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GOVERNANCE COMMITTEE

WEDNESDAY, 31ST JANUARY, 2018, 6.00 PM

WHEEL ROOM, CIVIC CENTRE, WEST PADDOCK, WEST PADDOCK, LEYLAND PR25 1DH

AGENDA

1	**Apologies for absence**	
2	**Declarations of Interest** Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.	
3	**Minutes of the Last Meeting** Held on Wednesday, 29 November 2017, to be signed as a correct record.	(Pages 3 - 8)
4	**Treasury Management Activity - update to 31 December 2017** Report of the Acting Deputy 151 Officer attached.	(Pages 9 - 26)
5	**Budget Management Report as at 31 December 2017** Report of the Acting Deputy 151 Officer attached.	(Pages 27 - 36)
6	**External Audit - Update Report/Closure of Annual Accounts 2017/18 - plans to achieve the new deadline** Report of the Acting Deputy 151 Officer/External Auditor Engagement Lead attached.	(Pages 37 - 70)
7	**2nd Internal Audit Interim Report as at 29th December 2017** Report of the Head of Shared Assurance Services attached.	(Pages 71 - 76)

Meeting contact Dave Lee or email dlee@southribble.gov.uk

8	**Member and Officer Protocol** Report of the Corporate Improvement Manager attached.	(Pages 77 - 104)
9	**Minutes Protocol** Report of the Legal Services Manager / Interim Monitoring Officer attached.	(Pages 105 - 114)
10	**Appeals Committee - Terms of Reference** Report of the Legal Services Manager / Interim Monitoring Officer attached.	(Pages 115 - 120)
11	**My Neighbourhood Area Procedure Rules & Terms of Reference** Report of the Legal Services Manager / Interim Monitoring Officer attached.	(Pages 121 - 136)

Heather McManus
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillors Alan Ogilvie (Chair), James Patten (Vice-Chair), David Bird, Paul Foster, Margaret Smith and Karen Walton

The minutes of this meeting will be available on the internet at www.southribble.gov.uk

Forthcoming Meetings
6.00 pm Wednesday, 18 April 2018 - Wheel Room, Civic Centre, West Paddock, West Paddock, Leyland PR25 1DH

MINUTES OF	**GOVERNANCE COMMITTEE**
MEETING DATE	**Wednesday, 29 November 2017**
MEMBERS PRESENT:	Councillors Alan Ogilvie (Chair), James Patten (Vice-Chair), Paul Foster and Karen Walton
OFFICERS:	Dave Whelan (Legal Services Manager/Monitoring Officer) and Andy Houlker (Senior Democratic Services Officer)
OTHER MEMBERS AND OFFICERS:	Councillor Warren Bennett, Councillor Colin Clark (Deputy Leader and Cabinet Member for Corporate Support and Assets), Councillor Michael Green, Jane Blundell (Acting Chief Finance Officer), Mark Gaffney (Director of Neighbourhoods, Environmental Health and Assets), Lee Hurst (Principal Systems & Financial Accountant) and Noel O'Neil (Interim Manager) also Simon Hardman (Grant Thornton PLC) and Mark Heap (Grant Thornton PLC)
PUBLIC:	0

32 Apologies for absence

An apology for absence was received from Councillor Margaret Smith.

33 Declarations of Interest

There were no declarations of interest.

34 Minutes of the Last Meeting

In respect of Minute No.21, the Committee was informed that the re-structure of Democratic services had not yet been finalised to ensure it had capacity and was fit for purpose, but would be very shortly. A copy of the proposal was offered to members of the Committee.

Referring to Minute No.24, the Committee was conscious that it had still not received information on the City Deal Resource Review. This review was being conducted by the City Deal Partnership Board and information would be provided to members when available and be included into the Council's MTFS.

RESOLVED:

That the minutes of the meeting of the Committee held on 13 September 2017 be approved as a correct record.

35 External Audit - 2016/17 Annual Audit Letter

The Chair welcomed Mark Heap and Simon Hardman from the Council's External

Auditors, Grant Thornton, who presented their Annual Audit Letter for 2016/17.

The audit letter had concluded that the accounts were generally of a good quality and the Finance Team responded as required to queries identified. It had been agreed that some disclosure issues which were identified would be addressed for 2017/18.

As previously advised, the statutory deadlines for approval and publication of the audited accounts had been brought forward for 2017/18 and future years. The accounts would need to be available for audit by 31 May and the audited accounts published by 31 July 2017 (two months earlier than in 2016/17). Officers were working with the external auditors to ensure these deadlines could be achieved and Governance Committee dates were being revised to meet these new requirements (this was an item later on the agenda).

It was confirmed that the certification of grants would be completed by 30 November 2017 and it was unlikely that the fee would be much different to that in the report (£6968). In respect of aspects of the medium term financial planning, this would be part of the forthcoming 2017/18 audit.

RESOLVED (Unanimously):

That the findings in the Annual Audit Letter for 2016/17 (Appendix A to the report), be noted.

36 External Audit - Update Report

The External Auditors presented their progress report and provided a brief summary of emerging issues and developments in the report.

The progress report included information in relation to the following:

- 2016/17 statutory audit
- certification of the 2016/17 Housing benefits final claim
- issue of the auditor's fee letter 2017/18
- accounts audit plan 2017/18
- interim and final accounts audits 2017/18
- value for money conclusion 2017/18
- update on technical and local authority matters

Whilst the External Auditors had not seen the LGA's review of the Council's financial planning and budget, they were keen to as part of their overall work. In respect of the Interim Accounts Audit, the External Auditors confirmed that February 2018 had been suggested and was suitable. The External Auditors confirmed that any changes in the code of practice presented a challenge but there were no radical changes and this was a relatively quiet year. Referring to a Manifesto for a Vibrant Economy and the example of Manchester, the External Auditors posed to the Council a question – what was your natural area – and they indicated that the Council's basket of indicators might look quite different those for Manchester.

RESOLVED (Unanimously):

That the progress report be noted.

37 Budget Management Report as at 30 September 2017

The Committee considered the report of the Acting Chief Financial Officer detailing the Council's overall financial position compared to the financial plan for the second quarter 2017/18 financial year. Attached to the report was the Budget Management Report (Appendix One) and the Council's Capital Expenditure (Appendix Two). There was slippage in the Capital Expenditure and those schemes would be reviewed.

During the discussion the Committee commented on areas which included:

- business rates pooling arrangements - there had been legal advice and an assurance from the Government that whilst Burnley BC had been re-admitted to the scheme this would not negate/adversely affect the current pooling arrangements;
- governance & business transformation – it was accepted that on page 53 of the agenda pack this should read as an 'underspend' in line with the figures on page 52;
- provision for repayment of debt – this was explained as a revenue charge relating to the financing of capital vehicle procurement;
- budget figure (change) – whilst the report indicated that the budget had changed the overall figure had not, there had been a change in the way City Deal monies were shown in the budget;
- council tax profile – this figure was currently zero as Council tax income was only transferred to the revenue account at year end;
- severance payments – it was confirmed that these had not been included in the budget;
- pest control fees – the income figure was in line with the half year estimate; and
- interest on investments – the Council was constrained on the level of investments by its Treasury Management Strategy which was due to be refreshed

RESOLVED (Unanimously):

That the Budget Management Report as at 30 September 2017 be noted.

