- (a) a decision in relation to the business being considered 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, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or
- (b) it relates to or is likely to affect a disclosable pecuniary interest, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association, or
- (c) it relates to or is likely to affect any body –
 - (i) exercising functions of a public nature; or
 - (ii) directed to charitable purposes; or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link [filming, photography and recording at council meetings.pdf](#) or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.

Please contact Habbiba Peacey, Democratic Services Officer, Tel: 01480 388169 / email: Habbiba.Peacey@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Cabinet.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Elections & Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 12 June 2019.

PRESENT: Councillor L W McGuire – Chairman.
Councillors S M Burton, E R Butler,
Dr P L R Gaskin, D N Keane and
H V Masson.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors D A Giles, P Kadewere, J P Morris, D R Underwood, D J Wells and J E White.

4. MINUTES

The Minutes of the meetings of the Committee held on 27th March 2019 and 15th May 2019 were approved as a correct record and signed by the Chairman.

5. MEMBERS' INTERESTS

No declarations were received.

6. UPDATE ON CODE OF CONDUCT AND REGISTER OF DISCLOSABLE PECUNIARY INTERESTS

With the aid of a report prepared by the Member Support Assistant (a copy of which is appended in the Minute Book) the Committee were updated on the adoption of Codes of Conduct by Town and Parish Councils and the receipt and publication of register of interests forms on behalf of District, Town and Parish Councillors.

Attention was drawn to the sudden resignation of the Parish Clerk and all remaining Councillors at Woodwalton Parish Council. The Parish Clerk vacancy had now been filled and work was underway to co-opt individuals on to the Parish to fill the vacancies.

Following a question raised by a Member, the Elections and Democratic Services Manager undertook to review the Codes of the two Parishes whom have adopted their own Code. Whereupon, it was

RESOLVED

that the contents of the report now submitted be noted.

7. CODE OF CONDUCT COMPLAINTS - UPDATE

By means of a report by the Elections and Democratic Services Manager (a copy of which is appended in the Minute Book), the Committee were provided with a summary and update of completed

and ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the start of the year. With regard to case number 19/24, a Standards (Hearing) Sub-Committee would be held on 26th June 2019 to consider the report produced by the Independent Investigator.

RESOLVED

that the progress of outstanding complaints and the conclusions of cases resolved since the last meeting be noted.

8. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

that the press and public be excluded from the meeting because the business to be transacted contains information relating to any action or to be taken in connection with the prevention, investigation or prosecution of crime.

9. ANNUAL REVIEW OF BENEFITS RISK BASED VERIFICATION POLICY

(At 7.10pm, during discussion on this item, Councillor P L R Gaskin took his seat at the meeting).

The Committee gave consideration to a report by the Revenue and Benefits Manager (a copy of which is appended in the Annex to the Minute Book) reviewing the Council's use of the Benefits Risk Based Verification Policy in the administration of Housing Benefit and Council Tax Support. The policy had been updated to reflect the impact of the increase in online accounts for banking and other services and the move to allow customers to upload evidence to the Council's computer system.

The Committee discussed a number of matters including the process by which documents were checked and verified, the security surrounding the systems used to upload and manage documents, the reasons why those residing within a hostel were exempt from providing a valid National Insurance Number, how the Council determined its robust baseline against which to record the impact of risk based verification and the benefits to the Council of adopting the policy.

In noting the requirement for the Committee to approve the policy annually, it was

RESOLVED

that the content of the report now submitted, which sets out how Risk Based Verification is used at Huntingdonshire District Council in the administration of Housing Benefit and Council Tax Support, be endorsed.

10. RE-ADMISSION OF THE PRESS AND PUBLIC

RESOLVED

that the press and public be re-admitted to the meeting.

11. REVIEW OF FRAUD INVESTIGATION ACTIVITY

Consideration was given to a report by the Corporate Fraud Manager (a copy of which is appended in the Minute Book) detailing the work undertaken by the Corporate Fraud Team in 2018/19 which included the number of investigations undertaken, types of investigation and the value of the fraud identified. Members were required to review the work of the Team as part of the Council's Anti-Fraud and Corruption Strategy.

In response to a question raised by the Chairman, the Corporate Fraud Manager provided an explanation as to why the number of penalties and fines were lower when compared to the number of prosecutions. Whereupon, it was

RESOLVED

that the contents of the report now submitted, which outlines the work undertaken by the Corporate Fraud Team during 2018/19, be received and noted.

12. WHISTLEBLOWING POLICY, GUIDANCE AND CONCERNS RECEIVED

The Committee gave consideration to a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) on the outcome of a review of the Whistleblowing Policy and Guidance. The review found that only minor changes were required.

Members' attention was drawn to the whistleblowing allegations received in the year ending March 2019. One allegation had been made by an Officer and one had been received from a member of the public. The outcome of both cases was noted.

Having been informed of the addition of the word "updated" in the second recommendation contained within the report, the Committee

RESOLVED

- (a) that the results of the annual review of the whistleblowing policy be noted; and
- (b) that the updated Whistleblowing Policy and Guidance, as attached as Appendix 1 and 2 of the report now submitted, be approved.

13. INTERNAL AUDIT SERVICE: ANNUAL REPORT 2018/19

In compliance with the Public Sector Internal Audit Standard, the Committee gave consideration to the Internal Audit Service Annual Report and opinion by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book).

The Head of Resources drew Members' attention to the second

paragraph and explained why views on the effectiveness of the key controls associated with the financial management system had not been included in this year's Audit Opinion. An explanation was then delivered on matters requiring the Committee's attention; namely debt management, small works contract and implementation of agreed audit actions on time. The Committee raised a number of questions and received a response from the Head of Resources on each. In terms of the latter, assurances were received that the matter had been raised with Directors and Heads of Service at a recent Senior Leadership Team meeting. With regard to the former, an explanation was delivered on the process by which debts were written off and the involvement of the Executive Councillor for Strategic Resources in this respect. Other matters discussed included the lead authorities of the services falling within 3C shared services, why limited assurance had been provided on the IT disaster recovery audit and the risks to the Council of the small works contract.

In response to requests made by the Committee, the Head of Resources undertook to circulate details about what action was being undertaken by 3C shared services in respect of debt management and IT disaster recovery. Whereupon, it was

RESOLVED

- (a) that the content of the report now submitted be noted; and
- (b) that the Internal Audit and Risk Manager's opinion be taken into account when considering the Annual Governance Statement for 2018/19.

14. ANNUAL REPORT OF THE COMMITTEE

Consideration was given to a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) to which was appended the Committee's draft Annual Report to Council for the year ending 31st March 2019.

Having had their attention drawn to the low return of skills and training needs assessment forms from Committee Members, it was agreed that the forms should be circulated again by the Internal Audit and Risk Manager.

Subject to the inclusion of additional text by the Chairman in the introductory section of the report and in noting that an update had been provided by the Head of Development on the effectiveness of the Finance and Procurement Governance Board in the Committee's Progress Report (Minute No. 19/15 refers), it was

RESOLVED

- (a) that the Corporate Governance Committee Annual Report to Council for the year ending 31st March 2019 be approved for submission to the Council; and
- (b) that the Internal Audit and Risk Manager be authorised, after consultation with the Chairman of the Committee,

to approve any amendments to the Report.

15. CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

The Committee received and noted a report (a copy of which is appended in the Minute Book) on progress of actions in response to decisions taken at previous meetings. The Committee agreed to the removal of "Governance Boards – Effectiveness Review" from the progress report.

RESOLVED

that the contents of the report be noted.

16. AUDIT OF 2018/19 FINAL ACCOUNTS

At the conclusion of the meeting, the Head of Resources apprised the Committee with issues around the audit of the 2018/19 final accounts. Owing to a lack of resource within Ernst and Young, the audit would not be completed before the deadline of 31st July 2019. Despite this, the Council would still be required to publish the accounts with a statement explaining why they had not been audited.

The Head of Resources explained that the matter had been drawn to his attention 5-6 weeks ago and since then, he had written to numerous individuals and organisations including the Chief Executive of Public Sector Audit Appointments (PSAA), Chartered Institute of Public Finance and Accountancy (CIPFA), Ernst and Young LLP, local MP and the Local Government Association (LGA). A meeting had been held with the Chairman of PSAA and representatives from Ernst and Young but little progress had been made.

Members expressed their grave concerns over the matter and commented that this was particularly disappointing given that the Council would be in the first of its five year contract with PSAA. In response to questions, Members noted that the final accounts were likely to be presented at the Committee's October 2019 meeting. PSAA were yet to confirm a date for when the audit would be complete. This was of particular concern as it was impacting upon the availability of the Financial Services Team over the summer holiday period. In concluding their discussions, Members noted that the Head of Resources would be inviting representatives from Ernst and Young LLP to the Committee's July 2019 meeting to provide an update on the latest position.

Chairman

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Code of Conduct Complaints - Update

Meeting/Date: Corporate Governance Committee – 25th July 2019

Executive Portfolio: Councillor G J Bull, Executive Leader

Report by: Elections and Democratic Services Manager & Deputy Monitoring Officer

Ward(s) affected: All

Executive Summary:

This report provides Members with an update on complaints cases regarding alleged breaches of the Code of Conduct. The Committee is responsible for maintaining high standards of conduct by Members of the District and Town and Parish Councils, for monitoring operation of the Code of Conduct and for considering the outcome of investigations in the event of breaches of the Code.

Recommendation:

The Committee is requested to note the progress of any outstanding complaints and the conclusion of cases resolved since the meeting in June 2019.

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide a summary and update of completed or ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the start of the year.

2. BACKGROUND

- 2.1 In accordance with the functions of the Committee, this report seeks to provide a summary of the current position in relation to the Code of Conduct complaints since the last meeting.
- 2.2 At the meeting of the Committee on 13th September 2017, Members requested that this report be submitted on a quarterly basis and to include categories of the Code of Conduct cases to enable feedback to be given to Town and Parish Councils should similar themes emerge on the nature of the complaints to enable further training to be arranged.

3. ANALYSIS

- 3.1 Details of allegations/complaints in relation to the Code of Conduct have been outlined in the table below. Specific detailed information regarding the complaint has not been provided as this may be prejudicial to the conduct of the ongoing complaints process and to protect the identity of councillors who may not have breached the Code of Conduct.

Case Number	District/Town/Parish Council	Allegation/complaint	Outcome
19/24	Huntingdonshire District Council	Complaint against District Councillor alleging he breached 3.4 (disrepute), 3.7 (independent judgement) and 3.8 (acting unlawfully) of the Code	Matter investigated and report produced by Independent Investigator. Final outcome to be determined.
19/28	Huntingdonshire District Council	Complaint against District Councillors alleging they breached 3.1 (leadership), 3.2 (bullying), 3.4 (disrepute) and 3.7(i) exercising own independent judgement in taking decisions of the Code	Matter investigated and concluded that insufficient evidence to suggest that there had been a breach of the Code and not in the public interest to be taken forward for investigation.
19/29	Huntingdonshire District Council	Complaint against District Councillor alleging he breached (leadership) and 3.4 (disrepute) of the Code	Matter investigated and concluded that insufficient evidence to suggest that there had been a breach of the Code, as the complaint was by one Member against another, a greater allowance for robust political debate, (but

			not personal abuse or “unparliamentary” language) may be given and not in the public interest to be taken forward for investigation.
19/30	Upwood Parish Council	Complaint against a Parish Councillor alleging he breached 3.4 (disrepute) of the Code	Matter investigated and concluded that insufficient evidence to suggest that there had been a breach of the Code and not in the public interest to be taken forward for investigation.

4. LEGAL IMPLICATIONS

4.1 There are no significant implications to report.

5. REASONS FOR THE RECOMMENDED DECISIONS

5.1 This is an opportunity for Members of the Committee to be appraised of details of completed complaints and any outstanding complaints alleged against the Code of Conduct. This is in accordance with the functions of the Committee and its duty to discharge functions in relation to the promotion and maintenance of high standards of conduct within the Council and amongst Town and Parish Councils within the District.

BACKGROUND PAPERS

None

CONTACT OFFICER

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Polling Districts and Polling Places Review
Meeting/Date: Corporate Governance Committee – 25th July 2019
Executive Portfolio: Executive Leader – Councillor G J Bull
Report by: Elections and Democratic Services Manager
Ward(s) affected: All

Executive Summary:

The Review of Polling Districts and Polling Places (Parliamentary Elections) Regulations 2006 require each authority to undertake a review of all of the polling districts and polling places in its area on a regular basis and the Electoral Registration and Administration Act 2013 requires each authority to complete and carry out a review in a 16 month period beginning on 1st October of every fifth year after 1st October 2013.

The last full review was undertaken in October 2013 and an interim review undertaken in 2016 following the completion of the review of electoral arrangements by the Local Government Boundary Commission for England (LGBCE) of Cambridgeshire County Council and Huntingdonshire District Council. It is now necessary to carry out the next scheduled review which needs to be completed by 31st January 2020 so that any changes can be reflected in the new Register of Electors to be published on 1st December 2019.

Recommendation:

The Committee is

RECOMMENDED

to note the process involved in the review of polling districts and polling places, proposals and timetable for consultation.

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to acquaint members with details of the process involved with a review of polling districts and polling places as required by Section 16 of the Electoral Administration Act 2006.

2. BACKGROUND

- 2.1 The Review of Polling Districts and Polling Places (Parliamentary Elections) Regulations 2006 require each authority to undertake a review of all of the polling districts and polling places in its area on a regular basis. The last such review was completed in 2013 and an interim review in 2016 following the completion of the review of electoral arrangements by the Local Government Boundary Commission for England (LGBCE) of Cambridgeshire County Council and Huntingdonshire District Council. Following an amendment in the Electoral Registration and Administration Act 2013, it is now necessary to carry out the next scheduled review in a 16 month period beginning on 1st October of every fifth year after 1st October 2013.
- 2.2 All wards within Huntingdonshire are divided into polling districts which form the basis upon which the register of electors is produced. Most are defined by parish boundaries, but there are exceptions. The Council is responsible for dividing its area into polling districts and for keeping polling districts under review. The Council must also define a polling place for each of its polling districts within which the polling station is located.
- 2.3 In undertaking the review, the Council must –
- publish a notice indicating the holding of a review;
 - consult the Returning Officer for each Parliamentary Constituency which is wholly or partly within its area;
 - enable any such Returning Officer to make representations to the authority and publish them in a prescribed manner;
 - seek the views of interested groups or bodies including electors, candidates and agents, political parties and members of the Council; and
 - seek representations from such persons that it thinks has particular expertise in relation to access to premises or facilities for persons with different disabilities.
- 2.4 On completion of the review, the Council is required to give reasons for its decisions in respect of the designation of both polling districts and polling places and publish other such information as prescribed in the Act and Regulations.

3. DEFINITIONS

- 3.1 A **polling district** is a geographical sub-division of an electoral area, e.g. UK Parliamentary Constituency, a European Parliamentary Electoral Region, a Ward or an Electoral Division. The Council is responsible for dividing its area into polling districts for UK Parliamentary Elections and for keeping the polling districts under review. Although there is no requirement to sub-divide local government electoral wards into polling districts, it is recognised good practice to do so. When doing so, every effort must be made to ensure that the polling

district scheme for local government elections mirrors as closely as possible that agreed for Parliamentary Elections.

- 3.2 In addition, and unless there are special circumstances that lead the Council to determine otherwise, each Parish must be in a separate polling district.
- 3.3 A **polling place** is a geographical area in which a polling station is located. However, as there is no legal definition of what a polling place is, the geographical area could be defined as a specific room within a particular building or as widely as the entire polling district.
- 3.4 A **polling station** is the actual area where the process of voting takes place and must be located within the polling place designated for the particular polling district.
- 3.5 It is worth noting that the Council is responsible for designating polling places whereas the Returning Officer is responsible for determining where the polling stations are situated. Whilst polling stations are not formally part of this review, it is essential that the Returning Officer have regard to the adequacy and suitability of premises used.

4. AIM OF THE REVIEW

- 4.1 In carrying out this statutory review, the Council must demonstrate that they have, as far as is practicable, met the criteria in the legislation and in doing so must —
- (a) seek to ensure that all the electors in the Constituency have such reasonable facilities for voting as are practicable in the circumstances; and
 - (b) seek to ensure that so far as is reasonable and practicable, the polling places they are responsible for are accessible to all electors, including those who are disabled, and when considering the designation of a polling place, must have regard to the accessibility needs of disabled persons.
- 4.2 A schedule of existing polling districts and polling places together with details of existing polling stations used is set out in Appendix A.
- 4.3 It has been the practice to respond to feedback from Presiding Officers and Polling Station Inspectors on the adequacy and suitability of polling stations when elections are held. This is taken into account on an ongoing basis at each scheduled election. In May 2019 Polling Station Inspectors carried out a further survey of all polling stations in the District. The results of the survey will be considered as part of the review.

5. CONSULTATION

- 5.1 The Council is required to undertake a consultation on the existing and any proposed arrangements for polling districts and polling places and that commenced on 3rd July 2019, running until 14th August 2019 with all electors and interested parties and the full consultation is hosted on the Council's website. Details have also been sent to all County and District Councillors, MPs and Town and Parish Clerks, as well as Returning Officers for the Constituencies of Huntingdon and Peterborough, the Returning Officer for

Cambridgeshire County Council, political agents/parties and local disability groups.

- 5.2 Following receipt and consideration of any representations, final proposals for polling districts and polling places will be presented to Council for adoption at their meeting on 9th October 2019 and a revised register of electors produced on 1st December 2019.

6. KEY IMPACTS / RISKS

- 6.1 Failure to consider all representations fully and complete the review to decide on the most appropriate polling districts and polling places may not allow the Returning Officer to run effective elections.

7. LEGAL IMPLICATIONS

- 7.1 There are no significant legal implications other than the review is a legal requirement and must be completed by 31st January 2020.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 In accordance with the Representation of the People Act 1983, Electoral Registration and Administration Act 2006 and Review of Polling Districts and Polling Places (Parliamentary Elections) Regulations 2006, the Council must undertake a review of the polling district and polling places within a period of 16 months that starts on 1st October of every fifth year after 1st October 2013. The adequacy and suitability of polling stations is regularly reviewed to ensure that premises remain suitable and accessible for electors.

- 8.2 The Council is required to approve the Schedule of Polling Districts and Polling Places to ensure the effective delivery of elections.

9. LIST OF APPENDICES INCLUDED

Appendix A – Schedule of Existing Polling Districts and Polling Places

BACKGROUND PAPERS

Website Consultation Document – Review of Polling Districts and Polling Places 2019

Review of Polling Districts, polling places and polling stations guidance – The Electoral Commission

CONTACT OFFICER

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**Current Arrangements detailing Existing Polling Districts and Polling Places
(Structured by current District Wards for reference only)**

WARD NAME	POLLING DISTRICT	PD CODE	POLLING PLACE	POLLING STATION	ELECTORATE	PROPOSED CHANGE
Alconbury	Alconbury	AC	The Parish of Alconbury	Alconbury Memorial Hall, School Lane, Alconbury	1186	
	Alconbury Weston	AD	The Parish of Alconbury Weston	57 Highfield Road, Alconbury Weston	608	
	Barham & Woolley	AF	The Parishes of Barham and Woolley and Spaldwick	Spaldwick Community Room, Spaldwick Community Primary School	52	Polling Station located out of polling district. Consider St Gile's Church, Barham to avoid crossing the A14 or the Club Room, Cricket Club, Buckworth.
	Buckworth	AN	The Parish of Buckworth	The Club Room, Cricket Club, Buckworth	99	
	Easton	BC	The Parish of Easton	Church of St Peter, Easton	137	
	Hamerton & Steeple Gidding	BX	The Parish of Hamerton and Steeple Gidding	Hamerton Village Hall, Hamerton	96	
	Spaldwick	FE	The Parish of Spaldwick	Spaldwick Community Room, Spaldwick Community Primary School	481	
	Upton & Coppingford	FN	The Parish of Upton	Upton Village Hall, Upton	181	
	Winwick	FW	The Parish of Winwick	Winwick Village Hall, Winwick	80	
Brampton	Brampton	AH	The Parish of Brampton	Brampton Memorial Centre, Thrapston Road, Brampton	3883	
	Huntingdon – Hinchingsbrooke Park	CS	The Hinchingsbrooke Park Ward of Huntingdon Parish	The Countryside Centre, Hinchingsbrooke Country Park, Huntingdon	1407	
Buckden	Buckden	AM	The Parish of Buckden	Buckden Methodist Hall, Buckden	2250	
	Diddington	BA	The Parish of Buckden		63	
	Southoe	FD	The Parish of Southoe	Southoe Village Hall, Southoe	327	
Fenstanton	Fenstanton South	BJ	The Parish of Fenstanton	Church Centre, School Lane, Fenstanton	2090	
	Hilton	CB	The Parish of Hilton	Hilton Village Hall, Hilton	828	

WARD NAME	POLLING DISTRICT	PD CODE	POLLING PLACE	POLLING STATION	ELECTORATE	PROPOSED CHANGE
Godmanchester and Hemingford Abbots	Godmanchester (part)	DA	The Parish of Godmanchester	Queen Elizabeth School, Godmanchester	2707	
	Godmanchester (part)	DB	The Parish of Godmanchester	Judiths Field Hall, London Road, Godmanchester	2710	Judiths Field currently being refurbished and the College of Animal Welfare used as an alternative interim venue.
	Hemingford Abbots	BZ	The Parish of Hemingford Abbots	Hemingford Abbots, Village Hall, Hemingford Abbots	503	
	Offord Cluny	DH	The Offord Cluny part of the Parish of Offord Cluny and Offord D'Arcy	Offord Village Hall, Offord Cluny	413	
	Offord D'Arcy	DJ	The Offord D'Arcy part of the Parish of Offord Cluny and Offord D'Arcy		649	
Great Paxton	Abbotsley	AA	The Parish of Abbotsley	Abbotsley Village Hall, Abbotsley	467	
	Great Gransden	BR	The Parish of Great Gransden	The Reading Room, Great Gransden	765	
	Great Paxton	BS	The Parish of Great Paxton	Community Room, Great Paxton, Primary School	767	
	Toseland	FM	The Parish of Toseland	St Michael's Church, High Street, Toseland	67	
	Waresley-cum-Tetworth	FT	The Parish of Waresley	Waresley Village Hall, Waresley	227	
	Yelling	GE	The Parish of Yelling	Yelling Village Hall, Yelling	258	
Great Staughton	Ellington	BD	The Parish of Ellington	Ellington Village Hall	462	
	Grafham	BM	The Parish of Grafham	Grafham Village Hall	486	
	Great Staughton	BT	The Parish of Great Staughton	Gt Staughton Village Hall, Great Staughton	712	
	Hail Weston	BW	The Parish of Hail Weston	Hail Weston Village Hall, Hail Weston	477	
	Perry	DM	The Parish of Perry	Perry Church, Perry	550	
Hemingford Grey and Houghton	Hemingford Grey	CA	The Parish of Hemingford Grey	St James Parish Centre, 33 High Street, Hemingford Grey	2383	
	Houghton & Wyton	CE	The Parish of Houghton	Houghton & Wyton Memorial Hall, Houghton	1401	
	Wyton-on-the-Hill	CF	The Parish of Wyton	Wyton on the Hill, Primary School, Cambridge Square	981	

WARD NAME	POLLING DISTRICT	PD CODE	POLLING PLACE	POLLING STATION	ELECTORATE	PROPOSED CHANGE
Holywell-cum-Needingworth	Bluntisham	AG	The Parish of Bluntisham	Bluntisham Village Hall, Recreation Field, Mill Lane, Bluntisham	1535	
	Colne	AW	The Parish of Colne	Colne Community Hall, East Street, Colne	734	
	Earith	BB	The Parish of Earith	Earith Parish Hall, Earith	1278	
	Holywell cum Needingworth	CD	The Parish of Holywell-cum-Needingworth	Needingworth Village Hall, Needingworth	1974	
Huntingdon East	Huntingdon – South	CH	The South Ward of Huntingdon Parish	MS Therapy Centre, Bradbury House, Mayfield Road, Huntingdon	1190	
	Huntingdon – East	CJ	The East Ward of Huntingdon Parish	Hartford Village Hall, Main Street	4151	
Huntingdon North	Huntingdon – South West	CG	The South West Ward of Huntingdon Parish	Methodist Church Hall, High Street, Huntingdon	546	
	Huntingdon – Central	CL	The Central Ward of Huntingdon Parish	Huntingdonshire Regional College, California Road	1779	
	Huntingdon – North East	CN	The North East Ward of Huntingdon Parish	St Barnabas Church Hall, Medway Road, Huntingdon	4346	
	Huntingdon – West	CP	The West Ward of Huntingdon Parish	Civic Suite, Pathfinder House, St Mary's Street, Huntingdon	1694	
Kimbolton	Brington	AJ	The Brington part of the parish of Brington & Molesworth	St Leonards Hall, High Street, Brington	171	
	Molesworth	AK	The Molesworth part of the parish of Brington & Molesworth	Molesworth Village Hall, Molesworth	118	
	Bythorn	AR	The Bythorn part of the parish of Bythorn & Keyston	Bythorn Village Hall, Bythorn	110	
	Keyston	AS	The Keyston part of the parish of Bythorn & Keyston	Keyston Village Hall, Keyston	138	
	Catworth	AT	The Parish of Catworth	Catworth Village Hall, Catworth	306	
	Covington	AY	The Parish of Covington	Covington Village Hall, Covington	71	
	Kimbolton & Stonely	DC	The Parish of Kimbolton	The Mandeville Hall, Kimbolton	1058	
	Leighton Bromswold	DE	The Parish of Leighton Bromswold	The Old School House, Leighton Bromswold	167	
	Old Weston	DL	The Parish of Old Weston	Old Weston Village Hall, Old Weston	192	

WARD NAME	POLLING DISTRICT	PD CODE	POLLING PLACE	POLLING STATION	ELECTORATE	PROPOSED CHANGE
Kimbolton (contd.)	Stow Longa	FG	The Parish of Stow Longa	The Old Barn, Spaldwick Road, Stow Longa	109	
	Stow Longa	FK	The part of Stow Longa parish which includes Kimbolton Road		6	
	Tilbrook	FL	The Parish of Tilbrook	Tilbrook Village Hall, Tilbrook	224	
Ramsey	Bury	AP	The Parish of Bury	Bury Village Hall, Bury	1443	
	Ramsey (Town)	DR	The Parish of Ramsey	Ramsey Royal British, Legion Hall, Cricket Field Lane	2058	
	Ramsey Heights	DS	The Ramsey Heights part of the Ramsey Parish	306 Uggmere Court Road Ramsey Heights	396	
	Ramsey St Mary's	DT	The Ramsey St Mary's part of the Ramsey Parish	The Barn Ashbeach School, Ashbeach Drove, Ramsey St Marys	657	
	Ramsey Mereside	DV	The Ramsey Mereside part of the Ramsey Parish	Ramsey Mereside Village Hall, Ramsey Mereside	514	
	Ramsey Forty Foot	DW	The Ramsey Forty Foot part of the Ramsey Parish	Ramsey Forty Foot, Village Hall, Ramsey Forty Foot	573	
	Ramsey (Town)	DX	The Parish of Ramsey	Ramsey Library, Great Whyte, Ramsey	2365	
Sawtry	Abbots Ripton	AB	The Parish of Abbots Ripton	Abbots Ripton Village Hall, Abbots Ripton	249	
	Kings Ripton	DD	The Parish of Kings Ripton	Kings Ripton Village Hall, Kings Ripton	156	
	Sawtry	FA	The Parish of Sawtry	The Old School Hall, 37 Green End Road, Sawtry	4451	
	Woodwalton	GA	The Parish of Woodwalton	Rear of The Elephant and Castle, Woodwalton	165	Village Hall currently not suitable for use. Venue required to replace temporary polling station.
Somersham	Somersham	FC	The Parish of Somersham	Victory Hall, Parkhall Road, Somersham	2961	
St Ives East	St Ives North	DY	The North Ward of St Ives Parish (north of ward)	Burleigh Hill, Community Centre, Constable Road	2657	
	St Ives North	DZ	The North Ward of St Ives Parish (south of ward)	Burleigh Hill, Community Centre, Constable Road	2472	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district.
	St Ives North	EA	The North Ward of St Ives Parish (Old Ramsey Road)	Burleigh Hill Community Centre, Constable Rd, St Ives	11	

WARD NAME	POLLING DISTRICT	PD CODE	POLLING PLACE	POLLING STATION	ELECTORATE	PROPOSED CHANGE
St Ives South	Fenstanton - North	BQ	The Parishes of Fenstanton and St Ives South	Church Centre, School Lane, Fenstanton and Sacred Heart Church Hall, Needingworth Road, St Ives (District Council elections only)	356	Polling Station for District Council elections located out of polling district. No other suitable venue. Venue to be identified within polling district.
	St Ives South	EB	The South Ward of St Ives Parish (right of Pig Lane)	Sacred Heart Church Hall, Needingworth Road, St Ives	3693	
	St Ives South	EC	The South Ward of St Ives Parish (left of Pig Lane)	Crossways Christian Centre, Ramsey Rd, St Ives	1916	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district.
St Ives West	St Ives West	ED	The West Ward of St Ives Parish	One Leisure, St Ives Outdoor Centre	1986	
	St Ives Beech	EX	The Beech Ward of St Ives Parish	Crossways Christian Centre, Ramsey Rd, St Ives	331	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district if available.
St Neots East	St Neots - East	ET	The East Ward of St Neots Parish	Love's Farm House, Kester Way, Love's Farm	2399	
St Neots Eatons	St Neots – Eaton Ford	EN	The Eaton Ford Ward of St Neots Parish (right of Great North Road)	The Scout Hall, Mill Hill Road, Eaton Ford	2098	
	St Neots – Eaton Ford	EP	The Eaton Ford Ward of St Neots Parish (left of Great North Road)	Eatons Community Centre, The Maltings, Eaton Socon	2190	
	St Neots – Eaton Socon	ER	The Eaton Socon Ward of St Neots Parish (right of Great North Road)	The Jubilee Hall, School Lane, Eaton Socon	1586	
	St Neots – Eaton Socon	ES	The Eaton Socon Ward of St Neots Parish (left of Great North Road)	Bushmead School, Bushmead Road, Eaton Socon	2708	
St Neots Eynesbury	St Neots – Eynesbury	EF	The Eynesbury Ward of St Neots Parish (south of Hen Brook)	New Methodist Church Hall, Berkley Street, Eynesbury	2130	
	St Neots – Eynesbury	EG	The Eynesbury Ward of St Neots Parish (north of Hen Brook)	Bargroves Resource Centre, Cromwell Rd, Eynesbury, St Neots	1822	
	St Neots – Eynesbury	EH	The Eynesbury Ward of St Neots Parish (left of Potton Road)	Café Zest, One Leisure St Neots	4054	
	St Neots – Priory Park South	EJ	The Priory Park South Ward of St Neots Parish	St Neots Voluntary Welfare Association, Church Walk, St Neots	778	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district if available.
	St Neots - Church	EW	The Church Ward of St Neots Parish		279	

WARD NAME	POLLING DISTRICT	PD CODE	POLLING PLACE	POLLING STATION	ELECTORATE	PROPOSED CHANGE
St Neots Priory Park and Little Paxton	Little Paxton	DF	Little Paxton	Little Paxton Village Hall, Little Paxton	3233	
	St Neots - Priory Park	EL	The Priory Park Ward of St Neots Parish	Longsands Academy, Longsands Road	3668	
	St Neots - Crosshall	EQ	The Crosshall Ward of St Neots Parish	The Scout Hall, Mill Hill Road, Eaton Ford	1034	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district.
Stilton, Folksworth and Washingley	Alwalton	AE	The Parish of Alwalton	Colonel Dane Memorial Hall, Alwalton	245	
	Chesterton	AV	The Parish of Chesterton		129	
	Conington	AX	The Parish of Conington	The Green, Cotton Close	172	No suitable venue available. Venue required to replace temporary polling station.
	Denton and Caldecote	AZ	The Parish of Stilton	Stilton Pavilion, Stilton	51	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district if available.
	Elton	BE	The Parish of Elton	Highgate Hall, Elton	560	
	Folksworth & Washingley	BK	The Parish of Folksworth	Folksworth Village Hall, Folksworth	715	
	Glatton	BL	The Parish of Glatton	Glatton Village Hall, Glatton	228	
	Great and Little Gidding	BN	The Great Gidding part of Great and Little Gidding	Great Gidding Village Hall, Great Gidding	250	
		BP	The Little Gidding part of Great and Little Gidding		12	
	Haddon	BV	The Parish of Haddon	The Old Rectory, Haddon	54	
	Holme	CC	The Parish of Holme	The Admiral Wells, Station Road, Holme	503	
	Morborne	DG	The Parish of Haddon	The Old Rectory, Haddon	25	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district if available.
	Sibson cum Stibbington	FB	The Parish of Sibson cum Stibbington	The Christie Hall Stibbington, Elton Road, Wansford	398	Polling district split by A1. Consider Environment Centre, Stibbington currently used to hold Parish Council meetings as an alternative or additional.
	Stilton	FF	The Parish of Stilton	Stilton Pavilion, Stilton	1820	
	Water Newton	FV	The Parish of Sibson cum Stibbington	The Christie Hall Stibbington, Elton Road, Wansford	64	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district if available.

WARD NAME	POLLING DISTRICT	PD CODE	POLLING PLACE	POLLING STATION	ELECTORATE	PROPOSED CHANGE
The Stukeleys	Huntingdon – Stukeley Meadows	CR	The Stukeley Meadows Ward of Huntingdon Parish	Stukeley Meadows School, Stukeley Meadows, Huntingdon	2414	
	Great Stukeley	FH	The Great Stukeley part of The Stukeleys Parish	Gt Stukeley Village Hall. Great Stukeley	569	
	Little Stukeley	FJ	The Little Stukeley part of The Stukeleys Parish	Lt Stukeley Village Hall, Little Stukeley	206	
	Alcombury Weald	FQ	The Alcombury Weald part of The Stukeleys Parish	Lt Stukeley Village Hall, Little Stukeley	369	Polling Station located out of polling district. No other suitable venue. Venue to be identified within polling district if available.
Warboys	Broughton	AL	The Parish of Broughton	Broughton Village Hall, Broughton	208	
	Old Hurst	DK	The Parish of Old Hurst	Johnson's of Old Hurst	224	
	Pidley-cum-Fenton	DN	The Parish of Pidley-cum-Fenton	Pidley Village Hall, Pidley	320	
	Upwood and The Raveleys	FP	The Parish of Upwood	Upwood Village Hall, Upwood	1020	
	Warboys	FR	The Parish of Warboys	Parish Centre, Warboys	3074	
	Warboys Fen	FS	Warboys Fen part of Warboys Parish		147	
	Wistow	FX	The Parish of Wistow	Wistow Village Hall	450	
Woodhurst	FY	The Parish of Woodhurst	Woodhurst Village Hall, Woodhurst	294		
Yaxley	Farcet	BH	The Parish of Farcet	Farcet Village Hall	1416	
	Yaxley	GB	The Parish of Yaxley (right of Middletons Road)	Royal British Legion Hall, 210 Broadway, Yaxley	3779	
	Yaxley	GC	The Parish of Yaxley (right of Middletons Road)	Owen Pooley Hall, Main Street, Yaxley	3300	

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Local Government Ethical Standards – A Review by the Committee on Standards in Public Life

Meeting/Date: Corporate Governance Committee – 25th July 2019

Executive Portfolio: Councillor G J Bull, Executive Leader

Report by: Elections and Democratic Services Manager & Deputy Monitoring Officer

Ward(s) affected: All

Executive Summary:

This report provides Members with a summary of the review undertaken by the Committee on Standards in Public Life (CSPL) on ethical standards and review of the effectiveness of the arrangements introduced by the Localism Act 2011. The CSPL undertook a detailed review in 2018 seeking evidence from all interested stakeholders that resulted in a number of recommendations and identified best practice to improve ethical standards in local government.

The report identifies best practice recommendations for local authorities that the CSPL have suggested could be considered a benchmark of good ethical practice.

The Committee is

RECOMMENDED

- (a) that the report of the review of Local Government Ethical Standards undertaken by the Committee on Standards in Public Life be noted; and**
- (b) that a further report be presented to the next meeting of the Committee reviewing the best practice recommendations for local authorities and identifies any changes necessary to the Council's processes.**

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide Members with a summary of the review undertaken by the Committee on Standards in Public Life (CSPL) on ethical standards and review of the effectiveness of the arrangements introduced by the Localism Act 2011.

2. BACKGROUND

- 2.1 The Localism Act 2011 introduced significant changes to the way that conduct of elected councillors was handled. It abolished a national framework headed by a regulator and a national Code of Conduct and removed powers to suspend or disqualify councillors for serious breaches of the Code of Conduct. Instead it placed a duty on councils to: adopt their own local Code; to put local procedures in place to investigate allegations the Code may have broken, with principal authorities carrying out that duty for town/parish councils; and to appoint at least one Independent Person whose views they had to take into account when considering matters under investigation.
- 2.2 The Committee on Standards in Public Life (CSPL) undertook to review the effectiveness of the arrangements once they had bedded in. They undertook a detailed review during 2018 seeking evidence from all interested stakeholders and issued its report in January 2019. A copy of the report is appended at Annex A.
- 2.3 Their report and review has not been produced by any specific allegations of misconduct or council failure, but rather to gain assurance that the current framework, particularly in light of the changes made by the Localism Act 2011, is effective in promoting and maintaining the standards expected by the public.
- 2.4 The CSPL looked at four specific areas of operation of the system, as well as more widely how authorities could better promote high standards of conduct –
- the Code of Conduct and arrangements for registration and declaration of interests;
 - the available sanctions;
 - the role of the Independent Person, Monitoring Officer and standards committees;
 - their support for parishes.

3. OVERALL FINDING

- 3.1 CSPL found that there was no appetite to return to a centrally-regulated system as local arrangements on the whole were most effective at handling the majority of cases and that on the whole standards were high. However there were issues with a small handful of serious or persistent offenders and with governance arrangements in some parish councils. There also needed some more effective tools to allow them to handle those serious and persistent cases.
- 3.2 The report has made 26 recommendations and identified best practice to improve ethical standards in local government. Its recommendations are made to Government and to specific groups of public office holders.
- 3.3 The Government will need to respond to the report setting out whether or not it accepts some or all of the recommendations, as some of the recommendations would require primary legislation. There are also best practice

recommendations for local authorities that the Committee have suggested could be considered and be implemented.

4. KEY IMPACTS / RISKS

- 4.1 There are no statutory requirements arising from the CSPL report, although changes to the standards regime may follow depending upon the response of Government. The CSPL expect Councils to implement their best practice recommendations but this is the choice of the Council.

5. WHAT ACTIONS WILL BE TAKEN

- 5.1 It is proposed that a further report be presented to this Committee with regard to the recommendations of best practice as highlighted in the CSPL report and review how our current arrangements match recommended good practice and what changes are necessary to make to our processes immediately.

6. LEGAL IMPLICATIONS

- 6.1 Under Section 27 of the Localism Act 2011 the Council has a duty to promote and maintain high standards of conduct by Members. In discharging its duty the Council must, in particular, adopt a code dealing with the conduct that is expected of Members of the authority when they are acting in that capacity. Huntingdonshire District Council's Code of Conduct and standards arrangements were adopted at full Council in July 2012 and Town/Parish Councils across the District have also predominantly adopted the Huntingdonshire District Council Code.

7. RESOURCE IMPLICATIONS

- 7.1 There are no direct resource implications arising from this report.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The CSPL have undertaken a review of ethical standards in local government. High standards of conduct in local government are needed to demonstrate that decisions being taken are in the public interest to maintain confidence. It is expected that their best practice recommendations should be implemented and a review will be undertaken the implementation in 2020.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Local Government Ethical Standards: A Review by the Committee on Standards in Public Life, January 2019

BACKGROUND PAPERS

None.

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Local Government Ethical Standards

**A Review by the
Committee on
Standards in Public Life**

**Committee on
Standards in
Public Life**





Local Government Ethical Standards

Committee on Standards in Public Life

Chair: Lord Evans of Weardale KCB DL

January 2019





The Seven Principles of Public Life

The Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.



Dear Prime Minister,

I am pleased to present the 20th report of the Committee on Standards in Public Life, on the subject of ethical standards in local government.

The Committee has had a long-standing interest in local government, which was the subject of its third report, and which it has considered a number of times since then. This review was not prompted by any specific allegations of misconduct, but rather to assure ourselves that the current framework, particularly since the Localism Act 2011, is conducive to promoting and maintaining the standards expected by the public.

Local government impacts the lives of citizens every day, providing essential services to those it serves. Its decisions directly affect the quality of life of local people. High standards of conduct in local government are needed to demonstrate that those decisions are taken in the public interest and to maintain public confidence.

It is clear that the vast majority of councillors and officers want to maintain the highest standards of conduct in their own authority. We have, however, identified some specific areas of concern. A minority of councillors engage in bullying or harassment, or other highly disruptive behaviour, and a small number of parish councils give rise to a disproportionate number of complaints about poor behaviour.

We have also identified a number of risks in the sector: the current rules around conflicts of interest, gifts, and hospitality are inadequate; and the increased complexity of local government decision-making is putting governance under strain.

The challenge is to maintain a system which serves the best instincts of councillors, whilst addressing unacceptable behaviour by a minority, and guarding against potential corporate standards risks.

It is clear from the evidence we have received that the benefits of devolved arrangements should be retained, but that more robust safeguards are needed to strengthen a locally determined system. We are also clear that all local authorities need to develop and maintain an organisational culture which is supportive of high ethical standards. A system which is solely punitive is not desirable or effective; but in an environment with limited external regulation, councils need the appropriate mechanisms in place to address problems when they arise.

Our recommendations would enable councillors to be held to account effectively and would enhance the fairness and transparency of the standards process. Introducing a power of suspension and a model code of conduct will enable councillors to be held to account for the most serious or repeated breaches and support officers to address such behaviour, including in parish councils. Strengthening the role of the Independent Person and introducing a right of



appeal for suspended councillors will enhance the impartiality and fairness of the process, which is vital to ensure that councillors are protected from malicious or unfounded complaints. Greater transparency on how complaints are assessed and decided in a system which is currently too reliant on internal party discipline will also provide a safeguard against opaque decision-making and provide reassurance to the public.

A number of these recommendations involve legislative change which we believe the government should implement. We have also identified 'best practice' for local authorities, which represents a benchmark for ethical practice which we expect that any authority can and should implement.

It is clear to us that local government in England has the willingness and capacity to uphold the highest standards of conduct; our recommendations and best practice will enable them to do so.

I commend the report to you.

Lord Evans of Weardale
Chair, Committee on Standards in Public Life





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Executive summary

Local government impacts the lives of citizens every day. Local authorities are responsible for a wide range of important services: social care, education, housing, planning and waste collection, as well as services such as licensing, registering births, marriages and deaths, and pest control. Their proximity to local people means that their decisions can directly affect citizens' quality of life.

High standards of conduct in local government are therefore needed to protect the integrity of decision-making, maintain public confidence, and safeguard local democracy.

Our evidence supports the view that the vast majority of councillors and officers maintain high standards of conduct. There is, however, clear evidence of misconduct by some councillors. The majority of these cases relate to bullying or harassment, or other disruptive behaviour. There is also evidence of persistent or repeated misconduct by a minority of councillors.

We are also concerned about a risk to standards under the current arrangements, as a result of the current rules around declaring interests, gifts and hospitality, and the increased complexity of local government decision-making.

Giving local authorities responsibility for ethical standards has a number of benefits. It allows for flexibility and the discretion to resolve standards issues informally. We have considered whether there is a need for a centralised body to govern and adjudicate on standards. We have concluded that whilst the consistency and independence of the system could be enhanced, there is no reason to reintroduce a centralised body, and that local

authorities should retain ultimate responsibility for implementing and applying the Seven Principles of Public Life in local government.

We have made a number of recommendations and identified best practice to improve ethical standards in local government. Our recommendations are made to government and to specific groups of public office-holders. We recommend a number of changes to primary legislation, which would be subject to Parliamentary timetabling; but also to secondary legislation and the Local Government Transparency Code, which we expect could be implemented more swiftly. Our best practice recommendations for local authorities should be considered a benchmark of good ethical practice, which we expect that all local authorities can and should implement. We will review the implementation of our best practice in 2020.

Codes of conduct

Local authorities are currently required to have in place a code of conduct of their choosing which outlines the behaviour required of councillors. There is considerable variation in the length, quality and clarity of codes of conduct. This creates confusion among members of the public, and among councillors who represent more than one tier of local government. Many codes of conduct fail to address adequately important areas of behaviour such as social media use and bullying and harassment. An updated model code of conduct should therefore be available to local authorities in order to enhance the consistency and quality of local authority codes.



There are, however, benefits to local authorities being able to amend and have ownership of their own codes of conduct. The updated model code should therefore be voluntary and able to be adapted by local authorities. The scope of the code of conduct should also be widened, with a rebuttable presumption that a councillor's public behaviour, including comments made on publicly accessible social media, is in their official capacity.

Declaring and managing interests

The current arrangements for declaring and managing interests are unclear, too narrow and do not meet the expectations of councillors or the public. The current requirements for registering interests should be updated to include categories of non-pecuniary interests. The current rules on declaring and managing interests should be repealed and replaced with an objective test, in line with the devolved standards bodies in Scotland, Wales and Northern Ireland.

Investigations and safeguards

Monitoring Officers have responsibility for filtering complaints and undertaking investigations into alleged breaches of the code of conduct. A local authority should maintain a standards committee. This committee may advise on standards issues, decide on alleged breaches and sanctions, or a combination of these. Independent members of decision-making standards committees should be able to vote.

Any standards process needs to have safeguards in place to ensure that decisions are made fairly and impartially, and that councillors are protected against politically-motivated, malicious, or unfounded allegations of misconduct. The Independent Person is an important safeguard in the current system. This safeguard should be strengthened and clarified: a local authority should only be able to suspend a councillor where the Independent

Person agrees both that there has been a breach and that suspension is a proportionate sanction. Independent Persons should have fixed terms and legal protections. The view of the Independent Person in relation to a decision on which they are consulted should be published in any formal decision notice.

Sanctions

The current sanctions available to local authorities are insufficient. Party discipline, whilst it has an important role to play in maintaining high standards, lacks the necessary independence and transparency to play the central role in a standards system. The current lack of robust sanctions damages public confidence in the standards system and leaves local authorities with no means of enforcing lower level sanctions, nor of addressing serious or repeated misconduct.

Local authorities should therefore be given the power to suspend councillors without allowances for up to six months. Councillors, including parish councillors, who are suspended should be given the right to appeal to the Local Government Ombudsman, who should be given the power to investigate allegations of code breaches on appeal. The decision of the Ombudsman should be binding.

The current criminal offences relating to Disclosable Pecuniary Interests are disproportionate in principle and ineffective in practice, and should be abolished.



Town and parish councils

Principal authorities have responsibility for undertaking formal investigations of code breaches by parish councillors. This should remain the case. This responsibility, however, can be a disproportionate burden for principal authorities. Parish councils should be required to adopt the code of their principal authority (or the new model code), and a principal authority's decision on sanctions for a parish councillor should be binding. Monitoring Officers should be provided with adequate training, corporate support and resources to undertake their role in providing support on standards issues to parish councils, including in undertaking investigations and recommending sanctions. Clerks should also hold an appropriate qualification to support them to uphold governance within their parish council.

Supporting officers

The Monitoring Officer is the lynchpin of the current standards arrangements. The role is challenging and broad, with a number of practical tensions and the potential for conflicts of interest. Local authorities should put in place arrangements to manage any potential conflicts. We have concluded, however, that the role is not unique in its tensions and can be made coherent and manageable with the support of other statutory officers. Employment protections for statutory officers should be extended, and statutory officers should be supported through training on local authority governance.

Councils' corporate arrangements

At a time of rapid change in local government, decision-making in local councils is getting more complex, with increased commercial activity and partnership working. This complexity risks putting governance under strain. Local authorities setting up separate bodies risk a governance 'illusion', and should

take steps to prevent and manage potential conflicts of interest, particularly if councillors sit on these bodies. They should also ensure that these bodies are transparent and accountable to the council and to the public.

Our analysis of a number of high-profile cases of corporate failure in local government shows that standards risks, where they are not addressed, can become risks of corporate failure. This underlines the importance of establishing and maintaining an ethical culture.

Leadership and culture

An ethical culture requires leadership. Given the multi-faceted nature of local government, leadership is needed from a range of individuals and groups: an authority's standards committee, the Chief Executive, political group leaders, and the chair of the council.

Political groups have an important role to play in maintaining an ethical culture. They should be seen as a semi-formal institution sitting between direct advice from officers and formal processes by the council, rather than a parallel system to the local authority's standards processes. Political groups should set clear expectations of behaviour by their members, and senior officers should maintain effective relationships with political groups, working with them informally to resolve standards issues where appropriate.

The aim of a standards system is ultimately to maintain an ethical culture and ethical practice. An ethical culture starts with tone. Whilst there will always be robust disagreement in a political arena, the tone of engagement should be civil and constructive. Expected standards of behaviour should be embedded through effective induction and ongoing training. Political groups should require their members to attend code of conduct training provided by a local authority, and this should also be



written into national party model group rules. Maintaining an ethical culture day-to-day relies on an impartial, objective Monitoring Officer who has the confidence of all councillors and who is professionally supported by the Chief Executive.

An ethical culture will be an open culture. Local authorities should welcome and foster opportunities for scrutiny, and see it as a way to improve decision making. They should not rely unduly on commercial confidentiality provisions, or circumvent open decision-making processes. Whilst local press can play an important role in scrutinising local government, openness must be facilitated by authorities' own processes and practices.



List of recommendations

Number	Recommendation	Responsible body
1	The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.	Local Government Association
2	The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.	Government
3	Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly-accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.	Government
4	Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.	Government
5	The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.	Government
6	Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.	Government



Number	Recommendation	Responsible body
7	Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, “if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to that matter”.	Government
8	The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.	Government
9	The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.	Government
10	A local authority should only be able to suspend a councillor where the authority’s Independent Person agrees both with the finding of a breach and that suspending the councillor would be a proportionate sanction.	Government
11	Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.	Government / all local authorities
12	Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.	Government
13	Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.	Government



Number	Recommendation	Responsible body
14	The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.	Government
15	The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g. bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.	Government
16	Local authorities should be given the power to suspend councillors, without allowances, for up to six months.	Government
17	The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.	Government
18	The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.	Government
19	Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.	Parish councils
20	Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.	Government
21	Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.	Government
22	The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.	Government



Number	Recommendation	Responsible body
23	The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.	Government
24	Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.	Government
25	Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.	Political groups National political parties
26	Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.	Local Government Association



List of best practice

Our best practice recommendations are directed to local authorities, and we expect that any local authority can and should implement them. We intend to review the implementation of our best practice in 2020.

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.



Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.



Introduction

The Committee on Standards in Public Life (the Committee) was established in 1994 by the then Prime Minister, and is responsible for promoting the Seven Principles of Public Life: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership – commonly known as the Nolan Principles.¹

The Committee has had a long-standing interest in local government, which was the subject of its third report in 1997, and which it has considered on a number of occasions since then. Since we last reviewed standards arrangements in local government, the Committee has maintained a watching brief, and has received regular correspondence relating to local government. Our other recent reviews have also received evidence relevant to the maintenance of standards in local government. This review was not prompted, however, by any specific allegations of misconduct or council failure, but rather to review the effectiveness of the current arrangements for standards in local government, particularly in light of the changes made by the Localism Act 2011.

The terms of reference for our review were to:

1. Examine the structures, processes and practices in local government in England for:

- a. Maintaining codes of conduct for local councillors
- b. Investigating alleged breaches fairly and with due process
- c. Enforcing codes and imposing sanctions for misconduct
- d. Declaring interests and managing conflicts of interest
- e. Whistleblowing

2. Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government

3. Make any recommendations for how they can be improved

4. Note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation

¹ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>



Our review covered all local authorities in England, of which there are 353 principal authorities, with 18,111 councillors in 2013, and an estimated 10,000 parish councils in England, with around 80,000 parish councillors. We did not take evidence relating to Combined Authorities, metro mayors, or the Mayor of London and so do not address these areas of local government in this report.

The Committee's remit does not extend to the devolved administrations of the UK, and so our review does not cover local government standards outside England, although we have considered the role, remit, and work of the standards bodies in Scotland, Wales, and Northern Ireland for comparative purposes.

As part of this review, we received 319 written submissions to our consultation, from a range of local authorities, representative bodies, stakeholder organisations, officers, councillors, and members of the public. We held two roundtable seminars; one with Monitoring Officers, clerks and Independent Persons, and one with academics and think tanks. We held 30 individual stakeholder meetings. We also visited five local authorities across different regions of England and tiers of local government speaking to councillors, officers, county associations, Independent Persons, and representatives from town and parish councils.

We have made a number of recommendations and identified best practice to improve ethical standards in local government. Our recommendations are made to government and specific groups of public office holders. Our best practice for local authorities should be considered a benchmark of good ethical practice, which we expect that all local authorities can and should implement. We intend to review the implementation of our best practice in 2020.

The Committee wishes to thank all those who gave evidence to the review, including those local authorities who hosted a visit by the Committee, and in particular Jonathan Goolden of Wilkin Chapman LLP for his support and advice throughout.



Chapter 1: Overview of standards

Is there a standards problem in local government?

The evidence we have received does not reveal a widespread standards problem within local government. Our evidence supports the view that the vast majority of councillors and officers maintain high standards of conduct.

However, there is clear evidence of misconduct by some councillors. The majority of these cases relate to bullying or harassment, or other disruptive behaviour. We have also heard evidence of persistent or repeated misconduct by a minority of councillors.

This misconduct occurs at both principal authority level and at parish or town council level. Our evidence suggests, however, a high volume of complaints arising from a small number of town and parish councils (we refer to both as 'parish councils' for clarity). Under the current arrangements, where principal authorities are responsible for investigating and deciding on allegations of misconduct at parish level, these complaints can take up a disproportionate amount of officer time and are likely to be more difficult to address than complaints at principal authority level.

There is currently no requirement for principal authorities or town and parish councils to collect or report data on the volume of formal complaints they receive, but evidence we received indicates that the number varies widely between local authorities.

We received evidence that for parish councils, around 60% of councils had had no complaints, or only one complaint since the Localism Act 2011 came into force, and

around 10% had had four or more complaints. Of councils that had received complaints, 83% said complaints had been made about disrespectful behaviour, 63% about bullying and 31% about disruptive behaviour.²

Throughout this review, we have evaluated the system for upholding high ethical standards in local government as it currently works in practice, to see how far it reflects the Seven Principles of Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Across the 353 principal authorities in England, where responsibility for ethical standards rests with each individual authority, there is a variety of practice. But there are some common concerns.

At a time of rapid change in local government, not least in response to austerity measures, decision-making in local authorities is getting tougher and more complex. Increased freedoms to work with partners from a variety of sectors runs the risk of putting governance under strain. The importance of ensuring selflessness and integrity by reporting conflicts of interest and eradicating undue influence, in a system which is becoming less transparent and less accountable, is more important than ever. A lack of regulation only heightens the risk of things going badly wrong.

The political landscape is also changing. As we explore in chapter 4, party group discipline is an important ingredient in addressing misconduct, but in some councils the increase in independent members and groups causes additional concerns. The public expect their local representatives to be open and transparent, but it is clear that the increased use of social media has to be handled with

² Hoey Ainscough Associates survey for Society of Local Council Clerks, based on 801 responses from Clerks across England and Wales



care and where necessary properly monitored and checked. Many councils told us of ways in which they were trying to address this, often after having had multiple complaints.

The pressures increase to conduct political debate and decision-making at pace, and there can be frustration with formal procedures to handle complaints which are judged to be too cumbersome, bureaucratic or lengthy. Informality has its place, but must be balanced by the safeguard of formal due process, especially for more serious matters. We heard from councillors how important it is for them to have proper procedures, with an appropriate level of independence and objectivity, to protect them from political mischief or worse.

Local authorities are clearly aware of these issues and are tackling them. But officers need appropriate support, especially those officers in parish councils who often work alone. They are developing best practice and understand what works, and they are working together across professional networks to share their experiences. Councillors themselves have confidence in the system and confidence in themselves to ensure high standards. But throughout this review we heard for the need for greater consistency in codes of conduct and for greater enforceable sanctions for serious and repeated breaches.

Such concerns and risks suggest that the current arrangements should be clarified and strengthened to ensure a robust, effective, and comprehensive system. We set out in this report how we believe local government can be supported to achieve this.

The current system

The current system has a number of checks and balances built in to safeguard against poor ethical standards and protect against impropriety.

Each principal authority operates within its constitution. This creates a governance framework to ensure good administration and decision-making which includes, for example, the separation of the duties of officers and members, accountability to full council, and scrutiny and audit processes. These arrangements are overseen by the officers of the council, and particularly by the three senior statutory officers: the Head of Paid Service (Chief Executive), the Chief Finance Officer (sometimes referred to as the Section 151 Officer) and the Monitoring Officer. The leader of the council and other key members also have an important leadership role to play.

Under section 27 of the Localism Act 2011 each local authority must adopt a code of conduct against which councillors' conduct may be assessed. This code, when viewed as a whole, should reflect the Seven Principles of Public Life. A local authority must also make appropriate provision for councillors to register pecuniary and non-pecuniary interests. Any allegations of misconduct are usually considered in the first instance by the Monitoring Officer, a statutory officer of the council who has responsibility for standards and governance (or by their deputy). If the Monitoring Officer considers that there needs to be a formal investigation, this may be undertaken by the Monitoring Officer themselves, a deputy, or by an external investigator.

As a check on the impartiality of the decision-making process, the council must seek and take into account the view of an Independent Person (appointed by the council) before a decision is made on an alleged breach that has been subject to a formal investigation. A decision can be made by the Monitoring Officer, but many councils maintain a standards committee to make decisions on allegations or to review decisions taken by the Monitoring Officer. The authority may impose



a sanction - which cannot include suspension or disqualification - but may be an apology, training, censure, or withdrawal of certain facilities or access to council buildings. There are, however, no means of enforcing sanctions where it requires positive action by the councillor, for example, an apology or training.

Outside the formal standards procedures in a principal authority, party discipline can also be brought to bear. Most councillors will be members of a political group, and also often a national political party. A political group may follow its own procedures to advise members about their behaviour, remove councillors from committees, suspend them from the group, or remove them from positions to which they have been appointed by the group. A national political party may also follow its own procedures and suspend or expel a councillor from the party. These processes may be undertaken in consultation with the Monitoring Officer or other senior officers, or under the group or party's own initiative.

Within the statutory framework, principal authorities have discretion to develop their own standards procedures according to their own needs and resources. For example, some authorities give a more significant role to their Monitoring Officer and only involve a standards committee or Independent Person in the case of a formal investigation, others make extensive use of party discipline to resolve standards issues informally, and some authorities involve Independent Persons and standards committee members in a range of activities aimed at upholding ethical conduct and ethical decision-making within the authority. This means that authorities' standards arrangements, whilst they have commonalities, can in practice be implemented very differently. We discuss these different approaches throughout this report.



Developments leading to the current framework for local government ethical standards

Much of the framework for local government standards which has been in place since 1997 has been a direct or indirect result of the Committee's recommendations.

Since we first considered local government standards in 1997, the sector has moved from a largely unregulated standards regime to a highly centralised system under the Standards Board, which was subsequently reformed in the mid-2000s and finally abolished in 2012, giving way to the highly devolved system which is currently in place.

1997 The Committee's third report, *Standards of Conduct in Local Government in England, Scotland and Wales* (1997), made a range of recommendations to improve ethical standards in local government. These included a requirement for local authorities to adopt a code of conduct based on general principles, the creation of public registers of interests, and rules on councillors declaring both pecuniary and non-pecuniary interests and withdrawing from discussion or voting where appropriate. Codes of conduct would be enforced by local standards committees with powers to suspend councillors, with tribunals in England, Wales, and Scotland to hear appeals.

1998 The Committee's recommendations were considered in detail by the incoming government in *Modernising local government: a new ethical framework* (1998), published by what was then the Department for Environment, Transport, and the Regions. The response, though agreeing with a number of recommendations, went well beyond what the Committee recommended, and proposed the creation of the Standards Board for England, which would investigate and adjudicate on all complaints about councillors except for those which were trivial or technical. The government held that leaving determination to local standards committees "[...] risks that allegations are not handled with that degree of objectivity or fairness" that the government considered an essential principle of the system.³ The Secretary of State issued a model code of conduct, containing provisions which were required to be included in local codes of conduct, and the Standards Board for England advised councils at the time not to include additional provisions in their codes.

³ Department for Environment, Transport and the Regions (1998), *Modernising local government: a new ethical framework*



2005 In the Committee's 10th report, *Getting the balance right* (2005), the Committee accepted that the standards framework had improved since 1997. However, it criticised the centralised method for handling complaints and argued that, both on proportionality grounds and in order to embed an ethical culture in individual local authorities, the framework should move to locally-based arrangements for all but the most serious cases. It argued for substantial reform of, but not the abolition of, the Standards Board.

2007 Responding to the Committee's 10th report, the government agreed that the Standards Board should become a more strategic regulator, and accepted that there were benefits "[...] in moving towards the promotion of more locally-based decision making in conduct issues, which would encourage local ownership of standards within local authorities". The Standards Board became 'Standards for England' and its role and relationship to local standards committees was altered accordingly by the Local Government and Public Involvement in Health Act 2007, with local authorities given the power to determine all but the most serious allegations. The Standards Committee (England) Regulations 2008 gave standards committees the ability to suspend councillors for up to six months following the finding of a breach.



2010 In 2010, the coalition government proposed significant reform of the local government standards regime, centred on the abolition of Standards for England, which ministers described as “[...] bureaucratic standards arrangements...which so often led to petty or politically motivated complaints”.⁴ The government proposed devolving responsibility for standards to individual local authorities, though without the ability to suspend or disqualify councillors. The initial proposals did not require councils to adopt a code of conduct, nor to have an independent check on deciding breaches.

The Committee welcomed responsibility for standards being held at a local level, noting that this was what it had originally recommended in 1997. However, the then Chair of the Committee, Sir Christopher Kelly KCB, expressed concerns that “[...] the proposals go well beyond the abolition of Standards for England. They involve the abolition of the national code of conduct for local authority members and remove the obligation on local authorities to maintain standards committees, chaired by independent people, to monitor standards and sanction aberrant behaviour. In future it appears that the only way of sanctioning poor behaviour between elections will be the criminal law or appeals to the ombudsman where someone’s interests are directly affected by a decision.”⁵

In response, the government included in the Localism Act 2011 a requirement for councils to adopt a code of conduct which, when viewed as a whole, was: consistent with the Seven Principles of Public Life; required the views of an Independent Person to be sought and taken into account when deciding on breaches of the code of conduct; and put a requirement for pecuniary interests to be registered and declared on the face of the Bill, which passed into law in November 2011.

4 Letter from Bob Neill MP to all local authority leaders, 28 June 2012, Available online at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5657/2169997.pdf

5 “Public confidence in local government standards is at risk”, Committee on Standards in Public Life Press Notice, 14 September 2010



Responsibility for standards

Whilst we consider each element of the standards process within this report, we have also considered the system as a whole; in particular, the question of where responsibility for standards in local government should lie – whether locally or with a national, centralised body. Any system needs to be able to support and protect councillors, officers, and members of the public.

There are clear benefits to local authorities having responsibility for ethical standards.

First, ownership of ethical standards – local responsibility for ethical standards ensures that the application and implementation of the Seven Principles of Public Life in local government is fully ‘owned’ by the sector. Ethical standards should not be seen as something that can be outsourced to another organisation; a highly centralised system for codes of conduct, investigations and sanctions risks implying that maintaining an ethical culture is somebody else’s responsibility. The evidence we received strongly indicates that local authorities want to keep responsibility for setting standards, based on the Seven Principles, and maintaining an ethical culture in their own authorities; and want to be given the tools and resources to do so.

Second, flexibility – our evidence suggests that flexibility is a major strength of the current standards arrangements. Local government involves working in close proximity. A system which is overly formal, as a centralised system would tend to be, can actually inhibit high ethical standards as it precludes light-touch, informal action to address potential issues at an early stage, and to resolve them in a way which takes account of the culture and needs of the authority and its existing working relationships.

Third, reduction in vexatious complaints – the evidence we have seen also suggests that the vexatious and politically-motivated complaints that existed under the centralised regime, prior to 2011, and about which we expressed concern in 2005, have significantly reduced.

We have carefully considered the arguments in favour of a centralised body responsible for overseeing standards in local government, as is the case for example in the devolved administrations of the UK.

The obvious benefit would be that it would improve consistency of standards across England. We have considered in particular the argument that members of the public in one area of the country will have the same expectations of the standards upheld by local councillors as members of the public in another area of the country. We suggest, however, that it is possible in general to enhance consistency without centralisation.

We have also considered how increased centralisation may make the process of setting codes, and investigating and deciding upon standards breaches, more independent and objective. It is important that there is independent input and oversight in any standards system, not least to provide councillors with support and adequate protection from unwarranted politically motivated allegations or unfair treatment, and to maintain the confidence of the public. The evidence we received suggests that it is possible to strengthen independent safeguards – through strengthening the role of independent members on standards committees and the Independent Person – within a framework of local responsibility for maintaining standards.



Overall, we do not favour a return to a centralised system and recommend that responsibility for ethical standards should remain with local authorities. While consistency and an independent element are important aspects of the standards framework, the recommendations we make throughout this report would enhance the consistency of standards across England and increase the independence of the relevant processes, whilst retaining local authorities' ownership of ethical standards and the flexibility this allows.



Chapter 2:

Codes of conduct and interests

Clear, relevant, and proportionate codes of conduct are central to maintaining ethical standards in public life. Codes of conduct were identified by the Committee as one of the essential ‘strands’ in maintaining ethical standards in public life in its first report in 1995, at a time when many public sector organisations did not have them.

Codes of conduct play an important role in maintaining ethical standards in an organisation. They are not an alternative to values and principles, but they make clear how those values and principles should be put into practice. They enable people to be held to account for their actions by setting out clear expectations about how they should behave.

As we stated in our 2013 report, *Standards Matter*:

Organisations need their ethical principles to be elaborated in codes which contextualise and expand on their practical implications. Holders of public office can then be clear what is expected of them, particularly in grey areas where the application of principles may not be self-evident.⁶

Currently, local authorities have a statutory duty to adopt a code of conduct which, when viewed as a whole, is consistent with the Seven Principles of Public Life, and which includes provisions for registering and declaring pecuniary and non-pecuniary interests.

The intention was not that the Seven Principles could be treated as if a self-contained code, but instead that the principles should be used to underpin a well-drafted, practical and locally-relevant guide to behaviour.

As part of our evidence-gathering, we reviewed a sample of 20 principal authority codes of conduct. We have also drawn on the evidence received through our public consultation, visits and roundtables.

Variation, consistency, and clarity

There is considerable variation in local authority codes of conduct. Some of this is straightforward variation in structure and wording, but there is also considerable variation in length, breadth, clarity and detail.

We heard evidence that variation between codes, even where the codes do not differ in quality, is problematic. It creates confusion among councillors who are simultaneously serving in councils at multiple tiers of local government (for example, on both a parish and a district council, known as ‘dual-hatting’), particularly when requirements for declaring and registering interests are different. It also creates confusion among members of the public over what is required of different councillors in different areas and tiers of local government.

⁶ Committee on Standards in Public Life, *Standards Matter* (Cm 8519, January 2013), 4.4



The main problem I have experienced as Monitoring Officer...is the lack of consistency across codes... In district council areas, as Monitoring Officer, you have oversight of both district and parish council complaints. Each council can have their own version of the code (meeting the minimum provisions under the Localism Act 2011). It makes life difficult for councillors who are 'twin' or 'triple' hatters having to abide by different codes, and potentially inconsistent in the advice you can provide on each different version of a code.⁷

Monitoring Officer, North Hertfordshire District Council

In Ashford, a 'Kent model' code of conduct and arrangements for dealing with complaints were developed based on the previous national code as this was considered preferable to ensure consistency, continuity and clearly defined expectations.¹⁰

Ashford Borough Council

The issue of parish councils' codes of conduct is closely related; we discuss this in detail in chapter 5.

Model code of conduct

A model code of conduct would create consistency across England, and reflect the common expectations of the public regardless of geography or tier. It would also reduce the potential for confusion among dual-hatted or triple-hatted councillors. As we discuss below, areas such as gifts and hospitality, social media use, and bullying and harassment have all increased in salience, and are not regularly reflected in local authority codes of conduct. All local authorities need to take account of these areas, and a model code of conduct would help to ensure that they do so.

In light of these problems, it is of little surprise that some councils have taken voluntary steps to agree mutual codes of conduct. For example, all of the principal authorities in Worcestershire have agreed a 'pan-Worcestershire' code. This also meant that common training could take place across authorities.⁸

In order to ensure a consistency of standards and expectations of both councillors and the public (and not least because we have a lot of dual-hatted members), the eight principal authorities co-operated in advance of the new regime to create a 'pan-Worcestershire' Code of Conduct which was adopted by all eight, and we understand a majority of town and parish councils in the county as well.⁹

Worcestershire County Council

Whilst the principle of localism is set to facilitate greater local determination on practices best suited to each authority, this may result in inconsistencies of rigour in application of cases from one authority to another...we recommend that model codes of conduct be developed for use by authorities.¹¹

INLOGOV, University of Birmingham

7 Written evidence 22 (Jeanette Thompson)

8 Written evidence 173 (Worcestershire County Council)

9 Written evidence 173 (Worcestershire County Council)

10 Written evidence 138 (Ashford Borough Council)

11 Written evidence 160 (INLOGOV)



We recognise that there are benefits to councils being able to amend their own codes. For example, a council may provide more detail on appropriate use of social media, relationships with officers, or conduct during council meetings, depending on its own culture and the specific issues it may face. Local authorities can also revise their codes of conduct where they find them difficult to apply in practice, and to learn from best practice elsewhere. A mandatory code set by central government would be unlikely to be updated regularly or amended in light of learning experiences.

A council having final ownership of its code of conduct solidifies the ownership of ethical standards within an authority. There are benefits to a conversation within a council of what high ethical standards would look like in their own context. For example, Uttlesford District Council told us during our visit that the process of rewriting their code and standards process played a positive role in setting an effective ethical culture and making councillors aware of the behaviour expected of them.¹² A mandatory national code would take away ‘ownership’ of ethical standards from local authorities, since those standards would be set centrally, from outside of local government. The Committee commented on the national code in place before 2000 that it had become something which was “[...] done to local authorities; rather than done with them”.¹³ We would not want to return to such a state of affairs.

We therefore consider that there should be a national model code of conduct, but that this should not be mandatory, and should be able to be adapted by individual authorities.

The existing model codes available to local councils compare unfavourably to bespoke

codes, with little detail on important areas such as social media use and bullying and harassment. Therefore, a new model code would be needed. The updated model code should be drafted by the Local Government Association, given their significant leadership role in the sector, in consultation with representative bodies of councillors and officers of all tiers of local government. The Ministry of Housing, Communities and Local Government should ensure that they are given the necessary resources and support to undertake this work.

Recommendation 1: The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.

Bullying and harassment

The evidence received by the Committee suggests that most allegations of code breaches relate to bullying and harassment. This is an area of ethical standards that is much better recognised since the Committee last undertook a review of local government.

Our code of conduct sampling found that most codes of conduct do not cover this behaviour effectively. Whilst most codes sampled had a specific prohibition on bullying and specifically prohibited intimidation in respect of any allegations of wrongdoing, only two out of twenty codes sampled included specific behaviours that would amount to bullying, and five had only a broad provision such as ‘showing respect for others’. Given that the Nolan Principles are not a code of conduct, and so are not prohibitory in character, codes

¹² Uttlesford District Council Standards Committee, Visit to Uttlesford District Council, 10 September 2018

¹³ Committee on Standards in Public Life (2005), *Getting the balance right*, Cm 6407, 3.10



which do not elaborate on them will lack these provisions, although we consider that such prohibitions rightly fall under the Nolan principle of leadership.

Example of a bullying provision

Extract from Newcastle City Council code of conduct¹⁴

You must not bully or harass any person (including specifically any council employee) and you must not intimidate or improperly influence, or attempt to intimidate or improperly influence, any person who is involved in any complaint about any alleged breach of this code of conduct.

(Note: Bullying may be characterised as: offensive, intimidating, malicious or insulting behaviour; or an abuse or misuse of power in a way that intends to undermine, humiliate, criticise unfairly or injure someone. Harassment may be characterised as unwanted conduct which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for an individual.)

Bullying and harassment can have a significant impact on the wellbeing of officers and councillors who are subject to it. Such behaviour is not acceptable in the workplace, particularly from public office-holders with responsibilities to show leadership.

It is also a broader standards issue, given that individuals subject to bullying or harassment

may be pressured to make decisions or act in ways which are not in the public interest. As such, it is important that bullying and harassment are dealt with effectively, and that a local authority's code of conduct makes provisions to address these matters.

Broader standards failure arising from bullying

In several high-profile cases of standards failures in local government, bullying behaviour which was not challenged or addressed enabled other, more serious misconduct to take place, including the failure of scrutiny and governance structures or financial misconduct.

The Gowling WLG report into Sandwell Metropolitan Borough Council in 2016 considered allegations of a councillor improperly influencing the sale and purchase of council property and attempting to gain favours for their family members.

The report found that the councillor at the centre of allegations of financial impropriety had bullied and coerced a senior housing officer over a long period.

Senior officers did not take steps to prevent the bullying from taking place, which the report stated “[...] left a vulnerable employee horribly exposed to undue pressure, and, more corrosively, perpetuated the culture within the department of ignoring governance”.¹⁵

¹⁴ Newcastle City Council Code of Conduct. Available at: https://www.newcastle.gov.uk/sites/default/files/wwwfileroot/your-council-and-democracy/how-council-works/standards-issues/part_5_2a_-_members_code_of_conduct.pdf

¹⁵ Gowling WLG (2016) *Report to the Chief Executive, Assistant Chief Executive, Monitoring Officer and Chief Financial Officer of Sandwell Metropolitan Borough Council*. Available online at: http://www.sandwell.gov.uk/downloads/file/24029/gowling_wlg_report



The Committee heard from Monitoring Officers and independent investigators that the broad ‘respect’ provision upon which many councils rely is not suitable for dealing with allegations of bullying and harassment. Broad provisions are difficult to adjudicate on with consistency, particularly in the absence of additional, more detailed guidelines of what the provision entails. They also tend to give rise to further disputes over whether behaviour is captured by that provision.

Whilst there is no statutory definition of bullying, the Advisory, Conciliation and Arbitration Service (Acas) have codified a helpful definition: “offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient” .¹⁶

Examples of bullying behaviour include:

- spreading malicious rumours, or insulting someone by word or behaviour
- copying memos that are critical about someone to others who do not need to know
- ridiculing or demeaning someone – picking on them or setting them up to fail
- exclusion or victimisation
- unfair treatment
- overbearing supervision or other misuse of power or position
- unwelcome sexual advances – touching, standing too close, display of offensive materials, asking for sexual favours, making decisions on the basis of sexual advances being accepted or rejected
- making threats or comments about job security without foundation
- deliberately undermining a competent worker by overloading and constant criticism
- preventing individuals progressing by intentionally blocking promotion or training opportunities¹⁷

16 Advisory, Conciliation and Arbitration Service (Acas), *Bullying and harassment in the workplace: a guide for managers and employers*. Available online at: <http://www.acas.org.uk/media/pdf/c/j/Bullying-and-harassment-in-the-workplace-a-guide-for-managers-and-employers.pdf>

17 Advisory, Conciliation and Arbitration Service (Acas), *Bullying and harassment in the workplace: a guide for managers and employers*. Available online at: <http://www.acas.org.uk/media/pdf/c/j/Bullying-and-harassment-in-the-workplace-a-guide-for-managers-and-employers.pdf>



Harassment is defined in the Equality Act 2010 as “unwanted conduct related to a relevant protected characteristic”, which has the purpose or effect of violating an individual’s dignity or “creating an intimidating, hostile, degrading, humiliating or offensive environment” for that individual”.¹⁸

These definitions make clear that bullying and harassment are instances of serious misconduct. By their nature they are likely to be persistent behaviour, rather than one-off instances. A councillor should not be considered to be bullying or harassing an officer or another councillor simply by making persistent enquiries or requests for information, nor by saying something that the individual concerned simply dislikes or with which they disagree strongly. Genuine instances of bullying and harassment will fall outside the limits of legitimate free expression; but equally accusations of such behaviour should not be used as an attempt to restrict legitimate inquiries or free expression. We discuss the enhanced protection that is afforded to political expression and the appropriate limits of free speech by councillors in more detail below.

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Half of the codes sampled by the Committee made reference to a separate protocol on councillor-officer relations. Whilst many of these protocols focussed on the duties of

officers, particularly in respect of impartiality requirements, we did see protocols laid out reasonable expectations of a good working relationship, which provides better support to the maintenance of a good ethical culture. The requirements of protocols can be enforced through the formal standards process where councils include a specific requirement to act in accordance with the protocol in the main code of conduct.

Intimidation of councillors

During our review, we received evidence relating to the intimidation of councillors, which we undertook to collect as a result of representations received from the local government sector during our 2017 review, *Intimidation in Public Life*.¹⁹

The evidence we received suggests that intimidation of councillors is less widespread than intimidation of Parliamentary candidates and MPs, but, when it does occur, often takes similar forms and is equally severe and distressing. In line with our 2017 findings, it is particularly likely to affect high-profile women in local government.

Instances of councillors being attacked and harassed, notably on social media, is an increasing trend and a very serious issue. There is anecdotal evidence from across the country that female leaders and councillors are subject to more abuse than their male counterparts.²⁰

Local Government Association

Although they do not otherwise fall within the scope of our review, we also heard concerning evidence of intimidation of Police and Crime Commissioners.

¹⁸ Equality Act 2010, section 26

¹⁹ Committee on Standards in Public Life (2017), *Intimidation in Public Life*, Cm 9543

²⁰ Written evidence 170 (Local Government Association)



On a Sunday afternoon at my home address I was visited by a person who over many years has been a serial complainer about the police and my office. The person is believed to have mental health issues and refused for some time to say who she was or what she wanted. The visit was distressing to my wife and daughter.

My intimidation all related to the release of my home address, with people calling unannounced, one of the three above had an injunction against him.²¹

Association of Police and Crime Commissioners

Given the generally similar pattern of evidence we received in relation to intimidation by social media, we consider that our 2017 recommendations, where implemented, should help to address the intimidation of local councillors.

One aspect in which the intimidation of councillors is distinct from that of MPs and Parliamentary candidates is in relation to home addresses. Unlike MPs and candidates, councillors' addresses are often public, for example, on a council website or on a register of interests. The nature of local democracy means that those who are likely to engage in intimidation of a councillor are likely to live nearby. We heard of cases of councillors being confronted in public whilst in a private capacity, for example, whilst with their family or shopping. Whilst this may not always be intimidatory as such, we heard that councillors are highly aware that they have a high profile in their immediate local area, and so the fear of physical intimidation is much greater. The fact that individuals' home addresses are public

can also make any threats made through electronic means, such as social media, more distressing.

We therefore welcome the government's commitment to bring forward secondary legislation to implement our 2017 recommendation that the requirement for candidates standing as local councillors to have their home addresses published on the ballot paper should be removed.

In *Intimidation in Public Life*, we recommended that Monitoring Officers draw councillors' attention to the sensitive interest provisions in the Localism Act 2011, that permit the non-disclosure of details in the register of interests where the member and Monitoring Officer agree that their disclosure could lead to violence or intimidation.²² We received evidence, however, that often these provisions would only be invoked after a councillor had experienced intimidation or harassment, in which case their address was already publicly available.

Given the experience of intimidation by too many in public life, we do not believe it is justifiable to require any candidate standing for or taking public office to make their home address public, whether on a ballot paper or a register of interests. The general principle should be that an individual's home address should be kept confidential and not disclosed publicly or beyond the necessary officials without the individual's consent.

Some authorities have a blanket policy that home addresses will be recorded on the register of interests but omitted from the published version.

21 Written evidence 307 (Association of Police and Crime Commissioners)

22 Committee on Standards in Public Life (2017), *Intimidation in Public Life*, Cm 9543, 62



Example of local authority policy on home addresses

In accordance with the arrangements for the placing of Register of Interests on the City Council's website agreed by the Standards Committee details of members' home addresses will be omitted from the version placed on the website.²³

City of Westminster, *Guidance note to members on Register of Interests.*

The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to make clear that the 'land' category does not require a councillor to register their home address.

Recommendation 2: The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.

Scope of the code of conduct

At the moment, codes of conduct can only apply to local councillors when they are acting in their capacity as a councillor.²⁴ This means that in practice a councillor cannot breach a code of conduct by, or be sanctioned for, objectionable behaviour in a private context (for example, the way they conduct themselves in a private dispute with a neighbour).

Numerous complaints are made about councillors' conduct on social media or at events, which in some cases are well-founded. However, if the councillor is not acting in their official capacity then Monitoring Officers are limited in their ability to deal with such conduct. This undermines the public confidence in the standards regime as the public expect higher standards of conduct from their elected representatives.²⁵

Lawyers in Local Government

Our evidence suggests that the current narrow scope of the code of conduct makes it difficult to effectively deal with some instances of poor behaviour, particularly in relation to social media use.

The question of public and private capacity raises significant questions about the privileges and responsibilities of representatives. Democratic representatives need to have their right to free speech and expression protected and not unduly restricted; but equally the public interest demands that they meet certain responsibilities in that role.

²³ City of Westminster, *Guidance note to members on Register of Interests*. Available online at: <https://www.westminster.gov.uk/register-members-interests>

²⁴ Localism Act 2011, section 27(2): "...a relevant authority must, in particular, adopt a code dealing with the conduct that is expected of members and co-opted members of the authority *when they are acting in that capacity*"

²⁵ Written evidence 228 (Lawyers in Local Government)



Some public sector codes of conduct cover behaviour which could purport to be in a personal capacity, but which would inevitably bear on the individual's public role. For example, government ministers are prohibited from acting as patrons of certain organisations or nominating individuals for awards, even if this would purport to be in their personal capacity.²⁶

This suggests to us that the question is not whether behaviour in a personal capacity can impact on an individual's public role, but when it does so.

We took evidence from the standards bodies in Northern Ireland, Scotland and Wales in order to consider their approaches to this issue.

The devolved standards bodies take one of two approaches: either restricting the scope of the code to apply only when a councillor is acting in an official capacity (Scotland), or allowing that a councillor may engage in behaviour in a purely private capacity, which is serious enough to bring their office or authority into disrepute (Wales and Northern Ireland).

In Scotland, the code of conduct only applies to councillors where a member of the public would reasonably consider that the member was acting in their capacity as a councillor. Factors such as whether the behaviour took place on council property, or through a social media account identifying the individual as a councillor, would be taken into account in deciding whether the code of conduct applied. Even if the councillor behaved in a seriously inappropriate way, the code would not apply if there was no suggestion that they were acting as a councillor when they did so.

In Northern Ireland, four provisions of the code of conduct explicitly apply to councillors in all circumstances, not just when they are carrying out their role as a councillor, including a provision not to bring the office of councillor into disrepute.

In Wales, the code of conduct applies both when a councillor is acting in their official capacity (including if they claim to act or give the impression that they are acting in that capacity), and when a councillor behaves in a way that could "[...] reasonably be regarded as bringing [their] office or [their] authority into disrepute".²⁷ This includes any time a councillor attempts to use their position to gain advantages (or to avoid disadvantages) for themselves or others, or misuses their local authority's resources. The Welsh Ombudsman has also issued guidance of the application of the code of conduct to social media use.

Public Service Ombudsman for Wales social media guidance

"If you refer to yourself as councillor, the code will apply to you. This applies in conversation, in writing, or in your use of electronic media. There has been a significant rise in complaints to me concerning the use of Facebook, blogs and Twitter. If you refer to your role as councillor in any way or comments you make are clearly related to your role then the code will apply to any comments you make there. Even if you do not refer to your role as councillor, your comments may have the effect of bringing your office or authority into disrepute and could therefore breach paragraph 6(1)(a) of the code."²⁸

26 Ministerial Code, paras 7.13, 7.18

27 The Local Authorities (Model Code of Conduct) (Wales) Order 2008, Schedule, section 2(c)

28 Public Service Ombudsman for Wales (2016), *The Code of Conduct for members of local authorities in Wales: Guidance from the Public Services Ombudsman for Wales*. Available online at: <https://www.ombudsman.wales/wp-content/uploads/2018/03/Code-of-Conduct-CC-CBC-NPA-August-2016.pdf>



The widespread use of social media presents a particular challenge to determining whether a code of conduct applies to instances of behaviour. In line with the guidance provided in Wales, it is clear to us that when a social media account identifies the individual as a councillor or an individual makes comments related to their role as a councillor, then the code of conduct applies. This would be the case even if the individual posts a 'disclaimer' to suggest that the account is a personal one.

However, a number of recent cases also suggest to us that high standards are expected of public office holders in their use of social media, even when this purports to be in a personal capacity. What is relevant is not just whether an individual is acting in a official capacity or a personal capacity, but also whether the behaviour itself is in public or in private. Restrictions on what an individual may do or say in public are different in kind from restrictions on an individual's private life.

There is a need to balance the rights and responsibilities of democratic representatives. The sort of public behaviour that is relevant to a public office and its code of conduct therefore depends on the scope and nature of the public role in question: the requirements for civil servants will rightly be different to the requirements for teachers, for example. Roles representing the public, such as MPs or councillors, have particular privileges that need to be protected, but also need to acknowledge a greater responsibility, given the scope and public visibility of the role.

Inevitably, councillors carry their council 'label' to some extent in their public behaviour. What counts as relevant public behaviour for the purpose of the councillor code of conduct should therefore be drawn more broadly.

An individual's private life – that is, private behaviour in a personal capacity – should rightly remain out of scope. This includes, for example, what is said in private conversations (where those conversations are not in an official capacity), private disputes and personal relationships. But those in high-profile representative roles, including councillors, should consider that their behaviour in public is rightly under public scrutiny and should adhere to the Seven Principles of Public Life. This includes any comments or statements in print, and those made whilst speaking in public or on publicly accessible social media sites.

This does not, however, mean that councillors should be censured just because an individual dislikes or disagrees with what they say; standards in public life do not extend to adjudicating on matters of political debate. Controversial issues must be able to be raised in the public sphere, and councillors should have their right to form and hold opinions respected. ECHR Article 10 rights to freedom of expression must be respected by councils when adjudicating on potential misconduct, taking into account the enhanced protection afforded to political expression.



Article 10: Rights to freedom of expression

Article 10 of the European Convention on Human Rights states that “everyone has the right to freedom of expression”, although this right is not absolute, and is subject to “such formalities, conditions, restrictions and penalties as are prescribed by law and are necessary in a democratic society...for the protection of the rights and interests of others”.²⁹

The *High Court, in Heesom v Public Service Ombudsman for Wales*,³⁰ considered the application of Article 10 to local councillors, taking into account judgments by the European Court of Human Rights.

It found that “Article 10 protects not only the substance of what is said, but also the form in which it is conveyed. Therefore, in the political context, a degree of the immoderate, offensive, shocking, disturbing, exaggerated, provocative, polemical, colourful, emotive, non-rational and aggressive, that would not be acceptable outside that context, is tolerated.”

It added that politicians, including councillors, have “enhanced protection as to what they say in the political arena” but by the same token are “expected and required to have thicker skins and have more tolerance to comment than ordinary citizens”.

A councillor’s Article 10 rights extend to “all matters of public administration and public concern including comments about the adequacy or inadequacy of performance of public duties by others” but do not extend to “gratuitous personal comments”.

We do not consider that the approach taken by Wales and Northern Ireland, in extending the code of conduct to any behaviour that is sufficiently serious as to bring the office of councillor or the council into disrepute, could easily be replicated in England. Broad provisions are likely to create disputes about what falls within their scope, particularly when there is not a central authoritative body to rule on those provisions and disseminate previous cases.

We therefore propose that, given their significant representative role, there should be a rebuttable presumption that a councillor’s behaviour in public is in an official capacity. An individual’s behaviour in private, in a personal capacity, should remain outside the scope of the code.

Recommendation 3: Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.

Purporting to act as a member or a representative

The 2007 model code for local government stated that its scope included not just when a councillor was “conducting the business of the authority”, but also if a councillor was to “act, claim to act or give the impression you are acting as a representative of your authority”.³¹ The Localism Act 2011 does not include this qualification. As a result, some cases where

29 European Court of Human Rights and Council of Europe, European Convention on Human Rights, Article 10

30 *Heesom v Public Service Ombudsman for Wales* [2014] EWHC 1504 (Admin)

31 The Local Authorities (Model Code of Conduct) Order 2007



an individual is improperly purporting to act as a councillor do not fall within the scope of the code, even though the councillor in question would clearly be misusing their office. For example, a councillor may threaten to cause someone a detriment by implying they would do so through their influence as a councillor.

The issue [of public and private capacity] needs to be looked at more in the round, including serious matters which do not lead to a criminal conviction or where a councillor, though not acting as a councillor, has purported to misuse his or her office through threats of the ‘don’t you know who I am’ variety.³²

Hoey Ainscough Associates

*MC v Standards Committee of LB Richmond*³³ drew a distinction between a member purporting to act as a member and purporting to act as a representative of the local authority, stating that one would not necessarily imply the other. Both of these seem to us to be sufficient conditions for the code of conduct to apply to an individual. Given this established case law, any change to the current legislation governing codes of conduct should include both conditions.

Recommendation 4: Section 27(2) of the Localism Act 2011 should be amended to state that a local authority’s code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.

Compliance with standards processes

Complying with standards investigations, and not seeking to misuse the standards process, is an important aspect of ethical conduct. This is for three reasons. First, there is a strong public interest in an effective standards process that is not subject to disruption or abuse. Secondly, councillors should seek to maintain an ethical culture in their authority, and showing appropriate respect for the process contributes to this. Thirdly, non-compliance and misuse wastes public money and the time of officers.

Councillors should not seek to disrupt standards investigations by, for example, not responding to requests for information, clarification or comment in a timely way, or refusing to confirm their attendance at a standards hearing. Nor should councillors seek to misuse the standards process, for example, by making allegations against another councillor for the purposes of political gain.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

Writing codes of conduct

The Committee has previously outlined criteria for an effective code of conduct:

- seen as relevant every day and not exceptional
- proportionate – giving enough detail to guide actions without being so elaborate that people lose sight of the underlying principle

³² Written evidence 212 (Hoey Ainscough Associates)

³³ *MC v Standards Committee of LB Richmond* [2011] UKUT 232 (AAC) (14 June 2011)



- adapted to the needs and context of each organisation
- clear about the consequences of not complying with the code, both for the individual and others
- wherever possible, framed positively³⁴

We have seen evidence that some councils have adopted a minimal code of conduct which amounts to a restatement of the Seven Principles of Public Life. We were concerned to note that DCLG's illustrative code would fall into this category.³⁵ The Seven Principles of Public Life are not a code of conduct: codes of conduct specify what the principles demand in a specific context in order to guide behaviour. Using principles, rather than rules, in a code of conduct can also lead to protracted arguments about what sort of behaviour falls under a particular principle in the absence of specific guidance.

In terms of codes, as an investigator I encounter a variety of codes. They tend to fall into some broad families, ranging from those authorities that adopted the previous statutory code almost unchanged at one end to the extreme other end of the spectrum, which is only the Nolan Principles. That is the whole code. We have great difficulty in working with 'Nolan-only' codes.³⁶

**Jonathan Goolden,
Wilkin Chapman LLP**

Drawing up a code is an important process for an authority: it involves the members of that authority considering what the Seven Principles of Public Life demand in their own context.

A failure to create or adopt a substantive code means that the potential benefits of devolved standards are not being realised.

Many authorities have not yet revisited their codes in the light of learning experiences.³⁷

**Jonathan Goolden,
Wilkin Chapman LLP**

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Codes of conduct should be written in plain English and be accessible for councillors and members of the public. They cannot be written to cover every eventuality, and attempts to do so may actually make codes less effective. They should therefore not be 'legalistic' in tone, or overly technical in style.

A code of conduct is not a values or vision statement for an organisation. It therefore needs to state clearly what is required of councillors rather than an aspiration or aim. Often this will mean phrasing requirements in terms of what councillors 'must not' do.

The requirements should also be enforceable: codes should not include provisions such as 'councillors must be aware of...'.³⁷

³⁴ Committee on Standards in Public Life, *Standards Matter* (Cm 8519, January 2013), 4.9

³⁵ DCLG (2016), *Illustrative Text for Local Government Code of Conduct*. Available online at: <https://www.gov.uk/government/publications/illustrative-text-for-local-code-of-conduct--2>

³⁶ Jonathan Goolden, Roundtable, 18 April 2018

³⁷ Jonathan Goolden, Roundtable, 18 April 2018



Where detailed provisions or guidance are required (for example, guidance about social media, or guidance on officer-member relations) these should ideally be kept in a separate document.

Codes of conduct are central to upholding high standards in public life. They should not be inaccessible on a local authority's website, or as an annex to an authority's constitution.

Example of a clear code of conduct

Extract from Plymouth City Council code of conduct³⁸

Disrepute

Councillors must not act in a manner which could be seen to bring the council or the role of councillor into disrepute.

Misuse of position

Councillors must not try to use their position improperly to gain an advantage or disadvantage for themselves or others.

Use of council resources

When councillors use the council's resources or let other people use them, they must follow any reasonable rules set by the council and make sure that resources are not used improperly for political purposes (including party political purposes).

Advice of Monitoring Officer and Responsible Finance Officer

Councillors must consider any advice given by the Monitoring Officer or Responsible Finance Officer when taking decisions.

Giving reasons for decisions

Councillors must give reasons when required to by the law or by any council procedures.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Councillors' interests

The Nolan principle of integrity is based upon protecting the public interest. Where there is undue influence on a public office-holder, including through conflicts of interest, this can lead to decisions which are not made in the public interest.

Integrity: Holders of public office must avoid placing themselves under obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

A system for managing conflicts of interest should distinguish between the requirements for *registering* interests and *declaring or managing interests*. Not all interests that are registered would necessarily present a conflict such that they would need to be managed. Equally, a councillor may have a very specific conflict of interest in relation to a matter, which it would be disproportionate to register given the improbability of that conflict arising in the future.

38 Available online at: <https://www.plymouth.gov.uk/sites/default/files/Code%20of%20Conduct%20and%20Rules%20of%20Debate.pdf>



The purpose of a register of interests is to make transparent an individual's financial and non-financial interests and relationships that are the most likely to lead to a potential conflict. This includes for example, paid employment, significant investments, trusteeships, and directorships. This enables an individual to be held to account for the way in which they manage these interests where necessary.