38 Closure of Annual Accounts 2017/18 Timetable

The Committee considered the report of the Interim Corporate Governance Manager informing them that the deadline for the closure of accounts for 2017/18 would be the end of May in 2018 and for subsequent years. This had previously been the end of June. This was to comply with new statutory accountancy requirements providing clarity on the finance position of all the local authorities.

This change needed to be reflected in the Council's Committee Timetable for 2018/19 with the Statement of Accounts needing to be considered earlier in the year. Hence it was proposed that the committee would meet on 24 May 2018 and then 26 July 2018 to consider the Closure of the Annual Accounts for 2017/18.

Assurances were sought and given that both External Audit and the Council's Shared Financial Services Team had plans in place and would closely liaise and

share information to ensure that this new deadline would be met. It was suggested that at its next meeting in January, the Committee receive a presentation on how this was proposed to be achieved including relevant resourcing plans.

It was also noted that in the proposed timetable for 2018/19 there were no meetings of the Committee scheduled between July and November 2018. This was felt to be a large gap and an additional meeting might be required.

RESOLVED (Unanimously):

That:

(1) the need for meetings of the Governance Committee to be held on 24 May 2018 and 26 July 2018 to meet the deadlines for the Closure of the Annual Accounts 2017/18 be noted;
(2) the Committee receive a presentation of plans by the External Audit and the Council's Shared Financial Services Team about how they would meet the new earlier deadline for the Closure of the Annual Accounts; and
(3) consideration be given to scheduling an additional meeting of the Committee between July and November 2018.

39 Investment Property Strategy

The Chair brought consideration of this agenda item forward to enable the External Auditors to be in attendance during the discussion and contribute if felt appropriate.

Further to Minute No. 27 of the meeting held on 13 September 2017, the Committee considered the report of the Director of Neighbourhoods, Environmental Health and Assets which provided details of the draft Investment Property Strategy and the proposed governance arrangements, the use of commercial experts and their procurement.

The strategy document was appended to the report and set out the context for investment in commercial property and identified a range of criteria to be considered for each investment along with the due diligence and governance arrangements to be followed.

The Council had previously identified investment in property and assets as a source of income to support the delivery of the Medium Term Financial Strategy. An income target of £300,000 had been established and a Borough Investment Fund of £3.824m was created to fund this investment initially. Additional funding could be identified if other investment opportunities arose.

The Committee was asked to agree and recommend the strategy along with associated governance arrangements to Cabinet.

It was explained and confirmed that a decision on the strategy was a matter for the Cabinet and not full Council. Whilst members had previously been provided with a flow chart on the decision making roles of Cabinet and Council it was felt that not all members might have appreciated the significance and it was requested that some explanatory text be included and circulated to members. This was accepted.

The Committee went through both the report and strategy document in detail. During consideration the discussion included comments from the Committee on the following areas

- rates of return on investment – the anticipated return was influenced by the type of tenant/length of tenancy (usually the higher the risk, the higher the rate of return);
- procurement of expert/professional services – the process to be followed and whether local agents were to be considered and advised the Council was going through the Crown Commercial Services; Framework. This included an explanation of the period of commission and threshold level of future acquisitions;
- existing assets – this was a wider approach and these would be reviewed, looking at retention, investment or disposal. Going forward assets would link into the Council's Vision and Corporate Plan around growth;
- it was confirmed that this strategy was separate to any shared service arrangements with Chorley BC;
- due diligence – if the process regarding an item was finalised after a meeting of the Cabinet, a special meeting of the Cabinet would be convened and any decision would be subject to Call-in;
- it was confirmed that the Chief Executive was the Corporate Property Officer;
- approval of any additional amount to invest outside the Budgetary Framework or for additional borrowing would be subject to confirmation by full Council;
- it was accepted that investment in property by the Council should take factors into account such as economic growth and social benefit, although the Council was looking at investment opportunities that would provide a financial return to support its non-essential services;
- risk – the process would see assets regularly re-evaluated and probably reported quarterly in line with existing budgetary processes and it was confirmed that the impact of a significant reduction in value of assets would only be on the balance sheet. The External Auditor commented that they would look at that as part of their Value for Money conclusion. The development of schemes and their governance arrangements would be part of their assessment work;
- the committee was informed that it was desirable overall for the Council to have a more balanced property type portfolio; and
- formal measurement of return – this had stopped following changes nationally, however, this could be re-introduced as part of the Transparency Agenda

In respect of the Council's Investment Property Strategy document itself, the Committee suggested a few amendments to wording to reflect comments by the Committee. In Section 4 (Strategy for existing commercial portfolio), the spread of properties in the portfolio should include retail but not use the word 'predominantly'. Also the rationale for retaining lower yield assets be expanded to include meeting aims of the Council. In Section 6(e) (Investment Property Criteria - length of lease unexpired) following a query regarding WAULT (weighted average unexpired lease term), the Council's target WAULT of 6-8 years be included. Similarly following an enquiry Section 6(h) (management issues) be expanded to be more specific around minimising recurring management costs with more emphasis on tenant responsibilities.

In respect of Appendix A (the Council's pro forma) this has been drafted to capture core information for due diligence about a potential property investment. A more detailed report would then be presented for consideration by the Cabinet. It was suggested that this include reference to the investment's level of risk (low/medium or high) and to how it sat with the Council's strategy and its impact on the overall property portfolio. This was accepted. Similarly it was suggested and accepted that the Yield also be shown as a Net % in addition to a Gross %.

RESOLVED (Unanimously):

That subject to the suggested amendments above being incorporated in to the Council's Investment Property Strategy, the:

(1) Investment Property Strategy and the governance arrangements outlined within the report be approved; and
(2) Cabinet be recommended to adopt the Investment Property Strategy and the appointment of the external Property Investment expertise at the end of the procurement process.

Chair Date

REPORT TO	ON
Governance Committee	**31 January 2018**

Jan 2017

TITLE	REPORT OF	*Agenda item No.*
Treasury Management Activity 2017/18 – update to 31 December 2017	**Deputy s151 Officer**	

Is this report confidential?	**No**

1. PURPOSE OF THE REPORT

1.1 To report on Treasury Management performance to the end of December 2017.
1.2 To provide updates on other issues relevant to Treasury Management activity.

2. RECOMMENDATIONS

2.1 Governance Committee is asked to note the report.

3. EXECUTIVE SUMMARY

3.1 Prudential and Treasury Indicators for 2017/18 will be revised when the Treasury Strategy for 2018/19 to 2020/21 is presented to Council in February 2018. The Council has operated within the approved indicators in the year to 31 December 2017.
3.2 The average daily investment total for the period to 31 December 2017 was £35.181m at an average rate of 0.48%. This exceeded the target of 0.16%, and the earnings rate of 0.25% for 2017/18 suggested by the Council's Treasury advisors.
3.3 Appendix A presents an analysis of investments as at 31 December 2017 and a list of approved investment counterparties for 2017/18.
3.4 Appendix B presents an update on economic matters; and Appendix C is a commentary on interest rate forecasts. Appendix D compares interest rate estimates as at March, August and December 2017.
3.5 The Markets in Financial Instruments Directive (MiFID) II has been implemented from 3 January 2018. The Council has opted-up to being a Professional Client with several financial institutions to continue using approved investment counterparties such as Money Market Funds.
3.6 CIPFA have released the revised Treasury Management Code and Prudential Code. Any changes relevant to this Council will be reflected in the Treasury Strategy 2018/19 to 2020/21.

4. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	✓

5.0 BACKGROUND TO THE REPORT

5.1 The mid-year review of the Treasury Strategy and Treasury Management activity required by the Code of Practice for Treasury Management was presented to the Governance Committee's meeting of 13 September 2017. This report provides updated information in respect of Treasury Management activity, and issues relevant to Treasury Management.

6. PRUDENTIAL INDICATORS

6.1 During the first three quarters of financial year 2017/18, the Council has operated within the Treasury and Prudential Indicators set out in the Treasury Strategy 2017/18 to 2019/20 and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators in respect of 2017/18 will be revised in the Treasury Strategy 2018/19 to 2020/21.

7. TREASURY ACTIVITY

7.1 Investment activity in the year to 31 December is summarised in the following table:

Investment Activity	Average Daily Investment £000	Earnings to 31 December 2017 £	Average Rate %
Debt Management Office	0	0	0.00
Fixed Term Deposits	22,273	91,426	0.54
Notice Accounts	4,415	21,258	1.02
Call Accounts	1,779	3,155	0.24
Money Market Funds	6,714	11,038	0.22
Total	**35,181**	**126,877**	**0.48**

7.2 In the equivalent period in 2016/17, the average daily investment was £34.613 million and interest earned was £0.159m. A full list of investments held at 31 December 2017 is shown at Appendix A. The total invested was £36.245m, including term deposits, notice accounts, call accounts, and money market funds. The equivalent figure in December 2016 was £39.841m.

7.3 The list of investment counterparties and associated investment limits approved for 2017/18 are also presented in the same appendix.

7.4 The interest earning benchmark is the average LIBID 7-day rate plus 15%. This was 0.16% for the most recent period available, compared to the rate achieved of 0.48%. In addition, the rate achieved exceeded Capita's suggested earnings rate of 0.25% for 2017/18, which was based on term deposits of only three months. This Council's term deposits have been mainly for six or twelve months, as shown in Appendix A, and these attract higher interest rates.

7.5 At this stage in 2016/17, the average rate achieved was 0.61%. All counterparties are offering lower rates of interest than they were a year ago. However, there was a sharp

increase in the 7-day LIBID rate in November 2017, and this may be reflected in increases in interest rates available when deposits mature and are reinvested.

7.6 The following table compares the budgets for interest receivable against the latest projection.

Interest Receivable Budget	Budget for 2017/18 £000	Actual to 31 December 2017 £000	Forecast for year £000
Interest earned	159	127	159
Total	**159**	**127**	**159**

Investment Options

7.7 Banks and building societies currently approved for use as investment counterparties, together with Link Asset Services' recommended investment durations, are as follows:

Suggested Investment Durations as at 31 December 2017			
Country	**Counterparty**	**Suggested Duration**	**Limit per institution**
United Kingdom	Royal Bank of Scotland Plc National Westminster Bank Plc	12 mths 12 mths	£5m per group
	Bank of Scotland Plc Lloyds Bank Plc	12 mths 12 mths	£5m per group
	Barclays Bank Plc	6 mths	£5m
	Coventry Building Society	6 mths	£5m
	Goldman Sachs International Bank	6 mths	£5m
	HSBC Plc	12 mths	£5m
	Leeds Building Society	100 days	£5m
	Nationwide Building Society	6 mths	£5m
	Santander UK Plc	6 mths	£5m
	Skipton Building Society	100 days	£5m
	Yorkshire Building Society	100 days	£5m
Germany	Landesbank Hessen-Thuringen Girozentrale (Helaba)	12 mths	£4m

7.8 In practice, several of these institutions cannot be used by this council. Some of the banks do not require investments from local authorities; some only accept minimum deposits

greater than our strategy allows; and some accept deposits for minimum periods greater than we can invest for, such as two or three years. Finally interest rates offered by some banks are so low that there is little or no advantage in using them instead of the DMO's DMADF. The banks and building societies that have accepted investments from the council are as listed in Appendix A.

Icelandic Investment Claim

7.9 So far in 2017/18 there have been no repayments in respect of the Heritable investment claim. The balance of the claim remaining to be recovered is still £40,000. In total, £1.974m of the original £2m investment has been recovered. Recovery to date is around 98% of the claim value, which has exceeded expectations.

8. TREASURY CONSULTANTS' ADVICE

8.1 During the year the Capita Group sold Capita Treasury Solutions Limited (operating as Capita Asset Services) to the Link Group. The company has been renamed Link Treasury Services Limited and operates as Link Asset Services. Appendix B presents the advice of Link Asset Services in respect of economic matters in the first three quarters of 2017/18. In addition, a detailed commentary on interest rate forecasts is presented as Appendix C. Bank rate and PWLB borrowing rate forecasts are given from March quarter 2017 through to March quarter 2021. Appendix D compares estimated interest rates when the Treasury Strategy was reported (March 2017) with the mid-year estimate (August 2017) and the current estimate (December 2017).

8.2 Following the increase in Bank Rate to 0.50%, the next increase to 0.75% is expected in the December quarter of this year. When the Treasury Strategy was prepared the first increase in bank Rate was expected in the June quarter of 2019, and it was expected to reach 0.75% only in the December quarter of 2019.

9. MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MiFID) II

9.1 The EU set the date of 3 January 2018 for the introduction of regulations under MiFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This has had little effect on this Council apart from having to complete forms sent by each institution in order to continue using the counterparties and investment types previously approved by Council. To date this Council has been successful in electing to opt up to professional client status with all financial institutions which have required it to do so. This means that access to all previous counterparties including money market funds has been maintained to date.

10. CIPFA TREASURY MANAGEMENT CODE AND PRUDENTIAL CODE

10.1 In December 2017, CIPFA issued a revised Treasury Management Code and Cross-Sectoral Guidance Notes, and a Revised Prudential Code. The Treasury Strategy for 2018/19 onwards will take account of any changes introduced by the 2017 Codes.

10.2 A particular focus of these revised Codes was how to deal with local authority investments which are not treasury type investments, for example investment in purchasing property in order to generate income for the Council at a much higher level than can be achieved by treasury investments. It is recommended that local authorities should produce a new report to members to give a high level summary of the overall capital strategy, and to enable members to see how the cash resources of the authority have been apportioned between treasury and non-treasury investments. CIPFA has acknowledged that the 2018/19 budget cycle is already at an advanced stage, so that compliance with the revised Codes may take

place at the next available opportunity. Any requirements of the revised Codes not implemented immediately will be explained in the Treasury Strategy report.

11. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

11.1 Comments of the Statutory Finance Officer

The report meets the requirement of the Treasury Management Code of Practice that the Treasury Strategy and activity should be reviewed half-yearly.

11.2 Comments of the Monitoring Officer

The purpose of the Report is to comply with various guidance including the Code of Practice for Treasury Management. There are no concerns from a legal perspective with the contents of this report.

Other implications: • **Risk** • **Equality** • **HR**	The Council's treasury management strategy and policies are designed to ensure the effective control and management of the risks associated with such activities.

12. BACKGROUND DOCUMENTS (or there are no background papers to this report)

Treasury Management in the Public Services: Code of Practice (2011)
CIPFA Prudential Code for Capital Finance in Local Authorities (2011)
CIPFA Treasury Risk Management Toolkit for Local Authorities (2012)
DCLG Guidance on Local Government Investments (2010)

SMT Member's Name: Jane Blundell
Job Title: Principal Management Accountant/Deputy s151

Report Author:	Telephone:	Date:
Michael Jackson Principal Financial Accountant	01257 515490	12/01/2018

Appendix A

Investments as at 31 December 2017

Counterparty	Type	Amount £000	Rate %	Date of investment	Date of Maturity
Bank of Scotland	Term	1,000	0.36%	13/07/2017	15/01/2018
Coventry BS	Term	2,000	0.32%	10/08/2017	12/02/2018
Goldman Sachs International Bank	Term	2,000	0.59%	14/09/2017	14/03/2018
Goldman Sachs International Bank	Term	2,000	0.59%	29/09/2017	29/03/2018
Lancashire County Council	Term	1,000	0.53%	16/05/2017	16/05/2018
Goldman Sachs International Bank	Term	1,000	0.66%	22/11/2017	22/05/2018
Lancashire County Council	Term	3,000	0.53%	06/06/2017	05/06/2018
Lancashire County Council	Term	1,000	0.55%	28/06/2017	27/06/2018
Thurrock Borough Council	Term	2,000	0.50%	29/09/2017	29/06/2018
Helaba	Term	2,000	0.64%	06/12/2017	06/12/2018
Helaba	Term	2,000	0.60%	14/12/2017	14/12/2018
Fixed Term Deposits sub total		**19,000**		**Listed in order of maturity**	
Santander UK PLC	180 Day Notice	4,000	0.55%	15/03/2016	n/a
Bank of Scotland	175 Day Notice	4,000	0.75%	30/11/2017	n/a
Notice Accounts sub total		**8,000**			
Barclays (deposit account)	Call	4,445	0.25%		On Call
Call Accounts sub total		**4,445**			
Federated MMF	MMF	2,400	0.24% (1)		On Call
Standard Life MMF	MMF	0	0.20% (1)		On Call
BlackRock MMF	MMF	2,400	0.22% (1)		On Call
Money Market Funds sub total		**4,800**			
Total		**36,245**			

Notes:

(1) MMF rates are variable. This is the calculated average for the year to December

Summary of Term Deposits by Counterparty	Type	Amount £000	Limit £000
Bank of Scotland	Term	1,000	5,000
Coventry BS	Term	2,000	5,000
Goldman Sachs International Bank	Term	5,000	5,000
Helaba	Term	4,000	4,000
Lancashire County Council	Term	5,000	5,000
Thurock Borough Council	Term	2,000	5,000
Fixed Term Deposits sub total		19,000	

Investment Counterparties 2017/18

Category	Institutions	CAS Colour Code	Maximum Period	Limit per Institution
Banks & Building Societies: Call Accounts /Term Deposits / Certificates of Deposit (CDs)				
Government related/guaranteed	DMADF (DMO) UK Local Authority	Yellow Yellow	6 months 2 years	Unlimited £5m per LA
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£5m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£5m per group (or independent institution)
Non-UK Banks	Non-UK banks of high credit quality	Orange Red Green	1 year 6 months 3 months	£4m per group (or independent institution); £8m in total for this category
Money Market Funds				
Money Market Funds (CNAV) **	MMFs of high credit quality - AAA rated		Instant access	£5m per fund
Enhanced Money Market Funds (VNAV)	EMMFs of high credit quality - AAA rated		T+2 or T+3	£3m per fund; £6m in total for this category

Appendix B

Economic Background

UK. After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure.

However, growth picked up in quarter 3 to 0.4% and in quarter 4 there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole. Growth in quarter 4 is expected to be around 0.4% again which would see annual growth in 2017 coming in at around 1.7 – 1.8%, almost as strong as the recently upwardly revised figure for 2016 of 1.8%, (which meant that the UK was equal to Germany as having the strongest GDP growth figure for the G7 countries in 2016).

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in its words warning that Bank Rate will need to rise. Recent Bank of England Inflation Reports have flagged up that they expected CPI inflation to peak at just over 3% in late 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 3.1% in November. The reason why the MPC became so aggressive with its wording in September and November around increasing Bank Rate was due to an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It was therefore no surprise that the MPC increased Bank Rate by 0.25% to 0.5% in November. However, their forward guidance of two more increases of 0.25% by 2020 was viewed as being more dovish than markets had expected. However, some forecasters are flagging up that they expect growth to improve significantly in 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weaker services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on more than one increase in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and 0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was only 1.2%. It is therefore unlikely to start on an upswing in rates until possibly towards the end of 2019.

USA. Growth in the American economy has been volatile in 2015 and 2016. 2017 followed that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%, the first time since 2014 that two successive quarters have been over 3%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1% in November, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on an upswing in rates with four increases since December 2016 to lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. In October, the Fed became the first major western central bank to make a start on unwinding quantitative easing by phasing in a start to a gradual reduction of reinvesting maturing debt.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation anywhere near to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Detailed economic commentary on developments during quarter ended 31 December 2017

- During the quarter ended 31 December 2017:
  - The economy maintained a mediocre pace;
  - Employment fell, but there were some signs of a pick-up in wage growth;
  - Headline inflation reached its highest since March 2012;
  - The MPC hiked Bank Rate for the first time in a decade;
  - The Chancellor provided a bigger-than-expected Budget giveaway;
  - The European Commission gave the green light to progress to the second phase of Brexit negotiations.
- The economy looks to have broadly maintained its fairly mediocre pace in the fourth quarter. Indeed, the Markit/CIPS all-sector PMI points to growth of between 0.4% and 0.5%. The CBI's monthly growth indicator rose sharply in December, but the quarter average is consistent with a similar pace of growth.

- With the latest Quarterly National Accounts confirming that the economy grew by 0.4% in Q3 of 2017, full-year growth is likely to come in at about 1.8%. What's more, the breakdown revealed a more balanced growth picture for Q3, with business investment growth revised up to 0.5% q/q and net trade's contribution nudged up from an initial estimate of a 0.5% drag on GDP growth, to a neutral 0.0%. However, consumer spending growth of 0.5% q/q still outpaced the 0.2% increase in households' real disposable incomes on the quarter so the household saving ratio fell from 5.6% in Q2 to 4.5%.