An interest needs to be managed only where it is reasonable to suppose that an individual's participation in a discussion or decision could be unduly influenced by a particular relationship or personal interest.

How an interest should be managed depends on three factors: the degree of involvement of the individual in the decision or discussion; how directly related the interest or relationship is to the decision or discussion in question; and how significant the interest or relationship is to the individual. Where these factors are minor, then simply declaring the interest may be sufficient. Where the factors are significant, an individual should recuse themselves from the discussion and decision; and should leave the room in the most serious cases.

Where the arrangements necessary to manage an interest or relationship prevent the individual properly from discharging their role (for example, if restrictive arrangements would very regularly have to be put in place), then either the interest should be disposed of or the role relinquished.

The Disclosable Pecuniary Interests (DPI) arrangements

The evidence we have received is that the current Disclosable Pecuniary Interests (DPI) arrangements are not working: the requirements for declaring and managing interests are too narrow; they are unclear both to councillors and the public; and they do not require the registration of important interests such as unpaid directorships and gifts and hospitality.

Strengthening and clarifying the system for declaring and managing interests is all the more important in light of increasingly complex decision-making in local government. To ensure and to demonstrate openly that the principle of integrity is being upheld, it is important to have comprehensive and robust arrangements in place for managing potential conflicts of interest.

We appreciate that the DPI requirements as set down in the Localism Act 2011 and in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 are drafted in such a way that a breach of those requirements constitutes a criminal offence. However, as we explain in chapter 4, we have concluded that the criminal offences in the Localism Act 2011 are not fit for purpose and we recommend that they should be repealed. Our conclusions and recommendations in this section therefore do not take these offences into account.



Registering interests

The requirements for a register of interests should be based on the principle we lay out above, that the purpose of a register is to make transparent those interests and relationships which would be most likely to lead to a conflict of interest.

Currently, local authorities are required by law only to make arrangements for registering and declaring pecuniary interests of a councillor and their spouse or partner.

The current list contains manifest omissions such as hospitality deriving from a councillor's position, unpaid employment (including directorships), interest in land outside of a council's area, pecuniary interests of close family members who are not spouses, and memberships of lobby or campaign groups.³⁹

Cornerstone Barristers

We received evidence from a number of legal practitioners and local authorities to suggest that the current list of interests required to be registered is drawn too narrowly.

The narrow requirements of the current law are partly a result of the DPI regime not distinguishing between requirements for registering interests on the one hand, and for declaring and managing interests on the other, which we address below.

Pecuniary interests

Currently, councillors must register their and their spouse or partner's pecuniary interests within the following categories:

- employment, office, trade, profession or vocation carried on for profit or gain
- sponsorship towards election expenses or expenses incurred in carrying out duties as a member
- contracts between the authority and the individual, or a body in which the individual has a beneficial interest
- land in the local authority's area
- securities where the firm has land or a place of business in the local authority's area, and the holding is worth more than £25,000 or the individual holds more than 1% of share capital
- licences to occupy land in the local authority
- corporate tenancies where the landlord is the local authority

Based on the evidence we received, the current list of pecuniary interests required to be registered is satisfactory.

Non-pecuniary interests

Local authorities are not required by law to include specific non-pecuniary interests on their register of interests, although many do so. The Committee's sampling of codes of conduct found most codes had a provision on registering and declaring non-pecuniary interests, although there was some variation in what was required. Four codes out of twenty had no provisions relating to non-pecuniary interests. Some had a broad provision of

39 Written evidence 281 (Cornerstone Barristers)



declaring when a matter might affect a councillor more than the majority of people in the affected area. One authority required councillors only to declare if they were a member of a trade union. Most opted for a form of words that included any management roles in a charity, a body of a ‘public nature’, or an organisation seeking to influence opinion or public policy. Some codes created a category of personal interests or other interests (some of which pecuniary) which, whilst not registrable, should be declared under certain circumstances.

Where councils only comply with the disclosable pecuniary interest requirements and a code of conduct that does little more than comply with the Nolan Principles, it was felt that the regime was too light touch to maintain public confidence.⁴⁰

Mid Sussex District Council

The purpose of a register is to make transparent those interests and relationships which would be most likely to lead to a conflict of interest. Based on this principle, two additional categories of interests should be required to be included in a local authority’s register of interests. First, relevant commercial interests of a councillor and their spouse or partner which may be unpaid – for example, an unpaid directorship (even if non-executive). Secondly, relevant non-pecuniary interests of a councillor and their spouse or partner such as trusteeships or membership of organisations that seek to influence opinion or public policy.

As members increasingly become involved in voluntary and third sector bodies, the issue of conflicts is more prominent and it is not a matter in respect of which there is adequate provision in the code of conduct [...] although there are some provisions within the Localism Act in relation to predetermination it is not considered that it is adequately dealt with in the ethics context beyond DPs.⁴¹

London Borough of Croydon

At a local level, it is perhaps even more likely that non-pecuniary interests – for example, being an unpaid trustee of a local sports club – would lead to a conflict of interest than a councillor’s ordinary paid employment. As the Monitoring Officer of Camden Council stated in evidence to us: “[...] we expect that the public would consider that a member who was a long-serving unpaid trustee of a charity may not be able to consider a potential grant award by the council to the charity entirely fairly and objectively”.⁴²

As we explain in more detail below, the test for whether a councillor should have to register an interest should nevertheless be separate from the test for whether a councillor should have to withdraw from a discussion or vote. Under our recommendations, even if a councillor would have to register an interest for the sake of transparency, they would not have to withdraw from a discussion or vote unless there was a conflict of interest, based on the ‘objective test’ in recommendation 7 below.

40 Written evidence 50 (Mid Sussex District Council)

41 Written evidence 166 (London Borough of Croydon)

42 Written evidence 151 (Andrew Maughan, Camden Council)



Recommendation 5: The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.

Gifts and hospitality

Currently, there is no legal requirement for local authorities to maintain a gifts and hospitality register, nor for individual councillors to register or declare gifts and hospitality they receive as part of their role.

Most codes sampled by the Committee required councillors to register gifts and hospitality in some way. Six out of twenty of the codes sampled had no provision for this. Among codes providing for a gifts and hospitality register, there was variation in the value threshold, which was variously set at £25, £50, or £100. Gifts and hospitality were also treated in a number of different ways: some codes established a straightforward register, some stated that gifts or hospitality were an 'other interest' which should be registered alongside non-pecuniary interests, and others defined the giver of a gift or hospitality over a certain value effectively as an 'associate' of the councillor, whose interest should be declared if a matter would affect them.

In London, we found £79,000 had been spent by more than 200 developers, lobbyists and others involved in the property industry on 723 lunches, dinners and all-expenses paid trips for 105 councillors.⁴³

Transparency International UK

The Committee has seen evidence that the accessibility and timeliness of local authorities' registers of interest varies widely. Many are reported in a non-standard format, and some registers are not updated for long periods. Independent oversight and inspection is important to maintaining high ethical standards, and local authorities should facilitate this by ensuring that their registers are accessible to those who would wish to inspect them.

We are also concerned about the use of high thresholds for reporting gifts and hospitality even where registers exist. An individual threshold of £100 could allow a councillor to accept significant gifts and hospitality from a single source on multiple occasions, without needing to register the fact that they have done so. £50 is the registration threshold for gifts or donations during election campaigns, which would then provide a consistent declaration threshold both during and outside election periods.⁴⁴

Recommendation 6: Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.

43 Written evidence 315 (Transparency International UK)

44 Available online at: http://www.electoralcommission.org.uk/_data/assets/pdf_file/0005/141773/ca-part-3-locals-ew.pdf, 20



Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

We are aware of helpful guidance from the Cabinet Office for civil servants on the broader principles surrounding gifts and hospitality. They propose three principles that should guide whether an individual should accept gifts or hospitality:

Cabinet Office principles for accepting gifts or hospitality

- Purpose – acceptance should be in the interests of departments and should further government objectives.
- Proportionality – hospitality should not be over-frequent or over-generous. Accepting hospitality frequently from the same organisation may lead to an impression that the organisation is gaining influence. Similarly, hospitality should not seem lavish or disproportionate to the nature of the relationship with the provider.
- (Avoidance of) conflict of interest – officials should consider the provider’s relationship with the department, whether it is bidding for work or grants or being investigated or criticised, and whether it is appropriate to accept an offer from a taxpayer-funded organisation.⁴⁵

The principles of proportionality and avoiding conflicts of interest are particularly important to safeguard the principle of integrity.

The Committee has considered the issue of gifts and hospitality offered by lobbyists in particular, in its report *Strengthening transparency around lobbying*. We concluded that public officer holders accepting significant gifts and hospitality “[...] risks creating a conflict of interest by placing them under an obligation to a third party, which may affect them in their work including when they take decisions, which is relevant to the Nolan principle of integrity”.⁴⁶

In February 2018, it was reported in the press that the chairman of Westminster City Council planning committee received gifts and hospitality 514 times in three years, worth at least at a total of £13,000. The councillor subsequently stood down following an internal inquiry.

The evidence we have received suggests that acceptance of gifts and hospitality is of most concern when it comes to planning. Planning is an area of decision-making where a small number of councillors can have a significant impact on the financial interests of specific individuals or firms. Councillors involved in planning decisions should therefore generally not accept over-frequent or over-generous hospitality and should always ensure that acceptance of such hospitality does not constitute a conflict of interest.

45 Cabinet Office (2010), *Guidance on civil servants receiving hospitality*. Available online at:

<https://www.gov.uk/government/publications/guidance-on-civil-servants-receiving-hospitality>

46 Committee on Standards in Public Life (2013), *Strengthening transparency around lobbying*, 3.18



Partner and family interests

Under the DPI arrangements, any relevant pecuniary interests of a councillor's spouse or partner are considered as a DPI of the councillor.

We heard concerns during the review that the DPI arrangements infringe on the privacy of a councillor's spouse or partner. We recognise these concerns, though note that, where there would be a potential conflict of interest, the principle of integrity requires that any such interests should nevertheless be declared and resolved.

Under the Localism Act 2011, however, councils are not required to register spouse or partner interests separately from those of the councillor, although many do so. The DCLG guidance on DPIs states that: “[...] for the purposes of the register, an interest of your spouse or civil partner, which is listed in the national rules, is your disclosable pecuniary interest. Whilst the detailed format of the register of members' interests is for your council to decide, there is no requirement to differentiate your disclosable pecuniary interests between those which relate to you personally and those that relate to your spouse or civil partner.”⁴⁷

Declaring and managing interests

The evidence we received suggests that the DPI requirements for declaring and managing interests are currently unclear. The current wording in the Localism Act 2011 requires that a councillor must not participate in a discussion or vote in a matter (or take any further steps in relation to it) where they are present at a meeting and they have “[...] a disclosable pecuniary interest in any matter to be considered, or being considered, at the meeting”. The test of having a ‘disclosable

pecuniary interest *in* any matter’ is ambiguous, as strictly speaking under the Act a councillor's DPI is the employment, land, or investment (for example) itself. The Act does not specify how closely related an interest must be to the matter under consideration to count as an interest ‘in’ that matter. Recent case law has not settled this issue decisively, which means that there is little authoritative guidance for councillors or those who advise them.

Despite the regulations and DCLG guidance, there is still a dispute regarding what would be a Disclosable Pecuniary Interest – for example, in situations where the interest is the subject of the meeting or affected by the decision – such as in planning applications. This can make declarations of interests problematic.⁴⁸

North Hertfordshire District Council

The fundamental problem is in the wording of the Localism Act which requires members to declare interests (and not participate at meetings) when they have a DPI ‘in any matter to be considered at a meeting’. Under the former regime, the situation was much clearer as an interest arose where where a matter under consideration ‘relates to or is likely to affect’ the interest, thus creating a nexus between the item of business and the incidence of interest. This nexus is absent from the Localism Act regime and it creates significant uncertainty as to when a DPI exists in certain situations.⁴⁹

Ashford Borough Council

47 Department for Communities and Local Government (2013), Openness and transparency on personal interests: A guide for councillors

48 Written evidence 22 (North Hertfordshire District Council)

49 Written evidence 138 (Ashford Borough Council)



The current declaration and withdrawal requirements are also too narrow. Currently, a councillor would not need to declare an interest or recuse themselves where a close family member was affected by a decision, nor a close associate (whether a personal friend or a business associate). This should be addressed by a more demanding test for declaring and managing interests, separately to registration requirements.

We have seen that the standards arrangements in Scotland, Wales and Northern Ireland usually rely upon an 'objective test' for determining whether an interest needs actively to be managed (for example, the individual recusing themselves).

Tests for actively managing interests in the devolved codes

Scotland

"Whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision making in your role as a councillor."⁵⁰

Wales

"[...] if the interest 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 your judgement of the public interest."⁵¹

Northern Ireland

"An interest will be considered significant where you anticipate that a decision on the matter might reasonably be expected to benefit or disadvantage yourself to a greater extent than a other council constituents."⁵²

(Councillors must also declare any registered interest in a matter under consideration.)

We propose the introduction of an objective test, in line with practice in Wales and Scotland, for whether a councillor should recuse themselves from a discussion or vote. We heard from the Standards Commission for Scotland and the Public Service Ombudsman for Wales that this test works well in practice. We note that a practical division between the requirements for registering interests and managing interests, with an objective test for the latter, is in line with the categories of personal and prejudicial interests under the

50 Scotland Code of Conduct for Councillors, para 5.3

51 The Local Authorities (Model Code of Conduct) (Wales) Order 2008, Schedule, section 12

52 Northern Ireland Local Government Code of Conduct for Councillors, para 6.3



Local Government Act 2000. We heard that officers and councillors generally considered these to be clearer and easier to understand than the DPI arrangements.

In line with the principles we set out for declaring and managing interests above, councillors should declare an interest where an interest in their register relates to a matter they are due to discuss or decide upon, but they do not need to recuse themselves unless the objective test is met.

We note that section 25 of the Localism Act 2011, which draws a firm distinction between predisposition and predetermination, is relevant to the participation of councillors in certain decisions or votes. A councillor should not be considered to have a significant interest in a matter, and therefore have to withdraw from a discussion or vote, just by virtue of having previously expressed a prior view, even a strong view, on the matter in question. This includes if they are, for example, a member of a relevant campaigning group for that purpose.

Recommendation 7: Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, “if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision-making in relation to that matter”.

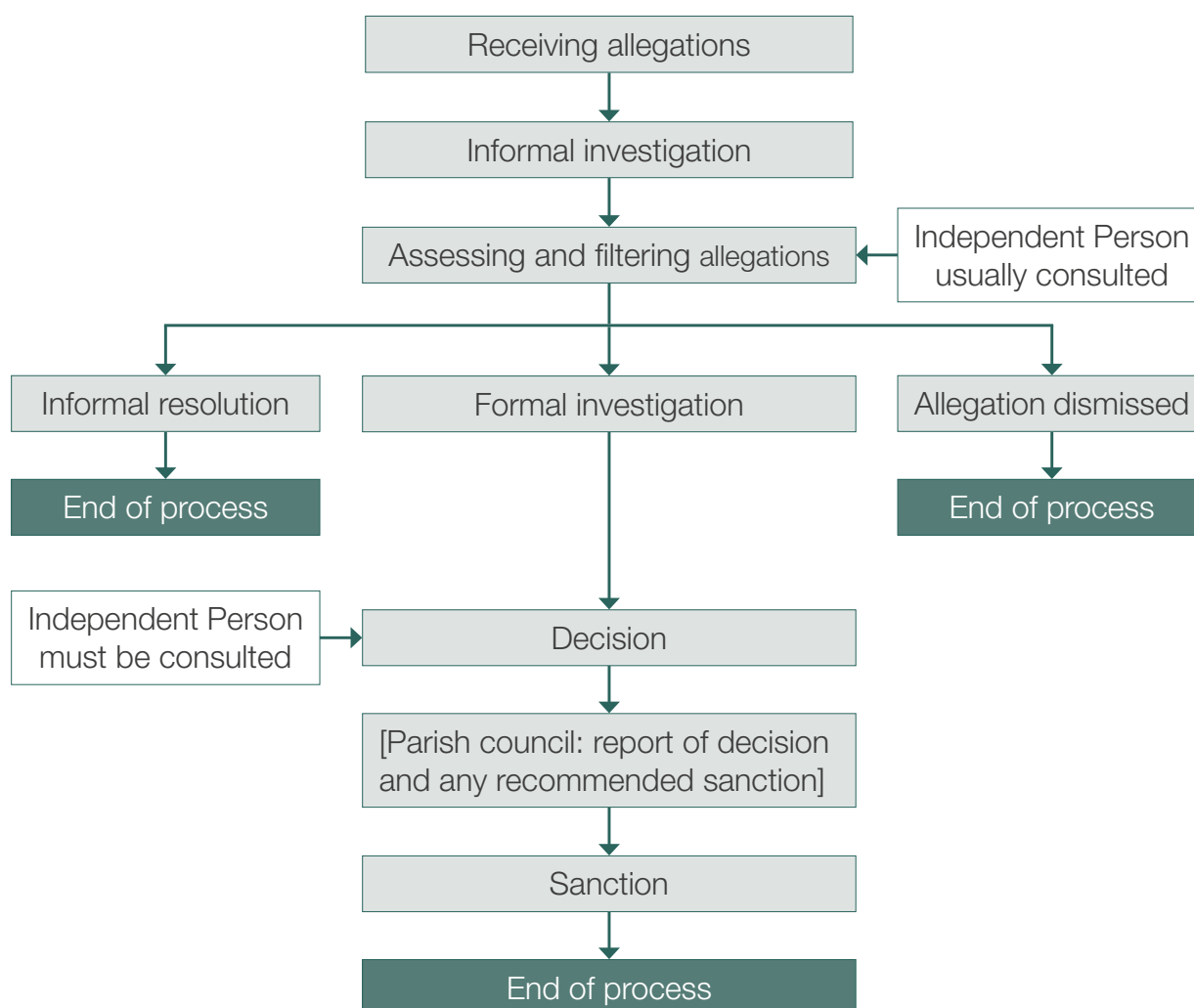


Chapter 3: Investigations and safeguards

Investigations

An authority must have an effective, fair, impartial, and transparent complaints and investigation procedure, in which both councillors and the public can have confidence. Sanctions should be imposed in a consistent way, and only where there is a genuine breach.

The current investigation process





Objectivity: Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

An investigation process needs to be proportionate and fair. The process must have an independent element as a check on the impartiality of decision-making. The more significant the sanctions that can be imposed, the more robust the independent element needs to be in order to safeguard the fairness of the process. At the moment, this element is primarily fulfilled by the Independent Person. Whilst the Monitoring Officer has the power under current legislation to investigate and make decisions on allegations, many principal authorities have standards committees to decide on allegations and impose sanctions.

Filtering complaints

The Monitoring Officer usually filters complaints about councillor conduct and judges if the complaints are trivial or vexatious, or whether they should proceed to a full investigation. Usually this filtering is based on the judgment of the officer, often against a formal policy, though the Monitoring Officer may seek the advice of an independent person or members of a standards committee when they do so.

The standards bodies in Scotland, Wales and Northern Ireland all make use of a 'public interest' test when filtering complaints. These tests set clear expectations to those making complaints and ensure consistency of approach. The tests do not necessarily need to be detailed. For example, the Northern Ireland Local Government Commissioner for Standards provides a simple two-stage test, which asks whether they 'can' investigate the complaint, and whether they 'should'.

Northern Ireland Local Government Commissioner for Standards public interest test

1 'CAN' we investigate your complaint?

- Is the person you are complaining about a councillor?
- Did the conduct occur within the last six months?
- Is the conduct something that is covered by the code?

2 'SHOULD' we investigate your complaint?

- Is there evidence which supports the complaint?
- Is the conduct something which it is possible to investigate?
- Would an investigation be proportionate and in the public interest?⁵³

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Safeguards

A certain level of independent oversight is crucial to any standards arrangement. The inclusion of an independent element in the process of deciding on code breaches is important to ensure that the process is fair and impartial, and that councillors are protected against politically-motivated, malicious or unfounded allegations of misconduct.

53 Available online at: <https://nipso.org.uk/nilgcs/making-a-complaint/how-we-deal-with-your-complaint/>



In the current local government standards system, this element is provided by the Independent Person. We believe that this safeguard should be strengthened and clarified. Other safeguards should also be put in place to ensure the fairness of the process, by enabling independent members of standards committees to vote, and a provision for councillors to appeal a decision to suspend them following the finding of a breach.

Our councillors feel safe with the standards committee because they know any allegation will be dealt with fairly and impartially. As group whips, we know that if something goes through the process it will have the confidence of our members.⁵⁴
Cllr Dan Cohen, Leeds City Council

Independent Persons

The role of the Independent Person has become a distinctive office in its own right. The provisions in the Localism Act 2011 give councils considerable flexibility over what sort of person performs the role (with only the criteria for ‘independence’ specified) and how the role is performed, subject to the requirement that their views must be able to be sought by members and complainants and that their views must to be sought and taken into account before deciding on an allegation that has been subject to a formal investigation.

We have met some exceptional Independent Persons in the course of our review, who give their time and expertise to maintain high standards in local authorities. We have been impressed by the diligence and commitment of those we have met. The role is often unpaid or subject to a nominal payment or honorarium.

The Independent Person has no formal powers, and whilst their views must be ‘taken into account’, they do not have a decisive say on the outcome of an investigation. As such, the nature and effectiveness of the role in any individual instance depends both upon the appointee and the attitude of the local authority.

The title ‘Independent Person’ creates a false impression with the public, who believe that I have real decision-making powers. In reality I have no powers at all, the role is wholly advisory and weak [...]⁵⁵
Richard Stow, Independent Person

We have seen a number of different approaches taken by local authorities and by the office-holders themselves towards the Independent Person rules. Some are simply consulted as required over email by a Monitoring Officer, or attend standards committees in an observer capacity; others play an active role in reviewing an authority’s code or processes, offering training to councillors or even forming an authority-wide ethics panel to advise on all aspects of ethical practice and decision-making.

Regardless of the approach taken, it is clear that a positive relationship with the local authority’s Monitoring Officer is crucial to being able to perform the role effectively. This relationship involves a mutual recognition of roles: on the one hand, recognising that the Monitoring Officer has specific responsibility and accountability for the standards process in an authority, and on the other that the Independent Person can bring a valuable external and impartial perspective that can assure and enhance the fairness of the process.

54 Cllr Dan Cohen, Visit to Leeds City Council, Tuesday 18 September 2018

55 Written evidence 209 (Richard Stow)



We do agree that the Independent Persons provide a valuable objective voice in the standards process. It is incredibly useful for the Monitoring Officer to have this support and advice from an external perspective, and it offers a great opportunity for local residents to bring a wide variety of experience and expertise to the process.⁵⁶

London Borough of Sutton

Local authorities use Independent Persons in different ways, and we have seen evidence of a range of good practice. Many authorities will appoint two or more Independent Persons. Some authorities will, in any given case, have one Independent Person offer a view to members or complainants, and another to offer a view to the local authority, so as not to be in a position where they may be forced to prejudge the merit of an allegation. Other authorities will consult with one Independent Person on whether to undertake a formal investigation, and another to advise on that investigation. Many local authorities consult an Independent Person at all points of the process, including when filtering complaints.

Best practice 7: Local authorities should have access to at least two Independent Persons.

We heard that many Monitoring Officers appreciate the impartial view that the Independent Person can offer, both to improve the quality of decision-making itself and as a visible check on the process to reassure councillors and complainants that their decisions are made fairly. We have also heard evidence, however, of councils failing to make

good use of their Independent Person, and of an antagonistic or dismissive attitude towards their role.

The evidence we received suggests that the Independent Person role needs to be clarified, strengthened, and better supported.

The years since the passage of the Localism Act have seen a more defined role for the Independent Person emerge. This role should now be formalised. In our view, an Independent Person needs not just to be independent according to the requirements of the Localism Act 2011 but should also show an ability to:

- offer authoritative and impartial advice
- maintain independence in a politically sensitive environment
- gain the confidence of councillors, officers, and the public
- make decisions on an impartial basis, grounded in the evidence
- work constructively with the local authority and senior officers

The Independent Person should be seen primarily as an impartial advisor to the council on code of conduct matters. They should provide a view on code of conduct allegations based on the evidence before them, and whilst being aware of the political context, should be politically neutral. Local authorities should make use of their perspective and expertise when reviewing their code of conduct and processes. Their advice should also be able to be sought from subject members and members of the public, in line with the requirements of the Localism Act.

56 Written evidence 311 (London Borough of Sutton)



Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

The role should also be strengthened. Security of tenure is important in order to protect Independent Persons from being removed from their role for unpopular advice or recommendations. Equally, however, restricted tenure can ensure that the Independent Person's judgment and independence is not compromised by a long period of involvement in a single authority.

There is a tendency to recruit IPs on a four-year basis and that is eminently sensible; it makes it less possible for IPs to be accused of becoming too close to council members. I think it is important to ensure that IPs are seen as remaining independent and continuing to reach their own conclusions on issues where their views are sought.⁵⁷

**Dr Peter Bebbington,
Independent Person**

We therefore recommend that Independent Persons should be appointed for a fixed term of two years, with the option of a single re-appointment. The terms of multiple Independent Persons should ideally overlap, to ensure a level of continuity and institutional memory.

Recommendation 8: The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.

Currently, there is no requirement for the Independent Person's view on a case to be formally recorded, for example, in a formal decision issued by the Monitoring Officer or a standards committee. Whilst there may be reasons that the decision-maker ultimately reaches a different view from the Independent Person, the safeguard that they provide would be stronger if their view was always made transparent.

Although the law requires them to give views on matters under investigation and for the council to have regard to those views, in practice they are often invisible from the process to an outsider – the public whom they are meant to represent. It is not clear to us where their views are published so that the public can have confidence that the council has had regard to them and that the process has been independently verified.⁵⁸

Hoey Ainscough Associates

Recommendation 9: The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.

⁵⁷ Dr Peter Bebbington, Roundtable, 18 April 2018

⁵⁸ Written evidence 212 (Hoey Ainscough Associates)



Were councils to be given the ability to suspend councillors, as we recommend in chapter 4, more safeguards would need to be put in place to ensure that this sanction is imposed fairly and that councillors are properly protected from potential misuse of the standards process. We suggest that the Independent Person would have to confirm that, in their view, a breach of the code had taken place, and that they agree that suspension would be proportionate, in order for the local authority to impose suspension for that breach.

Recommendation 10: A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding of a breach and that suspending the councillor would be a proportionate sanction.

We have noted recent First Tier Tribunal cases⁵⁹ which have found that it will often be, on balance, in the public interest to disclose the view or advice of the Independent Person under the Freedom of Information Act 2000. As above, we support the Independent Person's advice being made public, which could enhance openness and accountability. However, we are concerned that Independent Persons would not automatically enjoy indemnity if a councillor or member of the public were to take legal action against them, in the same way that a member or officer of an authority would. Local authorities should take steps to provide legal indemnity to Independent Persons if their views are disclosed, and the government should confirm this through secondary legislation if needed.

Recommendation 11: Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.

We have seen the benefits of strong networks among Monitoring Officers and senior officers, in order to share best practice, undertake professional development, and learn from each other's experiences. We would support the creation of a network of Independent Persons, which, despite the potential benefits it could offer, is currently lacking at present.

59 Bennis v ICO & Stratford [2018] UKFTT 2017_0220 (GRC)



Strengthening and clarifying the role of the Independent Person

Current role	Proposed role
No role specification	Clarified role specification
No requirements for term	Fixed-term appointment, renewable once
Required only to be consulted by the authority on an allegation subject to a formal investigation	Best practice also includes being consulted on allegations the MO is minded to dismiss, and on whether to undertake a formal investigation
No formal powers	Must agree with the finding of a breach and that suspension is proportionate for a councillor to be suspended
No disclosure requirements	The view of the IP is recorded in any formal decision notice or minutes
No legal protection	Legal indemnity provided by local authority

Standards committees

Under the Localism Act 2011, local authorities are not required to have standards committees to adjudicate on breaches and decide upon sanctions, but a large number of authorities in England choose to do so.

Local authorities should maintain a standards committee. A standards committee can play a role in deciding on allegations and sanctions, or in monitoring standards issues in the local authority and reporting back to full council, or a combination of these.

We have come across a range of different ways in which standards committees operate as part of our review. Leeds City Council produce a valuable annual report to council from the standards committee. Cornwall Council include representatives from town and parish councils and a town clerk, in addition to independent members and members of the principal authority. The Independent Persons who observe the Uttlesford District Council

standards committee have also led training workshops and the redrafting of the code of conduct. Each of these, in their own way, harness the knowledge and observations of the standards committee to elevate issues or significant trends to the notice of the council.

Under the current legislative framework, a standards committee may be advisory (only advising the council as a whole on what action to take, and unable by itself to exercise any of the council's formal powers) or decision-making (having the council's formal powers to decide on allegations and to impose sanctions where a breach is found delegated to it). If the standards committee is a decision-making committee, it is permitted to have independent members (members who are not councillors) appointed to it, but those members are not allowed to vote. Advisory standards committees may have voting independent members. Under the current legislation, Independent Persons in an authority cannot also be members of its standards committee.⁶⁰

⁶⁰ Localism Act 2011, sections 27(4) and 28(8)



A number of respondents to our consultation considered that the system would be strengthened by allowing independent members of decision-making standards committees to vote. We suggest that the current requirements for an Independent Person, with the necessary amendments, should apply to such members (that the individual is not a member, not otherwise co-opted on to a committee of the authority, not an officer in the authority or a dependent parish within the last five years, nor a relative or close friend of such an individual).

The Member Conduct Committee at Wychavon is broadly happy with the existing processes and structures, but feels that it was a retrograde step to remove the voting rights of independent members, who are a cornerstone of an objective conduct committee. The committee would also suggest that the ability to invite parish council representatives to take part in investigations should be restored.⁶¹

Wychavon Borough Council

We have also seen evidence of the advantages of including parish representatives on standards committees, who under the current arrangements, could not be voting members unless on an advisory committee. Including parish representatives on a principal authority standards committee can build a more effective relationship between their respective councils and enable the committee to take the perspective and views of the parish into account.

Recommendation 12: Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.

Even where a local authority includes independent members on a standards committee, they would still be required to retain an Independent Person. In line with our best practice above, although the independent members of standards committee would enhance the independence of a formal decision-making process on an allegation, an Independent Person would still be required to advise subject members on allegations and advise the Monitoring Officer on allegations they are minded to dismiss and on whether to undertake a formal investigation.

Appeals and escalation

A means of appeal is an important aspect of natural justice, and as a safeguard for councillors to ensure that the standards process operates fairly and impartially. Whilst the Local Government and Social Care Ombudsman (who we refer to as the “Local Government Ombudsman”) can consider complaints about the investigation and decision process followed by a local authority where there is evidence of injustice, there is currently no means of appeal against the finding of a breach by a local authority within the local government standards system.

A formal appeal system would be disproportionate in relation to the most commonly imposed sanctions, such as censure or training. However, we recommend

61 Written evidence 211 (Peter Purnell)



in chapter 4 the introduction of a power to suspend councillors for up to six months. As an aspect of natural justice, such a sanction would require a right of appeal.

The lack of a right of appeal (either by the complainant/subject member) is often criticised.⁶²

Lawyers in Local Government

We have considered a range of options for how a right of appeal could be included within the local government standards arrangements, including internal appeals within a principal authority. However, we consider that an appeals process should ideally be independent. As we set out in chapter 1, we do not believe that a new, external standards body should be created, and so consider that giving a role for appeals to the Local Government Ombudsman would be the most appropriate way to enable an independent, external appeal process.

If these more serious sanctions were available to standards committees, we accept that this could require some kind of external/independent appeal process to be available to the member complained about. This could be organised through the LGA or regional associations such as London councils, and need not require a return to the much criticised national statutory arrangements of the Standards Board, although some additional resource would be required. An alternative would be for the Ombudsman to consider or hear appeals if they met a certain threshold, as we understand the Welsh LGO does in their role.⁶³

London Borough of Sutton

Currently, the Local Government Ombudsman can investigate a local authority's decision-making process in undertaking a standards investigation or imposing a sanction on grounds of maladministration where there is some evidence of injustice, for example, if there is an unreasonable delay or evidence of a conflict of interest. This avenue is open both to complainants and to subject councillors. The Ombudsman could then recommend a remedy to the local authority (though this is not legally enforceable). The Local Government Ombudsman stated in evidence to us that it has investigated the standards process in a local authority in a small number of cases, usually recommending a remedy of re-running a standards investigation.⁶⁴ This is an under-appreciated safeguard within the current system.

Common issues with local authority standards processes considered by the Local Government Ombudsman⁶⁵

- unreasonable delays in councils taking action to investigate a complaint
- councils failing to take into account relevant information in reaching its decision
- councils not following their own procedures in investigating the complaint (e.g. not involving an independent person) or not having proper procedures in place

The Ombudsman cannot, however, adjudicate on the substantive question of whether a breach actually took place and what the appropriate sanction would be, as this lies outside their remit.

62 Written evidence 228 (Lawyers in Local Government)

63 Written evidence 311 (London Borough of Sutton)

64 Written evidence 126 (Local Government and Social Care Ombudsman)

65 Written evidence 126 (Local Government and Social Care Ombudsman)



Our powers enable us to investigate the council's handling of the complaint, and where there is evidence of injustice, we will be able to make recommendations for how the issues can be remedied. However, we cannot consider the substantive issues that form the complaint itself and do not provide a right of appeal against a council's decision whether there has been a breach of standards of conduct.⁶⁶

Local Government Ombudsman

The Local Government Ombudsman indicated in evidence to us that they considered that adjudicating on substantive standards issues would complement their existing work. Given that standards failings are often linked to broader institutional issues, giving the Ombudsman a greater role in considering ethical standards issues could improve their oversight of the sector as a whole.

In order to provide a genuine appeal function, the Ombudsman's decision would need to be legally binding on the local authority – rather than a non-binding recommendation, which is the formal status of the Ombudsman's decisions on cases of maladministration. This would likely require a separate legislative basis. We note that the Public Service Ombudsman for Wales also has a separate legislative basis for their investigations into breaches of the code of conduct to their broader ombudsman role.

In order to ensure that the appeal function would be used proportionately, we consider that it should only be available for councillors who have had a sanction of suspension imposed. The right of appeal should be time-limited, and the Ombudsman should issue

a decision within a specified, reasonable timeframe. The Ombudsman should be able to apply their own public interest test in deciding whether to investigate a case on appeal by a councillor. Complainants should not be permitted to appeal against a finding, but, as now, could complain to the Ombudsman on grounds of maladministration if they consider that the process followed was flawed; if, for example, there was evidence that was provided that was not taken into account.

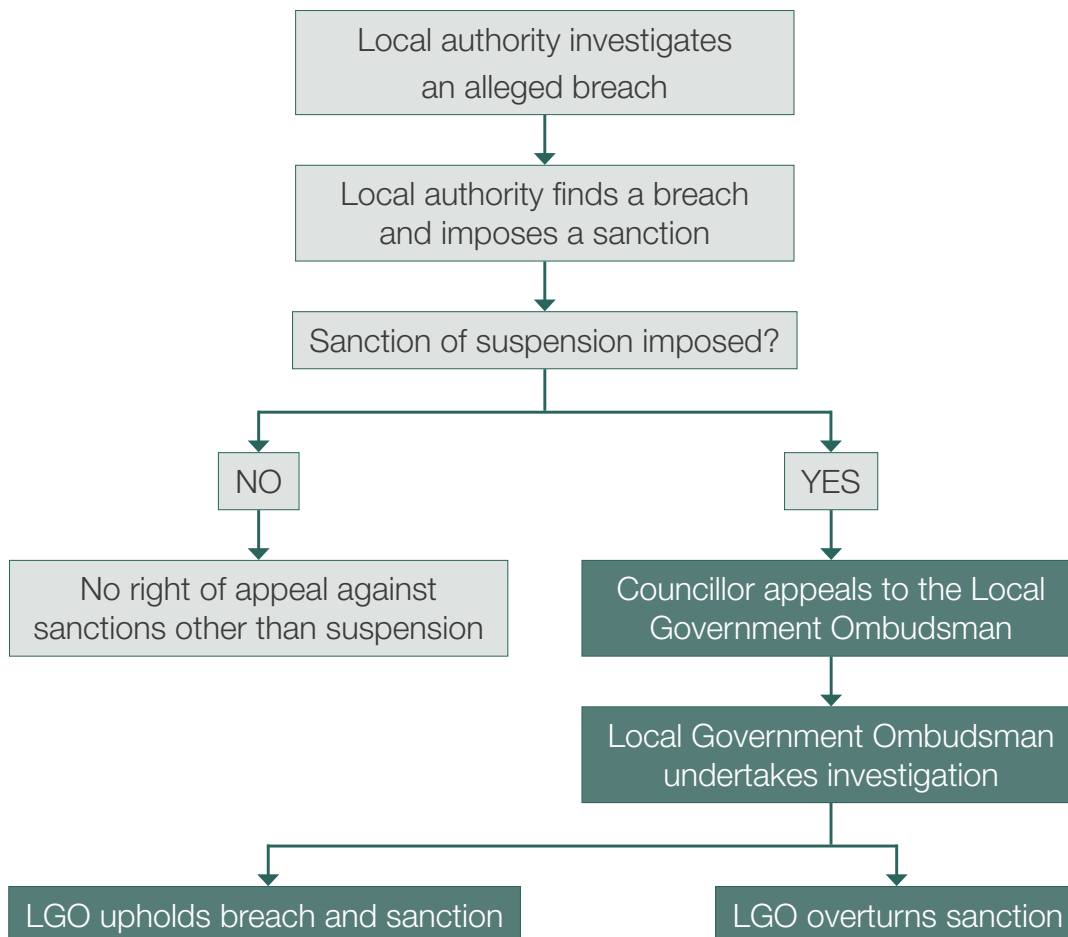
Whilst the Ombudsman's remit does not extend to town and parish councils, under the Localism Act, sanctions can only be imposed on parish councillors following the finding of breach and a recommended sanction by the principal authority, which we recommend below should become a binding decision by the principal authority. We therefore consider that parish councillors who are subject to a suspension should be able to appeal to the Local Government Ombudsman as the decision is taken by a principal authority, who already fall within the Ombudsman's remit.

The role of the Local Government Ombudsman would then be similar, on the one hand, to the role performed by the Adjudication Panel for Wales, which hears appeals of decisions by local standards committees; and on the other, to the Public Service Ombudsman for Wales and the Northern Ireland Public Services Ombudsman who have a combined local government standards and local government ombudsman role. A role limited to appeals against a decision to impose a period of suspension would mean that local authorities would retain primary responsibility for local standards and would avoid the creation of a centralised standards body.

66 Written evidence 126 (Local Government and Social Care Ombudsman)



Proposed appeals process





Recommendation 13: Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.

The Nolan principle of openness demands that councils should be taking decisions, including decisions on standards issues, in an open way. The experience of the Committee is that whilst transparency does not automatically increase public trust in a process, it is nevertheless essential to enabling public scrutiny and accountability.

Recommendation 14: The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.

We have seen examples of both good and bad practice in how open councils' standards processes are. The best examples involved a single, easily accessible page on an authority's website explaining in straightforward terms how a member of the public can make a complaint under the code of conduct, what their complaint needs to include, the process for handling complaints, and the expected timescales for investigations and decisions. That page would also include links to recent decisions on allegations that came before the standards committee.

Promoting openness and transparency

Openness: Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Openness and transparency are important secondary safeguards, to ensure that the process can be scrutinised by other councillors and by the public. We heard evidence that many councils do not publish data and decisions on standards issues in a regular or open way. Councils should be free to make their own arrangements for whether they maintain a public list of pending investigations. However, councils should be recording allegations and complaints they receive, even if they do not result in an investigation, and should certainly publish decisions on formal investigations.

Recommendation 15: The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g. bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.



Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Avoiding legalisation

It is vital to get the balance right between the privileges and responsibilities of democratic representatives. Whilst councillors have a responsibility to uphold high standards, in particular by upholding their council's code of conduct, it would be concerning if they could easily be made subject to an expensive legal process, which could then make the standards system open to misuse. The standards arrangements in England should therefore remain based on 'lay justice', where the requirements and processes are sufficiently clear and straightforward so that no councillor subject to an investigation would be disadvantaged by lacking formal legal representation.

Updating and clarifying the Localism Act 2011 to address the practical problems of interpretation that have come to light in recent years – particularly regarding conflicts of interests – would help in this regard, as would a greater role for the Local Government Ombudsman, by allowing councillors to appeal a sanction of suspension without having to resort to the civil courts for review or remedy.

More broadly, the focus should remain on individual local authorities maintaining high standards in their own councils. Councils need not be tied up with long-running standards investigations; they should put in place strong filtering mechanisms to make sure that only allegations with real merit begin a formal process of investigation. Likewise, use of the most serious sanctions should remain rare. For those subject to an investigation or sanctions process, councils should also provide clear, plain English guidance on how the process works and councillors' responsibilities within it.



Chapter 4: Sanctions

Any system designed to uphold standards of ethical behaviour needs to include ways to address and redress behaviour which falls seriously and/or repeatedly short of what is expected. Under the current arrangements when a councillor has been found to have broken the code of conduct there is no requirement to comply with remedial action. Whilst it is recognised that early, informal resolution of minor misdemeanours can be the most effective, the evidence we received demonstrated overwhelmingly that this lack of enforcement authority is a weakness in the system which may also deter genuine concerns being raised. The questions remain, however, as to what sanctions are appropriate and proportionate, and who should enforce them.

Throughout this review it has become clear that ethical principles must be embedded in organisational culture through training and leadership, and codes of conduct should guide the behaviour of individuals by spelling out what those principles require. When misconduct does occur, however, sanctions play an important role in maintaining standards.

Sanctions are also needed to give credibility to an ethical culture, so that the culture is not engaged with cynically or lightly. As one academic commentator on local government standards has pointed out, “[...] although there is a tension between ‘rules-based’ and ‘cultural’ strategies it does not follow that they are mutually exclusive. Rather, the challenge is to find the balance between a system that supports self-motivation and trust whilst still being credible in the face of examples of persistent misconduct and cynical motivation.”⁶⁷

As we have stated previously, “[...] people need to see poor behaviour punished as well as good behaviour rewarded, although it is, of course, better for people to internalise the principles behind the right behaviour, and to want to do the right thing, than to do so only because of the fear of getting caught and punished.”⁶⁸

The purpose of sanctions

Sanctions serve four purposes in a standards framework: motivating observance of standards arrangements, deterring damaging behaviour, preventing further wrongdoing, and maintaining public confidence.

Sanctions help to ensure that individuals engage with an ethical standards regime. Our predecessor Committee noted in its first report that “[...] unless obligations are routinely and firmly enforced, a culture of slackness can develop with the danger that in due course this could lead on to tolerance of corruption”.⁶⁹ In this review we heard of a small but significant number of individual councillors who appeared to have no respect for a standards regime without cost or consequence and whose continued poor behaviour demonstrated their ‘opting out’.

Punitive sanctions can act as a deterrent to behaviour which is seriously damaging to the public interest. Sometimes a lapse in good conduct can be a genuine oversight, often due to lack of understanding or awareness, and any sanction should be appropriate and proportionate. But the more damaging behaviour requires a greater deterrent, particularly where it brings local democracy into disrepute or otherwise harms the public good.

67 Stephen Greasley (2007) “Maintaining ethical cultures: Self-regulation in English local government”, *Local Government Studies*, 33:3, 451-464

68 Committee on Standards in Public Life (2013), *Standards Matter*, Cm 8519, 4.25

69 Committee on Standards in Public Life (1995), *Standards in Public Life*, Cm 2850-I, para 97



Some sanctions are needed to prevent further wrongdoing where a breach occurs. These sanctions will typically involve curtailing or restricting an individual's activity in relation to council business, especially where the form of the breach suggests that a repeat offence is likely, or where council business would be inhibited by an individual's continued involvement.

The credibility of any standards regime is undermined without the option to resort to sanction when needed. Sanctions help to maintain public confidence that something can be done when things go badly wrong. When used correctly, the application of appropriate sanctions give reassurance that the expectations of the public of high standards of conduct are being observed, and that wrongdoing is taken seriously. Public confidence will, however, only be maintained if sanctions are sufficient to deter and prevent further wrongdoing, and are imposed fairly and in a timely way.

The current sanctions arrangements

The Localism Act 2011 removed the ability for councillors to be suspended or disqualified (except for the statutory disqualification requirements which we discuss below). As a result, councils have become increasingly creative in their approach to using sanctions. Sanctions used by local authorities include censure, apology and training, as well as the removal from committee responsibilities by a party and in some cases, the withdrawal of access to facilities and resources (for example laptops or unescorted building passes). However, sanctions which ban members from council premises usually require cross-party support and are typically only considered appropriate in response to threatening behaviour such as bullying council officers.

The evidence we received suggests that the lack of serious sanctions, such as suspension:

- prevents local authorities from enforcing lower level sanctions, such as training or apology. When councillors refuse to apologise or to undergo training, the only route open to councils is to publicise the breach and the refusal.
- damages the public credibility of the standards system. Members of the public who make code of conduct complaints but do not see a significant outcome even where a breach is found would be justifiably frustrated that the standards system is not dealing with misconduct in a robust or effective way.
- makes the cost and resources of undertaking an investigation disproportionate in relation to sanctions available. We have heard evidence that Monitoring Officers resist undertaking standards investigations where possible, due to the significant cost, where a likely sanction may only be censure or training. We have also heard some evidence that members of the public do not make formal complaints as they do not consider the effort worthwhile given the limited outcomes available.
- gives local authorities no effective means of containing reputational damage or preventing recurrence, for example, in the case of disclosure of confidential information or bullying of officials. We heard that the lack of effective sanctions is deeply frustrating for officers and councillors who want to maintain the effective running of a council and to maintain high standards of conduct.



The removal of the powers previously open to local authorities to suspend a councillor and the broader sanctions open to Standards for England has removed the teeth of the standards regime, particularly in relation to repeat offenders. This undermines public confidence in the standards regime, particularly in the eyes of complainants who may be left with the belief that a councillor found guilty of a breach has 'got away with it'.⁷⁰

Tonbridge and Malling Borough Council

We do have good processes in place, but rarely use them due to the expense and time taken knowing that there is no significant sanction available at the end of the process to address serious issues. Councils simply cannot afford to enter into potentially long and costly processes unless it is clearly in the public interest. Time and money are key factors when they really should not be. As such, no-one achieves real satisfaction under the current standards regime.⁷¹

Taunton Deane Borough Council

It is the almost universal view of every council we have worked with that the limited range of sanctions available to councils is completely unsuitable for the worst cases and for serial misconduct.⁷²

Hoey Ainscough Associates

Press reports show continuing instances of bullying, insulting, offensive and inappropriate behaviour towards fellow members, public and officers. Even when action is taken, in the worst cases, the limited sanctions that can be imposed are ignored or even seen as a 'badge of honour'... reports have historically shown how, if unchecked at the outset, a corrosive and demoralizing culture can quickly take hold.⁷³

David Prince CBE

Some councillors view low-level sanctions such as censure as a 'badge of honour', to indicate that they do not cooperate with the 'established' process, and may often not cooperate with sanctions in order to cause disruption to a local authority and the individuals within it.

Party group discipline

Political groups, where they exist, make use of their own internal disciplinary processes. These processes are used, for example, to enforce whipping, but also in response to breaches of ethical standards. The evidence we received suggested that these processes are used partly to fill the gap left by the lack of formal sanctions available to principal authorities.

70 Written evidence 24 (Tonbridge and Malling Borough Council)

71 Written evidence 131 (Taunton Deane Borough Council)

72 Written evidence 212 (Hoey Ainscough Associates)

73 Written evidence 31 (David Prince CBE)



In many places party discipline has effectively filled the void left by the council's lack of formal powers but in our experience this is patchy and too subject to political calculation, such as the effect on balance of power within an authority so cannot be relied upon to be consistent across the country.⁷⁴

Hoey Ainscough Associates

A political group is a group of any two or more councillors in a principal authority who formally notify the Monitoring Officer that they wish to be considered as a political group. Members of a political group do not have to be members of the same political party, though most councils will include groups from the main national political parties. The relative strength of numbers in political groups will determine the administration and opposition in a council.

Political groups will often undertake a whipping function, so that the group votes consistently on particular proposals (though this is not permitted in functions such as planning and licensing). They will exercise party discipline, both to enforce whipping and group rules, but also in response to poor behaviour by councillors.

The greatest sanctions appear to be informal sanctions issued by groups and leaders, in terms of, for example, removal from committees, other bodies, posts, and of the whip. Our strong view is that while in many cases political groups have acted on such bases, a standards framework that is reliant on the decisions of those groups to effect proportionate sanctions is not an effective one.⁷⁵

**Andrew Maughan, Monitoring Officer,
Camden Council**

Under the legislation which governs council committees, the council allocates seats on committees to political groups in proportion to the relative sizes of the political groups within the council as a whole. The council is required to put the wishes of a political group into effect as far as possible when allocating individual councillors to committees from within that group. This means that in practice, political group leaders decide on committee appointments (although the wishes of a majority of group members would in theory take precedence). This is a significant power of patronage that can be used as part of a disciplinary process by parties. Groups may also remove individuals from other posts to which they have been nominated by their group; and a majority party may also take away portfolios or other special responsibilities.

We heard from political parties that the threat of suspension or expulsion from a group in particular can be an effective deterrent at the level of political group within a council.

Whilst political groups have a formal legal definition, in practice they are organised differently in different authorities. Some will be highly organised with a hierarchy of a leader, deputy leader and group whips, will have group discussions on a large number of matters that come before council, and enforce whipping through party discipline. Others will have a group leader also acting as a group whip, and may take a lighter-touch approach to group discussions or whipping. Independent groups, for example, are very likely to take a light-touch approach to whipping, or, indeed, may have independence from a whip as the central rationale for the group.

Party discipline can play a positive role in upholding ethical standards within a local authority. We heard that senior officers may

74 Written evidence 212 (Hoey Ainscough Associates)

75 Written evidence 151 (Andrew Maughan, Camden Council)



often make an informal approach to political group leaders if they have concerns over the behaviour of a member of that group. Internal party discipline, or even simply advice from a group leader, can be a useful means of moderating individuals' behaviour without needing to resort to the formal standards process. However, we also heard of instances where an approach to a political group was considered a serious step, and that the Monitoring Officer, if they had any concerns about the behaviour of a councillor, would speak to that individual on a one-to-one basis.

Sometimes, however, cases of alleged misconduct may go to a political group leader or even the national leader of a political party instead of being reported to the Monitoring Officer at a local authority.

Examples of political party disciplinary process used as an alternative to the formal standards process

In July 2018, a Greenwich councillor was suspended by their political group, as a result of their being charged with fraud following investigation by the council and referral to the police. The councillor was also removed from appointments made by their party group.

In Nuneaton, a political group leader wrote to the leader of a national political party in July 2018, to seek party discipline for councillors of that party for alleged abuse during a council meeting.

While party discipline can therefore have a positive role to play within local government, it also has drawbacks. Party discipline cannot apply to councillors who are not a

member of a political group. This means that party discipline cannot be used in relation to independent councillors, including those who might previously have been expelled from a party group. Political groups seldom exist in parishes, and so cannot address misconduct at parish level.

Party discipline may mean that political factors are taken into account over the public interest. When an authority is dominated by a single party or there is a very slim majority held by a party, that party may have an interest in downplaying or minimising standards breaches, rather than addressing them. It may also inhibit scrutiny and openness more generally where this may cause embarrassment to the party group.

Party discipline processes can run concurrently with, and in some cases preempt, the outcome of a formal standards investigation. We saw evidence that political parties have taken steps to enable swift discipline by group leaders or whips at a local level in serious cases. But this will tend to lack transparency, without formal announcements of measures taken or open investigative processes, particularly when political parties are under pressure to respond quickly.

There used to be a fairly clunky process of bringing a report to the group for the group to take action. We've revised that to take account of the way that news can spread so rapidly, and given group leaders the power to make a decision there and then for a time limited period along with the whip.⁷⁶

**Cllr Rory Love, Chairman,
Conservative Councillors' Association**

76 Cllr Rory Love, Individual oral evidence, Wednesday 27 June 2018



We also sought evidence during our review on the role of national political parties. Whilst national political parties will often have their own code of conduct, their involvement in allegations of misconduct will tend to be on a case-by-case basis, with less of a formal system for escalating and managing complaints. Party representatives we spoke to said that, understandably, the national party would involve itself only in serious cases or where it had an interest for particular reasons. Inevitably, the involvement of a national party is more likely when reputational issues are at stake, for example, during the selection of candidates at election time.

During the recent elections, we had no hesitation in suspending candidates from the Conservative whip even before the election day as a message to say “if you have the privilege of representing our party, there are standards we expect of you”.⁷⁷

**Cllr Rory Love, Chairman,
Conservative Councillors’ Association**

There is a particular focus [on standards] just before the point of election, which I think will remain the case. That’s when the party has the most influence, that’s when those conversations take place.⁷⁸

**Cllr Simon Henig CBE, Chair,
Association of Labour Councillors**

We have therefore concluded that political parties cannot play the central role in sanctions and upholding standards within an authority. Political group discipline is, essentially, an internal matter. This means it will never have the levels of transparency, consistency and

the relevant checks on impartiality that should characterise a fair and effective standards process. Whilst we have come across examples of positive joint working across political groups, and very effective relationships between officers and political groups, the party disciplinary process is still subject to political imperatives, even in authorities with otherwise very effective standards arrangements. In addition, political groups rarely operate at parish council level, and so party discipline cannot effectively address misconduct at parish level.

If, as our evidence suggests, the current high levels of involvement of parties in the standards process is due to a lack of formal sanctions, the reintroduction of a power of suspension may lead to a diminished role for political parties. Even if this were the case, political parties would still have an important role to play, which we consider further in chapter 8.

The sanction of the ‘ballot box’

We have considered the case that, beyond censure or training, the most appropriate sanction for councillors is the ‘ballot box’, namely, the possibility that they could be voted out at a local election as a result of misconduct. We conclude that the ‘sanction of the ballot box’ is insufficient, both in principle and in practice.

Relying upon the electorate to address poor member conduct at the ballot box is insufficient. The current regime needs to specifically include greater powers for local authorities to robustly address poor member conduct.⁷⁹

**Sandwell Metropolitan Borough
Council**

⁷⁷ Cllr Rory Love, Individual oral evidence, Wednesday 27 June 2018

⁷⁸ Cllr Simon Henig CBE, Individual oral evidence, Wednesday 18 July 2018

⁷⁹ Written evidence 239 (Sandwell Metropolitan Borough Council)



In cases where really serious misconduct happens, and the perpetrator is not discouraged by adverse publicity, there is a significant gap between how the current system can deal with such cases and any criminal sanction, criminal sanctions always being a final resort. The argument that the ultimate arbiter of behaviour is the public at the ballot box does not fully answer this issue.⁸⁰

Wycombe District Council

It is of course accepted that the democratic election of councillors must be respected. Following this, some would argue that (barring disqualification set out in law) only the public who conferred that mandate through an election can take it away by means of another election. It is argued that this is appropriate because only the public can be the proper judge of the suitability of a councillor to represent them which they only have the proper authority to do in an election or re-election.

Whilst the public will of course judge standards in public life at election time to some extent, the process of choosing a representative is based on wider political issues. As the Committee stated in 2013, “[...] decisions about who to vote for are made on the basis of a number of considerations. It would be undesirable for the electorate to have to set aside the opportunity to express their wider political views at election time simply to express a view on a standards issue.”⁸¹ Indeed, voting in elections is often drawn on party lines rather than the overall suitability of an individual candidate.

Public expectations of elected representatives continue to increase not diminish. High ethical standards should be demonstrably observed in practice throughout a term in office. Much harm can be done to individual wellbeing, the democratic process, and council business if misconduct goes unchecked for up to four years.

Public participation ends at the ballot box. There must be more to ensure local governance commits to fulfil the expectations of their electorate where possible [...].⁸²

Cllr David Gaye

It is also the case that a large number of seats in parish and town councils, and occasionally at principal authority level in more sparsely populated areas, are uncontested. In such circumstances the public are not choosing to exercise their judgment, and as a result there is no opportunity for electoral accountability to influence ethical standards.

The argument that the ballot box will decide is a moot point when over 50% of the town and parish councils in Cornwall do not have elections and these local councillors are returned unopposed.⁸³

Cornwall Council

Democratic representation carries both privileges and responsibilities. The significance of that mandate, and the rights and powers that it gives to councillors, also means that a councillor is rightfully subject to the Seven Principles of Public Life and the obligations

80 Written evidence 186 (Wycombe District Council)

81 Committee on Standards in Public Life, *Standards Matter* (2013), Cm 8519, 4.18

82 Written evidence 302 (Cllr David Gaye)

83 Written evidence 147 (Cornwall Council)



under the council's code of conduct. Councillors' conduct should reflect the importance of their elected role and their need to act in the public interest. A standards regime that prevents a councillor from carrying out their role for a period, for example by suspension, does not undermine a councillor's electoral mandate. Rather it underlines the significance of the role and the expectations of high ethical standards that come with elected office.

Sanctions in the devolved standards bodies

The sanctions available to the devolved standards bodies in Wales, Scotland and Northern Ireland, which were also available to the Adjudication Panel in England before its abolition, are suspension for up to one year and disqualification for up to five years.

The devolved standards bodies have used the most serious sanctions available to them sparingly. In 2017/18, the Standards Commission for Scotland has only once suspended a councillor for more than six months (although a number of cases involved a councillor who stood down, where the Commission indicated it would have imposed suspension if it were available).⁸⁴

In 2016/17, the Northern Ireland Local Government Commissioner for Standards disqualified one councillor for three years, and suspended one councillor for three months.⁸⁵

In 2016/17, the Adjudication Panel for Wales suspended four councillors, all for fewer than six months.⁸⁶ However, it should be noted that almost 20% of references and appeals to the Adjudication Panel since 2012 have resulted in disqualification.

Stronger sanctions

We have concluded that stronger sanctions should be made available to local authorities.

We have not seen compelling evidence for introducing a power of disqualification. We consider that there is very strong reason to introduce a power of suspension, but this should only be for a period of up to six months. The evidence we received suggested that the suspension of allowances would form an important aspect of this sanction.

We would expect that such a power would be used rarely. Suspension should be used only in the case of the most serious breaches, such as serious cases of bullying and harassment, or significant breaches of the rules on declaring financial interests; or else in the case of repeated breaches or repeated non-compliance with lower level sanctions.

The sanctions that could be made available to local authorities depend upon the investigative processes and safeguards available to meet the requirements of due process. The more significant the sanction, the more important it is that the process ensures impartial application of sanctions. The evidence we have received suggests that the power to disqualify or suspend a councillor without allowances for longer than six months would likely require a formal independent tribunal arrangement in order to comply with a councillor's ECHR Article 6 right to a fair trial. We do not consider that such arrangements could be put in place without the introduction of a central standards body, which we reject for the reasons discussed in chapter 1.

84 Written evidence 106 (Standards Commission for Scotland)

85 Northern Ireland Local Government Commissioner for Standards (2017), *Annual Report 2016-17*. Available online at: <https://nipso.org.uk/site/wp-content/uploads/2017/12/NILGCS-Report-2016-17.pdf>

86 Adjudication Panel for Wales Register of Tribunals. Available online at: <http://apw.gov.wales/about/register-of-tribunals/?lang=en>



Recommendation 16: Local authorities should be given the power to suspend councillors, without allowances, for up to six months.

Legislation giving effect to this should ensure that non-attendance at council meetings during a period of suspension should be disregarded for the purposes of section 85 of the Local Government Act 1972, which provides that a councillor ceases to be a member of the local authority if they fail to attend council meetings for six consecutive months.

Giving legal certainty to councils

At the moment, councils who impose sanctions at the most serious end of the current range – premises bans and withdrawal of facilities – are doing so without a clear basis in statute or case law. The relevant case law on sanctions has expressly identified training, censure, or publicising the breach as within a council's power, but does not limit the available sanctions to only these. We have heard expert views on both sides of the argument as to whether measures such as premises bans are likely to be *ultra vires* or could be considered as tantamount to suspension; councils are therefore accepting a certain measure of legal risk in using these sanctions. The government should make clear what local authorities' powers are in this area, and put them beyond doubt in legislation if necessary.

As we have seen, sanctions serve a number of purposes in a standards framework, one of which is the prevention of further wrongdoing. Sanctions such as premises bans and withdrawal of facilities may be useful for this purpose, as part of a range of available sanctions.

Recommendation 17: The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.

Criminal offences in the Localism Act 2011

The provisions in the Localism Act make it a criminal offence for a councillor to fail to comply with their duties to register or declare Disclosable Pecuniary Interests (DPI), participate in a discussion or vote in a matter in which they have a DPI, or take any further steps in relation to such a matter. The maximum penalty is a level 5 fine and disqualification as a councillor for up to five years. It is important to acknowledge the seriousness of such a matter and to continue to support the need for serious sanctions for non-compliance in these circumstances. However, the evidence we have received suggests overwhelmingly that resorting to the criminal law is not the most appropriate way to handle such misdemeanours.

The making of certain breaches a criminal offence does not seem to have worked as such matters have to be referred to the police who, from my experience, are not geared up to the local government world and do not (understandably) see such matters as a high priority to them...matters can take a long time and often end up being handed back to the council to deal with in any case.⁸⁷

Taunton Deane Borough Council

87 Written evidence 131 (Taunton Deane Borough Council)



The current arrangements are disproportionate. Failure to register or manage interests is a breach of the Seven Principles and damaging to the public interest, but it would usually be remedied by the application of internal sanctions. To potentially criminalise a public office-holder for what is essentially a code of conduct matter is inappropriate. It sets a high bar for the standard of proof and is a costly process for the public purse. It is also, inevitably, a long process which can be disproportionately stressful. We have heard evidence which suggests that the police are wary of the potential for politically motivated allegations and the highly sensitive nature of investigations to which they may not be able to allocate sufficient resources when budgets are constrained. We also heard of a number of instances where the police have not pursued cases referred to them.

Recommendation 18: The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.

Disqualification of councillors

The criteria for disqualification of councillors are currently relatively limited. In the case of a councillor being convicted of a criminal offence, they would only be disqualified if they are imprisoned for three months or more.

Current law on the disqualification of councillors

Under section 80 of the Local Government Act 1972, a person is disqualified from standing as a candidate or being a member of a local authority, if they:

- are subject to bankruptcy orders
- are imprisoned for three months or more on conviction of a criminal offence (without the option of a fine)
- are found personally guilty of corrupt or illegal practice in an election

They are also disqualified if they:

- are employed by the local authority
- are employed by a company which is under the control of the local authority
- are employed under the direction of various local authority committees, boards or the Greater London Authority
- are a teacher in a school maintained by the local authority

The Ministry for Housing, Communities and Local Government have committed to bringing forward legislation to add to the existing criteria for disqualification, following a public consultation in September 2017. The additional conditions will include being listed on the sex offenders register, receiving a Criminal Behaviour Order under section 22 of the Anti-social Behaviour, Crime and Policing Act 2014, and receiving a civil injunction under section 1 of the Anti-social Behaviour, Crime and Policing Act 2014. We support these changes, which will better reflect the expectations of the public.



Chapter 5:

Town and parish councils

Local government is made up of a number of tiers, of which town and parish councils are the most local. Their functions vary but may include: maintaining local amenities such as parks, cemeteries, and memorials; responding to planning consultations undertaken by principal authorities; producing neighbourhood development plans; and making grants or undertaking other activities to benefit their local communities. In recent years, however, many parish councils have undertaken a broader range of roles that traditionally were performed by principal authorities, such as economic regeneration and transport services.⁸⁸

While the vast majority of people who serve on town and parish councils do so for the benefit of their community and in doing so observe the Seven Principles of Public Life, the Committee received evidence suggesting that poor behaviour and serious misconduct by some councillors is creating significant disruption in those communities. The evidence also suggests that this misconduct can create a increased workload for the relevant principal authority.

Our predecessor Committees have excluded town and parish councils from their reviews into local government standards; we have chosen to focus on them because the number and nature of concerns shared with the Committee by those who work in and with parish councils was sufficient for us to question whether the present arrangements provide for good governance and meet the needs of the public.

Autonomy and accountability of parish and town councils

The oversight regime for parish councils is light-touch, in view of their comparatively lower budgets and limited remit compared to principal authorities.

There is, however, significant variation in the budgets of town and parish councils. A number of small parish councils have budgets of less than £25,000; but some may have budgets exceeding £1 million.

Parish councils with a precept of less than £25,000 are exempted from the need to have an annual assurance review or to appoint an external auditor to prepare their accounts. They are, however, required to comply with the government's Transparency Code for exempt authorities, and must appoint an auditor if an elector has an objection to the accounts.

Parish councils, unlike principal authorities, do not fall within the remit of the Local Government Ombudsman no matter their size or budget, so they are not subject to investigations or rulings on grounds of maladministration. This means that the stakes in some councils at this level are very high where there are either serious or persistent standards issues. Our view is that the current system does not take this potential risk into account.

Under the Localism Act 2011, much of the responsibility for standards in town and parish councils belongs to their principal

⁸⁸ Local Government Chronicle (2016), *Power to the people*. Available online at: <https://www.nalc.gov.uk/library/news-stories/2437-lgc-supplement-2016/file>



authority. We have seen a variety of models for how parishes relate to a principal authority in relation to standards. In many cases, the Monitoring Officer is the main point of communication, and communicates mainly with the clerk. Some councils maintain joint standards committees, with town and parish councillors sitting alongside councillors from the principal authority to discuss issues from both the principal authority and the parish councils, though parish council representatives cannot vote if the committee is a decision-making committee of the principal authority. We have also seen an important role played by county associations of local councils, who can maintain links with the principal authority through the senior officers and in some cases provide mediation and support on standards issues at the parish level.

One of the things we do in the CALC is provide an advisory service and someone to investigate what's gone on and someone to go along to listen to grievances.⁸⁹

Cornwall Association of Local Councils

When it comes to the day-to-day relationship with principal authorities, some parishes will see the principal authority as a point of support or advice on standards issues; some are heavily dependent on the principal authority to provide legal advice and to deal with governance or behavioural problems; but some have an antagonistic relationship with the principal authority and do not respect its formal remit in respect of ethical standards. As with the standards process within a council, the role of the Monitoring Officer is crucial in maintaining a positive and effective relationship with dependent parishes. We have also seen

the benefits of a strong relationship between senior officers (particularly the Monitoring Officer) and the county association of local councils.

We recognise the need to balance the autonomy of parish councils with accountability. The oversight of parish councils must be proportionate in relation to their comparatively limited budget and remit. Our view is that for the majority of parish councils, the current balance works well, although to address the standards issues which in a minority of councils have undermined good governance, we recommend changes below in the formal relationship between parish councils and principal authorities in relation to standards.

How effectively parish councils use their autonomy over their own governance is highly dependent on the skills, experience and support of the parish clerk. Clerks are sometimes the only employees of the council and also the repository of significant amounts of information, advice and guidance for councillors in undertaking parish business. Where the relationship between the councillors and their clerk is positive there is little need for additional accountability or support in the system.

However, we received evidence of substantial difficulties experienced where clerks are either inexperienced, untrained or feel isolated, particularly if they are the subject of poor behaviour on the part of councillors. Ongoing education and training of clerks would provide: confidence to some clerks on the scope and limits of their role; a network of peers who can provide advice and support when new situations arise that are challenging for a single clerk working alone; and a level of consistency and accountability to councillors, auditors

89 Sarah Mason, County Executive Officer, Cornwall Association of Local Councils, Visit to Cornwall Council, Monday 24 September 2018



and the public about the services a clerk can be expected to provide. There is, therefore, a significant need for clerks to be formally qualified (for example, through qualifications run by the Society for Local Council Clerks). Such qualifications need not be costly for parish councils.⁹⁰

Recommendation 19: Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.

Misconduct in parish councils

Analysis of survey responses from over 800 parish clerks, undertaken by Hoey Ainscough Associates on behalf of the Society of Local Council Clerks, suggests that 15% of parish councils experience serious behavioural issues such as bullying and disrespect towards other councillors or the clerk, and 5% of parish councils experience these issues to an extent that they are unable to carry out some or all of their proper functions.

We regularly come across cases of serious bullying and disrespect towards officers and fellow councillors, threatening and intimidating behaviour towards staff, obsessive behaviour and deliberate flouting of the need to declare interests. While such behaviour is very much in the minority it can seriously damage the reputation of an authority, as well as causing huge amounts of stress and effectively gumming up the workings of a council. This is particularly true at parish council level.⁹¹

Hoey Ainscough Associates

We heard of a number of individual cases of serious bullying or other unacceptable behaviour, particularly directed towards local council clerks, leading to high turnover of staff.

The impact often includes serious ill health, loss of employment, loss of confidence and a long-term detriment to their personal and professional lives. The parish sector experiences a high turnover of staff each year. In some areas of the country this can be up to 20-30% of clerks and a large element of this can be attributed to the underlying behaviour issues. We are aware of cases where the issues are long standing and repeated year on year, with multiple cycles of behavioural issues, loss of personnel and recruitment taking place.⁹²

Society of Local Council Clerks

The evidence we received suggests that reintroducing a power of suspension for local authorities, which would be applicable to parish councillors, may address some of these problems. Although many parish councillors are not paid, a suspension of six months would nevertheless remove them from decisions and communications for all meetings during that period. It would also send a strong message to the individual member and the community. We discuss sanctions in more detail in chapter 4.

The evidence we received also suggested that difficulties persist in resolving standards matters where clerks are not well supported by the parish council to formally make and resolve complaints, or to prevent behaviour from recurring. Parish councils should take corporate responsibility when allegations of a councillor

90 The basic level qualification offered by the Society of Local Council Clerks costs less than £120, and SLCC offer bursaries for clerks who work for parish councils with a very low precept

91 Written evidence 212 (Hoey Ainscough Associates)

92 Written evidence 197 (Society of Local Council Clerks)



bullying an employee are received. For example, where behaviour that is in breach of a code is observed by councillors or reported by a clerk, the parish council should lodge a formal standards complaint corporately or in the name of the chair. A clerk should not have to do so themselves. In addition to providing necessary support to the clerk in such circumstances, such measures signify to individual councillors that disruptive behaviour is not ignored or accepted by the council generally.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Of the monitoring officers who responded to the SLCC 11% were unable to commit resources to supporting parish councils with behaviour issues with a further 49% only becoming involved when there is a complaint.⁹³

Society of Local Council Clerks

We have heard that dealing with standards issues in parish councils can be onerous for Monitoring Officers in principal authorities. Monitoring Officers reported to us that they could spend a high proportion of their working time on standards issues in parish councils, and that many of the cases that they had to deal with related to long-standing disputes or tensions, and so are not quickly resolved. We have heard a small number of concerning reports that Monitoring Officers have decided to decline to provide advice or accept

complaints received about or from parish councils about standards issues at the parish tier, citing insufficient resources and support for their work with parishes. Giving principal authorities the ability to deal more effectively with misconduct within parish councils should address to an extent the underlying problem of recurring standards issues, which we discuss below. Beyond this, Monitoring Officers need to be given the resources within their principal authority to allow them to carry out their duties in respect of parish councils as well as their own authority, and to be supported by senior management in doing so.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Investigations and sanctions in town and parish councils

Under the Localism Act, a parish council may comply with the duty to adopt a code of conduct by adopting the code of its principal authority, or by adopting its own code.

The evidence we have received is that the variation in parish codes within a principal authority area is an additional burden on that principal authority when advising, investigating and adjudicating on code breaches.

For example, Cornwall Council is a unitary authority that oversees 213 parish councils, all of which, in theory, could have their own

93 Written evidence 197 (Society of Local Council Clerks)



individual code of conduct, on which Cornwall Council could be required to adjudicate. Through working with the Cornwall Association of Local Councils, Cornwall Council agreed a single code with all the parish councils.⁹⁴

Without the support of CALC in Cornwall, we could have ended up with 214 different codes across the county, and this would have created problems with training, which is delivered by Cornwall Council, and interpreting the code which falls to Cornwall Council to administer.⁹⁵

Cornwall Council

Only a principal authority has the power to undertake a formal investigation and decision on an alleged breach of a parish council's code under section 28(6) of the Localism Act.

We have concluded that it is anomalous that parish councils have the autonomy to adopt a code of conduct of their choosing, but do not have the authority to investigate and enforce that code.

We do not consider that parishes should be given the power to undertake a formal investigation on a breach of the code of conduct. Our evidence suggests that parish councils do not wish to take on this responsibility, and that they do not have the resources and structures necessarily to do so on a fair and impartial basis.

There is a need to balance the autonomy of parishes, with a recognition that ultimately the principal authority must be responsible for investigating breaches. We acknowledge the benefits of a councils being able to amend

their own code, which we discuss in chapter 2. Given this burden on principal authorities, however, and the confusion that often arises in the case of dual-hatted councillors, we consider on balance that the costs of giving parish councils the option to adopt their own code of conduct outweigh the benefits.

Recommendation 20: Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.

Following *Taylor v Honiton Town Council*,⁹⁶ a parish council cannot substitute its own decision on an allegation for that of the principal authority. If it imposes a sanction on the councillor, it may only impose the sanction recommended by the principal authority. Whilst Taylor did not address the question directly, the evidence we have received from practitioners is that a parish council is not bound to implement a sanction even if that is recommended by the principal authority.

The Wychavon Committee feels that only having the power to make recommendations to parish councils regarding breaches of the code of conduct often leaves complainants feeling that there is little merit in bringing forward any complaint, especially when coupled with the current regime's stipulation that investigations cannot be pursued if a councillor leaves office.⁹⁷

Wychavon Borough Council

94 Written evidence 206 (Cornwall Association of Local Councils)

95 Written evidence 147 (Cornwall Council)

96 *Taylor v Honiton Town Council and East Devon District Council* [2016] EWHC 3307 (Admin)

97 Written evidence 78 (Wychavon Borough Council)



Accordingly, parish councils may disregard the sanction recommended by a principal authority. This may sometimes be due to an antagonistic relationship with the principal authority, or pressure from particular parish councillors not to implement the recommendation. This already prevents the effective holding to account of some parish councillors for misconduct. If, as we recommend, local authorities were given a power of suspension, under the current law a parish council could effectively ignore a decision to suspend one of its members. We therefore consider that any sanction imposed on a parish councillor following the finding of a breach should be determined by the parish's principal authority, which will require a change to section 28 of the Localism Act 2011.

Recommendation 21: Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.

We have heard concerns that the judgement in *R (Harvey) v Ledbury Town Council*,⁹⁸ which was delivered during our review, prevents parish councils from taking action in the case of bullying. The principle that sanctions could not be applied to councillors outside of the formal investigation and decision process, involving an Independent Person, by a principal authority, is a straightforward application of the earlier judgment in *Taylor v Honiton Town Council*.⁹⁹ The evidence we have received is that this principle is the right approach: a parish council would not typically have the

resources to undertake a formal standards investigation; and sanctions should only be imposed following a fair and impartial process, as we discuss in chapter 3.

However, this does not suggest that there is no action that parish councils may take if an employee is being bullied. The evidence we have received from practitioners is that earlier case law has established that a parish council as a corporate body is vicariously liable for actions by an individual councillor which would involve an implied breach of their contractual obligations as an employer, including an implied obligation to provide a reasonable congenial working environment.¹⁰⁰ We understand that councils may therefore legally take proportionate, protective steps to safeguard employees if they are experiencing bullying or other unacceptable behaviour, for example, requiring that a particular councillor does not contact directly that named member of staff. However, for sanctions to be imposed, which are by nature punitive, then a formal complaint must be made, with an investigation undertaken by the principal authority.

98 *R (Harvey) v Ledbury Town Council* [2018] EWHC 1151 (Admin)

99 *Taylor v Honiton Town Council and East Devon District Council* [2016] EWHC 3307 (Admin)

100 See *Moore v Bude-Stratton Town Council* [2000] EAT 313_99_2703, which was affirmed in *Heesom v Public Service Ombudsman for Wales* [2014] EWHC 1504 (Admin), 82



Chapter 6: Supporting officers

Role of the Monitoring Officer

The Monitoring Officer is one of the three statutory officers in local government, alongside the Head of Paid Service (Chief Executive or Chief Officer) and the Chief Finance Officer (often referred to as the Section 151 Officer).

The three statutory officers need to work together. They are not separate. I have always had a practice of ensuring I held regular statutory officer meetings where we specifically talked about those things where one of us might want to intervene.¹⁰¹

Max Caller CBE

The post of Monitoring Officer is set out in statute in section 5 of the Local Government and Housing Act 1989. The original statutory role was to report to the council on any proposal, decision or omission by the council which is likely to give rise to a contravention of law or to maladministration. Given the legal aspect of the role, the Monitoring Officer is often the head of legal services in an authority. More recently, the role is often (but not always) combined with oversight of democratic services (the team of officers who prepare and co-ordinate agendas and papers for committee and council meetings).

The Local Government Act 2000 provided for a greater role for the Monitoring Officer on ethical standards.¹⁰² Guidance issued by the

then-Department for Environment, Transport and the Regions summed up its approach, following the passage of the Local Government Act 2000:

The monitoring officer will have a key role in promoting and maintaining high standards of conduct within a local authority, in particular through provision of support to the local authority's standards committee.¹⁰³

The Monitoring Officer (or their deputy) remains the lynchpin of the arrangements for upholding ethical standards in an authority.

We are aware of a perception that the role of the Monitoring Officer is becoming more difficult.

A survey of 111 Monitoring Officers, carried out by Local Government Lawyer, identified that the increasing complexity of local government decision-making, especially commercial decision-making and outsourcing, was a particular challenge in the role, especially where there is an imperative to drive forward projects and decisions. 38% of those surveyed said that the role had become more risky in 'a significant way', and 48% said that it was moderately riskier than in the past.¹⁰⁴

101 Max Caller CBE, Individual oral evidence, Thursday 20 September 2018

102 For example, in sections 59, 60, 66 of the Local Government Act 2000

103 Department for the Environment, Transport and the Regions (2000), *New council constitutions: guidance to English Authorities* (reissued by DCLG, 2006). Available online at:

<http://webarchive.nationalarchives.gov.uk/20120920053721/http://www.communities.gov.uk/documents/localgovernment/pdf/155181.pdf>

104 Local Government Lawyer (2018), *Monitoring Officers Report*. Available online at:

<http://www.localgovernmentlawyer.co.uk/monitoringofficers/?page=1>



The Monitoring Officer role is particularly varied and includes quite disparate aspects. A Monitoring Officer who also oversees a department of the council will have a role in senior management, and will be responsible for large teams. They will offer formal legal advice; but they will also act as a mediator and adviser in relation to standards issues. Some of the most significant difficulties for Monitoring Officers include the inherent potential for conflict when simultaneously:

- acting as a source of advice and guidance for members and officers (and parish councils for which they are the Monitoring Officer)
- assessing complaints in the first instance after it is received by a council
- obtaining and weighing advice from Independent Persons
- overseeing and managing investigations to determine whether serious breaches of the code of conduct have occurred, either personally or by seeking outside expertise and handling the consequential report and conveying it to members

The role involves a broad set of skills, and is broader than a chief legal adviser role. It is through the appropriate application of these skills and knowledge (including by developing a network of peers with whom Monitoring Officers can seek reassurance and check the consistency and fairness of their approach), that we have seen these competing pressures can be dealt with effectively.

The role of the Monitoring Officer in relation to ethical standards is no different to that in relation to their other statutory responsibilities. Dealing with complaints in relation to Members should not expose the Monitoring Officer to any greater risk of conflict. However, many have arrangements in place so that they do not advise the Standards Committee in relation to a complaint where they have been the investigating officer, etc.¹⁰⁵

Lawyers in Local Government

More nuanced but even far more serious complications can arise where the Monitoring Officer is overseeing an investigation into a senior member of the local authority, particularly a portfolio-holder. There is a potential conflict of interest, given the professional relationship between the Monitoring Officer and Cabinet members, in providing procedural and legal advice to enable them to pursue their objectives. In this case, the Monitoring Officer should be robustly supported and protected by the Chief Executive. Any investigation, even if outsourced to an independent investigator, should be overseen and managed ideally by the Monitoring Officer from a different authority, or failing that by a deputy, with the Monitoring Officer kept at arm's-length.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

¹⁰⁵ Written evidence 228 (Lawyers in Local Government)



Whilst the location of the Monitoring Officer in the organisational hierarchy may vary, depending on the nature and functions of the individual authority, we have heard that effective governance relies on a strong working relationship between the three statutory officers (Chief Executive, Section 151 Officer, and Monitoring Officer). In particular, a Monitoring Officer needs to be able raise issues of concern to the Chief Executive, and be able to rely on the support of the Chief Executive in making difficult decisions, to know that they will not be undermined. We have seen that the confidence and support of the Chief Executive is crucial to ensuring the Monitoring Officer has the ability to uphold standards in a council, and can engage authoritatively with individual members.

We accept that the role of the Monitoring Officer is a difficult one to navigate, given the tensions that may be involved in advising on and addressing misconduct, alongside offering legal advice to achieve the council and administration's corporate objectives. We have concluded, however, that it is not unique in these tensions. The role can be made coherent and manageable, with the support of other statutory officers.

Standing of statutory officers

Under the current disciplinary arrangements for statutory officers, any decision to dismiss a statutory officer must be taken by full council, following a hearing by a panel that must include at least two Independent Persons.¹⁰⁶ The previous protections applied in respect of any disciplinary action taken against a statutory officer, not just dismissal, and required the action to be recommended by a Designated Independent Person.

A few respondents to the consultation referenced the political pressure that Monitoring Officers come under to achieve particular outcomes and that this can place them in a conflicted as well as vulnerable position. The statutory protections for Monitoring Officers should be re-visited. LLG strongly supports this assertion.¹⁰⁷

Lawyers in Local Government

We have received a range of evidence on the implications of the changed environment for senior officers. We have heard of cases where Monitoring Officers have been put under undue pressure or forced to resign because of unwelcome advice or decisions, and heard that a diminished standing of senior officers has hampered their ability to give objective advice especially when this may not be welcome. On the other hand, we have heard that the current environment ensures that authorities are genuinely led by elected members, and that officers do not have too dominant a role in a local authority, which confuses the lines of accountability.

On balance, we consider that the disciplinary protections for statutory officers should be enhanced, by extending those protections to all disciplinary actions (such as suspension or formal warnings), not just dismissal.

Recommendation 22: The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.

¹⁰⁶ Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 (SI 2015/881)

¹⁰⁷ Written evidence 228 (Lawyers in Local Government)



Training of officers

We also heard during the review of the danger of councillors or officers perceiving necessary processes and procedures in local government as arbitrary or bureaucratic. When councillors do not appreciate the rationale for the decision-making processes – that exist in order to ensure objectivity, integrity, openness, and accountability – that can lead to undue pressure on officers to ‘bend the rules’, and implement the wishes of the administration regardless of the proper processes.

Sometimes there is a denigration in the culture of an authority because the authority has been hollowed out. In that instance, there is no longer the core of individuals who know the rationale for the rules, rather than just the rules themselves.¹⁰⁸

Max Caller CBE

When officers do not appreciate the rationale for the governance processes, then they can be treated as a ‘rubber stamp’, circumvented, or simply not fully utilised, leading to a compromise in the quality of decision-making.

There is a need to remind people of why the systems of governance are there: why, for example, reports are taken in public.¹⁰⁹

Dame Stella Manzie DBE

Local authorities’ training on governance and process should therefore include an explanation of the rationale for the processes in place, and link specific procedures to their wider aim of ensuring ethical decision-making. Training and support in the governance and

corporate aspects of the statutory officer roles is particularly important, since we heard that there is not necessarily a standard training offer for the statutory aspects of senior officer roles. We discuss councillor induction training in greater detail in chapter 8.

Whistleblowing

The written evidence we received suggests that local authorities will generally have a whistleblowing policy in place.

Since the abolition of the Audit Commission, local government audit is undertaken externally by private companies. External auditors are listed as ‘prescribed persons’, those to whom certain disclosures in the public interest can be made that will attract employment protections under the Public Interest Disclosure Act 1998.

However, the evidence we received suggested that local authorities will not tend to specify a named contact or provide contact information within the external auditor. This would have the effect of deterring whistleblowers from contacting the auditor, or make it difficult to report a concern.

The perceived lack of independence of the current external regime for auditing local government, coupled with the absence of comprehensive information for the public, councillors, and officials as to who to contact in a private audit firm could deter individuals coming forward.¹¹⁰

Protect

108 Max Caller CBE, Individual oral evidence, Thursday 20 September 2018

109 Dame Stella Manzie DBE, Individual oral evidence, Monday 20 August 2018

110 Written evidence 305 (Protect)



Recommendation 23: The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.

We therefore see benefits to councillors being listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998, to make it easier for individuals to make protected disclosures to a councillor.

Recommendation 24: Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.

Under the current whistleblowing law in the UK, councillors are not listed as a 'prescribed person', which means that the disclosure of information to them in the public interest must meet a higher standard in order to attract employment protections.

Whilst it is accepted that reporting concerns to councillors is not appropriate in all circumstances, there have from our experience been scenarios where concerns have not been dealt with at an internal level, and due to nuances of the individual situation, the most effective way of bringing about scrutiny of the concerns may be to inform elected local government councillors.¹¹¹

Protect

Under the current legislation, ordinary disclosure within a line management chain has a lower bar for attracting employment protection. Generally, an employee would therefore make a disclosure to their manager (for example), before making a 'wider disclosure'. However, we accept that there will be instances where a local government officer may feel able only to make a disclosure to a councillor, rather than another officer.

111 Written evidence 305 (Protect)



Chapter 7:

Councils' corporate arrangements

A more complex environment

A number of recent changes have created a more complex environment for local government which can impact on ethical standards.

Local Economic Partnerships (LEPs), which have access to up to £12 billion of funding via the Regional Growth Fund over five years, are one feature of this new environment. LEPs are partnerships between the private and public sectors. They usually cross local government boundaries, to reflect economic patterns rather than administrative functions. LEPs tend to be limited companies, but may also be voluntary partnerships that work through a specific local authority. LEPs are chaired by an individual drawn from the private sector and tend to have a majority private sector board. Funding was awarded to individual LEPs on the basis of the submission of strategic economic plans, and tends to be spent on areas such as transport or skills.

Councils may also embark on joint ventures – for example, partnering with a development company on a high-value housing project, or with an outsourcing firm to deliver back-office services. In such cases the council usually owns 50% of the company and is represented on its board.

Joint working and collaboration can improve outcomes by pooling resources and sharing knowledge. But partnerships also introduce complexity and mixed incentives that can create ethical risks.

The local government sector has also seen a significant change in the way councils are funded. Local government funding has moved from central block grant funding, towards locally-raised funds such as council tax precepts, business rates retention and fees.

Councils have been involved in high-value procurement for many years. However, this new funding environment has resulted in changes in the way that services are delivered, for example, by increased use of outsourcing. This may not always be a council's preferred mode of delivery and councils may feel forced to pursue a particular path in spite of the challenges in maintaining scrutiny, accountability, and high ethical standards.

The NAO has found that these changes have created an environment of financial uncertainty for local councils, who may find it difficult to match its revenue streams to cost pressures in discharging their statutory obligations.¹¹² The changes have therefore altered the imperatives for revenue generation, giving incentives for increasing the value of tax base from which council tax and business rates are raised, and for undertaking other revenue-generating activities, for example, by maintaining a commercial property portfolio.

¹¹² National Audit Office (2018), *Financial sustainability of local authorities*. Available online at: <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>



Resulting governance challenges

This complex environment – made up of partnerships, joint ventures, and other new entities – creates the potential for ethical risks. Ethical standards apply to how decisions are made, as much as to an individual's day-to-day conduct, and ethical decision-making is needed to ensure that councils act in the public interest.

In fact we often don't speak about it, all we talk about is people's conduct, whereas actually ethics comes into how decisions are made, how did you weigh this up against this, what constitutes fairness, what is the measure, what is the ethical basis for considering this or choosing this process.¹¹³

Barry Quirk CBE, Chief Executive, London Borough of Kensington and Chelsea

First, such complexity makes it difficult to identify who is accountable for particular decisions or outcomes. In turn, this can make it difficult for officers, councillors, and the public to hold local authorities and other sectoral bodies effectively to account. The *Municipal Journal*, reporting on a roundtable held jointly with the National Audit Office, quoted a participant who argued that “[...] governance has become impossible what with districts, counties, LEPs etc. What gets lost is the clarity of accountability.”¹¹⁴

Secondly, the complexity can create conflicts of interest. If a council officer or a councillor is a director of a limited company jointly-owned by the council, they will have fiduciary duties which have the potential to conflict with the interests of the council. Such conflicts may also

arise the other way around, when the council has to make decisions about a company in which it has a significant interest.

Thirdly, the growth in separate bodies – such as investment vehicles, joint ventures, and LEPs – can result in less transparency over decision-making. This is because the new bodies are not likely to be subject to the same reporting and transparency requirements and structures as the local authority itself, but are nonetheless carrying out functions crucial to the work of the authority. The need for proportionate commercial confidentiality adds a further dimension of complexity to this issue.

Responding to the new governance challenges

Setting up separate bodies

We have heard that local authorities setting up a separate body without sufficient clarity over the governance arrangements, can create a governance ‘illusion’, that because of its relative day-to-day independence the local authority is not responsible or accountable for its activities and propriety. To avoid this, attention needs to be paid to ethical governance at three key stages.

Individual members on outside bodies can be a problem; councillors' legitimacy comes from their election, and they need I think to import with them the ethical dimension that they have from being a councillor.¹¹⁵

Barry Quirk CBE, Chief Executive, London Borough of Kensington and Chelsea

113 Barry Quirk CBE, Individual oral evidence, Wednesday 19 September

114 “What next for care and health?”, *Municipal Journal*, 22 February 2018, 16

115 Barry Quirk CBE, Individual oral evidence, Wednesday 19 September 2018



First, local authorities may set up bodies with very different structures and functions, that will require different governance arrangements. However, it is important that at the earliest stage, the authority considers and makes decisions about:

- what the relationship will be between the body and the local authority
- what role the statutory officers will have in overseeing its activities and providing assurance on its governance
- how and when the body will report to full council
- what the relationship will be between the body and individual councillors
- how councillors will scrutinise the activities of the body, in particular if it will fall within the remit of the audit or scrutiny committee, and if not, how else scrutiny will happen

Secondly, additional consideration needs to be given to governance if councillors or officers are to be involved or appointed to the body, for example as observers or as board directors. Ideally, the body should be set up so that its interests are aligned with the council's policy aims, in order to minimise any potential conflicts of interest. Nevertheless, if councillors or officers are appointed to the body, they should receive briefing on their governance responsibilities, in particular their legal responsibility to discharge any fiduciary duties to the new body.

The local authority needs, in particular, to consider whether councillors' involvement on the board would constitute a conflict of interest that will need to be managed if the authority makes decisions about the body.

Councils need to put safeguards in place where they decide to involve a council representative in a decision-making position on an ALEO [arm's-length external organisation]. These include procedures for dealing with conflicts of interest, making training and advice available, and personal liability insurance to protect board members in their role.¹¹⁶

Audit Scotland, *Councils' use of arm's-length external organisations (ALEOs)*

Audit Scotland outlined the advantages and disadvantages of councillors sitting on separate bodies in their report, *Councils' use of arm's-length external organisations (ALEOs)*.

Potential advantages of council nominees as board directors or trustees

- can improve the relationship between the ALEO and the council
- can bring an insight into the council and its objectives and the broader community
- council representatives can gain valuable first-hand experience of service issues and different sectors

¹¹⁶ Audit Scotland (2018), *Councils' use of arms-length external organisations (ALEOs)*. Available online at: http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180518_councils_aleos.pdf

Potential disadvantages of council nominees as board directors or trustees

- can bring additional demands to their already diverse role
- representatives may lack the background, skills or understanding required of the role
- risk of conflict of interest between their role on the ALEO and their role on the council
- negative impact on council decision-making where councillors withdraw from committees owing to conflicts of interest
- exposure to legal risks and personal liability
- risk to continuity if councillors lose their position if not re-elected¹¹⁷

The disadvantages to councillors acting as directors or trustees for separate, council-owned or council-sponsored bodies suggests that this should not be considered a default option for local authority oversight of a separate body. Audit Scotland noted that, whilst they had not come across any cases of significant misconduct, appointing a member or officer in an observer or liaison capacity to the board of a body without a formal decision-making role could limit the potential for conflicts of interest.¹¹⁸

Council representatives can take a monitoring and liaison role as an alternative to taking a board position. This allows them to oversee and advise the ALEO without taking a decision-making role on the ALEO. Most of our sample group of councils had strengthened the role of such officers to give them greater seniority and influence. Their role involves managing the relationship between the council and the ALEO, and monitoring the performance of the ALEO and its compliance with its contracts or service agreements with the council.¹¹⁹

Audit Scotland, *Councils' use of arm's-length external organisations*

The code of conduct for councillors in Scotland includes a provision exempting councillors from the requirement to withdraw from a discussion where they have an interest, if that interest is by virtue of being appointed to a body which is 'established wholly or mainly for the purpose of providing services to the councillor's local authority' or which has 'entered into a contractual arrangement with that local authority for the supply of goods and/or services to that local authority'. This exemption was put in place "[...] so that ALEOs can function with councillors as members. It also recognises that it is not practical for a councillor to always remove themselves from council discussions relating to the ALEO".¹²⁰ However, councillors may still not take part in any decision-making in relation to that body where it is in a quasi-judicial capacity, and ideally not in decisions relating to funding of that body.

117 Audit Scotland (2018), *Councils' use of arm's-length external organisations (ALEOs)*. Available online at: http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180518_councils_aleos.pdf

118 Audit Scotland (2018), *Councils' use of arm's-length external organisations (ALEOs)*. Available online at: http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180518_councils_aleos.pdf

119 Audit Scotland (2018), *Councils' use of arm's-length external organisations (ALEOs)*. Available online at: http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180518_councils_aleos.pdf

120 Standards Commission for Scotland (2016), *Advice for councillors on ALEOs*. Available online at: [http://www.standardscommissionscotland.org.uk/uploads/tiny/mce/160928%20Advice%20for%20Councillors%20on%20ALEOs\(FINAL\)%20.pdf](http://www.standardscommissionscotland.org.uk/uploads/tiny/mce/160928%20Advice%20for%20Councillors%20on%20ALEOs(FINAL)%20.pdf)



We accept that, in some circumstances, local authorities in England may be justified in granting a member a dispensation under section 33 of the Localism Act 2011 for decision-making regarding a separate body on which the member has a formal role. This is because the exact nature of any potential conflict will vary depending on the relationship between the authority and the body in question. Councillors should always declare their interest if they hold a position with a council-owned or council-sponsored body. However, in general, we suggest that local authorities consider councillors or officers having observer, rather than director, status on a relevant board so as to minimise potential conflicts of interest.