- The early evidence suggests that the breakdown of Q4 growth will reveal that consumer spending growth remained relatively robust again. After all, retail sales values rose by 1.1% in November alone. However, with Black Friday and Cyber Monday distorting the figures somewhat, (the ONS do not currently seasonally adjust for these discounting periods), it is hard to get a clear reading. Note also that new car registrations fell in the three months to November and this will drag on overall consumer spending.

- The official output figures for October paint a fairly encouraging picture. Admittedly, the services sector appears to have been the key driver of growth, with the construction sector mired in recession. But the manufacturing sector looks set to have put in another good performance over Q4 as a whole.

- Meanwhile, the jobs market showed some signs of weakening in Q4. While the unemployment rate held steady at 4.3% in the three months to October, this was largely a

result of a shrinking workforce. Indeed, employment fell by 56,000 over the same period. This decline was predominantly driven by a drop in the number of self-employed workers.

- The survey evidence suggests that this weakening should prove to be a temporary blip. Indeed, all of the surveys that we track point to growth in employment accelerating significantly from the current 1% rate. What's more, the, (admittedly experimental), ONS single-month estimates suggest that much of the recent fall in employment was due to an unusually weak sample in the first month of each quarter.

- More encouragingly, there has been some evidence of a strengthening in wage growth. Headline underlying annual wage growth, (three-month average excluding bonuses - the measure which the MPC focuses on), rose to 2.3% in October. In addition, the single-month estimate picked up to 2.4%, the strongest figure since December 2016. Given signs of recruitment difficulties, and a rise in some survey measures of private-sector pay settlements, some acceleration in nominal pay growth looks probable over the coming quarters.

- However, wage growth is still being outpaced by inflation. CPI inflation rose to 3.1% in November, forcing Bank of England Governor Mark Carney to write to the Chancellor to explain why inflation has deviated by more than 1% from the 2% target for the first time since October 2016, (when inflation was just 0.9%). The largest upward contribution came from airfares, which fell by less than they did last year.

- Nonetheless, there are some tentative signs that inflation has now peaked. For a start, despite an up-tick in November, producer input price inflation has fallen back markedly from the 20% or so rates seen in early 2017. What's more, the peak impact of the pound's depreciation on imported goods inflation now also looks to have passed. In addition, a weighted average of global agricultural commodity prices and domestic food producer prices suggests that food price inflation could ease a bit over the coming months.

- However, the rise in oil prices from $58 per barrel at the end of Q3, to over $66pb at the end of Q4, will put some renewed upward pressure on firms' costs. Rising wholesale energy prices, if passed onto consumers, will also result in the contribution to overall inflation picking up from retail gas and electricity prices. Nonetheless, we think that these factors are only likely to prevent a quicker fall-back in CPI inflation, rather than push it higher in the near term.

- The MPC pressed ahead with its first increase in Bank Rate for ten years in November. This did not come as a surprise, though, given that it had been strongly signalled in advance at the September MPC meeting, and had been over 90% priced into markets. The relatively dovish tone of the Inflation Report suggested that any further rate rises would be extremely limited, and might not come for some time. Indeed, the Governor appeared to broadly endorse the market curve underpinning the Inflation Report forecasts, which is for two further hikes over the next three years (2017-19). This is in contrast to the consensus of economists, which expects one or two hikes in 2018 alone.

- December's MPC minutes did not provide any hints of when the next hike will come. The decision to leave rates on hold was unanimous, and while it was too early to fully judge the impact of the previous month's hike, the initial reaction had been broadly in line with previous experience.

- Nonetheless, the MPC sounded a bit more optimistic about Brexit in December, noting that recent progress in negotiations had reduced the "likelihood of a disorderly exit" from the EU. Indeed, the European Council gave the green light to move to the second phase of the negotiations, which will focus on a transitional deal and future arrangement. A transition is likely to consist of around two-years of continued single market and customs union membership, albeit without UK participation in the decision making governing institutions.

- Unless specific solutions to overcoming the hard border between Northern Ireland and the Republic of Ireland can be found, then the Government's pledge to maintain full regulatory alignment between Northern Ireland and the Republic of Ireland points to a softer form of Brexit. In addition, the fact that Parliament will have a binding vote on the Withdrawal Bill suggests that the prospect of a no-deal Brexit has diminished. Nonetheless, given the Government's ambiguity, the future relationship still remains uncertain. The next key milestone will be March's European Council meeting, where progress towards agreeing a transition deal will be assessed.

- Meanwhile, the MPC estimated that the impact of the policy decisions taken at the Chancellor's Autumn Budget would add around 0.3% to GDP over the next three years, and boost CPI inflation by 0.1pp. Granted, this is not especially large, but all else equal, it might point to slightly more monetary tightening than otherwise. It was somewhat surprising that the Chancellor was able to provide such a giveaway, amounting to some £10bn in 2019-20, while still adhering to his fiscal rules, (albeit with a smaller margin of around £15bn against his fiscal target, compared to £26bn in March.)

- The swingeing downgrades to the OBR's economic forecasts made the medium-term fiscal picture much worse. However, the Chancellor was able to use some accounting tricks to pay for almost all of the giveaway due to the re-classification of housing associations from the public to the private sector. Key components of the package included extra spending on the NHS, the abolition of stamp duty for most first time buyers, the freezing of most excise duties, extra spending on homebuilding and changes to the universal credit system.

- Meanwhile, in financial markets, sterling depreciated by 0.3% on a trade-weighted basis over Q4. While it appreciated by 0.2% against the US dollar, this was offset by a fall against the euro. Equities put in a good performance, with the FTSE 100 rising by 4.3% on the quarter. Note too that this was not just currency effects, as the FTSE UK local index, which only includes firms that generate more than 70% of their sales domestically, rose by the same amount. Despite Bank Rate rising for the first time in over a decade, 10-year government bond yields actually fell in Q4, from 1.4% to just shy of 1.3%.

- Internationally, the US Federal Reserve hiked interest rates by 25bp in December, as had been widely expected. This took the fed funds target range to 1.25%-1.5%. Despite factoring in the imminent fiscal stimulus as a result of President Trump's tax-plan, into the growth projections, the Fed still only expects there to be three more hikes in 2018. On the activity front, the economy looks set to have expanded at close to 3% annualised in the fourth quarter, similar to the rates of expansion seen in Q2 and Q3.

- The Eurozone economy continues to perform strongly, with surveys pointing to an acceleration in quarterly growth from 0.6% in Q3 to about 0.8% in Q4. However, the ECB does not appear to be in any rush to end asset purchases. With the inflation outlook still reliant on policy support, we expect the ECB to continue to buy assets for the whole of 2018, with no interest rate rise before September 2019.

Detailed commentary on interest rate forecasts

Link Asset Services forecasts

The MPC made some obvious comments around the fact that the UK is going through a period of heightened uncertainty due, particularly, to the unknowns around how the Brexit negotiations will proceed and the likely effect on households and companies. They will adjust their responses according to how these turn out and in the light of how the economy progresses over the next two to three years. We would agree with these qualifications. Obviously, if the negotiations are very difficult and end up being disappointing, this could put in jeopardy even two Bank Rate increases over the next three years.