Thirdly, both the body and the local authority need to practice ongoing assurance, oversight, and transparency, and regularly review the governance procedures to ensure that they are still appropriate.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Local Enterprise Partnerships (LEPs)

Our evidence suggests that there can be a lack of transparency around Local Enterprise Partnerships (LEPs), and gaps in the processes within LEPs to manage potential conflicts of interest.

I've encountered ward members during my LEP board experience, which works well. But more support is needed for LEP panel members in terms of processes and accessibility.¹²¹

Nicola Greenan, Director, East Street Arts, and LEP board member

An internal government review of the National Assurance Framework, led by Mary Ney, a non-executive director of MHCLG, found problems with the governance arrangements for LEPs. Ney found, for example, that whilst LEPs will adopt a conflict of interest policy and maintain registers of interests, “[...] the content of policies and approach to publication varies considerably and is dependent on the overall cultural approach within the organisation”.¹²²

The report also identified a need to consider “[...] the position of public sector members on LEP boards in the context of the changing role of local authorities and their increased involvement in commercial enterprises and alternative delivery mechanisms. This is currently somewhat underdeveloped in terms of LEP governance implications”.¹²³ Ney recommended that “[...] the National Assurance Framework requires LEPs to include in their local statements how scenarios of potential conflicts of interest of local councillors, private sector and other board members will be managed whilst ensuring input from their areas of expertise in developing

121 Nicola Greenan, Visit to Leeds City Council, Tuesday 18 September 2018

122 Department of Communities and Local Government (2017), *Review of Local Enterprise Partnership governance and transparency*, 6.1

123 Department of Communities and Local Government (2017), *Review of Local Enterprise Partnership governance and transparency*, 3.4



strategies and decision-making, without impacting on good governance".¹²⁴

We agree with Ney's conclusions and recommendations. We welcome MHCLG's commitment to implement in full the recommendations from the Ney review. We also welcome the department's commitment, in *Strengthened Local Enterprise Partnerships*, to improve scrutiny and peer review among LEPs.¹²⁵

Ethical standards and corporate failure

Our evidence suggests a strong link between failings in ethical standards and corporate failure by councils.

The most obvious way in which this can happen is through a culture of 'slackness', where low level breaches of ethical standards go unchallenged and unaddressed. This can then seep into the culture of an authority and allows for more significant wrongdoing to take place, which would have significant implications for the performance and reputation of the council.

However, in most cases the process is more complicated, and several factors are jointly present in order for serious corporate governance failings to take place. As part of our review, we examined reports from high-profile cases of corporate governance failure.

Tower Hamlets Borough Council (incidents between 2010-14, report by PWC Best Value inspection, 2014)¹²⁶

The Best Value report was commissioned by DCLG to consider four different areas where the council allegedly failed to provide 'best value': payment of grants; transfer of property; spending on publicity; and processes on entering into contracts. The report found problems within the local authority in respect of the first three strands.

The report noted a lack of transparency over reasoning for grant decisions, and an abrogation of governance and oversight by the relevant committee, who would discuss the detail of decisions rather than following and overseeing the overarching mechanisms and methodologies that the authority had put in place.

The report also concluded that there were potential conflicts of interests, as well as a lack of transparency and rigour in the reasoning of decisions to transfer property.

The inspectors found an ambiguity in the demarcation between official and political activity by officers.

The report concluded that there were inadequate governance arrangements, in particular a failure to follow declaration and conflict of interest requirements rigorously, and a failure of officers to follow through on resolutions relating to governance and oversight.

¹²⁴ Department of Communities and Local Government (2017), *Review of Local Enterprise Partnership governance and transparency*, 6.3

¹²⁵ Ministry of Housing, Communities and Local Government (2018), *Strengthened Local Enterprise Partnerships*

¹²⁶ PricewaterhouseCoopers LLP (2014), *Best value inspection of London Borough of Tower Hamlets*. Available online at: <https://www.gov.uk/government/publications/best-value-inspection-of-london-borough-of-tower-hamlets>



Doncaster Metropolitan Borough Council (incidents between 2005-09, report of the Audit Commission Corporate Governance Inspection, 2010)¹²⁷

The Audit Commission found in 2009 that Doncaster was a 'failing council'. Its governance failings at that time meant that it did not have the capacity to secure needed improvement in services. The Audit Commission identified three areas which were "[...] individually divisive and collectively fatal to good governance, each serving to compound and magnify the negative impacts of the others":

- the way the council operates to frustrate what the Mayor and Cabinet seek to do
- the lack of effective leadership shown by the Mayor and Cabinet
- the lack of leadership displayed by some chief officers, and the way they have all been unable to work effectively together to improve services

The commission concluded that councillors placed political objectives, in particular frustrating the work of the council leadership, above their public duties.

The inspection found that the scrutiny function in the council was not undertaking genuine scrutiny, but rather was acting as a parallel executive decision-making process, for example, in drawing up its own budget and policy rather than considering the proposals and decisions made by the Cabinet.

The 2009 IDeA ethical governance healthcheck found that individual councillor behaviours at Doncaster were "venomous, vicious, and vindictive".¹²⁸ The commission report likewise found evidence of bullying and intimidating behaviour, for example, "comments such as 'we have long memories' and 'we will get you' made to officers when, in the course of their professional duty, they have given advice which certain councillors are uncomfortable with or dislike".

The commission also found that officers were collectively unable to withstand pressure from some senior councillors, compromising their impartiality and leading to a loss of trust by other councillors. The report also suggested that the leadership style of the interim Chief Executive compromised the impartiality of officers; and that inexperienced leadership by the Mayor further weakened the governance of the council.

¹²⁷ Audit Commission (2010), *Doncaster Metropolitan Borough Council: Corporate Governance Inspection*. Available online at: <https://webarchive.nationalarchives.gov.uk/20121206054613/http://www.audit-commission.gov.uk/inspection-assessment/local-gov-inspection/reports/Pages/201004doncastermetropolitanboroughcouncilcorporategovernanceinspection.aspx>

¹²⁸ Cited in Audit Commission (2010), *Doncaster Metropolitan Borough Council: Corporate Governance Inspection*, para 34



Northamptonshire County Council (events taking place between 2015-17; report by Max Caller CBE, Best Value Inspector, 2018)¹²⁹

Whilst the problems faced by Northamptonshire Council were primarily financial, underlying these was a lack of scrutiny, both at an overall level and at the level of individual councillors being permitted to ask questions.

The inspection team said that they were “[...] struck by the number of councillors who told us that they had been refused information when they sought to ask questions”.

“Members told us that they had been informed that ‘you can only ask that at scrutiny meetings and not outside a meeting’ that ‘I need to get permission from the Cabinet member to discuss this with you’ or just not getting a response. Councillors told us that they felt if they asked difficult questions at Audit Committee or scrutiny meetings they would be replaced and there was some evidence to support this.”

The report also commented that “[...] there had been no attempt to review either successful or unsuccessful budget inclusions in past years to learn lessons as to why things went well or failed to be delivered”.

Based on these reports, and our broader evidence, we have identified three common threads in cases of corporate governance failings, all of which are linked to failures in upholding the Seven Principles of Public Life.

First, an unbalanced relationship between members and officers. This involves a breakdown in the structures of accountability and objectivity, which should allow officers to provide quality, impartial advice to the members who are ultimately accountable for the work of the council. When this is unbalanced, with either officers or members becoming over-dominant, or a blurring of the official and political, there is a risk that decisions are not made in the public interest.

What you see in cases of corporate failure is that the relationship between members and officers gets ‘bent’ – either with over-dominant councillors and weak officers, or indeed vice versa. A ‘member-led authority’ can become ‘member-dominant’.¹³⁰

Dame Stella Manzie DBE

Secondly, a lack of understanding and appreciation of governance processes and scrutiny. All the examples we describe above involve a lack of a proper scrutiny function, fundamental to the Nolan Principles of openness and accountability. Scrutiny, oversight, and audit processes can stagnate when there is a lack of appreciation of why they exist. Scrutiny should not be a process of rubber-stamping, but rather a probing of policy intent, assessment of financial viability, testing of assumptions, and weighing of evidence to ensure that decisions made, are made in the public interest. Local authorities should therefore not be afraid of the scrutiny function or treat it lightly, but should welcome opportunities to strengthen proposals and realise the benefits of bringing potential issues to light at an early stage.

129 Max Caller CBE (2018), *Northamptonshire County Council Best Value Inspection*. Available online at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690731/Best_Value_Inspection_NCC.pdf

130 Dame Stella Manzie DBE, Individual oral evidence, Monday 20 August 2018



If you don't maintain a culture, it doesn't happen by itself. You have to work on it, live it, you have to work on it with people who try and breach it (because they don't understand). A good ethical culture atrophies quite quickly.¹³¹

Max Caller CBE

Thirdly, a culture of fear or bullying. This was a strong theme of the cases we considered. When individuals are fearful of speaking up then poor behaviour goes unreported and can become part of an authority's culture. Similarly, when an individual is subject to bullying by another, this can result in undue pressure to act, or refrain from acting, in a way that is contrary to the public interest. A culture of fear or bullying is fundamentally a failure of leadership, whether leaders fail to tackle wrongdoing when it occurs or are themselves the ones who are doing the bullying.

Left unchecked, standards risks can be realised and become instances of corporate failure. The danger of corporate failure points to a need for councils to identify when standards and governance are at risk, and develop and maintain an ethical culture, to protect against those risks in their own authority.

¹³¹ Max Caller CBE, Individual oral evidence, Thursday 20 September 2018



Chapter 8: Leadership and culture

Leadership

Leadership is essential in embedding an ethical culture. We have considered throughout our review where, primarily, leadership comes from in local government – who sets the tone when it comes to ethics and standards. We have concluded that leadership is needed from a range of senior individuals, given the multi-faceted nature of local government and the distinctive remits of different roles.

Leadership is needed from a local authority's standards committee. Standards committees play a role not just in formally adjudicating on alleged breaches of the code of conduct, but by continuously reviewing ethical standards in the council, and drawing the authority's attention to areas where standards could be better upheld. Standards committees should see themselves as playing a leadership role in setting expectations of behaviour and continually holding the authority to account on standards issues.

The Chief Executive also plays an important role, especially among officers. Their leadership role includes modelling high standards of conduct, particularly those distinctive to officers in respect of political impartiality and objectivity. But the Chief Executive must also show leadership by empowering other senior officers – such as the Monitoring Officer – to carry out their role effectively. The Chief Executive is ultimately responsible for guarding the demarcation between officers and members, and needs to be clear about when members need to take a decision, and when officers should have the discretion to carry out their roles as they see fit.

If the Chief Executive is weak and senior officers are not backed up then they are stymied as there is nowhere else to go.¹³²

Dame Stella Manzie DBE

Leaders of political groups play a vital leadership role among councillors. Political group leaders set the tone for how new councillors will engage with each other, and set expectations for how councillors will engage with officers. Leader of political groups not only need to model high standards themselves, but should be quick to address poor behaviour when they see it. They should seek to mentor and advise councillors in their party on how to maintain standards of conduct, and be willing to use party discipline when necessary. The leader of the council plays an important role here: as the most visible group leader, they should model the highest standards of conduct and address any poor behaviour by portfolio-holders.

Where group leaders can appoint councillors to the standards committee, they should demonstrate leadership by appointing members who have the experience and commitment to fulfil that role effectively.

Last, there is a leadership role played by the chair of the council. When this post is occupied by a senior and respected member, they can play a role in setting the tone of full council meetings, and ensure that councillors – regardless of party group – are aware of the expectations for how they engage with each other and with officers. This is particularly important in order to provide support for councillors who are not members of a political group, which we discuss further below.

¹³² Dame Stella Manzie DBE, Individual oral evidence, Monday 20 August 2018



Turning around a culture

As part of our review, we took evidence from a number of experienced Chief Executives and Commissioners who have each turned around an unhealthy organisational culture in one or more local authorities.

This evidence, alongside our consideration of reports on corporate failures at specific authorities over the recent years, suggests that four measures are needed from senior leaders in order to turn around an unhealthy culture.

First, senior leadership modelling the expected behaviours and signalling from the first day how these behaviours look, sound and feel. This is particularly the case, as we have discussed above, in the early days of a new council or in the case of corporate renewal, once new senior officers or commissioners have been put in place. As well as modelling the expected behaviour, this element of installing and maintaining an ethical culture is about a present, visible and accessible leadership.

As a leader in a council in trouble I think you have to be absolutely clear what you expect, and model that behaviour every day.¹³³

**Max Caller CBE, Commissioner,
Northamptonshire County Council**

I meet every new starter and tell them “You are a fresh pair of eyes. Do call things out. You are a really valuable asset”, so you set that expectation to challenge and seek improvement really early on.¹³⁴

**Dawn French, Chief Executive,
Uttlesford District Council, Essex**

This demonstrated form of visible leadership can also straddle the member-officer divide, with meetings between new officers and council and group leaders to discuss standards being routine until the tone of the council is reset.

Secondly, an attentiveness to even small practices that do not match expected behaviour. Taking a ‘zero tolerance’ approach even to small breaches may be disproportionate when there is a healthy culture, but is necessary to embed the required behaviours when trying to reverse an unhealthy culture.

There have been standards issues in the authorities in which [I have worked], ranging from informality about the parking passes, to trying to keep information away from the opposition, to informality in granting licences, or to circumventing proper financial regulations. Even the lowest level of wrongdoing needs attention, through a private conversation, and when unaddressed can lead to more significant wrongdoing.¹³⁵

Dame Stella Manzie DBE

Thirdly, the timely, fair and accurate identification by senior leadership of opportunities for development and occasions for discipline of those who are in danger of breaching the rules. An effective leader turning around an unhealthy culture will identify the underlying motives of behaviour, to judge whether it is more appropriate privately to advise and correct an individual, or to discipline them.

¹³³ Max Caller CBE, Individual oral evidence, Thursday 20 September 2018

¹³⁴ Dawn French, Visit to Uttlesford District Council, Monday 10 September 2018

¹³⁵ Dame Stella Manzie DBE, Individual oral evidence, Monday 20 August 2018



Opportunities to develop individuals to build a more effective culture may change over time, and this is even more the case for a council experiencing a period of transition.

Fourthly, whilst there is clearly a role for interim appointments in order to provide transitional leadership, interim arrangements should not be overstretched, to allow new leaders to embed long-term changes to the organisation's culture.

When you have prolonged interim officers, that has a problem for the culture in the longer term. In the interim term, they [interim appointees] can never start to work on those sorts of things.¹³⁶

**Max Caller CBE, Commissioner,
Northamptonshire County Council**

The role of political groups

Whilst political parties can form only part of the system, and are not a substitute either for effective senior officers, or for the formal standards process, they nevertheless have an important role to play in showing leadership and maintaining an ethical culture.

All the political parties need to get a lot more organised and coherent about standards in local authorities. That would still be important even if local authorities had the power to sanction councillors.¹³⁷

Dame Stella Manzie DBE

The role of party groups in maintaining an ethical culture can be conceptualised in two ways. The first is a 'parallel' model, where the activities of political groups are undertaken in parallel alongside activities of the local

authority, for example, parallel disciplinary processes, training, and so on. The second is a 'layered' model, where political groups play a distinct role that sits between direct advice from officers on the one hand and formal processes undertaken by the local authority on the other.

We see risks in local authorities adopting a 'parallel' model. In practice, parallel processes will mean either that political groups are not used and engaged with effectively, which neglects opportunities for informal training and resolution; or that the effective standards training and discipline become, in time, delegated to political groups, which lacks the necessary checks, independence, and transparency. Such a model also tends to depend heavily on individual post-holders, which means that the authority may face standards risks if there is a change either in political leadership or in those occupying senior officer posts.

Rather, local authorities should see political groups as a semi-formal institution in the 'layered' model. We heard that group whips will often see mentoring new councillors and supporting existing councillors as an important part of their role. When it comes to training, local authorities should value and utilise the informal mentoring and support within political groups that can complement the formal training offered by the local authority and advice from officers. Senior officers should regularly engage with group whips and group members to understand the training needs of members and to ensure that the right expectations are set for how councillors act in the chamber, on committees, with officers, and on outside bodies.

With respect to disciplinary processes, ideally the Monitoring Officer or deputy should

¹³⁶ Max Caller CBE, Individual oral evidence, Thursday 20 September 2018

¹³⁷ Dame Stella Manzie DBE, Individual oral evidence, Monday 20 August 2018



seek early, informal resolution of emerging issues with members. If, for whatever reason, it is considered that a direct approach is inadvisable or the issue is politically sensitive, senior officers should seek to work with group leaders and whips in order to address the issue of a member's conduct. Where there is a formal complaint, or the issue is a serious one, the formal standards processes should be followed, with the necessary checks and transparency.

There is a balance here, and it is about degrees; I know there are times when it's right to go through a formal process in the council with the greater transparency that brings. But there are also times when any sanction would fail if it went through that process. But actually the person probably has gone further than they should have done, it's up against that fine line of the Seven Principles and what they need is a stern warning. It's better sometimes to have that reflected on during 30 days' suspension from their group rather than go through a formal process that finds that there is insufficient evidence.¹³⁸

**Cllr Rory Love, Chairman,
Conservative Councillors' Association**

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

We heard evidence of the difficulties presented by new political groups, or independent members who sit outside the formal group structures. New political groups will not always enable the mentoring of new councillors, to

set expectations of behaviour, or for officers to draw on long-standing working relationships with group leaders. In the case of councillors who sit outside group structures, party discipline and the use of informal approaches to deal with potential misconduct are not possible. As a result, we heard that, generally, political groups can maintain ethical standards more effectively in an authority when they tend to be larger and better resourced. This points to a need for officers to provide greater support and ensure a full induction process for councillors who lack the support of an established political group.

Building an ethical culture

The aim of a standards system is ultimately to build an ethical culture: to embed high standards throughout an organisation, so that it becomes an integral part of how the organisation works as a whole, and how each individual person goes about their role within it. Having a system which effectively investigates complaints which is punitive where necessary is important; what is more important is a system which enables good behaviour.

An ethical culture starts with tone. A civil tone when conducting politics is the basic starting point for a healthy ethical culture. This is true both for the relationship between councillors and officers, and the relationship between different councillors. A common aim of elected members and those supporting them is to work for the benefit of the community they all serve. This provides a solid basis for an ethical culture. Of course, such civility does not mean that individual members or officers should not feel free to challenge or pursue inquiries, but concerns can be expressed in such a way as to be constructive and civil in tone.

Secondly, a local authority needs to set clear expectations of behaviour, as well as its

¹³⁸ Cllr Rory Love, Individual oral evidence, Wednesday 27 June 2018



underlying rationale, namely to enable the local authority to perform its functions in a way which is in the public interest. This behaviour needs to be modelled by senior leaders and the expectations of behaviour need to be followed through in advice from officers and group leaders, and any party discipline or sanctions process. The expected behaviour of councillors needs to be set out at an early stage in induction and training programmes.

Our evidence from local authorities suggests that induction for councillors at the earliest stage is crucial to ensuring high standards of conduct. Councils we visited that had not previously arranged training or left it until the dynamics of the groups were set after a new term, were now putting plans in place to ensure that training could occur at an earlier stage in subsequent terms. Councils who perceived they had an effective ethical culture attributed this to early and effective induction of councillors with clear messages from senior leadership about attendance.

To be successful, induction training should not be dry or compliance-focussed, but should set out the rationale for high standards in public life, and should be scenario-based so that councillors can engage with concrete examples and see the relevance of standards to different areas of activity in which they might be involved.

The evidence we received suggests that such training, even where offered, may not always be taken up by councillors. We therefore suggest that a stronger role should be played by political groups and national political parties to ensure that councillors attend relevant training on ethical standards where this is offered by their local authority.

Recommendation 25: Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.

We have considered whether any particular voting pattern – electing councillors every four years, in halves, or in thirds – makes it easier to induct councillors or to preserve an ethical culture. We have concluded that each pattern has advantages and drawbacks in preserving an ethical culture, given the trade-off between regularity of turnover, and the proportion of councillors who are potentially replaced at each election. There is no ‘optimal’ pattern; what matters more is early induction by the local authority.

Thirdly, an objective, impartial Monitoring Officer, who enjoys the confidence of members and of senior officers, is essential. It is important that councillors of all parties know that they can approach the Monitoring Officer in confidence for authoritative and impartial advice.

Fourthly, an ethical culture is an open culture. A local authority should take an open approach to its decision-making, with a presumption that reports and decisions should be public unless there are clear and lawful reasons that the information should be withheld.

When scrutiny is seen as an unnecessary evil and that is what the culture is, it is difficult to know whether decisions are being made properly.¹³⁹

**Max Caller CBE, Commissioner,
Northamptonshire County Council**



We have been concerned by reports of councils relying unnecessarily on commercial confidentiality as a reason to withhold information, and of using informal working groups or pre-meetings in order to hold discussion out of the view of the public, in full cabinet or full council. As the House of Commons Communities and Local Government Committee concluded in relation to commercial information held by local authorities, “[...]we cannot see a justification for withholding such information from councillors [...] councils should be reminded that there should always be an assumption of transparency whenever possible, and that councillors scrutinising services need access to all financial and performance information held by the authority”.¹⁴⁰

High quality and engaged local journalism can help to maintain standards by bringing to light council’s decisions and councillors’ behaviour. We heard in Camden Council, for example, that maintaining an ethical culture was helped by a highly engaged civic community and strong local press, due to the expectation that behaviour and decisions would be publicly reported.

In Camden, we have a very active local press. There is not much that we do that doesn’t get reported. That is probably one (amongst a number) of the positive drivers towards high standards among councillors – what our councillors do and how they behave matters as it is noticed and reported on.¹⁴¹

**Andrew Maughan, Monitoring Officer,
Camden Council**

We are aware, however, that there is a decline of public interest journalism undertaken by the local press in many areas of the country. In some areas of the UK, public-interest journalism is undertaken privately by bloggers, but the quality of such journalism can vary significantly. This suggests to us that local government as a sector cannot rely on public interest journalism to provide the requisite transparency in decision-making; rather local authorities must have the right processes and attitudes in their own organisation to enable external scrutiny of behaviour and decisions.

The role of public-interest journalism is ‘telling people things they didn’t know’. It includes both an investigative aspect and encouraging public engagement with local democracy.¹⁴²

Darryl Chamberlain, editor, 853 blog

The scrutiny function within a local authority is vital to ensure effective and ethical decision-making. An authority should welcome and support scrutiny, seeing it as an opportunity to improve the quality of decision-making by challenging assumptions, probing policy intent, and testing viability. An authority should ideally take a risk-based approach to scrutiny, submitting decisions which carry the greatest risk to the greatest degree of scrutiny. The definition of risk should be based on the risk to the public interest, in respect of the authority’s duties, not reputational risk to the organisation.

¹⁴⁰ House of Commons Communities and Local Government Committee (2017), *Effectiveness of local authority overview and scrutiny committees*, HC 369, para 41

¹⁴¹ Andrew Maughan, Visit to Camden Council, Monday 15 October 2018

¹⁴² Darryl Chamberlain, Individual oral evidence, Tuesday 4 September 2018



[In an unhealthy organisational culture], self regard takes over and leaders end up spending their time looking at risk registers about reputational damage, rather than what the risks to the public are.¹⁴³

**Barry Quirk CBE, Chief Executive,
Royal Borough of Kensington &
Chelsea**

Councils should be open to processes such as peer review, for example, as offered through the Local Government Association, in order to test the effectiveness of their culture and organisational and governance structures. Such reviews should also include consideration of the processes the authority has in place to maintain ethical standards.

Common law rights of councillors to know what is going on are well established in local government. It is not about regulations (although they are there), it is about making sure the culture says 'these people are elected and have entitlement to know and there are some rules about confidentiality'. They can't pursue cases where they have individual reasons for not being involved.¹⁴⁴

**Max Caller CBE, Commissioner,
Northamptonshire County Council**

Recommendation 26: Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.

In the first instance, officers and portfolio-holders need to take decisions in a way that are open to scrutiny by council members. Local government differs from central government in that officials are accountable to full council, not to the administration. Council officers therefore have a general obligation to provide information to councillors and to account for decisions to councillors. Officers should ensure that members are aware of their right to gain information and to ask questions, and the culture of the authority should reflect the accountability of officers and the administration to full council.

143 Barry Quirk CBE, Individual oral evidence, Wednesday 19 September 2018

144 Max Caller CBE, Individual oral evidence, Thursday 20 September 2018



Conclusion

High standards of conduct in local government are needed to protect the integrity of decision-making, maintain public confidence, and safeguard local democracy.

Throughout this review, we have seen and heard that both councillors and officers want to maintain the highest standards in their own authorities. The challenge is to maintain a system that serves the best instincts of councillors and officers, whilst guarding against corporate standards risks, and addressing the problem of a small minority of councillors who demonstrate unacceptable behaviour.

A robust system, which includes adequate codes of conduct, investigation mechanisms and safeguards, and – where necessary – punitive sanctions, is important. What is more important, however, is a system and culture that enables good behaviour.

Our recommendations represent a package of reforms to strengthen and clarify the existing framework for local government standards. Whilst many of our recommendations would require primary legislation – whose implementation would be subject to Parliamentary timetabling – we would expect that those recommendations only requiring secondary legislation or amendments to the Local Government Transparency Code could be implemented by government relatively quickly. The best practice we have identified is, in most cases, already operating in a number of local authorities. Taken as a whole, this best practice represents a benchmark that any local authority in England can and should implement in their own organisation. We intend to monitor the uptake of our best practice in 2020.

Ultimately, however, responsibility for ethical standards rests, and should remain, with local authorities. Senior councillors and officers must show leadership in order to build and maintain an ethical culture in their own authority.

We are confident that local government in England has the willingness and capacity to maintain the highest standards in public life; the recommendations and best practice we have outlined will enable them to do so.



Appendix 1: About the Committee on Standards in Public Life

The Committee on Standards in Public Life (the Committee) is an advisory non-departmental public body sponsored by the Cabinet Office. The chair and members are appointed by the Prime Minister.

The Committee was established in October 1994, by the then Prime Minister, with the following terms of reference: *“To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.”*

The remit of the Committee excludes investigation of individual allegations of misconduct.

On 12 November 1997, the terms of reference were extended by the then Prime Minister: *“To review issues in relation to the funding of political parties, and to make recommendations as to any changes in present arrangements.”*

The terms of reference were clarified following the Triennial Review of the Committee in 2013. The then Minister for the Cabinet Office confirmed that the Committee *“[...] should not inquire into matters relating to the devolved legislatures and governments except with the agreement of those bodies”, and that “the government understands the Committee’s remit to examine ‘standards of conduct of all holders of public office’ as encompassing all those involved in the delivery of public services, not solely those appointed or elected to public office”.*

The Committee is a standing committee. It can not only conduct inquiries into areas of concern about standards in public life, but can also revisit those areas and monitor whether and how well its recommendations have been put into effect.

Membership of the Committee, as of January 2019

Lord (Jonathan) Evans of Weardale KCB DL,
Chair

The Rt Hon Dame Margaret Beckett DBE MP
Simon Hart MP

Dr Jane Martin CBE

Dame Shirley Pearce DBE

Jane Ramsey

Monisha Shah

(leave of absence since October 2018)

The Rt Hon Lord (Andrew) Stunell OBE

Secretariat

The Committee is assisted by a Secretariat consisting of Lesley Bainsfair (Secretary to the Committee), Ally Foat (Senior Policy Advisor), Stuart Ramsay (Senior Policy Advisor), Nicola Richardson (Senior Policy Advisor) (from January 2019), Aaron Simons (Senior Policy Advisor) (from January 2019), Lesley Glanz (Executive Assistant) (from December 2018) and Amy Austin (Executive Assistant and Policy Advisor). Press support is provided by Maggie O’Boyle.

Professor Colin Copus acted as academic advisor to the Committee during the review.



Appendix 2: Methodology

The Committee used a range of methods as part of its evidence gathering for this review, including:

- a public consultation, which received 319 responses, published online alongside our review
- 30 individual stakeholder meetings
- desk research, including:
 - research on the legal framework for local government standards
 - analysis of a sample of 20 principal authority codes of conduct
 - analysis of reports of corporate failure
- roundtable seminars, with Monitoring Officers, clerks and Independent Persons; and academics and think tanks
- five visits to local authorities in England

Stakeholder meetings

The Committee held 30 meetings with individual stakeholders. These meetings were all held on the basis that the no note of the meeting would be published, and material from the meeting would only be quoted in our report with the permission of the individual concerned.

Name	Role and organisation
Marie Anderson	Northern Ireland Local Government Commissioner for Standards
Nick Bennett	Public Service Ombudsman for Wales
Clive Betts MP	Chair, House of Commons Housing, Communities and Local Government Committee
Max Caller CBE	Best Value Inspector, Northamptonshire County Council
Darryl Chamberlain	Editor, 853 blog
Kirsty Cole	Deputy Chief Executive, Newark and Sherwood District Council
Kevin Dunion OBE*	Convenor, Standards Commission for Scotland
Jonathan Goolden	Wilkin Chapman LLP
Justin Griggs	National Association of Local Councils



Name	Role and organisation
Cllr Liz Harvey	Councillor and subject of R (Harvey) v Ledbury Town Council
Cllr Simon Henig CBE	Chair, Association of Labour Councillors
Mayor Dave Hodgson	Chair, Association of Liberal Democrat Councillors
Lorna Johnston	Executive Director, Standards Commission for Scotland
Lord (Robert) Kerlake	Former Permanent Secretary, Department of Communities and Local Government
Michael King	Local Government Ombudsman
Cllr Rory Love	Chairman, Conservative Councillors' Association
Dame Stella Manzie DBE	Former Chief Executive, Birmingham City Council
Graeme McDonald	Chief Executive, Solace
Jacqui McKinlay	Chief Executive, Centre for Public Scrutiny
Diana Melville	Governance Advisor, CIPFA (The Chartered Institute of Public Finance and Accountancy)
Aileen Murphie and Abdool Kara	National Audit Office
Mark Norris	Local Government Association
Cllr Marianne Overton MBE	Local Government Association Vice Chair (Independent)
David Prince CBE	Former Chief Executive, Standards for England, and former member of CSPL
Dr Barry Quirk CBE	Chief Executive, Royal Borough of Kensington and Chelsea
Cllr David Simmonds CBE	Former Local Government Association Vice Chair (Conservative)
John Sinnott and Lauren Haslam	Chief Executive and Director of Law and Governance, Leicestershire County Council
Rishi Sunak MP	Minister for Local Government
Richard Vize	Former editor, Local Government Chronicle
Rob Whiteman	Chief Executive, CIPFA (The Chartered Institute of Public Finance and Accountancy)

* Presentation on the work of the Standards Commission for Scotland at the Committee's October 2018 meeting



Roundtable seminars

The Committee held two roundtable seminars as part of this review. The first took place on Wednesday 18 April 2018 in Birmingham, with Monitoring Officers, clerks, and Independent Persons, and was held on the basis that a non-attributed summary note of the seminar would be published following approval by attendees, but verbatim material from the seminar would only be quoted in our report with the permission of the individual concerned. The summary note was published on our website on 14 May 2018. The second took place on Tuesday 24 April 2018, with academics and think tanks, and was held on the basis that a transcript of the seminar would be published following approval by attendees. This was published on our website on 14 May 2018.

Monitoring Officers, Clerks, and Independent Persons roundtable Wednesday 18 April

Name	Organisation
Dr Peter Bebbington	Stratford-upon-Avon District Council
Lord (Paul) Bew	Committee on Standards in Public Life
Kate Charlton	Birmingham City Council
Tom Clark	Mid Sussex District Council
Professor Colin Copus	Local Governance Research Unit, Leicester Business School
Jonathan Goolden	Wilkin Chapman LLP
Philip Horsfield	Lawyers in Local Government
Simon Mansell MBE	Cornwall Council
Tim Martin	West Midlands Combined Authority
Dr Jane Martin CBE	Committee on Standards in Public Life
Sharn Matthews	Northampton Monitoring Officers Group
Megan McKibbin	Ministry of Housing, Communities and Local Government
Lis Moore	Society of Local Council Clerks
Dr Jonathan Rose	Department of Politics & Public Policy, De Montfort University
Richard Stow	Herefordshire County Council
Meera Tharmarajah	National Association of Local Councils
Jeanette Thompson	North Hertfordshire District Council



**Academics and think tanks roundtable
Tuesday 24 April 2018**

Name	Organisation
Lord (Paul) Bew	Committee on Standards in Public Life
John Cade	INLOGOV, University of Birmingham
Professor Colin Copus	Local Governance Research Unit, Leicester Business School
Ellie Greenwood	Local Government Association
Paul Hoey	Hoey Ainscough Associates
Dr Jane Martin CBE	Committee on Standards in Public Life
Megan McKibbin	Ministry of Housing, Communities and Local Government
Jacqui McKinlay	Centre for Public Scrutiny
Mark Norris	Local Government Association
Dame Shirley Pearce DBE	Committee on Standards in Public Life
Jane Ramsey	Committee on Standards in Public Life
Rt Hon Lord (Andrew) Stunell OBE	Committee on Standards in Public Life
Brian Roberts	CIPFA (Chartered Institute for Public Finance and Accountancy)
Professor Tony Travers	London School of Economics and Political Science
Daniel Thornton	Institute for Government



Local authority visits

The Committee undertook visits to five principal authorities in England. The five local authorities were selected to ensure a representative range of geographies, tiers of local government, and political control. All five authorities had made written submissions to the Committee's consultation.

Local authority	Date	Meetings
Uttlesford District Council	10 September 2018	Standards committee; Chief Executive; Monitoring Officer; Independent Persons; parish council chair; Essex Association of Local Councils
Worcestershire County Council	11 September 2018	Standards committee; group leaders; Chief Executive; Monitoring Officer; Independent Person; independent members of standards committee
Leeds City Council	18 September 2018	Standards committee; Chief Executive; Deputy Monitoring Officer; Independent Person; Leader and Deputy Leader; Leader of the Opposition; group whips; community representative
Cornwall Council	24 September 2018	Standards committee; Chief Executive; Monitoring Officer and Deputy Monitoring Officer; Leader; Independent Persons; independent members of standards committee; Cornwall Association of Local Councils
Camden Council	15 October 2018	Monitoring Officer; Chief Executive; Administration Chief Whip; Leader of the Opposition; Independent Person*

*Follow-up telephone conversation

Committee on Standards in Public Life

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January 2019

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Approval for Publication of the 2018/19 Annual Governance Statement and the Annual Financial Report
Meeting/Date:	Corporate Governance Committee – 25 July 2019
Executive Portfolio:	Strategic Resources: Councillor J A Gray (Deputy Executive Leader)
Report by:	Head of Resources
Wards affected:	All Wards

Executive Summary:

The Council is required by statute to produce both an Annual Governance Statement (AGS, **Appendix A**) and an Unaudited Annual Financial Report (AFR, **Appendix B**). Both of these documents are produced in line with statutory regulations and are required to be approved by 'those charged with governance' and published by 31 July.

In respect of the AGS, the main themes for 2018/19 are:

- Housing affordability
- Morbidity/growing number of years of ill health
- Wider economic environment
- Skill levels and educational attainment
- Partner agency operational pressures
- Environmental pressures

At the time of publication the agenda the AGS is not finalised and will follow in due course.

In respect of the Unaudited AFR, members should note:

- Achieved underspend of £0.248m against a budget of £17.282m
- Net contribution to reserves of £1.210m
- Continued to maintain General Fund Reserves at 15% of net expenditure
- Delivered acquisitions of £11.418m in relation to the Commercial Investment Strategy as a part of the on-going £30m business plan
- Delivery of Business Rates growth within the Enterprise Zone of £1.132m

However, due to circumstances beyond the Council's control the audited AFR is not available for approval by this committee. This is due resourcing issues experienced within Ernst and Young (EY), our auditors and therefore an audit opinion will not be presented to this committee for approval by 31st July 2019. However, the Council must still meet its statutory obligations; therefore we are required to publish the Unaudited AFR and a Notice of Publication (**Appendix C**).

Recommendations:

1. Approve the Annual Governance Statement (**Appendix A**) and authorises the Executive Leader and Managing Director to sign the Statement on behalf of the Council.
2. Consider and approve the Unaudited Annual Financial Report (**Appendix B**).
3. Consider and approve the Notice of Publication (**Appendix C**).

1. PURPOSE OF THE REPORT

- 1.1 To complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) and Annual Finance Report (AFR) for 2018/19.

2. BACKGROUND

- 2.1 The Corporate Governance Committee is designated as 'those charged with governance' and consequently it is required to approve both the AGS and AFR prior to publication by the statutory deadline of 31 July. To do this the Committee needs to follow the stages in the order shown in the report.

3. APPROVE THE ANNUAL GOVERNANCE STATEMENT (TO FOLLOW)

- 3.1 The Committee, on behalf of the Council is required to review once a year the effectiveness of its system of internal control and following that review approve the AGS. The AGS will be published alongside the AFR and is shown at **Appendix A**.

- 3.2 A copy of the draft AGS has been previously circulated to all Committee members and no comments has been received.

- 3.3 The governance statement includes 5 significant themes:

- Housing affordability
- Morbidity/growing number of years of ill health
- Wider economic environment
- Skill levels and educational attainment
- Partner agency operational pressures
- Environmental pressures

- 3.4 These issues notwithstanding, the governance arrangements and the internal control environment are considered to be operating effectively.

4. ANNUAL FINANCE REPORT

- 4.1 2018/19 has been another challenging year for the Council with the continued pressure on Government funding. During 2018/19 the Council has continued to deliver against its corporate objectives and budget.

- 4.2 The financial position reported in the AFR sets the foundation for the Council to strive to become financially independent from Central Government, in light of the continued spending reviews and the Fair Funding Review promised by Central Government.

The key tools of this strategy include:

- Continued implementation of the Commercial Investment Strategy
- Comprehensive review of all budgets
- Adoption of a Transformation Programme looking at enterprising and collaborative solutions

4.3 Key highlights from this year's financial performance are as follows:

- Achieved underspend of £0.248m against a budget of £17.282m
- Net contribution to reserves of £1.210m
- Continued to maintain General Fund Reserves at 15% of net expenditure
- Delivered acquisitions of £11.418m in relation to the Commercial Investment Strategy as a part of the on-going £30m business plan

4.4

5. KEY IMPACTS

5.1 Paragraph 3 above outlines the control observations and the associated management comments.

6. LINK TO THE CORPORATE PLAN

5.1 Ensuring we are a customer focused and service led Council – to become more business-like and efficient in the way we deliver services. The production of the AFR is also a statutory requirement.

7. CONSULTATION

7.1 In line with the Account and Audit regulations the AFR was available for inspection from 3 June to 12 July 2019.

8. LEGAL IMPLICATIONS

8.1 There are no direct legal implications arising from this report.

9. RESOURCE IMPLICATIONS

9.1 There is a specific budget for the Audit Fees.

10. REASONS FOR THE RECOMMENDED DECISIONS

10.1 The process that has been followed in preparing the AGS and the AFR has been thorough and in line with statutory regulations.

10.2 The issues that have been identified for inclusion within the AGS are referenced within the statement and are a reflection of the current situation.

11. LIST OF APPENDICES INCLUDED

Annex A – 2018/19 Annual Governance Statement
Annex B – 2018/19 Annual Financial Report (Draft)
Annex C – Notice of Publication of Statement of Accounts

BACKGROUND PAPERS

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**Huntingdonshire District Council
Annual Financial Report
For the year ended 31st March 2019**

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Narrative Report

By the Head of Resources

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2018/19 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2019.

The purpose of this report is to provide a guide to the most significant matters reported in the Council's accounts and is in three sections.

- Commentary and review of 2018/19.
- The Financial Statements.
- Technical information.

Commentary and Review of 2018/19

The District

Huntingdonshire District Council's area covers approximately 91,300 hectares of the north western part of the County of Cambridgeshire. With a population of 176,980 it is the largest district in the county by both land area and population. The population is forecast to grow to around 210,000 by 2036.

Huntingdonshire is well connected to other parts of the country via main roads and rail links. The A1 runs north to south and the A14 traverses the district east to west. Both Huntingdon and St. Neots are connected to London Kings Cross by a frequent 50 minute railway service.

The district has 4 market towns: Huntingdon, St. Ives, St. Neots and Ramsey. It is predominantly rural with village settlements providing the main focus for community facilities outside of the market towns.

Economic activity (production, distribution and consumption of goods and services) in the area is high with an estimated 85% of residents aged 16-64 classed as economically active and an 82.4% employment rate among residents aged 16-64.

The Council provides a range of services to residents, businesses and visitors. These include refuse and recycling, business growth support, car parks, elections, environmental health, housing advice, housing and council tax support, leisure centres, markets, parks and open spaces, planning and conservation.

Governance

As of May 2018 the Council moved to a 4-year all-out election cycle. The Council has 52 councillors representing 26 wards across the district. An "Executive Leader and Cabinet" decision making model is operated. Under this model, the executive leader appoints their own deputy executive leader and cabinet which comprised 4 other councillors and 2 cabinet assistants.

Organisational Model

The head of paid service of the Council is the Managing Director who has 2 Corporate Directors (Delivery and Services), 1 Assistant Director (Transformation) and 6 Heads of Services (Community, 3C's ICT, Development, Leisure and Health, Operations and Resources)

Risks

Following a review of the strategic risks faced by the Council, the 2018/19 Annual Governance Statement (AGS) has identified the following key risks:

- **Housing affordability**

This issue is one which impacts on the Council's ability to deliver the Corporate Plan primarily through the escalating financial consequences of homelessness and the ability to recruit suitably experienced and qualified staff. Furthermore it also has a bearing on the mobility of the local labour market and inward investment and business growth opportunities.

- **Morbidity/Growing number of years of ill health**

Increasing pressures are being felt by many parts of the public sector, primarily through the growing demand on support costs, through such things as disabled facilities grants and personal care costs. This is not something that any single agency has ownership of, but requires joint working to deliver effective solutions. For this reason it is considered appropriate that it be included in the AGS.

- **Wider economic environment**

The Council is very much reliant on the private sector to deliver one of its key Corporate Plan strategic priorities – delivering sustainable growth across the District. Whilst the Council is able to assist the private sector in a number of ways, external factors such as a market volatility will have a greater impact, which in turn will have direct impacts on the Council's financial plans and forecasts for new homes bonus, council tax and business rates incomes.

- **Skill levels and educational attainment**

Linked to the issues noted above, it is important that the workforce within the area not only becomes more self-reliant but also contributes to the areas ability to grow and thrive. A skilled and flexible workforce which possesses digital skills will allow the Council to transform its current delivery models and offer new methods of service delivery.

Review of the Year

2018/19 has been another challenging year for the Council with the reduction of grant funding from Central Government as austerity measures continue.

The Council set a gross budget for the year of £73.690m, following fees and charges income and reserve movements set a net budget £20.308m (2017/18; £20.177m), a net increase of £0.131m (0.65%). After allowing for the following non-ring fenced government grants:

- Revenue Support Grant of £0.604m (2017/18; £1.182m),
- Business Rates Retention scheme (NDR) of £5.841m (2017/18; £4.622m),
- New Homes Bonus of £2.718m (2017/18; £3.656m),
- Section 31 Grant of £1.729m (2017/18; £1.018m)
- Collection Fund surplus of £0.966m (2017/18; £1.534m surplus)

and a contribution to revenue reserves of £3.026m (2017/18 £3.032m). This left the Council to raise £8.450m (2017/18; £8.166m) from Council Tax which equated to a Council Tax of £138.56 (2018/19; £135.84) for a Band D equivalent property. This represented a 2.00% increase for a Band D council tax payer.

Performance

How the Council performed against its Objectives and Budget are detailed below. Further information can be found in the 20 June Cabinet report ([click here](#)).

Theme: People – we want to make Huntingdonshire a better place to live, to improve health and well-being and support people to be the best they can be

- Significant achievements this year include improved attendance at group exercise classes aimed at older adults, higher numbers of volunteering opportunities provided and progress with the Local Plan (which was subsequently adopted by the Council on 15 May 2019).
- The number of young people taking part in Active Lifestyles activities such as Mini Movers, Mini Dribblers, Parish Council Holiday activities and street sports increased by nearly 50% to 3,264 participants.
- Through focussing on early interventions, the Housing Needs Team successfully prevented 405 people from becoming homeless in 2018/19.
- The average length of time taken to complete Disabled Facilities Grants works was cut to 20.6 weeks from 40.6 weeks in 2017/18.
- The Grants Panel awarded over £37k of Community Chest funding to 22 local community groups and the One Leisure Active Lifestyles Team worked with nearly 50 partners to develop sport and physical activity facilities.
- We have facilitated a record number of litter picks, supporting the 'Great British Spring Clean', and have secured £31k worth of funding from the government to 'Clean Up High Streets & Town Centres'. The less glamorous side of dealing with litter and waste in Huntingdonshire was highlighted on Channel 5's 'Life of Grime' television show.

Theme: Place – we want to make Huntingdonshire a better place to work and invest and we want to deliver new and appropriate housing

- Hinchingsbrooke Country Park achieved Green Flag status, with Priory Park retaining its Green Flag and progress on achieving this at Riverside St Neots ongoing.
- Performance improved in street cleansing and grounds maintenance services and there was also an improvement in our recycling/composting/re-use rate, with the proportion of household waste sent to landfill falling to less than 42% from 45% in 2017/18.
- The Planning team achieved all targets on processing planning applications in time.
- The numbers of new homes and affordable homes both exceeded expectations.

Theme: Provide Value for Money Services – we want to become more efficient and effective in the way we deliver services and become a more customer focussed organisation

- The new Customer Portal launched on our website in Q3 and we went live with access to Council Tax and Housing Benefit services in Q4. Over 1,200 accounts were created by the end of April and nearly half of our customers are accessing services 'out of hours'.
- Our 'icare' values (Inspiring, Collaborative, Accountable, Respectful, Enterprising) are now firmly in place, with all staff trained on the values we are striving to demonstrate. The People Group (staff from all services) continue to help develop our approach to applying the values across the Council.
- Our employee survey results showed an improvement in 85% of comparable results.
- There were improvements in the average time taken to process both new claims and changes of circumstances for Housing Benefit and Council Tax Support.
- The total amount of energy used in Council buildings fell by 11% compared to usage in 2017/18 – a reduction of over 1.2 million kilowatt hours.
- The only action that was significantly behind schedule was the action to maximise the income generating potential of all traded activities at One Leisure facilities. This was Red due to a shortfall in income against budget, due in part to delays in delivering the swimming pool project at St Neots and underperformance of the Burgess Hall and One Leisure Huntingdon. However, One Leisure Ramsey, Sawtry and St Ives (Indoor and Outdoor) performed well and in line with expectations and a plan is in place to recover performance during the 2019/20 financial year.
- Three indicators missed targets by more than acceptable variance and details of these 'Red' indicators are shown below. Performance clinics focus on delivering continuous improvements in all services.
 - Only 85% of Stage 1 complaints were resolved within time against a target of 95%. 46 of 60 late responses this year related to complaints about services provided by Operations.
 - Our timely response rate to Stage 2 complaints was also below target at 81%, with three of these complaints not responded to within time. Two late responses to Stage 2 complaints related to services provided by Community and one late response to a Stage 2 complaint was about a service provided by Development.
 - The percentage of calls to the Call Centre which were answered was below the 90% target. However, the latest annual result of 82% is an improvement on the 79% achieved in 2017/18. Customer Services have experienced high staff turnover this year and use of agency and temporary staff has required considerable training to be provided. The launch of the new digital customer portal with integrated forms is expected to help reduce call volumes and allow more streamlined customer contact via e-forms.