We can only forecast given the current situation and have to flag up that there is a wide spread of potential outcomes during this forecast period. There is, therefore, a likelihood of heightened volatility as events actually unfold. We would, however, refer clients back to our previous newsflash on 18 September which explained how the strong causal link in western economies between falling unemployment and rising inflation, appears to be broken. This has led some commentators to raise the question as to whether we are now moving into a new paradigm of low unemployment at the same time as low inflation, where central bank policy targets of focusing primarily on inflation are beginning to be called into fundamental question. The example of Japan, which has struggled for some two decades to get inflation up to 2% despite massive repeated rounds of QE, is just one example. What will actually happen to wage inflation, therefore, remains a key issue. If wage inflation continues to remain very subdued over the next two to three years, this will act as a significant headwind to the MPC justifying further increases in Bank Rate due to inflationary threats building up. However, it has in the past 'looked through' e.g. one off increases in inflation which it saw as a temporary occurrence; the MPC could, therefore, be flexible in implementing its mandate of focusing primarily on inflation. Alternatively, they could justify increases in Bank Rate as being primarily due to the need to simply remove monetary policy stimulus as this has caused massive distortions in the economy with asset prices e.g. share prices and house prices have been the main beneficiaries, while savers have been the major losers through low interest rates.

Our own forecasts are cautious and in line with this subdued path for increases in Bank Rate; we do not currently see inflation posing a significant threat over the next three years. We have 0.25% increases in November 2018 to 0.75%, 1.0% in November 2019 and 1.25% in August 2020. This is much in line with market expectations. Our central assumption is that the UK will make progress with concluding a satisfactory outcome over the Brexit negotiations with the EU by March 2019, although the UK finance sector is likely to be an area of particular concern and difficulty.

LINK ASSET SERVICES' FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring relatively more "risky" assets i.e. equities, or the "safe haven" of government bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. A world economic recovery will likely see investors switching from the safe haven of bonds to equities.

We have pointed out consistently that the Fed. Rate is likely to go up more quickly and more strongly than Bank Rate in the UK. While there is normally a high degree of correlation between the yields of gilts and treasuries in the UK and US respectively, we would expect to see a growing decoupling of yields between the two i.e. we would expect US bond yields to go up faster than UK yields. We will need to monitor this area closely and any resulting effect on PWLB rates.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

The balance of risks to increases in Bank Rate and shorter term PWLB rates are probably to the upside, and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise, and how quickly the Brexit negotiations move forward positively.

Our forecasts are predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within our forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea, which have a major impact on international trade and world GDP growth.

We would, as always, remind clients of the view that we have expressed in our previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are at present. Our revised forecasts are based on the Certainty Rate (minus 20 bps), which has been accessible to most authorities since 1st November 2012.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU popularist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries.
- The result of the October 2017 Austrian general election has resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major obstacle to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of quantitative easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

BANK RATE	Current forecast	Previous forecast
Q4 2017	0.50%	0.25%
Q1 2018	0.50%	0.25%
Q1 2019	0.75%	0.25%
Q1 2020	1.00%	0.75%
Q1 2021	1.25%	N/A

Borrowing advice: although yields have risen from their low points, yields are still around historic lows and borrowing should be considered if appropriate to your strategy. We still see value in the 40yr to 50yr range at present but that view would be negated if Bank Rate does not climb to at least 2.5% over the coming years. Accordingly, clients will need to review and assess their risk appetite in terms of any underlying borrowing requirement they may have, and also project forward their position in respect of cash backed resources.

Any new borrowing should also take into account the continuing cost of carry, the difference between investment earnings and borrowing rates, especially as our forecasts indicate that Bank Rate may rise to only 1.25% by March 2021.

Our target borrowing rates and the current PWLB (certainty) borrowing rates are set out below.

PWLB debt	Current borrowing rate as at 2.1.18	Target borrowing rate @ 31.12.17
5 year	1.60%	1.50%
10 year	2.11%	2.10%
25 year	2.68%	2.80%
50 year	2.41%	2.50%

Our suggested budgeted investment earnings rates for investments up to about three months' duration in each financial year for the next seven years are as follows:

Average earnings in each year	Current forecast	Previous forecast
2017/18	0.40%	0.25%
2018/19	0.60%	0.25%
2019/20	0.90%	0.50%
2020/21	1.25%	0.75%
2021/22	1.50%	1.00%
2022/23	1.75%	1.50%
2023/24	2.00%	1.75%
Later years	2.75%	2.75%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is expected to remain unchanged. Negative, (or positive), developments could significantly impact safe-haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps.

Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

Appendix D

	Bank Rate %			PWLB Borrowing Rates % (including 0.20% certainty rate adjustment)											
				5 year			10 year			25 year			50 year		
	Dec 17	Aug 17	Mar 17	Dec 17	Aug 17	Mar 17	Dec 17	Aug 17	Mar 17	Dec 17	Aug 17	Mar 17	Dec 17	Aug 17	Mar 17
Mar-18	0.50	0.25	0.25	1.60	1.60	1.70	2.20	2.30	2.30	2.90	2.90	3.00	2.60	2.70	2.80
Jun-18	0.50	0.25	0.25	1.60	1.70	1.70	2.30	2.30	2.40	3.00	3.00	3.00	2.70	2.80	2.80
Sep-18	0.50	0.25	0.25	1.70	1.70	1.70	2.40	2.40	2.40	3.00	3.00	3.10	2.80	2.90	2.90
Dec-18	0.75	0.25	0.25	1.80	1.80	1.80	2.40	2.40	2.40	3.10	3.10	3.10	2.90	2.90	2.90
Mar-19	0.75	0.25	0.25	1.80	1.80	1.80	2.50	2.50	2.50	3.10	3.10	3.20	2.90	2.90	3.00
Jun-19	0.75	0.50	0.50	1.90	1.90	1.90	2.60	2.50	2.50	3.20	3.20	3.20	3.00	3.00	3.00
Sep-19	0.75	0.50	0.50	1.90	1.90	1.90	2.60	2.60	2.60	3.20	3.30	3.30	3.00	3.00	3.10
Dec-19	1.00	0.75	0.75	2.00	2.00	2.00	2.70	2.60	2.60	3.30	3.30	3.30	3.10	3.10	3.10
Mar-20	1.00	0.75	0.75	2.10	2.00	2.00	2.70	2.70	2.70	3.40	3.30	3.40	3.20	3.10	3.20
Jun-20	1.00			2.10			2.80			3.50			3.30		
Sep-20	1.25			2.20			2.90			3.50			3.30		
Dec-20	1.25			2.30			2.90			3.60			3.40		
Mar-21	1.25			2.30			3.00			3.60			3.40		

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REPORT TO	ON
Governance Committee	**31st January 2018**

September 2017

TITLE	REPORT OF
Budget Projected Out-turn Statement as at 31 December 2017	**Deputy s151 Officer**

Is this report confidential?	No

1. PURPOSE OF THE REPORT

This report provides an update at the third quarter on the Council's overall financial position and a forecast of the projected outturn to 31st March 2018 and compares this to the budget approved back in February 2017.