Revenue Spending and Sources of Income

The Table below sets out the Council's Budget for 2018/19 and how it performed and details the main sources of income the Council receives to pay for its services.

2017/18 Outturn £000	Service	2018/19			
		Budget £000	Outturn £000	Variation £000	%
1,837	Community	1,758	1,598	(160)	(9)
2,504	Customer Services	2,533	2,419	(114)	(5)
1,735	3C's ICT Shared Service	2,128	1,983	(145)	(7)
1,080	Development	1,071	333	(738)	(69)
127	Leisure and Health	(190)	279	469	(247)
4,832	Operations	3,925	4,522	597	15
4,291	Resources	4,415	4,361	(54)	(1)
2,052	Directors and Corporate	1,642	1,819	177	11
18,458	Net Revenue Expenditure	17,282	17,314	32	0
3,067	Contribution to Reserves	3,026	3,274	248	8
(1,348)	Contribution from Earmarked Reserves	0	(280)	(280)	
20,177	Budget Requirement	20,308	20,308	0	0
	Financing				
(5,048)	NDR and Council Tax Surplus/Deficit	(7,570)	(7,639)	(69)	1
(5,977)	Government Grant (Non-Specific)	(3,322)	(4,717)	(1,395)	42
(1,248)	Contribution to/(from) Collection Fund Reserve	(966)	498	1,464	(152)
262	Contribution to/(from) Other Reserves	0	0	0	0
8,166	Council Tax For Huntingdonshire DC	8,450	8,450	0	0

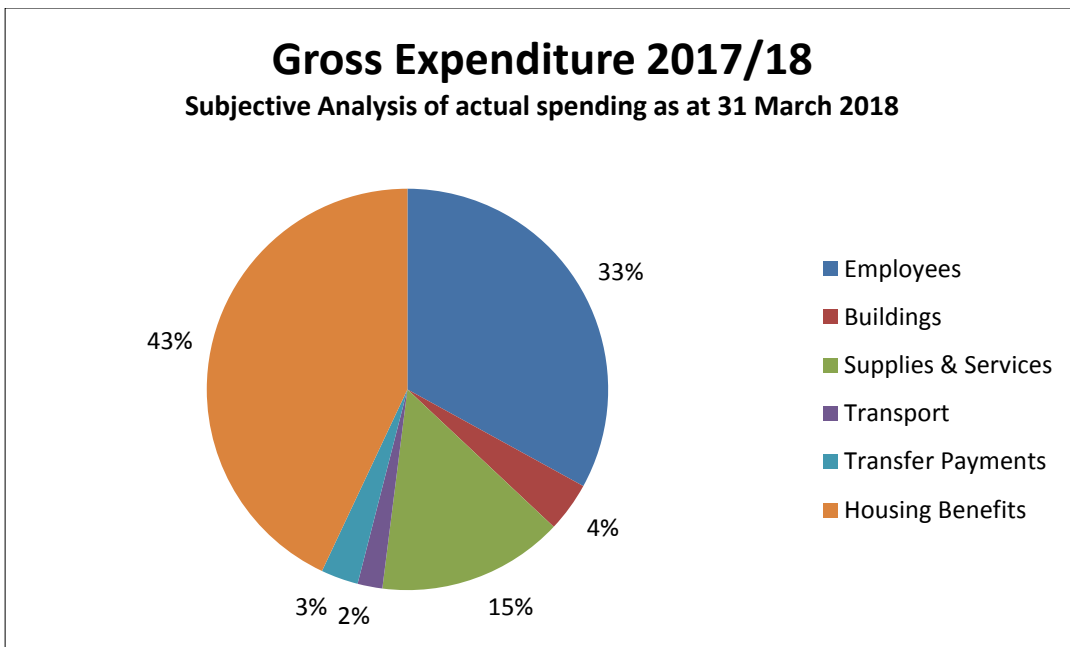
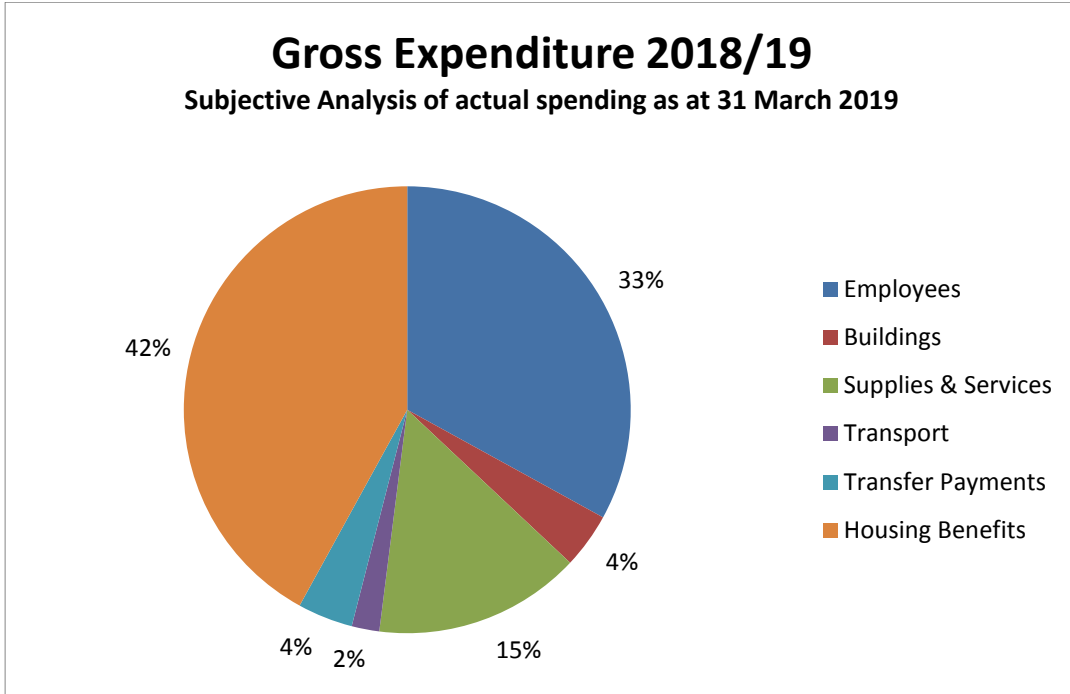
The outturn position above includes trading operations, commercial properties and some internal recharges that are not included in the cost of services section of the Comprehensive Income and Expenditure Statement or the Expenditure and Funding Analysis (Note 7).

A summary of the variations of the outturn to the Budget are shown in the table below:

Service	Main reasons for variance
Community	Staff savings following a service restructure. Additional income on licensing off-set by lower income from external users of the document centre printing services.
Customer Services	Higher net cost of benefit payments for homeless accommodation partially off-set by lower contributions to bad debt provisions required this year.
ICT Services	One-off savings on licences due to delay in implementing the Council Anywhere project.
Development	Staff savings following a service restructure and because of delays in recruiting to vacant posts. Higher income from application fees and Community Infrastructure administration fees.
Leisure and Health	One -off payment relating to the provision of a football pitch in St Neots (this is funded from reserves). Income from the use of the Burgess Hall has fallen below expectations and other income is below budget at the three larger sites (Huntingdon, St Neots and St Ives).
Operations	Recycling contamination has adversely impacted on service costs and income. Higher fuel prices have impacted waste management, street cleaning and grounds maintenance service costs. Higher use of agency staff (mainly required to cover staff sickness). Income was adversely affected because no tenant was found for the vacant office space at Pathfinder House. Car Park income exceeded the budget target.
Resources	Higher insurance premium costs and higher contributions to the bad debt provision were off-set by higher income from the Council's commercial investment programme and staff savings from vacant posts (mainly as a result of apprentices gaining permanent employment).
Directors and Corporate	Staff savings have arisen prior to the implementation of a restructure and members' allowances have reduced under the new allowances scheme. Additional income has been generated on land charges and elections. Additional expenditure has arisen on District Elections and the Councils transformation programme; these are being funded from reserves.

Analysis of Revenue Income & Expenditure

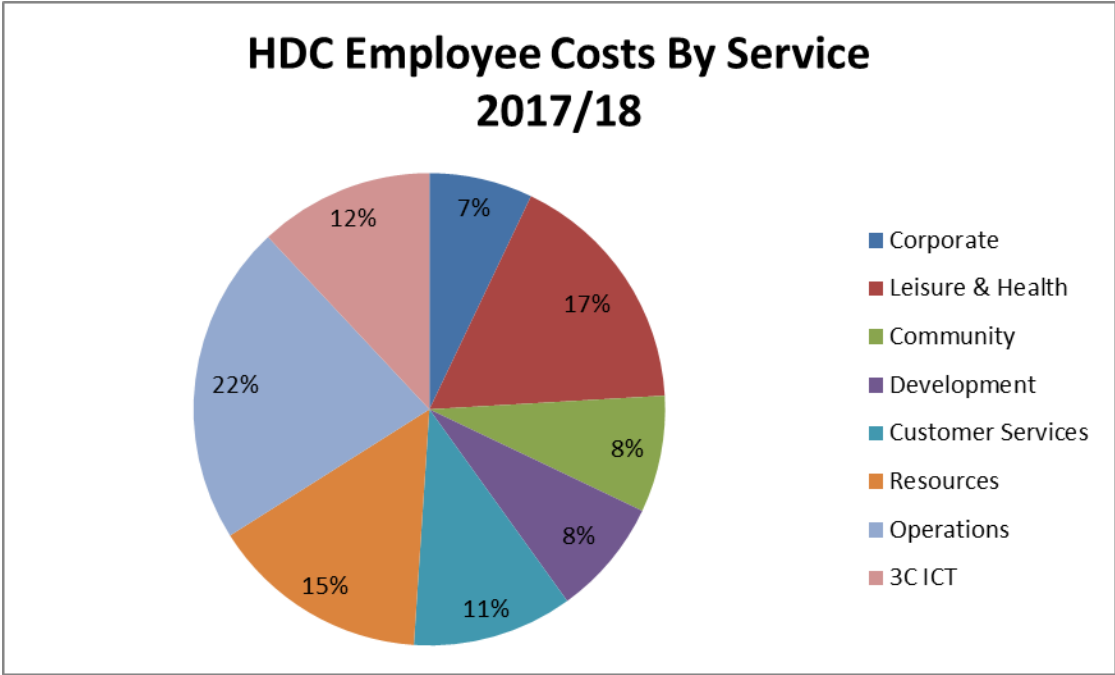
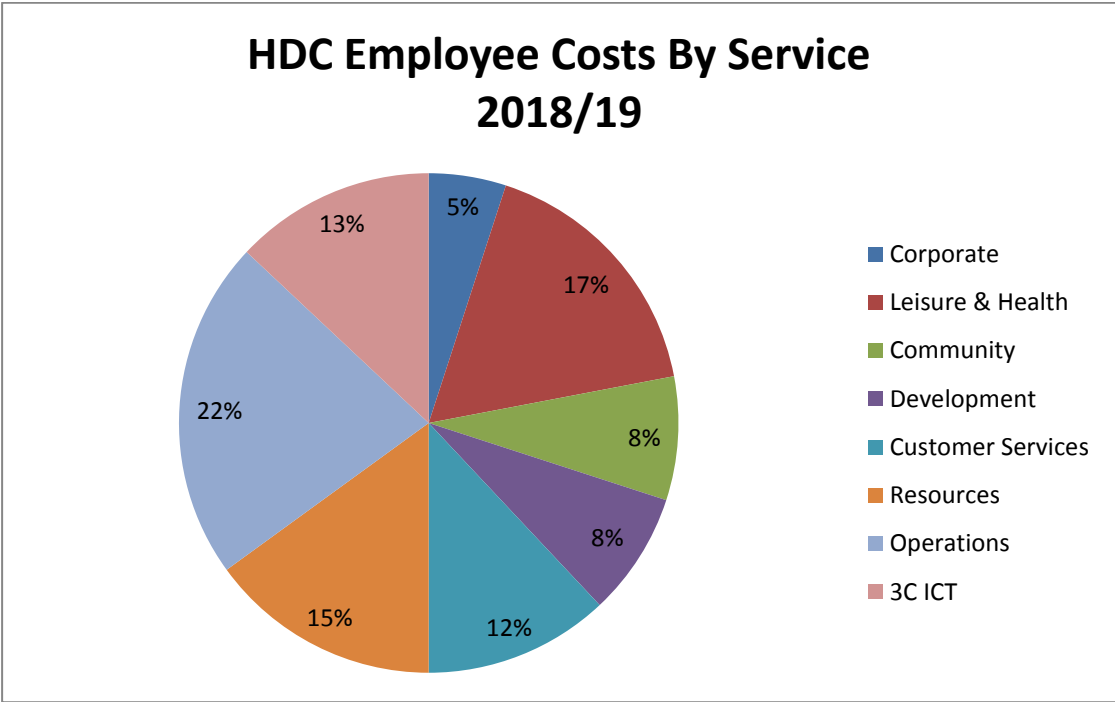
The Council spent £78.903m in 2018/19 and the chart below shows the type of expenditure this was spent on.



Note: These figures are different from those in the Comprehensive Income and Expenditure Statement (CIES) as that is based on accounting regulations and contains a number of costs that are not included in the above figures as they are not part of the Council's Management Accounts, for example depreciation charges.

Employee Expenditure

As can be seen from the graph above, the Council's biggest expenditure apart from Housing Benefits, is staff. In 2018/19 it spent £25.717m (£26.230m in 2017/18). The decrease is due to the net impact of inflation and turnover adjustments. The chart below shows how this spend was split across the Council's services.



Reserves

The table below shows the movement in the useable reserves during the year to 31 March 2019.

Revenue Usable Reserves 2018/19	B'fwd £000	Contributions To From £000 £000		C'fwd £000
General Fund	2,658	2,459	(2,562)	2,555
Earmarked				
Commercial Investment Fund	3,598	1,135	(1,627)	3,106
Market Towns Investment Fund	500	250	0	750
Special Reserve S.106	998	90	(504)	584
Other	2,618	719	(708)	2,629
	8,299	3,435	(1,580)	10,154
	16,013	5,629	(4,419)	17,223
Total Usable Reserves	18,671	8,088	(6,981)	19,778

The 2018/19 provisional outturn report showed a net service expenditure underspend of £0.248m against the original budget approved in February 2018.

Capital Spending**Capital Programme****Introduction**

The Council's final net capital budget for 2018/19 was £7.387m including loans to other organisations of £1.780m. The table below shows the total budget (Gross and Net), and the split between the Capital Programme, Assets, and Capital Programme, Loans.

Capital Programme – Total	Gross £000	Grants £000	Net £000
Original Approved Capital Programme 2018/19	5,582	(1,775)	3,807
Approved Slippage from 2017/18	5,111	(1,531)	3,580
Updated Capital Programme for 2018/19	10,693	(3,306)	7,387
Expenditure	8,486	(3,959)	4,527
Variation Against Updated Capital Programme	(2,207)	(653)	(2,860)

Capital Programme – Assets	Gross £000	Grants £000	Net £000
Original Approved Capital Programme 2018/19	5,582	(1,775)	3,807
Approved Slippage from 2017/18	3,331	(551)	2,780
Updated Capital Programme for 2018/19	8,913	(2,326)	6,587
Expenditure	6,706	(2,979)	3,727
Variation Against Updated Capital Programme	(2,207)	(653)	(2,860)

Capital Programme – Loans	Gross £000	Grants £000	Net £000
Original Approved Capital Programme 2018/19	0	0	0
Approved Slippage from 2017/18	1,780	(980)	800
Updated Capital Programme for 2018/19	1,780	(980)	800
Expenditure	1,780	(980)	800
Variation Against Updated Capital Programme	0	0	0

Explanation of the Capital Programme Outturn

The original net capital programme was £3.807m. Schemes that were delayed were re-phased from 2017/18 totalling £3.580m. This resulted in an updated programme for the year of 7.387m.

Gross expenditure in 2018/19 totalled £8.486m. This included £3.486m on assets, £2.500m on housing grants, and £0.740m on intangible assets (software)). In addition, the Loans Programme advanced £1.778m to Urban and Civic and Huntingdon Town Council.

Grants and contributions received were £3.959m, including £1.424m to fund Disabled Facilities Grant (DFG) expenditure and £1.000m to fund the loan to Urban and Civic who are constructing a building in the Alconbury Weald Enterprise Zone area known as the "Incubator" which is dedicated to small business start-up. The net capital programme was £4.527m.

The most significant schemes in 2018/19 were £2.449m spent on DFGs, £0.940m on vehicle replacements and £1.010m spent on One Leisure improvement and development schemes.

Sale of Assets

Sales of assets in the year included clawback of housing right to buy receipts (£0.935m). Loan repayments (of loans previously financed from capital) totalled £0.308m. The total receipts (£1.243m) have been used to reduce the requirement to borrow to finance the capital programme, and reduced the amount that will be provided for the Minimum Revenue Provision (MRP) in future years.

Commercial Investment Strategy

Introduction

The Council also spent £3.389m on the purchase of Little End Road, Eaton Socon, and £8.029m on the purchase of the Rowley Centre, St Neots.

Commercial Investment Strategy	£000
Approved Business Plan 2018/19	12,500
Updated Capital Programme for 2018/19	12,500
Capital Outturn	11,418
Variation Against Updated Budget	(1,082)

Explanation of Outturn

In 2018/19 the Council originally planned to invest up to £12.5m in Commercial Investment related acquisitions; this was the remainder of the budget set in the original business plan of £30m. This has now been almost spent with the Council making two high quality purchases in 2018/19, both of which were in-district purchases.

The table below shows the breakdown of the Capital expenditure by project. The capital contributions and the funding pie charts show the capital expenditure by Service area.

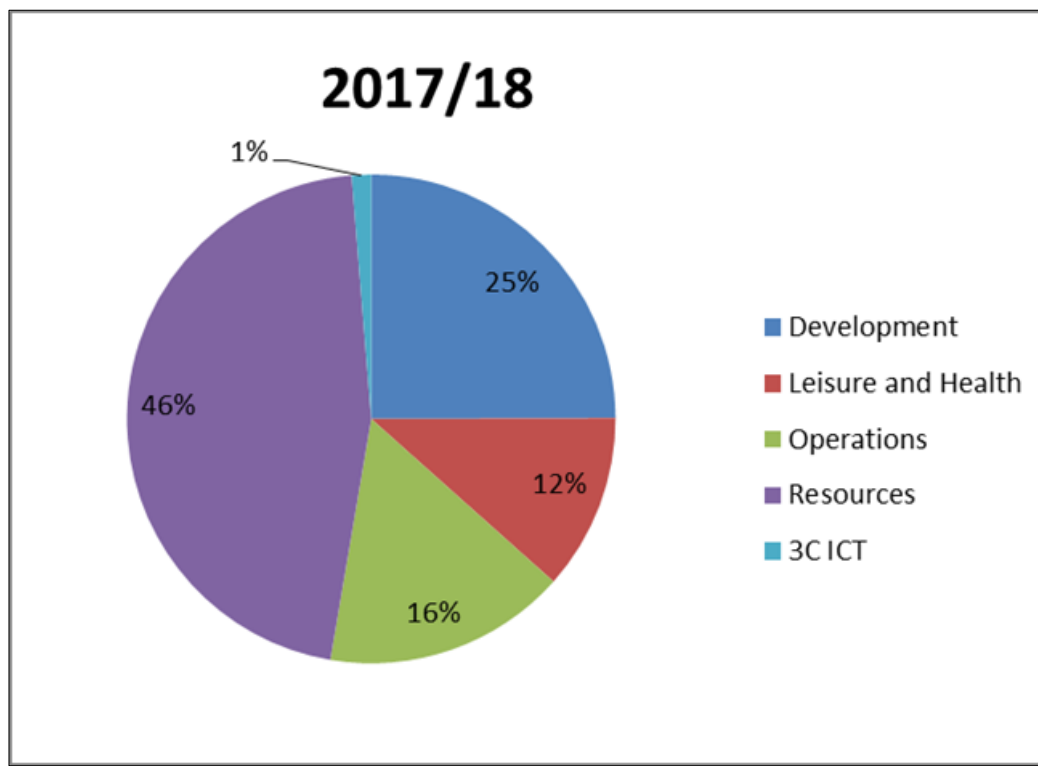
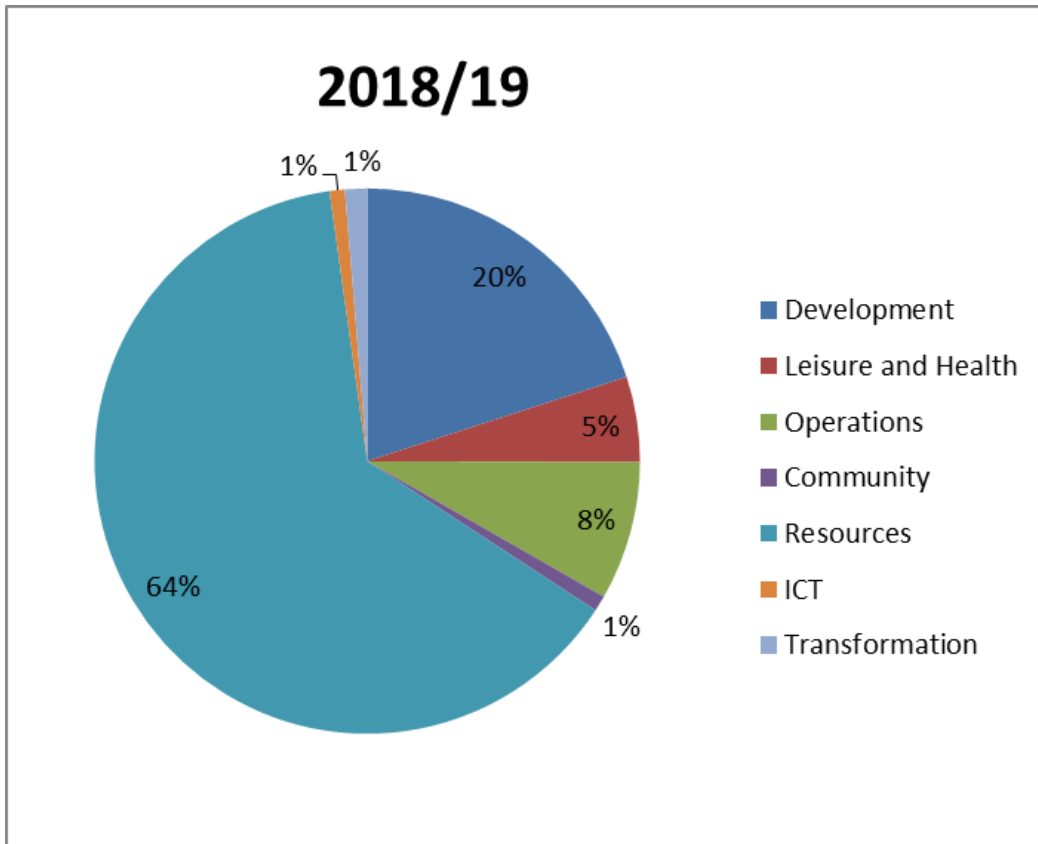
2017/18 £m	Capital Expenditure Assets	2018/19 £m
0.3	Environmental Projects	0.3
2.5	Housing Grants	2.5
1.4	Vehicle Replacement Programme	0.9
0.4	Information & Communication Technology	0.7
1.7	Leisure & Recreation	1.0
0.0	Huntingdon West development	0.6
0.2	Wheeled Bins	0.2
0.1	Community Infrastructure Levy	0.0
0.4	Industrial Unit Improvements	0.4
0.2	Pathfinder House Improvements	0.1
0.0	CCTV	0.1
0.0	Others	0.1
7.2	Gross Expenditure	6.9
(1.7)	Less External Contributions and Capital Grants	(2.2)
5.5	Net Expenditure	4.7
	Funded from	
(0.6)	Capital Receipts	(1.2)
(0.1)	Capital Grants Unapplied Reserve	(0.6)
(1.8)	Minimum Revenue Provision	(2.1)
(0.4)	Direct Revenue Funding	(0.4)
(2.6)	Borrowing and Internal Resources	(0.4)
(5.5)		(4.7)

2017/18 £m	Capital Expenditure Loans	2018/19 £m
1.0	Urban and Civic Loan	1.0
0.0	Huntingdon Town Council	0.8
1.0	Gross Expenditure	1.8
	Funded from	
(1.0)	Capital Grants Unapplied Account	(1.0)
0.0	Borrowing	(0.8)
(1.0)		(1.8)

2017/18 £m	Capital Expenditure Commercial Investment Strategy	2018/19 £m
5.7	Parkway, Fareham	0.0
0.0	Little End Road, Eaton Socon, Hitchin	3.4
0.0	Rowley Centre, St Neots	8.0
5.7	Gross Expenditure	11.4
	Funded from	
(0.7)	Direct revenue Funding	(1.6)
(5.0)	Borrowing and Internal Resources	(9.8)
(5.7)		(11.4)

Capital Expenditure by Service

The pie chart below show the Capital expenditure by Service area for 2018/19.



The capital expenditure for Customer Services is negligible so not shown in these graphs.

Treasury Management

The main purpose of the Treasury Management Strategy is to:

- Ensure the Council has sufficient cash to meet its day to day obligations.
- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are considered to be low.
- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The key market Treasury Management issues though 2018/19 influencing the Council's decision-making were:

- A moderate recent improvement in the equity market, falling Gilt rates meaning lower borrowing costs, and falling credit default swap rates (less perceived risk in the financial market).
- A continuation of the Bank of England's policy of very low interest rates, with the result that market rates also remain very low. The Council's average investing rate was 0.75%.

The Council's response to the key issues in 2018/19 was:

- Where the Council has surplus funds to primarily make short term investments (the majority on call on a daily basis) in liquidity accounts and money market funds.
- Where possible to take a higher return without sacrificing liquidity.
- When borrowing the Council has used the Public Works Loan Board (PWLB), which offers low fixed rate borrowing over a long period. The interest rate on loans borrowed ranges from 1.48% to 3.91%.

Looking to the Future

The public sector as a whole continues to face a severe curtailment of financial resources and as a consequence of the Government's ring-fencing of some government departments/services (i.e. NHS, Overseas Aid etc.) this has meant that local government has been significantly impacted. This is further exacerbated by the uncertainty surrounding future Spending Reviews and the Fair Funding Review promised by Central Government. Consequently, the Council continues to adopt the "Plan on a Page" strategy which seeks to move to a position of financial independence from Central Government. The key tools of this strategy include:

- The continued Implementation of the Commercial Investment Strategy
- The comprehensive review of all budgets at least annually, using tools such as Zero Based Budgeting and Line by Line Analysis where appropriate.

The Council set a balanced Budget for 2018/19, which included a contribution to reserves of £3.026m, as a result of having carried out both a ZBB exercise and a line by line review across all services and finding £1.800m savings in 2018/19.

The above strategy will also be facilitated by a Transformation programme that will look to enterprising and collaborative solutions as its mainstay.

The Financial Statements

The Council's financial statements for 2018/19 have been prepared in accordance with the:

- Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2018/19 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards.
- Accounts and Audit Regulations 2015.

The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the Council.

Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year following those adjustments

The Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund Capital expenditure or repay debt). The second category of reserves are unusable and includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

The Balance Sheet position at 2018/19 is £33.221m as shown overleaf (£30.493m 2017/18). The main reasons for this movement of £2.728m are:

- Long Term Assets – Property, Plant and Equipment from additions and revaluations.
- Current Assets – Short Term Debtors increase
- Long Term Liabilities – on Long Term Borrowing and a small increase in the Net Pensions Liability.

At this time, the accounting arrangements for the pensions of employees require the accounts to show the pension deficit liability but this is neutralised by a contra entry to an unusable pensions reserve. The statutory duty to fund any deficit remains the obligation of the Cambridgeshire County Council Superannuation Fund. As a result there is no impact on the financial position of the Council.

	31 March 2019
	£000
Long Term Assets	138,613
Current Assets	29,865
Current Liabilities	(20,825)
Long Term Liabilities	(114,432)
Net Assets	33,221
Useable Reserves	43,120
Unusable Reserves	(9,899)
Total Reserves	33,221

The Cash Flow Statement

The Cash Flow Statement shows the changes in “cash” (cash and cash equivalents) of the Council during the reporting period. The statement shows how the Council generates and uses “cash” by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	31 March 2019
	£000
Net Cash Flows from	
- Operating activities	3,372
- Investing activities	(9,290)
- Financing activities	6,596
Net Increase or (decrease) in cash and cash equivalents	678
Cash & Cash Equivalents	
- At the beginning of the reporting period	2,176
- At the end of the reporting period	2,854

The Collection Fund Revenue Account

The Collection Fund is a separate account into which are paid amounts raised from local taxation. As well as including amounts collected in respect of Council Tax, it now includes amounts collected from local businesses, which following the introduction of the Local Business Rates scheme, now means that Non-Domestic Rates are distributed subject to predetermined government set formulae. The Fund also accounts for payments due to preceptors.

The Expenditure and Funding Analysis (EFA)

In addition to the primary statements, the Expenditure and Funding Analysis (EFA) which is not a primary financial statement but has been included as Note 7 to the Accounts, demonstrates how the annual expenditure is used and funded from resources (Government grants, Council Tax and Business Rates) by local authorities in comparison with those

resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

Technical Information

International Financial Reporting Standards

The Council has reported its financial position based on the requirements of International Financial Reporting Standards (IFRS) and this is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Statement of Accounting Policies

The accounting policies applicable to the 2018/19 statement of accounts are, in the main, the same as those that were applied to the 2017/18 with the exception of the policies related to Financial Instruments that have been changed to comply with IFRS9.

True and Fair View Override

As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the "true and fair view override".

Changes to the Statement of Accounts

There are no material changes to the Statement of Accounts.

Material and Unusual Charges or Credits in the Accounts

There are no material and unusual charges or credits in the accounts.

Material Events after the Reporting Date

There have not been any material events after the reporting date.

Material Assets Acquired or Liabilities Incurred

There have been 2 material assets acquired during the year totalling £11.4m. There have been no material liabilities incurred.

Changes in Statutory Functions

There were no changes in statutory functions in 2018/19.



Clive Mason FCPFA

Head of Resources

31 May 2019

Independent Auditor's Report to the Members of Huntingdonshire District Council

Opinion on the Authority's financial statements

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Head of Resources Responsibilities

The Head of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the Head of Resources has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Head of Resources has also:

- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019. ~~These financial statements replace the unaudited financial statements signed by the Head of Resources on 31 May 2019.~~



Clive Mason FCPFA
Head of Resources

31 May 2019

Chairman's Approval of the Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Corporate Governance Committee of Huntingdonshire District Council at its meeting on 25 July 2019 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Councillor Mac McGuire
31 July 2019

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	TOTAL USEABLE RESERVES	Unusable Reserves	TOTAL COUNCIL RESERVES
	£000	£000 Note 10	£000 Note 31	£000	£000 Note 23	£000
Movement in reserves during 2018/19						
BALANCE AT 31 MARCH 2018 B'FWD	2,658	16,013	17,288	35,959	(5,466)	30,493
Surplus/(Deficit) on provision of services	4,652	0	0	4,652	0	4,652
Other comprehensive income and expenditure	0	0	0	0	(1,924)	(1,924)
Total comprehensive income and expenditure	4,652	0	0	4,652	(1,924)	2,728
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,493)	0	6,054	4,561	(4,561)	0
Net increase/(decrease) before transfers to earmarked reserves	3,159	0	6,054	9,213	(6,485)	2,728
Transfers (from)/to earmarked reserves (Note 10)	(3,262)	1,210	0	(2,052)	2,052	0
(Decrease)/increase in Year	(103)	1,210	6,054	7,161	(4,433)	2,728
BALANCE AT 31 MARCH 2019 C'FWD	2,555	17,223	23,342	43,120	(9,899)	33,221
Movement in reserves during 2017/18						
BALANCE AT 31 MARCH 2017 B'FWD	2,598	15,310	10,380	28,288	(6,867)	21,421
Surplus/(Deficit) on provision of services	1,307	0	0	1,307	0	1,307
Other comprehensive income and expenditure	0	0	0	0	7,765	7,765
Total comprehensive income and expenditure	1,307	0	0	1,307	7,765	9,072
Adjustments between accounting basis and funding basis under regulations (Note 9)	610	0	6,908	7,518	(7,518)	0
Net increase/(decrease) before transfers to earmarked reserves	1,917	0	6,908	8,825	247	9,072
Transfers (from)/to earmarked reserves (Note 10)	(1,857)	703	0	(1,154)	1,154	0
(Decrease)/increase in Year	60	703	6,908	7,671	1,401	9,072
BALANCE AT 31 MARCH 2018 C'FWD	2,658	16,013	17,288	35,959	(5,466)	30,493

Comprehensive Income and Expenditure Statement (CIES)

2017/18			2018/19			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,113	(1,021)	3,092	Community	2,788	(1,042)	1,746
38,528	(35,900)	2,628	Customer Services	38,151	(35,567)	2,584
7,470	(5,368)	2,102	ICT Shared Service	8,644	(6,078)	2,566
5,904	(3,605)	2,299	Development	5,856	(3,746)	2,110
8,428	(6,751)	1,677	Leisure & Health	8,770	(6,799)	1,971
11,382	(4,042)	7,340	Operations	11,318	(4,386)	6,932
5,193	(249)	4,944	Resources	5,745	(37)	5,708
2,764	(711)	2,053	Directors & Corporate	2,221	(332)	1,889
83,782	(57,647)	26,135	Cost of Services	83,493	(57,987)	25,506
5,793	0	5,793	Other Operating Expenditure (Note 11)	5,495	0	5,495
4,496	(4,210)	286	Financing and Investment Income and Expenditure (Note 12)	4,468	(4,772)	(304)
1,578	(35,099)	(33,521)	Taxation and Non-specific Grant Income (Note 13)	1,490	(36,839)	(35,349)
95,649	(96,956)	(1,307)	(Surplus) / Deficit on provision of services	94,946	(99,598)	(4,652)
		(4,066)	(Surplus) or deficit in the revaluation of non-current assets			(7,483)
		(174)	Surplus/deficit on financial assets measured at fair value through other Comprehensive Income			(80)
		(3,525)	Actuarial losses/(gains) on pension assets and liabilities			9,487
		(7,765)	Other comprehensive income and expenditure			1,924
		(9,072)	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(2,728)

Balance Sheet

31 March 2018 £000	Notes	31 March 2019 £000
70,474	Property, Plant and Equipment 14	76,559
65	Heritage Assets	65
35,169	Investment Property 15	46,252
911	Intangible Assets 16	1,067
3,886	Long Term Investments 17	3,966
9,150	Long Term Debtors 17	10,704
119,655	Long Term Assets	138,613
0	Short Term Investments 17	1,000
110	Inventories 18	627
20,771	Short Term Debtors 19	20,722
3,661	Cash and Cash Equivalents 20	7,036
0	Assets Held for Sale 21	480
24,542	Current Assets	29,865
(1,485)	Bank overdraft 20	(4,182)
(474)	Short Term Borrowing 17	(483)
(16,653)	Short Term Creditors 22	(14,594)
(1,590)	Provisions 39	(1,566)
(20,202)	Current Liabilities	(20,825)
(20,439)	Long Term Borrowing 17	(28,268)
(732)	Other Long Term Liabilities 17	(718)
(72,331)	Net Pensions Liability 38	(85,446)
(93,502)	Long Term Liabilities	(114,432)
30,493	Net Assets	33,221
35,959	Useable Reserves 23	43,120
(5,466)	Unusable Reserves 24	(9,899)
30,493	Total Reserves	33,221

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019. ~~These financial statements replace the unaudited financial statements signed by the Head of Resources on 31 May 2019.~~


Clive Mason FCPFA
 Head of Resources
 31 May 2019

Cash Flow Statement

2017/18		2018/19
£000		£000
1,307	Net Surplus / (Deficit) on the provision of services	4,652
6,236	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	9,467
(10,096)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	(10,747)
(2,553)	Net cash flows from Operating Activities	3,372
(1,395)	Investing Activities (Note 25)	(9,290)
4,488	Financing Activities (Note 26)	6,596
540	Net increase/(decrease) in cash and cash equivalents	678
1,636	Cash and cash equivalents at the beginning of the reporting period	2,176
2,176	Cash and cash equivalents at the end of the reporting period (Note 20)	2,854

Note 1. Accounting Policies

Accounting Policies in respect of Concepts and Principles

➤ General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place
- Primacy of legislative requirements – legislation overrides standard accounting practice

The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

➤ Government Grants and Contributions (IAS 20)

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are credited to the Comprehensive Income and Expenditure Statement if the conditions attached to the grant or contribution have been met. However, if the conditions require that the grant or contribution is returned where these conditions are not met, it cannot be credited to the Comprehensive Income and Expenditure Statement.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment

Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied.

The Council receives monies from developers, S106 monies, which are credited to the Comprehensive Income and Expenditure Statement and transferred to an earmarked fund. The condition for these contributions is that they are returnable 10 years after receipt if they are not used. It is considered that 10 years is too far into the future to be treated as receipts in advance.

➤ **Accruals of Income and Expenditure**

Income and expenditure are accounted for in the year to which they relate, not simply when cash payments are made or received, by the creation of debtors and creditors which are recorded in the Balance Sheet. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g. in the collection of NDR and Council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services provided or the Council incurs expenses directly on its own behalf in providing the services.

➤ **Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2018/19, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

➤ **Exceptional Items**

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

➤ **Interest Receipts**

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest earned on the S106 reserve (one of the earmarked reserves) which is credited to that reserve. Interest receipts are included in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

➤ **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement; they are included in the Balance Sheet as the General Fund Balance, Capital Reserve, Earmarked Reserves or Capital Grants Unapplied.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

However, there are other reserves that cannot be used to finance expenditure:

- Capital Adjustment Account – these are capital resources set aside to meet past expenditure.
- Revaluation Reserve – the gains of valuation of assets not yet realised by sales.
- Financial Instruments Adjustment Account – balancing account to allow for differences in statutory requirements and accounting requirements for borrowing and investments.
- Collection Fund Adjustment Account – holds the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- Pensions Reserve – balancing account to allow the pensions liability to be included in the Balance Sheet.

➤ **Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

➤ **Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

➤ **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the investment date and that are readily convertible to cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Accounting Policies in respect of Non-Current Assets

➤ **Property, Plant and Equipment (IAS 16)**

Assets that have physical substance and are held for use in the provision of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

There is a de-minimis level of £10,000 however, where the cumulative value of individual assets is greater than £10,000 and they meet the criteria for recognition they will be capitalised.

- **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Existing Use Value Land and Buildings
- Fair Value Investment Properties
- Depreciated Historic Cost: Vehicles, Plant and Equipment, Infrastructure, Intangibles
- Historic Cost: Community Assets, Assets Under Construction
 Assets Held for Sale

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying value is not materially different from their fair value at the year end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a Service revenue account. Thus there is no impact on council tax.

Where decreases in value are identified, the revaluation loss is accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only. Gains arising before that date have been consolidated into the Capital Adjustment Account.

- Components

The Council will separately account for components where the cost of the component is significant in relation to the overall total cost of the asset, and the useful economic life of the component is significantly different from the useful economic life of the asset. Individual components with similar useful lives and depreciation methods will be grouped.

For this purpose a significant component cost would be 10% of the overall total cost of the asset but with a de-minimis component threshold of £100,000.

The component accounting is applied only to those assets revalued after 1 April 2012 but given the three year programme all assets have been revalued and the policy now applies to all assets.

The impact is that some components have a useful life of between 15 and 35 years, which in some instances is different to the useful life of the main asset and therefore the depreciation charge varies from that based on the same useful life for the whole asset.

- Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where there is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce

the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

- Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocating the value of the asset over their useful lives. An exception is made for assets where the finite useful life cannot be determined, (i.e. land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated as follows:

Asset Type	Depreciation basis	Useful Economic Life
Operational Buildings	Straight-line allocation over the estimated life of the building or component where identified separately	10 years to 45 years
Vehicles, Plant, Furniture & Equipment	Straight line allocation over the estimated life of the asset	1 year to 44 years
Infrastructure		3 years to 44 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

The residual value of the assets is reviewed at least every five years and the depreciation adjusted to match any change in the life of the asset.

Year of depreciation charge

The depreciation charge will generally commence in the year after the addition of the asset, unless the in-year depreciation charge would have a material impact.

➤ **Depreciation and other Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation (annual charge) of intangible assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue, known as the Minimum Revenue Provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.

In respect of General MRP Policy capital assets, MRP will be chargeable in the year following the agreement of any final account. For each financial year, for other capital investments MRP will be charged in the following the completion of the scheme.

The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. The Council has adopted the following which clarifies the policy to be applied in differing circumstances:

i. MRP Policy in respect of Loans to Organisations or Loans with Security (as defined within the Treasury Management Strategy)

Where the Council has provided:

- loans to local organisations or businesses, and/or
- loans with security

and these loans are repaid on, at least an annual basis, that the principal repayments received can replace the need to make a minimum revenue provision.

ii. MRP Policy in respect of Debt not relating to Loans to Organisations

MRP for this category will be on an annuity basis. This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is “notionally” repaid. The net result is a consistent charge to the Council’s accounts over the assumed life of the asset.

iii. MRP Policy in respect of the Commercial Investment Strategy

For each capital investment undertaken under the requirements of the Council’s Commercial Investment Strategy, MRP will be made that is equal to the principal repayment for any loan finance supporting the investment. However, from 2017/18 the Council has approved a further MRP Policy for CIS purchases (commercial and housing acquisitions) where the expenditure will be financed by Maturity Loans.

Under this policy MRP would be allocated only if the value of the asset is less than the value of the loan outstanding.

The CIS asset Parkway, Fareham and the Rowley Arts Centre, St Neots have been purchased under this MRP policy, the value of both these properties exceeds the value of the respective loans as at 31st March 2019, as shown in the table below.

CIS Property:	Values £m
Parkway, Fareham	
Value of Property as at 31 st March 2019	5.250
PWLB Loan Outstanding	5.000
Property value exceeds loan	0.250
Rowley Arts Centre, St Neots	
Value of Property as at 31 st March 2019	7.200
PWLB Loan Outstanding	7.291
Loan value exceeds property	0.091

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal; receipts from disposals are credited to the same line. Any accumulated revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

➤ Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).

Heritage Assets are those that are held and maintained by the Council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Authority's Heritage Assets are accounted for as follows:

- Cultural

The Council has identified the Norman Cross and Eagle as a Heritage Asset and this is disclosed in the Balance Sheet, based on insurance valuation, at £65k. It should be noted that there is no phased basis of valuation. This asset is:

- deemed to have an indeterminate life and consequently the Council does not consider it appropriate to charge depreciation.
- static and located at Norman Cross, Cambridgeshire, near to the intersection with the A1.

- Mayoral Regalia and Art Collection

The Council has two mayoral chains of office and two paintings; however the total estimated value of these assets, based on insurance valuations, is £33k. As individually these assets are not material, they have not been included in the Balance Sheet.

➤ **Intangible Assets**

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life and debited to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are debited to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is debited or credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

➤ **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if they are used in any way for the delivery of services.

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated and are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income and Expenditure line and results in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

➤ **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

- The Council as Lessee

- Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment, applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period.)

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

In practice the Council has two categories of finance leases in primary rental for industrial units and secondary leases for certain items of equipment.

- Operating leases.

Rentals paid under operating leases are debited to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

- The Council as Lessor

- Finance Leases

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet is written off to the

Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term) debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for this capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off values of disposals are not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

○ Operating Leases.

Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

➤ **Revenue Expenditure funded from Capital under Statute**

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of property, plant and equipment. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, amounts charged are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Current Value Measurement (IFRS 13)

Previously, all assets and liabilities were valued under the principle of “fair value” which was defined as “the amount for which an asset could be exchanged or liability settled between knowledgeable, willing parties in an arm’s length transaction”.

Although “fair value” remains as the approach to valuation for a number of assets and liabilities, in respect of Operational Assets IFRS 13 introduces “current value”. This means such assets have to be measured in a way that recognises their “service potential”.

Accounting Policies in respect of Current Assets

➤ Inventories

The Council has a number of inventories but none either individually or in aggregate are material to the accounts. However, the valuation approach in respect of the main inventory types (Fuel and Stock for Sale) is First In First Out.

➤ Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

➤ Provisions and Contingent Liabilities

• Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement and a reliable estimate of the obligation can be made. Provisions are debited to the Comprehensive Income and Expenditure Statement and are measured at the best estimate of the expenditure that is likely to be required. When payments are made they are charged to the provision.

• Contingent Liabilities

A contingent liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated. The liability is disclosed as a contingent liability within the notes to the accounts. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Accounting Policies in respect of Employee Benefits

➤ Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees provide services to the Council.

➤ Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the Council can demonstrate that it is committed to either terminating the employment of an officer or has made an offer of voluntary redundancy even if the officer has not left the Council by 31 March.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

➤ **Post-Employment Benefits (Pensions)**

Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary).
- The assets of the Cambridgeshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into seven components:
 - **current service cost** – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - **net interest on the net defined liability**, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - **the return on plan assets** – excluding amounts charged in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

- **contributions paid to the Cambridgeshire Pension Fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

➤ **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Accounting Policies in respect of Financial Instruments

➤ **Financial Assets**

A financial asset is right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised Cost
- Fair Value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivables are based on the carrying amount of the asset multiply by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivables (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

The Council's business model to collect cash flow comprises:

- Loans to other local authorities
- Loans to small companies such as Luminus, Huntingdon Gym Club etc.
- Trade receivables

Financial Assets Measured at FVPL

Financial assets that are measured at FVPL are recognised on Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. The fair value gains and losses are recognised as they arrive in Surplus or Deficit on the provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

Financial Assets Measured at FVOCI

Financial assets that are measured at FVOCI are recognised on Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument; and the Council's business model is both to collect cash flow and sell the instrument. The Council has elected into this category and financial asset comprises:

- CCLA Property Fund

➤ Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The Council has the following liabilities:

- Creditors
Creditors are carried at their original invoice amount.
- Bank overdrafts
Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand.

Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

- Short-term borrowing
Loans of less than 1 year and carried at amortised cost.
- Long-term loan
Loans with the Public Works Loans Board are carried at their amortised cost but with the fair value disclosed a note

Note 2. Accounting Standards that have been issued but have not yet been adopted

At the balance sheet date the following new standards, and amendments to existing standards, have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom, and as a result have not been adopted by the Council.

- **IFRS 16 Leases;** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020.
- **IAS 40 Investment Property: Transfers of Investment Property;** provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration;** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- **IFRIC 23 Uncertainty over Income Tax Treatments;** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the accounts.
- **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation;** amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than unpaid principal and interest. The Council has no loans to which this will apply.

It is anticipated that the above amendments will not have a material impact on the information provided in the statement of accounts.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- In light of the current financial environment or continuing austerity across the public sector, the Council continues to monitor its budget based on achieving its target net service budget position at the end of the year. The Budget for 2018/19 was approved by Council in February 2018. The Medium Term Financial Strategy (MTFS), which was also approved in February 2018, removes the reliance on NHB by 2020/21. The Council has the Plan on a Page Strategy which sets out its financial strategy

However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- In line with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, based on International Financial Reporting Standards, the Council has not charged depreciation on land, investment properties, community assets, assets held for sale and assets under construction. For all these assets, the total value for 2018/19 for Land is £21,918m and Buildings (NBV) is £32,999m (2017/18; Land is £17.743m and Buildings (NBV) is £25.474m).
- The Council has taken professional advice from the Pension Fund's actuary, Hymans Robertson LLP, to determine the overall net liability of the fund which is £85.446m for 2018/19; this has increased by £13.115m since 2017/18. However:
 - This does not adversely affect the financial position of the Council as the actuarial valuation is based on a number of assumptions about the future, as shown in Note 38.
 - The revenue impact of the deficit is formally reviewed by the actuary on a triennial basis who determines revised employer contributions for the 3-year period. Further, fluctuations in pension assets and liabilities occur due to movements in market investments.
- The participants in the Council's Non Domestic Rates Collection Fund share the costs of any successful appeals to reduce the rateable value of a property. This includes the cost of any outstanding appeals which may be backdated prior to 1 April 2014.

To estimate the provision for outstanding appeals, the Council has reviewed the outstanding appeals as at 31 March 2019. An estimated provision of £3.882m has been included in the Collection Fund in respect of successful appeals costs. The Council's share of any such Collection Fund costs is 40% or £1.553m of the total provision and this is included in the General Fund balance.

Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	<p>All property is reviewed on a 3 year rolling basis. Where an asset has not been specifically revalued, a table top analytical review has taken place to determine if any material changes in valuation have taken place (Revaluation Review).</p> <p>In addition an annual impairment review is undertaken by the valuer to determine if any of the Council's assets have been impaired.</p>	82% of the council's assets are valued at fair value, so the impact of change in the market is significant. If there was a 1% fall in the market value, it is estimated that the value of the council's property assets would reduce by £0.624m.
Plant and Equipment	Plant and Equipment are valued on an historic cost basis.	There will not be any changes to this valuation due to market conditions because the valuation approach reflects costs at acquisition or similar situations.
Investment Properties	Investment Properties are valued on an annual basis and are valued at fair value.	It is estimated that a 1% fall in market value would reduce the value of the Council's investment properties by £0.463m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions, as provided by the actuary, can be measured. For instance:</p> <ul style="list-style-type: none"> • A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 10% or £24.842m. • A 1 year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £3.263m.

		<ul style="list-style-type: none"> • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £21.186m.
Sundry Debt Arrears	<p>The Bad Debt Provision (BDP), also known as Debtor Impairment, calculation is based on the current aged debt profile, past payment behaviour and past write off activity.</p> <p>At 31 March 2019 the Council has a net debtor's balance of £20.722m.</p>	<p>Each debt type has an independent BDP rate determined by previous debt activity. If only Sundry Debtor debt is considered, increasing the BDP by 10% would have an additional £47,922 impact on revenue. However, to achieve such an increase in the BDP, the actual debt would have to increase by £94,595.</p>
Sundry Creditors (Housing Benefits)	<p>During the year the Council pays Housing Benefits to local residents who are entitled to receive it; these payments are reimbursed by Central Government subsidy. The Subsidy reimbursement relates to amounts paid on or before 28 March, however, accruals have been made to reflect the period that the payments actually cover.</p> <p>The Housing Benefit payments made by the Council are on one of the two following bases:</p> <ol style="list-style-type: none"> 4-week in arrears, or 2-weeks in arrears/2-weeks in advance. 	<p>The amount of Housing Benefit in payment at any given time is dependent on the number of claims made at that time, which is itself affected by both local and national economic conditions. Consequently it is difficult to provide a meaningful sensitivity analysis.</p>
Provision for Rateable Value Appeals	<p>Appeals against rateable value are at the discretion of non-domestic ratepayers with the outcome ultimately determined by the Valuation Office and are not within the Council's control.</p>	<p>The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation).</p>

		A 10% variation in the estimated provision would be £0.388m for the Collection Fund of which £0.155m which would be attributable to the General Fund.
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Note 5. Material Items of Income and Expenditure

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the Council (i.e. extraordinary). During 2018/19 no such items of income or expenditure were incurred (2017/18; nil).

Note 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Resources on 31 May 2019.

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Head of Resources on 31 May 2019.

With regard to 2018/19:

- **Adjusting Events**

The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2019 as there have not been any.

- **Non-Adjusting Events**

Following the EU Referendum held in June 2016 to end the UK's membership of the European Union (EU), and the continuing uncertainty over the eventual departure date, there may be an impact on the Council's investment property valuations if confidence in the wider UK property market falls; and the valuation of the Council's £85.446m defined benefit pension obligations may also be affected. However it is still too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for the next couple of years while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event.

Note 7. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax, business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2018/19					Net Expenditure in the Comprehensive Income and Expenditure Statement
	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis			Total Adjustments	
		Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)		
£000	£000	£000	£000	£000	£000	
Community	1,595	52	99	0	151	1,746
Customer Services	2,415	20	149	0	169	2,584
ICT Shared Service	2,094	321	151	0	472	2,566
Development	333	1,676	104	(3)	1,777	2,110
Leisure & Health	279	1,528	164	0	1,692	1,971
Operations	4,541	2,175	231	(15)	2,391	6,932
Resources	4,830	198	680	0	878	5,708
Directors & Corporate	1,819	4	66	0	70	1,889
Cost of Services	17,906	5,974	1,644	(18)	7,600	25,506
Other income and expenditure	(21,065)	(2,887)	1,984	(8,190)	(9,093)	(30,158)
(Surplus) or Deficit	(3,159)	3,087	3,628	(8,208)	(1,493)	(4,652)
Opening General Fund Balance (Includes Earmarked Reserves)	18,671					
Plus Surplus/(Deficit) on General Fund in Year	3,159					
Less Use of General Fund Balances to Fund Capital Expenditure	(2,052)					
Closing General Fund Balance 31 March	19,778	(see Page 12 of Commentary and Review of 2018/19)				

	2017/18					Net Expenditure in the Comprehensive Income and Expenditure Statement
	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis			Total Adjustments	
		Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)		
£000	£000	£000	£000	£000	£000	
Community	1,926	90	1,076	0	1,166	3,092
Customer Services	2,459	51	118	0	169	2,628
ICT Shared Service	1,724	378	0	0	378	2,102
Development	1,058	1,210	34	(3)	1,241	2,299
Leisure & Health	124	1,278	275	0	1,553	1,677
Operations	4,883	2,256	201	0	2,457	7,340
Resources	4,723	164	67	(10)	221	4,944
Directors & Corporate	2,034	6	13	0	19	2,053
Cost of Services	18,931	5,433	1,784	(13)	7,204	26,135
Other income and expenditure	(20,848)	(1,295)	1,911	(7,210)	(6,594)	(27,442)
(Surplus) or Deficit	(1,917)	4,138	3,695	(7,223)	610	(1,307)
Opening General Fund Balance (Includes Earmarked Reserves)	17,908					
Plus Surplus/(Deficit) on General Fund in Year	1,917					
Less Use of General Fund Balances to Fund Capital Expenditure	(1,154)					
Closing General Fund Balance 31 March	18,671					

Notes to the EFA

a Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation, impairment, revaluation gains and losses in the services line and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

b Net Change for the Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

c Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure – the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

d Segmental Income

The table above shows Net Expenditure, the income analysed on a segmental basis is shown overleaf:-

2017/18 £'000	Services	2018/19 £'000
1,021	Community	1,042
35,900	Customer Services	35,567
5,368	ICT Shared Service	6,078
2,214	Development	2,322
6,751	Leisure & Health	6,799
4,042	Operations	4,386
249	Resources	37
711	Director & Corporate	332
56,256	Total income analysed on a segmental basis	56,563

Note 8. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows;

2017/18 £000s	Expenditure/Income	2018/19 £000s
	Expenditure	
26,466	Employee benefits expenses	25,717
13,640	Other services expenses	14,207
3,651	Support service recharges	3,627
7,545	Depreciation, amortisation, REFCUS and investment property fair value adjustment	7,300
623	Interest payments	550
2,464	Transfer and Grant Payments	2,751
7,625	Precepts and levies	7,682
33,635	Benefit Payments	33,112
95,649	Total expenditure	94,946
	Income	
(25,743)	Fees, charges and other service income	(27,606)
(471)	Interest and investment income	(581)
(19,917)	Income from council tax and non-domestic rates	(21,028)
(40,870)	Government grants and contributions	(41,089)
(9,955)	Levies	(9,294)
(96,956)	Total income	(99,598)
(1,307)	Surplus or Deficit on the Provision of Services	(4,652)

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2018/19

	Useable Reserves			
	General Fund balance £000	Capital receipts reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
<i>Expenditure statement:</i>				
Charges for depreciation and impairment of non-current assets	(3,790)	0	0	3,790
Amortisation of intangible fixed assets	(239)	0	0	239
Fair value of investment properties	(502)	0	0	502
Revenue expenditure funded from capital under statute	(1,628)	0	0	1,628
Net carrying amount of non-current assets sold	(142)	0	0	142
Revaluation Gains/Losses on non-current assets charge to the Comprehensive Income and Expenditure Statement	(320)	0	0	320
Losses on impairment of capital loans	(251)	0	0	251
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	788	0	0	(788)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Minimum revenue provision for capital funding	2,048	0	0	(2,048)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	1,244	0	(1,244)
Proceeds of sale of non-current assets	949	(949)	0	0
Repayment of loan	0	(295)	0	295
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	18	0	0	(18)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37 of Pension Fund)	(8,042)	0	0	8,042
Employer's pensions contributions and direct payments to pensioners payable in the year	4,414	0	0	(4,414)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	604	0	0	(604)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	7,586	0	(6,054)	(1,532)
Total Adjustments	1,493	0	(6,054)	4,561

2017/18

	Useable Reserves			
	General Fund balance £000	Capital receipts reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
<i>Expenditure statement:</i>				
Charges for depreciation and impairment of non-current assets	(3,880)	0	0	3,880
Amortisation of intangible fixed assets	(275)	0	0	275
Fair value of investment properties	(1,057)	0	0	1,057
Revenue expenditure funded from capital under statute	(1,191)	0	0	1,191
Net carrying amount of non-current assets sold	(137)	0	0	137
Revaluation Gains/Losses on non-current assets charge to the Comprehensive Income and Expenditure Statement	(90)	0	0	90
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	315	0	0	(315)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Minimum revenue provision for capital funding	1,761	0	0	(1,761)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	689	0	(689)
Proceeds of sale of non-current assets	416	(416)	0	0
Repayment of loan	0	(273)	0	273
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	13	0	0	(13)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37 of Pension Fund)	(8,221)	0	0	8,221
Employer's pensions contributions and direct payments to pensioners payable in the year	4,526	0	0	(4,526)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(764)	0	0	764
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	7,974	0	(6,908)	(1,066)
Total Adjustments	(610)	0	(6,908)	7,518

Note 10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet General Fund expenditure (either revenue expenditure or direct revenue financing of capital).

	Balance 31.3.17 £000	Transfers in £000	Transfers out £000	Balance 31.3.18 £000	Transfers in £000	Transfers out £000	Balance 31.3.19 £000	Purpose of Reserve
S106 agreements	(1,077)	(393)	85	(1,385)	(696)	433	(1,648)	A
Commutted S106 payments	(1,323)	(4)	94	(1,233)	(24)	275	(982)	B
Repairs and renewals funds	(1,909)	(34)	0	(1,943)	(264)	360	(1,847)	C
Strategic Transformation Reserve	(1,037)	(277)	606	(708)	(567)	437	(838)	D
Collection Fund Reserve	(1,961)	(600)	1,248	(1,313)	(599)	0	(1,912)	E
Commercial Investment Fund	(3,997)	(348)	747	(3,598)	(1,135)	1,627	(3,106)	F
Market Towns Investment Fund	0	(500)	0	(500)	(250)	0	(750)	G
Budget Surplus Reserve	(75)	(2,426)	289	(2,212)	(1,419)	167	(3,464)	H
Special reserve	(1,300)	0	302	(998)	(90)	504	(584)	I
Other reserves	(2,631)	(396)	904	(2,123)	(586)	617	(2,092)	J
Total	(15,310)	(4,978)	4,275	(16,013)	(5,630)	4,420	(17,223)	

Purpose of Reserve	
A S106 agreements	Contains payments made by developers to meet their planning approval obligation to contribute to the funding of infrastructure and community requirements. As a relevant project is completed it is funded in all or part from this reserve.
B Commuted S106 payments	Represents payments made by developers to meet their planning approval obligation to contribute to the funding of the maintenance of specified assets for a set period of years. As relevant maintenance costs are incurred funding is transferred from the reserve.
C Repairs and renewals funds	Some services contribute an annual sum and the funds are used to pay for one-off repair or renewal items; thereby evening out the spending on large maintenance items.
D Strategic Transformation Reserve	To fund workflow streams associated with initiatives to improve the efficiency of the Council.
E Collection Fund	Excess NDR and Council Tax received from the Collection Fund due to be repaid in future years.
F Commercial Investment Fund	Revenue allocation to meet future investment in commercial investment strategy
G Market Towns Investment Fund	A fund to support the redevelopment of Huntingdonshire's market towns.
H Budget Surplus Reserve	Contains "Surplus" funds that exceed 15% maximum threshold for the General Fund Balance
I Special reserve	To support business activity that will achieve future savings.
J Other reserves	This is a summary of other less significant reserves that support ongoing service activity, including Local Plan activity, NDR Reliefs, District Council Elections, New Trading Company, Community Infrastructure Levy administration, IT projects, Housing Support and Landlord activities.

Note 11. Other Operating Expenditure included in the Comprehensive Income and Expenditure Statement

2017/18 £000		2018/19 £000
5,731	Parish Council precepts	5,947
402	Drainage Board Levies	403
(340)	(Gains)/losses on the disposal of non-current assets	(855)
5,793	Total	5,495

Note 12. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
623	Interest payable and similar charges	550
1,898	Pensions interest cost and expected return on pensions assets	1,974
(471)	Interest receivable	(581)
(1,721)	Income and expenditure in relation to investment properties and changes in their fair value	(2,547)
(43)	Other Investment and Trading Operations	300
286	Total	(304)

Note 13. Taxation and Non Specific Grant Income

2017/18 £000		2018/19 £000
(13,771)	Council Tax income	(13,948)
(6,147)	Non Domestic Rates	(7,080)
(5,003)	Non-ringfenced Government grants	(5,725)
(8,285)	Developer Contributions (CIL & S106)	(7,808)
(315)	Capital grants	(788)
(33,521)	Total	(35,349)

Note 14. Property, Plant and Equipment

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Movements in 2018/19						
Cost or Valuation						
Gross B'fwd	56,850	20,214	10,063	451	202	87,780
Additions	1,141	1,978	0	0	212	3,331
Revaluation to Revaluation Reserve	6,589	0	0	0	0	6,589
Revaluation to CIES	(131)	0	0	0	0	(131)
Non-enhancing capital expenditure	(1,731)	0	0	0	0	(1,731)
Disposal	(480)	(1,408)	0	0	0	(1,888)
Transfer within Property, Plant and Equipment	184	0	0	0	(184)	0
Gross C'fwd	62,422	20,784	10,063	451	230	93,950
Depreciation						
Gross B'fwd	(681)	(12,194)	(4,431)	0	0	(17,306)
Depreciation in Year	(1,756)	(1,612)	(422)	0	0	(3,790)
Depreciation written out to Revaluation Reserve	2,430	0	0	0	0	2,430
Revaluation to CIES	7	0	0	0	0	7
Disposal	0	1,268	0	0	0	1,268
Gross C'fwd	0	(12,538)	(4,853)	0	0	(17,391)
Net Book Value						
At 31 March 2019	62,422	8,246	5,210	451	230	76,559
At 31 March 2018	56,169	8,020	5,632	451	202	70,474
Movements in 2017/18						
Cost or Valuation						
Gross B'fwd	52,961	19,003	10,063	451	1	82,479
Additions	1,699	2,412	0	0	202	4,313
Revaluation to Revaluation Reserve	2,190	0	0	0	0	2,190
Disposal	0	(1,201)	0	0	0	(1,201)
Transfer within Property, Plant and Equipment	0	0	0	0	(1)	(1)
Gross C'fwd	56,850	20,214	10,063	451	202	87,780
Depreciation						
Gross B'fwd	(821)	(11,558)	(4,007)	0	0	(16,386)
Depreciation in Year	(1,646)	(1,809)	(424)	0	0	(3,879)
Depreciation written out to Revaluation Reserve	1,786	0	0	0	0	1,786
Disposal	0	1,173	0	0	0	1,173
Gross C'fwd	(681)	(12,194)	(4,431)	0	0	(17,306)
Net Book Value						
At 31 March 2018	56,169	8,020	5,632	451	202	70,474
At 31 March 2017	52,140	7,445	6,056	451	1	66,093

Capital Commitments

As at 31 March 2019 the Council was contractually committed to capital works valued at approximately £1.877m (31 March 2018; £4.299m). The schemes are listed in the table below.

Division	Scheme	Amount £000
Development	Disabled Facilities Grants	977
	Community Infrastructure Levy	21
Resources	Investment in Trading Company	100
	Industrial Properties	18
Community	CCTV Equipment	510
	Document Centre Equipment	68
Operations	Refit Project	183
Total		1,877

Revaluations

- Land and buildings
These assets are held at current value and were revalued as at 1 April 2016 onwards. The council operates a three year rolling programme of revaluations although where there has been significant capital expenditure on properties a revaluation will take place.

The valuations were carried out externally and independently by Mr MJ Beardall BLE (Hons) MRICS (Member, Royal Institution of Chartered Surveyors) of Barker Storey Matthews. Mr Beardall has relevant experience in valuing these types of property and is a member of the Valuer Registration Scheme, and meets the requirements of the Red Book with regard to qualifications of the valuer, knowledge and skills, and independence and objectivity.

The specific assumptions applied in estimating current values in respect of Land and Buildings by the Council's valuer were as follows:

- The updated valuations have been prepared in accordance with the publication Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. With specific reference made to UK Appendix 5 – Valuation of Local Authority Assets.
- The assets have been valued in accordance with the Code of Practice on Local Authority Accounting, published by CIPFA.
- The current value has been calculated by reference to comparable market evidence, including market evidence from the local geographical area. Adjustments have been made to factor in any unusual or onerous obligations, such as repairing obligations.
- Where market evidence is unavailable due to the nature of the property; a depreciated replacement cost (DRC) method has been used. The DRC approach requires an estimate of the value of the land in its existing use together with the

current gross replacement costs of the building and its external works. Adjustments have been made to reflect the age, condition, economic, functional and environmental obsolescence and other locational factors. The build cost for DRC purposes has been calculated using the Building Cost Information Service quarterly review of building prices and is representative for an instant build approach.

- No adjustments have taken place for changes in value which may have taken place since the valuation date or for prospects of future growth.
- Useful economic life is based on how long the asset will deliver economic benefits for any purpose. This is based on the type of construction, the current age, and the condition of the asset.
- It has been assumed that there are no unusual or especially onerous restrictions, encumbrances or outgoings and that a good title can be shown. Also that the valuation would not be affected, by any matter that would be revealed by a local search.
- Assets falling outside of specific revaluation in the current financial year, have been considered and it is the valuer's belief that no other assets require an impairment review.
- Components have been considered in relation to LAAP 86 Componentisation of Property, Plant and Equipment, and the Council's componentisation policy.
- The properties have been assumed to be in reasonable tenantable condition, with no particular works being required that would prejudice a sale or the current value of the property, the properties have been assumed to be in a good state of repair.
- Building surveys have not been carried out, nor have inaccessible parts of buildings been inspected.
- No investigation has been made to determine whether or not any deleterious or hazardous material has been used in the construction of the properties or has since been incorporated. It has therefore been assumed in valuing the properties that such investigations would not disclose the presence of any such materials.
- We have assumed no contamination to be affecting the properties or neighbouring properties, which would affect our opinion on value.
- The properties are assumed to be in areas not prone to flooding.

Vehicles, Plant, Equipment and Infrastructure assets are valued at historic cost, as at the date of acquisition and subsequent capital enhancement expenditure less depreciation. Community Assets, and Assets Under Construction are valued at historic cost at the date of acquisition and subsequent capital enhancement. Consequently there is no ongoing revaluation review for these assets. Assets Held for Sale are valued at lower of carrying value and fair value less cost of sale.

Revaluation Profile	Other Land and Buildings £000
Valued at Current Value as at 31 March 2019	62,901

Note 15. Investment Property

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement as financing and investment income and expenditure.

2017/18 £000		2018/19 £000
(3,123)	Rental income from investment property	(3,582)
345	Direct operating expenses arising from investment property	533
(2,778)		(3,049)
1,057	Revaluation Adjustment	502
(1,721)	Net (gain)/loss	(2,547)

The movement in investment properties balances during the year are shown below.

2017/18 £000		2018/19 £000
30,147	Balance at start of the year	35,169
6,079	Additions in year	11,585
(1,057)	Net gain/(loss) for fair value	(502)
35,169	Balance at end of the year	46,252

Restrictions

There are no restrictions on the Council's ability to realise the value inherent in the investment properties or the Council's right to receive the income and proceeds of disposal.

Gains or Losses from changes in Fair Value

Gains or losses from Changes in the fair value of investment property are recognised in the Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line.

Highest and Best Use

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in valuation techniques used during the year for valuing investment properties. The fair value is measured on an annual basis as at 31st March. All valuations are carried out by a qualified valuer from Barker Storey Matthews, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Fair Value Hierarchy

In order to increase the consistency and comparability in fair value measurements, the method by which fair values are assessed are separated into three levels. The three levels are based on the inputs to the valuation techniques that are used to measure fair value.

Level 1 Inputs

Quoted prices in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 Inputs

Inputs (other than quoted prices within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs

Unobservable inputs for the asset or liability.

Details of how the Fair Value Hierarchy inputs apply to the Council's Investment Properties are demonstrated in the table below:

Asset Type	2017/18 Fair Value Inputs Level 2 Other significant observable inputs £000	2018/19 Fair Value Inputs Level 2 Other significant observable inputs £000
Retail	10,575	9,400
Office	12,625	11,525
Commercial	11,969	25,327
Total	35,169	46,252

The Council has no Level 1 and 3 Fair Value Inputs.

Transfers between levels of the Fair value Hierarchy

There were no transfers between levels during the year.

Valuation Techniques to Determine Level 2 Fair Values**Significant Observable Inputs Level 2**

The fair value for investment properties is based on the market approach, using current market conditions and sale prices for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant.

Note 16. Intangible Assets

The Council accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to software are generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £0.239m was charged to revenue in 2018/19; this was either charged to ICT or then absorbed as an overhead across all the service headings in the Net Expenditure of Services or directly to services.

Capital Commitments

As at 31 March 2019 the Council was committed contractually to capital works of £0.137m, (31 March 2018; £Nil).

The movement on intangible asset balances during the year is as follows:

2017/18 £000		2018/19 £000
	Balance at start of the year:	
2,966	Gross carrying amounts	2,892
(1,924)	Accumulated amortisation	(1,981)
1,042	Net carrying amount at the start of the year	911
253	Additions	399
(275)	Amortisation for the period	(239)
(327)	Disposals or retirements	(159)
218	Amortisation on Disposal	155
911	Net carrying amount at the end of the year	1,067
2,892	Gross carrying amounts	3,133
(1,981)	Accumulated amortisation	(2,066)
911	Net carrying amount at end of the year	1,067

Note 17. Financial Instruments

The financial assets and liabilities included in the Balance Sheet comprise the following categories of financial instruments.

Long-term			Current	
2017/18	2018/19		2017/18	2018/19
£000	£000		£000	£000
		Investments and Cash & Cash Equivalents		
0	0	Short term investment	0	1,000
3,886	3,966	Financial assets Elected for Fair Value through other Comprehensive Income	0	0
3,886	3,966	Total investments and Cash & Cash Equivalents	0	1,000
		Debtors		
9,150	10,704	Loans and receivables	16,197	14,757
9,150	10,704	Total Debtors	16,197	14,757
13,036	14,670	TOTAL FINANCIAL ASSETS	16,197	15,757
		Borrowings		
(20,439)	(28,268)	Financial liabilities at amortised cost	(474)	(483)
(20,439)	(28,268)	Total borrowings	(474)	(483)
		Other Long-Term Liabilities		
(732)	(718)	Financial liabilities at fair value through Profit and Loss	0	0
(732)	(718)	Total Other Long-Term Liabilities	0	0
		Creditors		
0	0	Financial liabilities at amortised cost	(6,501)	(7,514)
0	0	Total creditors	(6,501)	(7,514)
(21,171)	(28,986)	TOTAL FINANCIAL LIABILITIES	(6,975)	(7,997)

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost)			Financial Assets (Loans and Receivables)	
2017/18 £000	2018/19 £000		2017/18 £000	2018/19 £000
623	550	Interest expenses	0	0
0	0	Interest income	(471)	(581)
623	550	Net gain/(loss) for the year	(471)	(581)

Fair value of assets and liabilities carried at amortised cost

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. The fair value is taken from the market price.

The fair values of instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loan Contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.
- CCLA Property Fund is in a form of shares which are actively traded and have a market price. The mid-price quoted as at the end of trading on 31st March was used in valuating this fund.

Financial instruments classified at amortised cost are carried in the Balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investment have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

IFRS 13 introduces a three level of hierarchy for the inputs into fair value calculations:

- Level 1- quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar Instruments
- Level 3- Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

There have not been any transferred between hierarchy levels during the financial year 2018/2019.

Financial Instrument	2017/18 Carrying amount £000	2018/19 Carrying amount £000	Details (includes loan reference number)
Long Term			
PWLB (3.91%)	(5,000)	(5,000)	495152 3.91% 19/12/2008 to 19/12/2057
PWLB (3.90%)	(5,000)	(5,000)	495153 3.90% 19/12/2008 to 19/12/2058
PWLB (2.24%)	(715)	(563)	502463 2.24% 07/08/2013 to 07/08/2023
PWLB (3.28%)	(706)	(690)	504487 3.28% 25/11/2015 to 25/11/2046
PWLB (3.10%)	(939)	(918)	504598 3.10% 19/01/2016 to 19/01/2047
PWLB (2.91%)	(469)	(458)	504810 2.91% 21/03/2016 to 21/03/2047
PWLB (3.10%)	(380)	(371)	504922 3.10% 29/04/2016 to 29/04/2047
PWLB (2.92%)	(308)	(301)	504993 2.92% 02/06/2016 to 02/06/2047
PWLB (2.31%)	(613)	(598)	505255 2.31% 29/07/2016 to 29/07/2047
PWLB (2.18%)	(471)	(459)	505372 2.18% 23/09/2016 to 23/09/2047
PWLB (2.67%)	(838)	(818)	505649 2.67% 06/01/2017 to 06/01/2048
PWLB (2.78%)	(5,000)	(5,000)	506436 2.78% 02/10/2017 to 02/10/2037
PWLB (2.49%)	0	(7,292)	508696 2.49% 11/03/2019 to 11/03/2039
PWLB (1.48%)	0	(800)	508931 1.48% 25/03/2019 TO 25/03/2022
	(20,439)	(28,268)	
Short Term			
PWLB (2.24%)	(152)	(153)	502463
PWLB (3.28%)	(16)	(16)	504487
PWLB (3.10%)	(21)	(22)	504598
PWLB (2.91%)	(11)	(11)	504810
PWLB (3.10%)	(9)	(8)	504922
PWLB (2.92%)	(7)	(7)	504993
PWLB (2.31%)	(16)	(15)	502255
PWLB (2.18%)	(12)	(12)	505372
PWLB (2.67%)	(19)	(19)	505649
Accrued interest	(211)	(220)	
	(474)	(483)	
Creditors	(6,501)	(7,514)	
	(27,414)	(36,265)	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where interest rates payable are lower than the current rates available for similar loans as at the Balance Sheet date.

Note 18. Inventories

The main items in 'other inventories' are refuse sacks £0.014m, uniforms £0.012m, ICT hardware £0.555m (2017/18; refuse sacks £0.027m, car park tickets £0.003m and uniforms £0.009m).

	Leisure Centres		Diesel		Other		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April	47	36	20	34	39	40	106	110
Purchases	0	0	586	542	0	872	586	1,414
Recognised as an expense in the year	0	0	(547)	(564)	0	(317)	(547)	(881)
Stock Adjustment	(11)	(16)	(25)	13	1	(13)	(35)	(16)
Balance at 31st March	36	20	34	25	40	582	110	627

Note 19. Debtors

2017/18 £000		2018/19 £000
2,649	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	3,499
3,714	Other Local Authorities	3,738
15,980	Other entities and individuals	15,708
268	NHS	7
(1,840)	Bad debt provision (Impairment of loans and receivables)	(2,230)
20,771		20,722

Note 20. Cash and Cash Equivalents

2017/18 £000		2018/19 £000
9	Cash held by the Council	9
3,652	Bank balances	7,027
3,661	Cash and Cash Equivalents	7,036
(1,485)	Less Bank overdraft	(4,182)
2,176	Net Total Cash and Cash Equivalents	2,854

Note 21. Assets held for sale

Assets held for sale are expected to be sold within twelve months (at the Balance Sheet date). The asset is carried at carrying value or expected sale proceeds, whichever is lower.

2017/18 £000		2018/19 £000
0	Balance at start of year	0
	Transfers from Non-Current Assets	
0	Bridge Place Car Park	480
0	Total Transfers	480
0	Balance at End of Year	480

Note 22. Creditors

2017/18 £000	2017/18 Represented £000		2018/19 £000
6,324	6,324	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	4,178
1,877	4,068	Other Local Authorities	5,012
327	327	NHS	339
168	168	Public Corporation	58
7,957	5,766	Other entities and individuals	5,007
16,653	16,653		14,594

Note 23. Useable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement and a further breakdown is shown in Note 10, Movements in Earmarked Reserves.

Note 24. Unusable Reserves

2017/18 £000		2018/19 £000
(42,892)	Capital Adjustment Account	(44,001)
(24,204)	Revaluation Reserve	(31,075)
213	Financial Instruments Adjustment Account	195
156	Financial Instruments Revaluation Reserve	76
72,331	Pensions Reserve	85,446
(138)	Collection Fund Adjustment Account	(742)
5,466	Total Unusable Reserves	9,899

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses. Note 7 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18		Capital Adjustment Account		2018/19	
£000	£000			£000	£000
	(44,302)	Balance at 1 April			(42,892)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
3,880		Charges for depreciation of non-current assets		3,790	
90		Impairment losses on property, plant & equipment		320	
275		Amortisation of intangible assets		239	
1,191		Revenue expenditure funded from capital under statue		1,628	
0		Losses on impairment of capital loans		251	
137		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		142	
(508)		Adjusting amounts written out of the Revaluation Reserve		(612)	
		Capital financing applied in the year:			
(689)		Use of the Capital Receipts Reserve to finance new capital expenditure		(1,244)	
0		Use of S106 earmarked reserves		(14)	
(315)		Application of Grants to finance capital expenditure		(788)	
(1,066)		Application of grants to capital financing from the capital grants unapplied account		(1,532)	
(1,761)		Statutory provision for the financing of		(2,048)	

273 (1,154)	capital investment charged against the general fund (MRP) Repayment of long term debtors Capital expenditure charged to General Fund	295 (2,038)
Investment Property Fair Values		
1,057	Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	502
1,410	Total Movements	(1,109)
(42,892)	Balance at 31 March	(44,001)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. It is identified at individual asset level. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost. If no surplus remains on a particular asset's account any further impairment must be charged to the surplus/deficit on the provision of services within the Comprehensive Income and Expenditure Statement;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £000	Revaluation Reserve	2018/19 £000
(20,646)	Balance at 1 April	(24,204)
(5,116)	Upward revaluation of assets	(8,965)
1,050	Downward revaluation or impairment of assets not charged to the surplus/deficit on the provision of services	1,482
(4,066)	(Surplus) or deficit in the revaluation of non-current assets	(7,483)
508	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	612
(24,204)	Balance at 31 March	(31,075)

Other adjustments for assets disposed of or transferred - written off to Capital Adjustments Account

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the differences between accounting for the fair value of loans given to individuals and organisations, and the actual income credited to the General Fund.

2017/18 £000	Financial Instruments Adjustment Account	2018/19 £000
226	Balance at 1 April	213
(13)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(18)
213	Balance at 31 March	195

Financial Instruments Revaluation Reserve

These financial instruments are carried at their fair value. Movements in fair value are posted to a revaluation reserve (the Financial Instruments Revaluation Reserve) and taken to the Surplus or Deficit on the Revaluation of Financial Assets (FVOCI elected) line in the Comprehensive Income and Expenditure Statement.

2017/18 £000	Financial Instruments Revaluation Reserve	2018/19 £000
330	Balance at 1 April	156
(174)	Upward revaluation of investments	(80)
156	Balance at 31 March	76

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further information is found in Note 37 in respect of Defined Benefit Pension Scheme.

2017/18 £000	Pensions Reserve	2018/19 £000
72,161	Balance at 1 April	72,331
(3,525)	Actuarial (gains) or losses on pensions assets and liabilities	9,487
8,221	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	8,042
(4,526)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,414)
72,331	Balance at 31 March	85,446

Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as it relates to 2018/19 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2017/18 £000	Collection Fund Adjustment Account	2018/19 £000
(902)	Balance at 1 April	(138)
764	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic income calculated for the year in accordance with statutory requirements	(604)
(138)	Balance at 31 March	(742)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year i.e. annual leave entitlement and accrued flexitime carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Accumulating Compensated Absences Adjustment Account.

Changes to the Councils annual leave and flexible working scheme, removing the automatic carry forward of untaken annual leave and restricting flexitime credits to 14.8 hours, has reduced the likely calculated cost of this type of adjustment to a minimal level. Therefore nothing has been included in the 2018/19 accounts for Accumulating Compensated Absences.

Note 25. Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000	Interest Items	2018/19 £000
623	Interest Received	784
(498)	Interest Paid	(1,088)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2017/18 £000	Non-Cash Items	2018/19 £000
3,880	Depreciation	3,790
90	Impairment and downward valuations	320
275	Amortisation	239
55	Increase/ (decrease) in impairment for bad debts	0
1,460	Increase/ (decrease) in creditors	(4,009)
(4,312)	Increase/ (decrease) in debtors	5,411
(4)	Increase/ (decrease) in inventories	(517)
3,695	Movement in pension liability	3,628
137	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	142
960	Other non-cash items charged to the net surplus or deficit on the provision of services	463
6,236		9,467

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2017/18 £000	Investing and Financing Items	2018/19 £000
(403)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(949)
(9,693)	Any other items for which the cash effects are investing or financing cash flows	(9,798)
(10,096)		(10,747)

Note 26. Investing Activities

2017/18 £000		2018/19 £000
(9,316)	Purchase of property, plant and equipment, investment property and intangible assets	(16,585)
(2,573)	Other payments for investing activities	(10,843)
403	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	949
36,400	Purchases of short and long term investments	(40,075)
(36,400)	Proceeds from short-term and long-term investments	39,075
10,091	Other receipts from investing activities	18,189
(1,395)	Net cash flows from investing activities	(9,290)

Note 27. Financing Activities

2017/18 £000		2018/19 £000
(272)	Other Receipts from Financing Activities	0
14,000	Cash Receipts of short/long term borrowing	8,091
(9,240)	Cash Payments to Short/Long term borrowing	(257)
0	Other payments for financing activities	(1,238)
4,488	Net cash flows from financing activities	6,596

Note 28. Trading Operations and Shared Services

From a local authority context, a trading operation is one where a Council is trading and taking operational risks and could, if the economic environment so dictated, expose the Council to a financial loss on the service provided. This is the full costs including central support charges.

2017/18 £000	Trading Operations included in the Net Cost of Service	2018/19 £000
	Car Parks	
	The Council collects car parking income from both its own off-street car parks and from the on-street car parking operations that it operates, as an agent, for the Highways Authority. The income is generated from a mix of parking fees and excess parking charges. The Council operates 22 chargeable off-street car parks across the district and 3 on-street car parking areas in Huntingdon, St.Ives, and St Neots.	
(2,495)	Gross Income	(2,586)
1,266	Gross Expenditure	1,379
(1,229)	(Surplus)/Deficit	(1,207)
	Leisure Services	
	The Council operates 5 leisure centres across the district, under the name One Leisure; namely Huntingdon, St. Ives, St Neots, Sawtry and Ramsey. The facilities provided vary across the district but include amongst others; Swimming Pools, Sports Halls, Astro-Turf, Athletics Track, Gymnasium, Spa facilities and Ten-Pin Bowling.	
(6,604)	Gross Income	(5,879)
7,946	Gross Expenditure	7,967
1,342	(Surplus)/Deficit	2,088
113	Net (Surplus)/Deficit on Trading Operations included in Net Cost of Service	881

2017/18 £000	Trading Operations included in the Financing and Investment Income and Expenditure	2018/19 £000
	Markets The Council operates 3 stall markets in the towns of Huntingdon, Ramsey and St. Ives. In addition to the general market days Huntingdon has a separate farmers market and St Ives a bank holiday market.	
(147)	Gross Income	(157)
132	Gross Expenditure	147
(15)	(Surplus)/Deficit	(10)
	Printing The Council operates a Document Processing Centre that produces a range of documents for both internal and external customers. All external work is undertaken on a marginal cost basis (i.e. excluding recharges) and on this basis external work has made a contribution to the net cost of the service. However, statutory reporting requires full cost.	
(57)	Gross Income	(33)
47	Gross Expenditure	37
(10)	(Surplus)/Deficit	4
	Grounds Maintenance The Council's in-house Grounds Maintenance Team provides a wide range of services, primarily in respect of green spaces. However, the service also provides some services for external organisations, namely Luminus Housing Association and Cambridgeshire County Council.	
(225)	Gross Income	(213)
235	Gross Expenditure	223
10	(Surplus)/Deficit	10
	Commercial Waste The Council operates a waste collection service that is available to all businesses across the district. As this is a non-statutory service it is a chargeable activity.	
(187)	Gross Income	(206)
159	Gross Expenditure	251
(28)	(Surplus)/Deficit	45
(43)	Trading Operations included in Financing and Investment Income and Expenditure	49
70	Net (Surplus)/Deficit on Trading Operations	930
The above figures include non-cash adjustments; including IAS19 pensions and depreciation.		

Note 29. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

2017/18		2018/19	
£000		£000	
377	Allowances	329	
12	Expenses	13	
389		342	

Note 30. Senior Officer remuneration and staff over £50k

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay, redundancy payments and other employee benefits but not employer's pension contributions.

2017/18	£		£	2018/19
13	50,000	but less than	55,000	14
0	55,000	but less than	60,000	4
4	60,000	but less than	65,000	3
2	65,000	but less than	70,000	2
1	70,000	but less than	75,000	1
1	75,000	but less than	80,000	1
1	80,000	but less than	85,000	0
0	85,000	but less than	90,000	1
1	130,000	but less than	135,000	0
0	140,000	but less than	145,000	1
23				27

Included in the banding table above are those senior officers who are separately disclosed in the following remuneration of senior employees table.

Remuneration of Senior Employees

The remuneration of Senior Employees is shown in the table below.

2018/19	Salary including allowances	Election Fees	Total remuneration Including allowances and fees	Employer pension contributions	Remuneration including pension contributions
Post holder	£	£	£	£	£
Managing Director (1)	134,225	10,641	144,866	22,949	167,815
Corporate Director (Delivery)	85,594	624	86,218	14,616	100,834
Corporate Director (Services)	79,333	570	79,903	13,725	93,628
Assistant Director (Transformation) (2)	73,447	270	73,717	12,706	86,423
Head of Resources (S151 Officer)	68,255	776	69,031	11,738	80,769

2017/18	Salary including allowances	Election Fees	Total remuneration Including allowances and fees	Employer pension contributions	Remuneration including pension contributions
Post holder	£	£	£	£	£
Managing Director (1)	132,300	435	132,735	22,741	155,476
Corporate Director (Delivery)	84,322	0	84,322	14,471	98,793
Corporate Director (Services)	57,011	0	57,011	9,863	66,874
Head of Resources (S151 Officer)	67,597	0	67,597	11,630	79,227

Key:

Note 1: The election fees do not include fees for County, Parliamentary and Mayoral elections paid for by third parties.

Note 2: The starting date of the Assistant Director - Transformation was 09/10/17.

Note 31. External Audit Costs

The sums disclosed below are those payable to EY for the annual audit of the statement of accounts, statutory inspections and certification of grant claims.

2017/18 £000		2018/19 £000
70	External audit	72
18	Grant claim certification	17
88		89

Note 32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2017/18 £000		2018/19 £000
Credited to taxation and non-specific Grant income		
1,182	Revenue support grant	604
3,656	New Homes Bonus	2,669
165	Other Non Ringfenced Grants	2,452
315	Capital Grants	788
5,318	Total	6,513
Credited to Services		
32,670	Rent allowances	31,752
558	Benefits administration	522
1,391	Improvement Grants	1,424
933	Other	878
35,552	Total	34,576

The Council has received some grants that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned. The balances at the year-end are as follows:

2017/18 £000	Grants Receipts in Advance	2018/19 £000
Government grants		
52	Mortgage Rescue Scheme	52
61	Preventing Repossessions	61
113		113

The Council has received some grants that have no conditions attached; they have been recognised as income but are held in the Capital Receipts Unapplied Account pending their use to fund the relevant Capital Scheme. The balances at the year-end are as follows:

2017/18 £000	Capital Grants Unapplied Account	2018/19 £000
980	Building Foundations for Growth	1
16,308	Community Infrastructure Levy	23,341
17,288		23,342

Note 33. Related Parties

The Council must disclose in the accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently.

Central Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties e.g. Council tax bills.

Grants received from Government departments are set out in Note 32 on "Grant Income".

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 29. Some Council members are also:

- 1.elected members of other Councils, including the County Council, Parish and Town Councils.
- 2.nominated representatives of Huntingdonshire County Council on various organisations, including the Cambridgeshire and Peterborough Combined Authority.

The Council has a significant operational relationship with Cambridgeshire County Council. The Council is the administering authority for the Council's Pension Fund, and many of the Council's services work with County Council services on a day-to-day basis e.g. the Council is the statutory waste collection authority whereas the County Council is the statutory waste disposal authority but each of the Councils has to pay the other in respect of certain types of waste. For 2018/19, the Council has paid:

- £7.022m to Cambridgeshire County Council (£3.359m for services and £3.663m for pension payments), and
- received £1.064m from the County Council.

(6.045m paid to and £1.124m received from the County Council; 2017/18)

The Council also has shared services arrangements with Cambridge City Council (CCC), South Cambridgeshire District Council (SCDC) and Cambridge and Peterborough Partnership for ICT, Building Control, Legal and CCTV services:

Payments to / (from)	CCC	SCDC	Cambridge & Peterborough Partnership
	£000	£000	£000
ICT Services	(3,835)	(2,057)	(114)
Legal Services	219		
Building Control	139		
CCTV	(322)		

The Home Improvement Agency is a shared service between the Council and Cambridge City Council and South Cambs District Council; the agency is managed by Cambridge City Council. The Councils grant applicants contribution to the agency for 2018/19 was £0.336m (2017/18, £0.326m), which represents 15% (2017/18, 15%) of the Disabled Facilities Grant that the agency manages on behalf of the Council. For 2018/19, the partners to the agency

agreed that the agency could retain any surplus generated to invest in the future of the agency, for the Council this equated to £0.065m.

Huntingdonshire District Council are responsible for billing and collecting Council Tax and National Non-domestic Rates on behalf of the following preceptors:

Cambridgeshire County Council
Cambridgeshire and Peterborough Police and Crime Commissioner
Cambridgeshire and Peterborough Fire Authority

Full details of the amounts payable to each of the organisations are shown in the Collection Fund on Page 99.

In respect of 2018/19:

- 50 members out of 52 members who served the Council returned a Related Party Transaction disclosure form.
- 14 officers out of 15 officers returned a Related Party Transaction disclosure form.

Following a comprehensive review of relevant statutory and voluntary disclosures and other 'ad-hoc' information sources, the following councillors and officers (as either an individual or family interest) have disclosed a related party; this is shown overleaf:

Councillor	Organisation	Relationship with Organisation	Payments from Organisations 2018/19 £	Payments made by the Council 2018/19 £	Interest
Keane	HDC Ventures	Director	0	0	
Keane	HDC Ventures Limited	Director	0	0	
Chapman	Friend of Paxton Pits	Friend	15,357	0	Contribution for Interpretation £5972, Pathing £787, Safe £356, Office furniture, stools chairs & trolley £1553, Leaflet re print £124, Shed/electrical improvements £1750, Keys £254, Misc £27, First aid training £500, Materials for viewing platform £4034
Chapman	Friend of Sudbury Meadow	Friend	0	1,433	Grant section 1
Criswell	Hunts Forum of Voluntary Sector Organisations	Member	0	31,150	HDC Voluntary Sector Agreement 1.10.18 to 31.3.19
Tavener	Oxmoor Community Action Group (OCAG Moor in Bloom)		0	620	Community chest award 1819
Davies	St Johns Ambulance	Member	0	1,000	Chairman's Charity Donation
Officer					
Lancaster	HDC Ventures	Director	0	0	
Morley	HDC Ventures	Director	0	0	
Stopford	HDCV SSL Ltd (HDC Ventures Security services Limited)	Director	0	0	

With regard to these organisations, the Council has either procured goods or services or provided funding that has supported them in providing their core services. The items disclosed are in the normal course of business and are at arm's length.

Note 34. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, (including the value of assets acquired under finance leases), together with the resources

that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR); a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

A net increase in the CFR reflects the Council's need to borrow to finance capital expenditure. The borrowing will be repaid from an annual revenue charge (Minimum Revenue Provision) which reflects the use of the assets over their useful lives.

2017/18 £000		2018/19 £000
38,791	Opening Capital Financing Requirement	46,647
	Capital Investment	
4,111	Property, Plant and Equipment	3,119
253	Intangible Assets	399
2,582	Revenue Expenditure Funded from Capital Under Statute	3,052
1,005	Repayable Advances	1,778
6,079	Investment Property	11,585
202	Assets Under Construction	212
14,232		20,145
(689)	Capital Receipts	(1,244)
(1,706)	Grants and Other Contributions	(2,213)
(407)	Use of Earmarked Reserves	(412)
(61)	Capital Grants Unapplied Reserve – Community Infrastructure Levy	(553)
(1,005)	Capital Grants Unapplied Reserve – Other	(978)
(747)	Use of Earmarked Reserves – Commercial Investment Strategy	(1,627)
(1,761)	Minimum Revenue Provision	(2,048)
0	S106 Reserve	(14)
(6,376)		(9,089)
46,647	Closing Capital Finance Requirement	57,703
7,856	Increase/(Decrease) in Underlying Need to Borrow	11,056

Note 35. Leases

Council as Lessee

Finance Leases

The Council has acquired some industrial units under finance leases. The assets acquired under these leases are carried as investment property in the Balance Sheet at the following amounts:

2017/18 £000	2018/19 £000
2,059	2,160

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remain outstanding. The minimum lease payments are made up of the following amounts:

2017/18 £000		2018/19 £000
	<i>Finance lease liabilities (net present value of minimum lease payments)</i>	
544	Non-current	544
2,872	Finance costs payable in future years	2,833
3,416	Minimum lease payments	3,377

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease payments	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Not later than 1 year	39	39	0	0
Later than 1 year and not later than 5 years	156	156	0	0
Later than 5 years	3,221	3,182	544	544
	3,416	3,377	544	544

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £0.081m contingent rents were payable by the Council (2017/18; £0.081m).