2. RECOMMENDATIONS

That the Governance Committee note, review and comment on the report.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	√

4. BACKGROUND TO THE REPORT

The approved revenue budget set by the Council in February 2017 was £13.182m, with a budgeted transfer from general balances of £0.300m. This report compares the 2017/18 Original Budget to the forecast Projected Out-turn.

5. DETAILS

5.1 Revenue Summary

The table overleaf summarises the key revenue budget variations which have been identified at Quarter 3 which are expected will impact on the outturn position at 31 March 2018.

The Projected Outturn forecast at quarter 3 in respect of the full year 2017/18 is an underspending of £279,000. There are a number of factors that have impacted on the Council's financial performance when compared against the original budget set last year in February 2017. The main variation however, is that a greater value of planning application income was received in the year to December, and is forecast for the remainder of the year, than was originally forecast.

Summary of Projected Revenue Outturn Variations:

Details	Directorate	Projected Outturn Variances Under / (Over) spend	
Expenditure		**£000**	**£000**
Salaries underspends	All		(49)
Professional fees (Planning)	Development, Enterprise & Communities		35
Property Lease (backdated increase)	Neighbourhoods, Asset Man. & Environmental Health		56
Business rates costs reduction	Neighbourhoods, Asset Man. & Environmental Health		(27)
Sub Total - Expenditure			**15**
Income			
Planning fees	Development, Enterprise & Communities		(180)
Building Control Fees	Development, Enterprise & Communities		(20)
Short-term Investment Interest	Financing and Investment		(50)
Car Parking/PCN charges	Neighbourhoods, Asset Man. & Environmental Health		(50)
External Catering	Neighbourhoods, Asset Man. & Environmental Health		(29)
Investment Property income	Neighbourhoods, Asset Man. & Environmental Health		42
Sub Total - Income			**(287)**
Other Minor Variations			**(7)**
Business Rates Retention – s31 grant	Taxation and Non-Specific Grants	(222)	
Transfer to Business Rate Retention Equalisation Reserve	Earmarked and General Reserves	222	0
Projected Out-turn Budget Variation - underspend			**(279)**

5.2 <u>Revenue Expenditure</u>

5.2.1 Staffing

The revenue budget approved in the Medium Term Financial Strategy included an efficiency target of £261,000 in relation to: staff turnover (£100,000); and business transformation within the Neighbourhoods, Environmental Health and Revenues and Benefits services (£161,000). These targets have been achieved, in fact there is an additional overall saving of £49,000 forecast in respect of staffing budgets. This current forecast may of course vary as it is based on assumptions in relation to staff turnover during the final quarter of the year. Of the £261,000 saving, however, only £161,000 is on a recurring basis with the remainder met from staffing savings through vacancies, general turnover and reduced hours. Redundancy costs in relation to the two Directors who left the authority in December have been funded from the Earmarked reserve for one-off restructure costs.

5.2.2 Professional fees

The Council has incurred significant professional fee costs in relation to the Cuerden Development site and therefore the revised 2017/18 budget has been uplifted to reflect the forecast outturn cost.

5.2.3 Property Lease

The variation relates to an increase in the rent in relation to the lease of a property on Forward Industrial Estate following a rent review. As the increase was backdated there is a one-off charge in 2017/18 and the ongoing annual increase in rental is £9,000.

5.2.4 Business rates costs reduction

There is an annual budget provision for business rates on empty Council properties which has been reduced due to more properties being occupied. This budget is monitored closely with the investment property rental income budget as there is a direct correlation between the two.

5.3 Revenue income

With regard to managing risk in the budget management process, the main income streams are reported in detail as these budget heads are subject to variations caused by circumstances outside the direct control of the Council. At this stage in the year some of the Council's main income streams, such as planning fees, are performing extremely well and have in some cases exceeded the levels anticipated. These variations are reflected in the projected out-turn forecasts.

The table below provides a summary of the Council's main income streams:

Income Budgets	Annual Budget 2017/18 £	Income to 31 Dec 2017 £	Projected Outturn 2017/18 £	Variance (Over) / Under budget £
Investment Property Rentals	(1,122,756)	(972,472)	(1,080,386)	42,370
Planning Fees	(375,000)	(467,164)	(555,000)	(180,000)
Trade Waste Charges	(476,810)	(467,860)	(470,000)	6,810
Building Control Fees	(150,000)	(140,603)	(170,000)	(20,000)
Land Charges	(100,000)	(77,013)	(105,000)	(5,000)
Interest on Investments	(109,000)	(126,877)	(159,000)	(50,000)
Taxi Licensing Fees	(82,411)	(58,203)	(78,411)	4,000
Car Parking Charges/Permits	(92,512)	(106,904)	(136,720)	(44,208)
Car Parking PCN fines	(29,300)	(25,334)	(35,000)	(5,700)

These income targets are highlighted as they are affected by changes that can be out of the Council's control, for example the national economic climate and impact on bank rates and customer behaviours. Due to their scale any material variations against budget have the ability to impact significantly on our overall revenue budget position.

5.3.1 Investment Property Rental Income

Forecast rental income is £42,000 lower than the original budget forecast for the year. This is mainly attributable to the following factors: 2 units at the Momentum Business Park being vacant as anticipated leases did not proceed (£15k); a property at Station Rd, Bamber Bridge repossessed at the beginning of the year which is currently being marketed but is in need of refurbishment prior to being let (£20k); the termination of a lease at the end of September (the property on Clydesdale Place is vacant but being actively marketed) (£10k); offset by other minor differences in the letting of properties compared to the original forecasts.

5.3.2 Planning Application Fees

At this point in the financial year, an increase in fee income of at least £180,000 is forecast for the full year, however this is based on current assumptions in relation to when upcoming major applications will be received and is therefore not certain and subject to variation. At December, large applications had been received which include the Test Track site, Brindle Road, Wesley Street Mill, Daub Hall Lane and The Maltings.

The forecast increase in income against the profiled budget is also partly due to a 20% increase in lower value applications (up to £10k) compared to 2016/17.

Fluctuations in income can occur as although development sites are allocated in the Local Plan, in reality it can be very difficult to estimate accurately when those would translate into an application.

5.3.3 Trade Waste Charges

Income from Trade Waste charges is anticipated to be £7,000 (1.4%) lower than originally budgeted due to a slight reduction in take-up of the service compared to the forecast.

5.3.4 Building Control fees

The Building Control team have achieved higher income than forecast and it is anticipated that the budget will be exceeded by c£20,000 by the end of the financial year. Fee levels are set on the basis of achieving full recovery of the attributable costs of delivering the service. The relevant costs and income are charged to the Building Control Fee Earning account which had been in deficit in recent years, however following a review and restructure of the service, this account made a surplus in 2016/17.

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5.3.5 Land Charges Income

The trend for land charges income received in 2017/18 is favourable, with a small increase against the original forecast. This is despite HMRC re-categorising the charges for property searches so that local authorities had to account for standard rate VAT on this income from April 2017. Other factors which impact on land charges income are; a slow-down in property sales and more purchasers undertaking their own searches (rather than via solicitors/conveyancers).