Operating Leases

The Council has a number of operating leases for land which vary from 3 years to 125 years. The operating lease payments made in the year, are in the following tables.

The future minimum lease payments due under non-cancellable leases in future years are:

2017/18 £000		2018/19 £000
22	Not later than 1 year	18
40	Later than 1 year and not later than 5 years	21
62		39

The expenditure charged to the appropriate service in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2017/18 £000		2018/19 £000
31	Minimum lease payments	28

Service Concessions

The Council does not have any contracts that include service concessions.

Council as Lessor**Finance leases**

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses

The future lease payments receivable under non-cancellable leases in future years are noted below:

2017/18 £000		2018/19 £000
2,861	Not later than 1 year	3,666
7,782	Later than 1 year and not later than 5 years	8,752
16,582	Later than 5 years	23,969
27,225		36,387

The lease payments receivable do not include rents that are contingent on events taking place after the Balance Sheet date, such as adjustments following rent reviews.

Note 36. Impairment Losses

During 2018/19 the Council has recognised impairments to Property, Plant and Equipment of £1.803m (2017/18; £0.090m).

Note 37. Termination Benefits and Exit Packages**Compulsory Redundancy:**

In respect of:

- 2018/19, the Council did not approve any compulsory redundancies this year
- 2017/18, the Council approved the compulsory redundancy of 4 employees

Other departures (Including Voluntary Redundancy):

In respect of:

- 2018/19, 1 voluntary redundancy was approved.
In addition a further 3 employees left the council in 2018/19 with a Compromise agreement.
- 2017/18, 0 voluntary redundancies were approved.
In addition a further 1 employee left the council in 2017/18 with a Compromise agreement.

All costs in respect of Termination benefits and exit packages have been debited to the year in which the decision was made. The following table shows the banding of employee terminations and the total cost to the Council per band.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages agreed		Total cost of packages	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
							£000	£000
£0 to less than £20,000	1	0	1	4	2	4	23	18
£20,000 to less than £40,000	1	0	0	0	1	0	21	0
£40,000 to less than £60,000	0	0	0	0	0	0	0	0
£60,000 to less than £80,000	2	0	0	0	2	0	140	0
	4	0	1	4	5	4	184	18

Note 38. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

Employees of Huntingdonshire District Council may participate in the Cambridgeshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The last valuation took place as at 31 March 2016.

To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.3% be applied for 2017/18, 2018/19 and 2019/20.

This should be used to provide for future service liabilities, together with a lump sum contribution to reduce the existing deficit related to past service.

The lump sums proposed were:

2017/18	£1.584m
2018/19	£1.584m
2019/20	£1.584m

As a consequence of the triennial valuation, the asset value in the intervening period is an estimate calculated by the actuary using a model. Any differences between the estimate and actual figures are adjusted at the next full valuation.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The Council and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive

Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2017/18 £000		2018/19 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
6,256	Current Service Cost	6,068
67	Past Service Cost	0
	Financing and Investment Income and Expenditure:	
5,549	Net interest expense	5,845
(3,651)	Expected Return on Scheme Assets	(3,871)
8,221	Total post-employment benefit charged to the deficit on the provision of services	8,042
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
(557)	Return on plan assets (Excluding the amount included in the net interest expense)	8,326
4,107	Actuarial gains and losses arising on changes in financial assumptions	(17,971)
(25)	Other experience	158
3,525		(9,487)
11,746	Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(1,445)
	Movement in Reserves Statement	
(8,221)	Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(8,042)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
4,331	Employer's contributions payable to the scheme	4,235
195	Retirement benefits payable to pensioners*	179
(3,695)	Total Movement in Reserves Statement	(3,628)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2019 is a loss of £61.32m, and to the 31 March 2018 is a loss of £51.83m.

Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities in respect of Huntingdonshire District Council:

31 March 2018 £000		31 March 2019 £000
212,691	Opening balance as at 1 April	215,939
6,256	Current Service Cost	6,068
5,549	Interest Cost	5,845
1,020	Contributions by scheme participants	1,014
	Remeasurement (gains) and losses:	
(4,107)	Actuarial losses / (gains) from changes in financial assumptions	17,971
25	Other	(158)
67	Past service costs/ (gains)	0
(5,367)	Benefits paid	(5,536)
(195)	Estimated unfunded benefits paid *	(179)
215,939	Closing balance at 31 March	240,964
* The unfunded benefits are those relating to the early retirement of scheme members where the Council makes an additional contribution to the Pension Fund		

Reconciliation of fair value of the scheme assets in respect of Huntingdonshire District Council:

31 March 2018 £000		31 March 2019 £000
140,530	Opening fair value of scheme assets balance as at 1 April	143,608
3,651	Interest Income	3,871
	Remeasurement gain/(loss)	
(557)	The return on plan assets (Excluding amount included in net interest expense)	8,326
4,331	Contributions by the employer	4,235
1,020	Contributions by employees into the scheme	1,014
195	Contributions for unfunded (Discretionary benefits)benefits*	179
(5,367)	Benefits paid	(5,536)
(195)	Unfunded (Discretionary benefits) benefits paid*	(179)
143,608	Closing Balance at 31 March	155,518

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £12.20m (2017/18; £3.77m).

Pensions Assets and Liabilities Recognised in the Balance Sheet

2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000		2018/19 £000
(192,333)	(179,200)	(212,691)	(215,939)	Fair value of assets	(240,964)
112,249	111,237	140,530	143,608	Deficit in the scheme	155,518
(80,084)	(67,963)	(72,161)	(72,331)		(85,446)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £(240.96m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £(85.45m).

However, the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme and actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council expects to contribute £4.24m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2020. With regard to discretionary benefits, there were no such awards in 2018/19 (2017/18; Nil).

Impact of the 31 March 2016 Formal Actuarial Valuation

Formal actuarial valuations are carried out every three years where assets and liabilities are calculated on a detailed basis and these were concluded as at 31 March 2016.

Basis for Estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below

2017/18	County Fund – Main Assumptions	2018/19
2.7%	Rate of increase in salaries	2.8%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate of discounting scheme liabilities	2.4%
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners	
22.4 years	Men	22.4 years
24.4 years	Women	24.4 years
	Longevity at 65 for future pensioners	
24.0 years	Men	24.0 years
26.3 years	Women	26.3 years

Local Government Pension Scheme Assets Comprised:

Pension fund assets consist of the following categories, by value of the total assets held:

31 March 2018 £000		31 March 2019 £000
4,624	Cash and cash equivalents	2,367
4,624		2,367
	Equity instruments by industry type:	
3,987	Consumer	4,598
2,578	Manufacturing	2,938
3,091	Energy and utilities	3,597
6,189	Financial institutions	5,961
1,524	Health and care	937
678	Information technology	931
18,047	Sub-total equity	18,962
	Debt Securities	
3,620	UK Government	3,866
3,620	Sub total debt securities	3,866
	Private equity:	
13,320	All not in active markets	12,696
13,320	Sub-total private equity	12,696
	Other investment funds:	
14,433	Bonds	14,908
0	Infrastructure	5,821
79,531	Equity	84,676
10,033	Other	12,222
103,997	Sub-total other investment funds	117,627
143,608	Total Assets	155,518

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2018/19 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2019.

2014/15 %	2015/16 %	2016/17 %	2017/18 %		2018/19 %
2.62	6.88	(3.83)	18.32	Differences between expected and actual return on assets	(0.36)
0.95	1.01	0.19	(0.01)	Experience gains/ losses on liabilities	0.07

Sensitivity analysis:

Increase in assumption 31 March 2018 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2019 £000
3-5%	Longevity (increase or decrease in 1 year)	3-5%
2,943	Rate of increase in salaries (increase or decrease by 0.5%)	3,263
18,206	Rate of increase in pensions (increase or decrease by 0.5%)	21,186
(21,409)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(24,842)

Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

Note 39. Provisions, Contingent Assets and Liabilities

	Short Term Provisions			Total £000
	Enterprise Zone Retained NDR (1) £000	NDR Appeals Provision (2) £000	Insurance Claim (3) £000	
Balance at 1 April 2017	79	1,283	0	1,362
Movement during 2017/18	(79)	307	0	228
Balance at 31 March 2018	0	1,590	0	1,590
Amounts used in 2018/19	0	(232)	0	(232)
Amounts charged to services 2018/19	0	195	13	208
Balance at 31 March 2019	0	1,553	13	1,566

Provision**Short Term Provision**

Where an obligating event is expected to occur within the next 12 months.

1. Enterprise Zone Retained NDR

The Council retains the Non Domestic Rates (NDR) income arising from increases in the rateable value of premises within the Alconbury Weald Enterprise Zone. However, there is a requirement to apply this retention to the Enterprise Zone as no formal request to draw down this retention had been made by the Local Enterprise Partnership as at 31 March 2015, a provision for this liability has been recognised. Settled during FY 2017-18.

2. NDR Appeals Provision

As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. Following a review which included taking external expert advice a provision for appeals outstanding was estimated to be £3.882m; of which £1.553m would have to be met by the Council, and £2.329m by other Collection Fund participants.

3. Insurance Claim

Workplace related illness acquired by an employee who was working for a predecessor authority pre 1974. It has not been possible to identify the insurer who provided employees liability cover and consequently the Council will be responsible for the cost of the claim.

Contingent Liabilities

The councils Contingent Liabilities cover various on-going litigations and these are detailed below. The total expected value of these liabilities is £5.724m (2017/18; £6.329m)

2017/18 Estimated value of contingent liability £000	Details of Contingent Liability	2018/19 Estimated value of contingent liability £000
	<u>Environmental Related:</u>	
3,300	<p>The Environmental Protection Act 1990 Part IIA makes the Council liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. If the planning application made to the County Council is approved, this will reduce the probability of abandonment and the likelihood of the Council becoming liable will reduce considerably.</p> <p>However, at this time there is a possibility that the Council could be liable if the site is abandoned. Current estimates are that the cost of leachate treatment would cost £150,000 per annum for 21 years (originally 30 years).</p>	3,150
3,300	Total for Environmental Related	3,150

2017/18 Estimated value of contingent liability £000	Details of Contingent Liability	2018/19 Estimated value of contingent liability £000
1,994	<p>NHS Hospital Trust</p> <p>At this time a claim has been made against the Council by NHS Hospital Trusts in respect of mandatory NDR relief. However, via the Local Government Association, the Council along with many other Local Authorities is challenging this claim.</p>	1,953
1,994	Total for Customer Services Related	1,953
576	<p><u>Corporate Related:</u></p> <p>Municipal Mutual Insurance Liquidation</p> <p>Some years ago, the Council was insured by Municipal Mutual Insurance (MMI); unfortunately whilst the Council was insured by MMI they went into liquidation. Following the collapse of MMI, a Scheme of Arrangement was made that allowed MMI to 'run-off' the business and deal with outstanding claims. Due to increasing numbers of liability claims that MMI continued to receive, MMI pursued the matter of their continuing liability through the Courts. The Supreme Court gave judgement in March 2012. This clarified MMI's position in respect of future claims and led ultimately to increasing liabilities for MMI. The Scheme of Arrangement was enforced in January 2014. A £0.2m levy has been charged against the Council, which represents 25% of the total claims paid by MMI on behalf of the Council since 1993 (£0.851m) less a protected liability sum of £50k as agreed by the Financial Services Compensation Board. The Contingent Liability shown for 2018/19 is the balance of the total claims paid by MMI on behalf of the Council.</p>	601
20	<p>Assets of Community Value</p> <p>As at 31 March 2018, the Council has listed 35 sites owned by private individuals or companies as Assets of Community Value, as required by the Localism Act 2011. The Assets of Community Value scheme includes provisions for owners to claim compensation for loss and expense incurred through the asset being listed or previously listed. All claims must be considered and decisions may be subject to a review and an independent appeal. The Council is liable for all compensation payments awarded up to a maximum of £20,000 in each financial year, unless the limit is removed by the Government.</p>	20

439	Apprenticeship Grant for Employers	0
	Under the governments S.31 devolvement powers the above grant (£1,487k) was awarded to Cambridgeshire and Peterborough and paid directly to Peterborough Regional College; however, the Council is the accountable body. The amounts shown are the uncommitted funds as at the 31 March for which the Council could be liable for if the grant conditions are not met.	
1,035	Total for Corporate Related	621
6,329	Total Contingent Liabilities	5,724

The above litigations are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

Note 40. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team with due regard to the Annual Treasury Management Strategy approved by the Council.

Credit risk

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council's customers.

In relation to investments the Council has adopted CIPFA's Code of Practice on Treasury Management in the Public Services, has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £38.82m (2017/18; £29.790m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. The risk of not being able to recover the principal sums applies to all of the Council's deposits but there was no evidence as at 31 March 2019 that this was likely to occur and there are no investments that as at 31 March 2019 were with institutions that had failed.

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The older the debt, the greater is the provision for bad debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables, based on historical experience of default and uncollectability. It relates to the sundry debtors element of the total debtors, including debts of individuals, entities and housing benefit claimants.

	Amount at 31 March 2019	Historical experience of default	Historical experience of default adjusted for market conditions	Impairment allowance 31 March 2019	Impairment allowance 31 March 2018
	£000	%	%	£000	£000
Sundry debtors	2,981	3.71	3.71	1,854	1,497

The Council does not generally allow credit for customers. The past due, but not impaired amount can be analysed by age as follows:

31/03/18 £000		31/03/19 £000
690	Less than three months	405
242	Three to six months	84
351	Six months to one year	91
2,088	More than one year	2,401
3,371		2,981

Liquidity risk

The Council maintains a cash flow projection that assists in ensuring that cash is available as needed. If unexpected movement happens the Council has ready access to borrowings from the money markets, and if necessary from the Public Works Loans Board (PWLB), although the Council does not generally use the PWLB for short-term cash-flow deficits. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities of more than one year are shown below as at 31 March 2019.

Financial Year	£000s
2021/22	800
2023/24	716
2037/38	5,000
2038/39	7,292
2046/47	2,114
2047/48	2,610
2057/58	5,000
2058/59	5,000
	28,532

31/03/18 £000		31/03/19 £000
474	Less than one year	483
20,439	More than one year	28,268
20,913		28,751

All trade and other payables are due to be paid in less than one year.

Market risk – interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of liabilities borrowings will fall.
- Investment at variable rates – the interest income credited to the Surplus or deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

However the impact on the Surplus or Deficit on the Provision of Services is reduced because the Council does not generally borrow or invest at variable rates. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Council manages interest rate risk by not having any borrowings in variable rate loans. At times of falling interest rates and where economic circumstances make it favourable, consideration would be given to repaying fixed rate loans early to limit exposure to losses.

The treasury management team assesses the interest rate exposure that feeds into the setting of the annual budget and it is used to update the budget at least quarterly during the year.

If in 2018/19 interest rates on all of its investments and borrowings had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings of less than 1 year	0
Increase in interest receivable on investments of less than 1 year	123CR
Impact on the surplus on the Provision of Services	123CR
Increase in the fair value of fixed rate investments	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings	5,220
(No impact on the Comprehensive Income and Expenditure Statement	

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

At 31 March 2019 the Council had £4 million invested in the Local Authorities Property Fund which is a professionally managed diversified property portfolio.

This investment is classified as financial asset elected for FVOCI, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

A gain of £79,722 in respect of the Local Authorities Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2018/19. This reflects general movements in the value of the shares, and the spread between the 'offer' price at which the shares were purchased and the 'bid' price that any purchaser would pay for them.

A general shift of 5% in the general price of shares (positive or negative) would have resulted in a gain or loss of £117,672 being recognised in the Other Comprehensive Income and Expenditure for 2018-19.

Foreign Exchange Risk

The Council does not hold foreign currencies and consequently has no exposure to loss arising from movements in exchange rates.

Collection Fund

Non-Domestic Rates	Council Tax	TOTAL		Non-Domestic Rates	Council Tax	TOTAL
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£000	£000	£000		£000	£000	£000
			INCOME			
0	100,097	100,097	Council Tax Payers	0	105,619	105,619
57,289	0	57,289	Business Rates	65,084	0	65,084
(1,779)	0	(1,779)	Transitional Relief	(996)	0	(996)
55,510	100,097	155,607	Total Income	64,088	105,619	169,707
			EXPENDITURE			
			Contributions Prior Year (Deficit)/Surplus			
1,892	0	1,892	Ministry for Housing, Communities & Local Government	1,956	0	1,956
1,514	53	1,567	Huntingdonshire District Council	1,565	(33)	1,532
341	276	617	Cambridgeshire County Council	352	(288)	64
0	44	44	Cambridgeshire Police & Crime Commissioner	0	(45)	(45)
38	16	54	Cambridgeshire Fire Authority	39	(16)	23
3,785	389	4,174		3,912	(382)	3,530
			Precepts Demands and Shares			
25,914	0	25,914	Ministry for Housing Communities & Local Government	28,516	0	28,516
21,092	8,165	29,257	Huntingdonshire District Council	23,104	8,450	31,554
0	5,731	5,731	Parish Councils	0	5,947	5,947
4,701	71,558	76,259	Cambridgeshire County Council	5,198	76,220	81,418
0	11,225	11,225	Cambridgeshire Police and Crime Commissioner	0	12,119	12,119
522	4,014	4,536	Cambridgeshire Fire Authority	578	4,193	4,771
52,229	100,693	152,922		57,396	106,929	164,325
			Charges to the Collection Fund			
(116)	(133)	(249)	Write Off Uncollectable Debts	(268)	(311)	(579)
147	324	471	Change in Provision for Bad and Doubtful Debts	202	599	801
769	0	769	Changes in Provision for Appeals	(93)	0	(93)
217	0	217	Cost of Collection	216	0	216
881	0	881	Renewable Energy Retentions	880	0	880
0	0	0	Enterprise Zone Retentions	1,132	0	1,132
1,898	191	2,089		2,069	288	2,357
57,912	101,273	159,185	Total Expenditure	63,377	106,835	170,212
			Movement in Fund Balance			
2,402	1,176	3,578	(Surplus)/Deficit For Year	(711)	1,216	505
(2,991)	(166)	(3,157)	(Surplus)/Deficit Brought Forward 1 April	(589)	1,010	421
(589)	1,010	421	(Surplus)/Deficit Carried Forward 31 March	(1,300)	2,226	926

Notes to the Collection Fund

1. Purpose of Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

Until it is distributed, the tax collected is held in a statutory Collection Fund which is separate from the General Fund of the Council. The accounts are however, consolidated into the Council's accounts. They have been prepared on an accruals basis.

Parish and Town Council precepts are transferred to the General Fund before being paid to the Parish or Town Council. Interest is not payable / chargeable to the Collection Fund on cash flow variations between it and the General Fund.

There is no requirement for a separate Collection Fund Balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between Huntingdonshire District Council and the major preceptors in proportion to their demand on the fund for the year. The major preceptors' share of the assets and liabilities of the Collection Fund are shown as a debtor in Huntingdonshire District Council's accounts. Huntingdonshire District Council's share of the assets and liabilities are held in the Collection Fund Adjustment Account reserve.

2. Council Tax

Tax base at 31 March 2019				
Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	11,947	(2,111)	6/9	6,557
B	20,432	(2,463)	7/9	13,976
C	18,071	(1,736)	8/9	14,520
D	11,949	(921)	9/9	11,029
E	9,141	(637)	11/9	10,394
F	3,812	(263)	13/9	5,126
G	1,800	(125)	15/9	2,791
H	163	(28)	18/9	271
Total	77,315	(8,284)		64,664

Council tax charge per band D property for 2018/19 £1,842.65

Council tax charge per band D property for 2017/18 £1,675.13

3. Non Domestic Rates (NDR)

The uniform Business Rate set by the Government for 2018/19 was 49.3p (2017/18 47.9p).

Total rateable value at 31 March 2019 £151.05m.

Total rateable value at 31 March 2018 £146.19m.

4. Non Domestic Rates Appeals

The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation).

A 10% variation in the estimated provision would be £0.388m for the Collection Fund of which £0.155m would be attributable to the General Fund.

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS

Accrual

The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Actuarial Assumptions

These are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation

The gradual write off of initial costs of assets.

Asset

An item having value to the Council in monetary terms.

Balance

Unallocated reserves held to resource unpredictable expenditure demands.

Business Improvement District

A levy on local business to provide funding to develop the immediate area covered by the levy. The levy is agreed by majority vote.

Capital Charges

Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

Capital Expenditure

Expenditure on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or expenditure on non-current assets.

Capital Financing Charges

The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

Capital Adjustment Account

The account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts

Income received from selling non-current assets.

Carrying amount

The value of an asset or liability in the Balance Sheet.

CIPFA

This is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

Collection Fund

A separate fund that records the income and expenditure relating to Council Tax and Non-domestic Rates.

Community Infrastructure Levy

An amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

Contingent Liabilities

These are amounts that the Council may be, but is not definitely, liable for.

Council Tax

A tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors

These are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

Current Assets

These are assets that are held for a short period of time, for example cash in the bank, inventories and debtors.

Debtors

Sums of money owed to the District Council but not received by the end of the financial year.

Depreciation

The amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of the property, plant and equipment value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves

Money set aside for a specific purpose.

Exceptional Item

A material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council but which needs to be disclosed separately by virtue of their size to give a fair presentation of the accounts.

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant and equipment to a lessee.

Impairment

A reduction in the value of property, plant and equipment to below its carrying amount on the Balance Sheet.

Impairment of Debts

This recognises that the real value of debt is less than the book value.

Intangible Assets

A non-physical item which provides future economic benefits. This Council's intangible assets comprise computer software licences.

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources

Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

Local Enterprise Partnership

A Government initiative to boost economic growth within defined and agreed geographical areas. Funding to enable this growth is derived from the Non Domestic Rates collected for that area and channelled into the “partnership” to fund schemes.

Minimum Revenue Provision

The minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council.

Non Domestic Rates

Rates which are levied on business properties. From 1st April 2013, as a consequence of The Local Government Finance Act 2012, a local Non Domestic Rating regime was introduced that included the business rates retention scheme. See also **Tariff** and **Safety Net**.

Operating Leases

A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor.

Precept

A payment to the Council's General fund, or another local council, from the Council's Collection Fund.

Prior Year Adjustments

These are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors.

Property, Plant and Equipment

Non-current assets that give benefit to the District Council and the services it provides for more than one year.

Provisions

Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

Reclassification

Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy but the amount is “material” then this is a reclassification.

Responsible Financial Officer

The designated post within the Council, as determined by the Accounts and Audit Regulations 2015, which holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council's financial affairs. This post was formerly known as Chief Financial Officer.

Restated

Where there has been a material error in the accounts or a new accounting policy has been applied, then the comparative (prior year) figures have to be “restated” as if the correction or policy had been in place as at the end of the previous financial year.

Revenue Expenditure Funded from Capital under Statute

Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revaluation Reserve

The account that reflects the amount by which the value of the Council’s assets has been revised following revaluation or disposal.

Revenue Expenditure

Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Revenue Support Grant

A grant from Central Government towards the cost of providing services.

Safety Net

The scheme for localising Non Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

Section 106

Under planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

Tariff

The scheme for localising Non Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

True and Fair View Override

As required by the Accounts and Audit Regulations 2015, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the Council. However, as a consequence of IFRS, this has introduced the principle of the “true and fair view override”. This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the “true and fair view” is appropriately acknowledged in the notes to the accounts.

Zero Based Budgeting

A budgeting methodology where the starting point is zero and the budget is based on service need and anticipated demand for that year.

ABBREVIATIONS

CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant
DRC	Depreciated replacement cost
EFA	Expenditure and Funding Analysis
FTE	Full Time Equivalent
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LLPG	Local Land and Property Gazetteer (UK)
MHCLG	Ministry for Housing, Communities and Local Government
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NBV	Net Book Value
NDR	Non Domestic Rates
NHB	New Homes Bonus
NNDR	National Non Domestic Rates (Business Rates)
PWLB	Public Works Loans Board

RICS Royal Institution of Chartered Surveyors

RSG Revenue Support Grant

S106 Section 106

SOLACE Society of Local Authority Chief Executives

ZBB Zero Based Budgeting

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HUNTINGDON DISTRICT COUNCIL
AUDIT OF ACCOUNTS 2018/19
NOTICE OF PUBLICATION OF STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND
NARRATIVE STATEMENT

Notice given in accordance with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015:

Huntingdonshire District Council is not in a position to issue its final audited Statement of Accounts by the required deadline of 31 July 2019.

The external audit of the draft statement of accounts for the year ended 31 March 2019 has not yet been completed by our external auditors, EY LLP, due to EY's own internal resourcing pressures.

Non-publication is not a reflection of the Council's financial standing or governance arrangements – both of which remain strong and robust. The Council had closed its accounts in line with the 31st May statutory deadline and was ready for the audit to commence in June 2019.

This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See attached link: <http://www.legislation.gov.uk/ukxi/2015/234/regulation/10/made>). Therefore this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2018/19 final statement of accounts in line with deadline of 31st July 2019, as per paragraph (1). The audit committee will consider the results of the 2018/19 audit at its meeting on 2nd October 2019, after which we will publish the final audited accounts.

The draft Statement of Accounts was published online by the required deadline (31st May 2019) and these remain available at:

[HDC Draft Statement of Accounts 2018-19](#)

Dated 31 July 2019

Mr Clive Mason
Head of Resources (Section 151l Officer)
Huntingdonshire District Council
Pathfinder House
St Mary's Street
Huntingdon
PE29 3TN

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Internal Audit Actions

Meeting/Date: Corporate Governance Committee – 25th July 2019

Executive Portfolio: Executive Member for Strategic Resources
Councillor Jonathan Gray

Report by: Head of Resources

Wards affected: All Wards

Executive Summary:

In 2013 management approved a key performance indicator that requires 100% of audit actions to be implemented by an agreed deadline; the deadline having been agreed between the service and the Internal Audit and Risk Manager. Unfortunately, since this key performance indicator was introduced, 100% compliance has not been achieved. Sometimes non-implementation is due to operational circumstances and to reflect this in 2017 a new process for assessing audit action implementation was agreed; even after the introduction of this new process the 100% indicator is still not being achieved.

As at the end of June 2019, there were 14 audit actions that remained outstanding; most were less than 6 months after the originally agreed implementation deadline but 5 were more than one-year old. Consequently, Committee are asked to consider this and ask questions of management as they consider necessary.

Recommendation

It is recommended that the Committee consider the report and comment as they consider necessary.

1. PURPOSE OF THE REPORT

- 1.1 To update members on the implementation of audit actions.

2. WHY IS THIS REPORT NECESSARY?

- 2.1 At past meetings of the Corporate Governance Committee (CGC), the committee has expressed concerns at the underachievement of the management set target of implementing 100% of agreed internal audit actions on time. This report provides an update for members based on audit actions that are outstanding as at the end of June 2019.

3. BACKGROUND

- 3.1 Following each audit review; audit conclusions, associated actions and implementation dates are agreed between the audit client and the audit team.
- 3.2 In 2013, Corporate Management agreed an increase in the target for the implementation of 'agreed internal audit actions to be introduced on time' from 60% to 100%, best practice would also suggest that all recommendations are implemented by the agreed deadline. For 2018/19, 87 audit actions had been agreed; as reported to committee in May 2019 at the end of March 2019:
- 79% (55) were "implemented on time"; this increases to
 - 84% (69) when late implementation is taken into account.

4. NON-IMPLEMENTATION OF AUDIT ACTIONS

- 4.1 There are occasions, due to operational circumstances that agreed implementation dates have to be extended; all such extensions are agreed between the audit client and the Internal Audit and Risk Manager. Such audit actions are then not considered as "not implemented" and are excluded from any exemption reporting.
- 4.2 However, there are circumstances that sometimes prevail that mean even extended deadlines are missed and the current practice is that non-implementation at this stage is reported to management and CGC.
- 4.3 As at the end of June 2019 there were 14 audit actions not implemented and a summary of these actions is shown in the table on the next page, a detailed analysis is shown in the **Appendix** (this includes the reasons for non-implementation). With regard to the latter point, the Head of Resources followed up with each Head of Service in early July to get the latest update for non-implementation (these were as of Thursday 11th July and are noted as "Update: July 2019) and where supplied the comments are included. Where comments were not provided; either earlier comments are included (and duly noted by the date) or where a comment has not been received, this has been noted as well.
- 4.4 Of the 14 actions:
- 3 actions are 2 years or older (21%)
 - 2 actions are between 1 and 2 years old (14%)
 - 1 action is between 6 months and 1 year old (7%)
 - 8 actions are less than 6 months old (57%)

Service	Reference	Title of Audit Report	Priority	Original Implementation Date	Time Outstanding *
3C's ICT	AT/84b4/24118	Network Security 17.18 - Intrusion Detection - 4	Amber	30/6/2018	1 year
	AT/94a4/9519	FOI 18.19 / 2	Amber	31/3/2019	3 months
	AT/34a8/9519	FOI 18.19 / 5	Amber	31/5/2019	1 month
	AT/04b9/9519	FOI 18.19 / 3	Amber	31/3/2019	3 months
	AT/a48d/24118	Network Security 17.18 - Intrusion Detection - 3	Amber	30/6/2018	1 year
	AT/04bd/9519	FOI 18.19 / 4	Amber	31/5/2019	1 month
	AT/54af/151216	IT Disaster Recovery 1617 - 3	Amber	30/6/2017	2 years
	AT/54ac/81118	Mobile Phone Project 18.19 - Action 2	Amber	31/3/2019	3 months
	AT/f4b3/9519	FOI 18.19 / 1	Amber	31/5/2019	1 month
Community	AT/f485/23818	Management of Health & Safety - 17.18 - 4	Amber	31/3/2019	3 months
Corporate Office	DM-IA/34b4/21616	Data Protection and Information Management 15.16	Amber	30/9/2016	2 ½ years
	AT/e4b2/6618	Social Media - 3a	Amber	31/1/2019	5 months
One Leisure	AT/749e/5917	One Leisure 17.18 - 1d	Amber	31/12/2017	2 years 3 months
Operations	AT/44af/23818	Grounds Maintenance and Street Cleansing - 17.18 - 3	Amber	31/10/2018	8 months
Note * From the 'original implementation date' to the end of June 2019.					

5. KEY IMPACTS

- 5.1 It is important that the Council maintains a sound internal control environment. Actions that the Internal Audit Service propose to address risk and control weaknesses are discussed with Heads of Service and if appropriate Directors and agreement is reached as to any corrective action that needs to be taken. Internal audit actions are not imposed on management.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Internal Audit Service provides independent, objective assurance to the Council by evaluating the effectiveness of risk management, control, and governance processes. It identifies areas for improvement across these three areas such that Managers are able to deliver the Corporate Plan objectives as efficiently, effectively and economically as possible.

7. RESOURCE IMPLICATIONS

- 7.1 There are no direct resource implications arising from this report.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The report has been requested by the Committee and as such they need to decide what further action they wish to take.

9. LIST OF APPENDICES INCLUDED

Appendix – Agreed Audit Actions Not Implemented as at 30 June 2019

BACKGROUND PAPERS

Audit actions contained within the 4action system

CONTACT OFFICER

Clive Mason, Head of Resources

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Huntingdonshire District Council - Agreed Audit Actions Not Implemented as at 30 June 2019

Appendix

Reference	Audit Name and Action Number	Priority	AM Responsible	Date agreed for action	Original Target Date	Action Status	Evidence to be Provided	Last Update Date	Last Update By	Last Update Summary	Last Update Detail	Service Area	
1	AT/84b4/24118	Network Security 17.18 - Intrusion Detection - 4	Amber	Network/Infrastructure Manager	31/3/2019	30/6/2018	open	Baselines for appropriate network activity. On-going monitoring of network activity.	1/3/2019	Internal Audit & Risk Manager	3rd extension granted - from 28/02/2019 to 31/03/2019. Target date changed to: 31/03/2019	Update: July 2019 Other active mitigating steps are in place – Cabinets are locked to prevent unauthorised / un approved use of unused ports on switches. Cabinets are in secure / locked environments which prevents unauthorised access to the cabinets themselves. Traffic monitoring to establish a baseline or normal level of activity or behaviour is been developed, however, with the volume of infrastructure change that is currently being undertaken that impacts network traffic, analysing and settling on 'normal' will take much longer than originally planned. Options for IP address management tools and procedures are being assessed as part of a wider set of improvements and enhancements to network management and solarwinds. Funding bids (external and internal) processes are underway. Discussions are due to take place with the BDO auditor to agree whether this action can be closed as progress is being tracked and managed as part of an agreed project/programme of work.	3C ICT
2	AT/94a4/9519	FOI 18.19 / 2	Amber	Information Governance Manager	31/3/2019	31/3/2019	open	Evidence of completed data quality template uploaded to Intranet.			Update: July 2019 Statistical data re FOI reporting is currently being produced and presented to relevant groups. This exercise is more effective e.g. CCC, further work is required for HDC and SCDC, reasons, relevant groups for presentation are not active. Reporting structure has further been enhanced by the Interim IG Manager to include SAR requests, number of appeals, ICO appeals and/or notices. Additional monthly reports will be sent to departments to update performance to ensure the department is meeting mandated legal timeframes.	3C ICT	
3	AT/34a8/9519	FOI 18.19 / 5	Amber	Information Governance Manager	31/5/2019	31/5/2019	open	IGB minutes to confirm the outcome/decision. Noted that currently IGB is only advisory and CMT is the decision-making body. It is suggested that the authority of the IGB is amended to include decision-making on IG matters.			Update: July 2019 Further discussions are required prior to signing up. The IG Manager is moving this forward with the relevant to ensure prior to sign up applied and/or agreed costs have been signed off and approved by finance. Some councils are already publishing under (TC) e.g. CCC, SCDC, though SCDC data may be out of date etc. As for what additional data needs to be published this is still work in progress.	3C ICT	

Huntingdonshire District Council - Agreed Audit Actions Not Implemented as at 30 June 2019

Appendix

Reference	Audit Name and Action Number	Priority	AM Responsible	Date agreed for action	Original Target Date	Action Status	Evidence to be Provided	Last Update Date	Last Update By	Last Update Summary	Last Update Detail	Service Area
4	AT/04b9/9519 FOI 18.19 / 3 Communications for launch of new FOI training course will be sent to HR and launched as mandatory training to all staff. [Current availability of the course will be checked and the course removed whilst errors are amended, then a new launch and instruction].	Amber	Information Governance Manager	31/3/2019	31/3/2019	open	Evidence of training launch				Update: July 2019 FOI is best effective when carried out by an approved third party with qualified skilled trainers. An exam is required for this course. Having one uploaded is ideal as a refresher. All relevant staff will be booked on a course currently being coordinated by Interim IG Manager (this action can be closed) staff just need to attend courses booked FOI/SAR. This was discussed and will be presenting figures to finance for sign off, training can then commence.	3C ICT
5	AT/a48d/24118 Network Security 17.18 - Intrusion Detection - 3 A procedure will be introduced to identify, regularly monitor and report on all devices that have connected to the IT network. Devices identified are to be reviewed and when found not to be authorised, be removed. This procedure shall include the use of personal devices connected to the IT network.	Amber	Network/Infrastructure Manager	31/3/2019	30/6/2018	open	The documented procedure. Evidence of the devices review.	1/3/2019	Internal Audit & Risk Manager	Extension granted - from 28/02/2019 to 31/03/2019. Target date changed to: 31/03/2019	Update: March 2019 "We are in the process of installing the Clearpass software which will identify all devices connected to the network and block those that are not authorised. The solution is partially in but has been problematic and blocking approved devices. The vendor are scheduled to attend site of March 7th to work to resolve the issues. When this has been resolved we will be able to fully roll out. Please can I ask you to extend my actions until the end of March initially until we have resolved the issue and have the planned timelines to complete. I fully appreciate that these actions have been extended a number of times. The vendor who is working on this are the same people that installed the networking and they believe the issues are resolvable and that the solution is still the correct solution." Target date changed to: 31/03/2019 Original target date: 28/02/2019	3C ICT
6	AT/04bd/9519 FOI 18.19 / 4 Enforcement of mandatory training will be taken to the next Information Governance Board to decide how training will be monitored and enforced (suggested that iLearn should show the staff member the courses required, and enforcement is made as part of the PDR process and monitored through 1:1s and the 'manager's contract' developed via Cohort training) .	Amber	Information Governance Manager	31/5/2019	31/5/2019	open	IGB minutes to confirm the outcome/decision. Noted that currently IGB is only advisory and CMT is the decision-making body. It is suggested that the authority of the IGB is amended to include decision-making on IG matters.				Update: July 2019 Interim IG Manager to follow up with relevant Heads of HR and Staff. The current model is not that effective and so far I have failed to see how none compliance is escalated to line managers who need to be responsible for their staff. There is lack of managerial accountability, work in progress.	3C ICT
7	AT/54af/151216 IT Disaster Recovery 1617 - 3 Management should produce technical recovery plans for all IT infrastructure, hardware and systems that are necessary to provide an IT service to the Council in the event of a disaster. These technical actions plans should be appended to the IT Disaster Recovery Plan and made available in the event of a disaster.	Amber	Senior Network/Infrastructure Team Leader	30/9/2018	30/6/2017	open	a) To produce a plan for producing these technical recovery documents by June 2017. b) Technical recovery plans	16/7/2018	Internal Audit & Risk Manager	Extension of time granted from 30/04/2018 to 30/09/2018. Target date changed to: 30/09/2018	No Update Provided	3C ICT

Huntingdonshire District Council - Agreed Audit Actions Not Implemented as at 30 June 2019

Appendix

Reference	Audit Name and Action Number	Priority	AM Responsible	Date agreed for action	Original Target Date	Action Status	Evidence to be Provided	Last Update Date	Last Update By	Last Update Summary	Last Update Detail	Service Area	
8	AT/54ac/81118	Mobile Phone Project 18.19 - Action 2	Amber	Information Governance Manager	31/3/2019	31/3/2019	open	Copy of updated policy documents. Copy of communication to staff confirming re-launch.				No Update Provided	3C ICT
		The Mobile Phones policy will be reviewed and updated and will include reference to GDPR, FOI, bill reviews and possible action that may be taken where there are concerns around usage. The summary document will cover all the points from the full policy. The revised documents will be re-launched to staff in line with the Council Anywhere project, and will be made available to staff on the Protocol Policy Site.											

Huntingdonshire District Council - Agreed Audit Actions Not Implemented as at 30 June 2019

Appendix

Reference	Audit Name and Action Number	Priority	AM Responsible	Date agreed for action	Original Target Date	Action Status	Evidence to be Provided	Last Update Date	Last Update By	Last Update Summary	Last Update Detail	Service Area
9	AT/f4b3/9519 FOI 18.19 / 1 FOI guidance will be prepared for FOI Champions to follow. This should provide guidance on all aspects of the process (including identification and handling; redaction; exemptions; vexatious requests; fees and hours; previous requests checks.)	Amber	Information Governance Manager	31/5/2019	31/5/2019	open	Guidance to be provided to Audit	9/5/2019	Deborah Moss - Internal Auditor	Report upload	Update: July 2019 There was a guidance written, but not fit for purpose, this work needs to be reviewed to ensure the overall operational tasks are covered and agreed with line managers and IG champions if the guidance is going to be effective.	3C ICT
10	AT/f485/23818 Management of Health & Safety - 17.18 - 4 The following arrangements should be embedded into the Health and Safety policy: 1. Gas Safety 2. Infection Control 3. Respiratory Protective Equipment 4. Security Threats 5. Smoke Free Workplace 6. Transport Safety 7. Vibration	Amber	Head of Community	30/6/2019	31/3/2019	open	Updated Health & Safety policy.	1/4/2019	Internal Audit & Risk Manager	Extension of time requested from 31/03/2019 to 30/06/2019. Target date changed to: 30/06/2019	Update: July 2019 Head of Community commented that the implementation of these changes has been delayed from the original target date. Key members of the team working on this have been assigned to other projects within the Council, carrying higher corporate priority; or have been involved in the preparation for and presentation of evidence at the Coroners Inquest following the fatal accident at Hamerton Zoo. An extension will be requested to this to allow a new date for completion of 30th September 2019. Target date changed to: 30/06/2019 - this has not expired and not implemented. Original target date: 31/03/2019.	Community
11	DM-IA/34b4/21616 Data Protection and Information Management 15.16 The Senior Information Risk Officer (SIRO) shall decide how long information and emails etc. shall be kept within Anite, and the process for purging or archiving.	Amber	Corporate Team Manager	31/7/2018	30/9/2016	open	Decision taken and copy of instruction informing managers.	29/5/2019	Corporate Team Manager	There has been no progress made on this and will now need to be taken up by the Corporate Team Manager and the new Information Governance Manager in June 2019.	Update: July 2019 This action has proven difficult to complete as it involves a number of Officers and the relevant Officer to lead on this is the Information Governance Manager who has had at least three different post holders since the action was identified and this activity has never been given a priority (e.g. GDPR, FOI management due to volume of work and resource issues have taken priority) and so has not been drawn to a conclusion. The essential issue is that the purging or archiving of the records will almost certainly take up resource for several months and there are a lot of records to consider and this will be give us few tangible benefits and so another solution has tried to be found that manages this action more efficiently from a cost point of view. However, it is not been a priority and so getting all the key users who use the system (Anite / Information at Work) together to explore their own needs and so reach a collective agreement has not been achieved.	Corporate Team

Huntingdonshire District Council - Agreed Audit Actions Not Implemented as at 30 June 2019

Appendix

Reference	Audit Name and Action Number	Priority	AM Responsible	Date agreed for action	Original Target Date	Action Status	Evidence to be Provided	Last Update Date	Last Update By	Last Update Summary	Last Update Detail	Service Area
12	AT/e4b2/6618 Social Media - 3a The Social Media Policy to include detail as to the types of posting that need to be formally reported as defamation or libellous to individuals or the Council. (in addition training to officers about the type of posting which fall into these categories should be provided).	Amber	Corporate Team Manager	31/1/2019	31/1/2019	open	The updated Social Media Policy that reflects the recommendations above.	29/5/2019	Corporate Team Manager	There is to be a new Communications Strategy and Social Media policies and guidance in July 2019	Update: July 2019 This action is being picked up in the new Communications Strategy being prepared, due for issue in July 2019. The appointment of the new Communications Executives took place later than first intended (we had to go to a second two round of recruitment) and once appointed and due to start in April, I decided that the Strategy would be prepared by them and this would include an update to our use of Social Media and so that was when this audit action would be completed.	Corporate Team
13	AT/749e/5917 One Leisure 17.18 - 1d Consider removal of second OL card/key fob (to mitigate card sharing)	Amber	Business Manager Operations	30/6/2019	31/12/2017	open		1/7/2019	Business Manager Operations	Card sharing across all other sites to be removed when new access control system is delivered in Autumn 2019	Update: July 2019 A Capital Bid to deliver a new access control system in Autumn 2019 has been accepted. This will include the use of RFID. One Leisure still holds a large supply of cards with both fobs and in the interim will ask customers which one they prefer - although it is accepted that some (estranged parents) will request both.	Leisure and Health
14	AT/44af/23818 Grounds Maintenance and Street Cleansing - 17.18 - 3 In the period before the new cab system is implemented, the Street Cleansing and Grounds Maintenance manager will review a sample of maintenance sheets, this will be formally built into the new in cab solution in the future.	Amber	Head of Operations	31/10/2018	31/10/2018	open	Reviewed beat sheets.	8/7/2019	Head of Operations	Project Target Dates Changed	Update: July 2019 Due to complexities of working with brand new Alloy product Go Live Street Cleansing date 28th July 2019. All rounds data input as part of this delivery.	Operations

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Disposals & Acquisitions Policy: Land and Property – Update on Thresholds

Meeting/Date: Corporate Governance Committee – 25th July 2019

Executive Portfolio: Executive Member for Strategic Resources
Councillor Jonathan Gray

Report by: Head of Resources

Ward(s) affected: All

Executive Summary:

The Disposals & Acquisition Policy: Land and Property was approved by Council in July 2015. The Policy included a requirement to review the disposal and acquisition thresholds included within it.

Considering the wishes of the Executive Member for Strategic Resources and the use of the Policy over the past 12 months, it is proposed that the current thresholds should remain as they are at present and be reviewed again in 24 month's time.

The Corporate Governance Committee is

RECOMMENDED, to review the:

- i. report and comment as it considers necessary.
- ii. acquisition and disposal policy thresholds in 24 months' time.

1. PURPOSE OF THE REPORT

- 1.1 To update members on the Disposals & Acquisitions Policy.

2. BACKGROUND

The [Disposals & Acquisition Policy](#) (Policy) (please follow the link to the document) was approved by Council on the 29th July 2015, following recommendation from the Corporate Governance Panel held on the 15th July 2015. At the Corporate Governance Committee meeting held on the 12th July 2017 it was agreed that the thresholds would be reviewed every two years; the current thresholds are shown in **Table 1** below.

Thresholds for the Acquisition & Disposals Policy		Table 1
£0 - £500,000	Managing Director (as Head of Paid Service) & Head of Resources (as Section 151 Officer), following consultation with Executive Councillor for Resources	
£500,000 to £2,000,000	Treasury and Capital Management Group	
£2,000,000 +	Cabinet	

3. REVIEW OF THRESHOLDS

- 3.1 Since the thresholds were last approved, the Council has acquired the following commercial property investments. As all were greater than £2m all were approved by Cabinet under Part 2:
- 1400 & 1500 Parkway, Fareham – Cabinet 31st August 2017
 - Little End Road, St Neots – Cabinet 8th November 2018
 - Rowley Centre, St Neots – Cabinet 19th April 2018
- 3.2 Following consultations with the Executive Member for Strategic Resources it is recommended that the thresholds should remain as they are as they allow for appropriate scrutiny of relevant acquisition and disposal propositions.
- 3.2 It is proposed that the next review of the thresholds occurs in 24 months' time.

4. KEY IMPACTS

- 4.1 With regard to the acquisition and disposal of land and property, the current safeguards and controls are considered to be operating effectively.

5. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

- 5.1 The Policy will support the achievement of the Corporate Plan requirement of "Becoming a more Efficient and Effective Council" by:
- Maximising income opportunities, where appropriate.
 - Identifying new opportunities for income generation.

6. CONSULTATION

- 6.1 None.

7. LEGAL IMPLICATIONS

- 7.1 As there are no proposed changes to the current thresholds, no changes will be required to both the Constitution and the Code of Procurement.

8. RESOURCE IMPLICATIONS

- 8.1 The Policy supports the Commercial Investment Strategy (CIS). This will in turn assist the Council in generating additional revenue income through the development of a commercial asset portfolio that will support the future delivery of services.

9. REASONS FOR THE RECOMMENDED DECISIONS

- 9.1 To continue to support the Council in achieving the CIS.

BACKGROUND PAPERS

[Disposals & Acquisition Policy](#) as approved by Council on the 29th July 2015.

CONTACT OFFICER

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CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
12/07/2017	<p><u>Biennial Review of Thresholds – Disposals and Acquisitions Policy</u></p> <p>Policy endorsed. Further review to take place in 24 months.</p>	25/07/2019	Review to be undertaken in 2019. This item appears elsewhere on the agenda.	Head of Resources	Yes
10/10/2018	<p><u>Annual Complaints Report 2018</u></p> <p>Consideration of content of future reports be given to include any key lessons learnt from complaint resolutions as well as a summary of complaint themes.</p>	02/10/2019	These will be added to the next annual report for the period April 2018 and March 2019.	Corporate Team Manager	No

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