5.3.6 Interest on Investments

Short-term investment income is forecast to be in the region of £159,000 at the year-end which is £50,000 higher than budgeted due to a combination of both increased balances and better rates obtained following changes to the Treasury Strategy.

Returns on investments and comparatives for the previous reporting period are set out below:-

	Average Balance Periods 1 - 9	Average Rate Periods 1- 9	No of days	Interest Earned
2016/17	£31,701,090	0.61%	275/365	£159,054
2017/18	£32,842,813	0.48%	275/365	£126,877

A more detailed Treasury Management Update is provided as a separate item on this agenda.

5.3.7 Car Parking

Additional income of just under £50,000 is forecast to be achieved by the end of the financial year. This comprises £28,000 income from parking permits (Worden Park/Business Permits); £16,000 from pay & display charges and £6,000 from an increase in parking fines (PCNs).

5.3.8 External Catering

The forecast net saving in external catering costs for the year is £29,000 which comprises external funding for room hire for the elections earlier in the year (£16,000) and anticipated savings in external catering costs (£13,000).

5.4 Business Rates Retention - BRR

Regular monitoring is being undertaken as increases or reductions in the tax base will impact on current and future years funding. The current trend is favourable, with the Council on target to achieve the growth target increase of £100,000. Additional s31 grant income is also expected in relation to 2017/18, due to a proposed change in the formula for calculating the grant payable in respect of Small Business Rate Relief (SBRR). However this additional income forecast is being treated with caution as this revision in basis is currently only part of a DCLG technical consultation and the change will only be notified in the guidance issued for NNDR3 (Business Rates Outturn) 2017/18, expected in several weeks' time. Therefore a corresponding transfer into the Business Rates Equalisation Reserve has been shown.

Please note that although this income would only be received in 2018/19, because it relates to SBRR given in 2017/18, it would be accrued in 2017/18 as part of year end closure.

Prior to the Council entering the Lancashire Pooling Agreement any growth against the government baseline would have resulted in an additional levy payment and therefore an in-year budget overspend. The pooling agreement for 2017/18 currently means that additional income generated by tax base growth is retained locally following a 10% contribution to Lancashire County Council. The impact of the Lancashire Pooling Agreement is very positive and resulted in an additional £0.788m being retained within South Ribble in 2017/18. This has a favourable impact on the risk profile of BRR and therefore on the budget planning assumptions provided that the borough's outstanding appeals profile does not experience an influx of additional appeals into the Valuation Office Agency (VOA).

A review of the risk profile of BRR is currently being undertaken as part of the strategic review of reserves and the Council's Medium Term Financial Strategy.

5.5 Capital

Details of the Council's capital spending by each project is contained in Appendix One.

The projected spend is compared to the full year budget accompanied by an explanatory note where applicable. The total full year budget is £4.852m with £2.307m spent and committed as at 31st December 2017. It is expected that the total spend at year end will be £3.131m with £1.627m being planned to be spent in future years* and other in-year reductions of £0.094m.

*The main capital projects which have currently been re-phased into 2018/19 are:

- Worden Park toilets – awaiting planning and Cabinet approval (£200k)
- Vehicle replacements – vehicles ordered but delivery expected after March (£718k)
- Worden Park Replacement conservatory / greenhouse – in progress but bespoke build and will therefore be completed by 2nd quarter of 18/19 (£143k)
- Lostock Hall Football facility (s106 funded) - work to take place during the closed season of 2018 (£145k)

Similarly to revenue budget monitoring, however, the statement set out in Appendix One contains assumptions and budget holder advice in respect of spending to the end of the year.

5.6 City Deal

The City Deal agreed with Government, accelerates the agreed Central Lancashire Site Allocation Local Development Framework to a ten year period in South Ribble and Preston. For South Ribble, it brings forward major highway improvements and town and district centre improvements as well as support for green spaces and leisure.

The housing and business rate growth on the City Deal sites in Preston and South Ribble results in additional business rates income, New Homes Bonus (NHB) and Community Infrastructure Levy (CIL) receipts to both districts. With the exception of business rates, as this income is received it is paid over to the City Deal Fund according to the terms agreed at the outset of the Deal by both district Councils. The payments to-date from South Ribble are shown on the left-hand side of the table below.

Please note that South Ribble's element of Council Tax income increases as a result of housing growth is excluded from City Deal and therefore retained by the Council in full. Due to the way these funding streams are distributed, the County Council itself also benefits from a proportion of business rates growth, plus Council Tax growth and NHB allocations resulting from new house building.

The two districts also receive an annual Community Provision payment (£492k for South Ribble) from the City Deal fund for a period of 10 years, the purpose of which is to help to mitigate against the potential risk to both councils in terms of ensuring financial sustainability, particularly when they are committing these significant income streams to the City Deal Fund for 10 to 15 years, depending on the phasing of build.

The City Deal expenditure budgets are managed and monitored by LCC. The majority of the expenditure is procured by LCC. There are two expenditure lines in the model where South Ribble can procure the works and subject to prior approval by the Executive, these costs can be reclaimed from the City Deal Fund. These are Community/Green Infrastructure and Public Transport Corridors & Local Centres.

Project costs incurred by South Ribble in relation to approved City Deal schemes such Bamber Bridge regeneration works, Landmark schemes and St Catherine's Park are claimed quarterly and reimbursed from the City Deal Fund. Actual receipts from the Fund to-date are shown in the table below.

Net Payments and Receipts to / (from) the City Deal Fund

	Payments to City Deal Fund (£)				**Receipts from City Deal Fund (£)**		
Year	**Business rates**	**NHB**	**CIL**	**Total Payments**	**Community Provision**	**Project Expenditure Reimbursed**	**Total Receipts**
2014/15	42,431	0	0	**42,431**	(492,200)	0	**(492,200)**
2015/16	84,862	198,310	0	**283,172**	(492,200)	(299,372)	**(791,572)**
2016/17	0	770,327	241,724	**1,012,051**	(492,200)	(141,123)	**(633,323)**
2017/18 to Qtr. 3	0	965,719	706,453	**1,672,172**	(492,200)	(506,570)	**(998,770)**
Total	**127,293**	**1,934,356**	**948,177**	**3,009,826**	**(1,968,800)**	**(947,065)**	**(2,915,865)**
Net City Deal payments / (receipts) to-date							**93,961**

City Deal is supported by a complex financial model whereby income generated from new development is matched against other sources of income to provide infrastructure. The model works on the basis of Lancashire County Council underwriting spend on the infrastructure in advance of the income being generated from development.

5.7 Summary

In summary, the financial position at the end of the third quarter 2017/18 shows the Council is forecast to underspend against the original budget and recurring budget savings have been achieved in 2017/18 which have contributed to reducing the budget gap. Please note, however, that this projection is based on a number of assumptions made in the budget with regard to expected spending patterns and levels of income received to the end of the year. The current position will be closely monitored during the final quarter with particular regard to budgets that are subject to fluctuation and therefore present a higher risk to the Council's financial sustainability over the medium to long term.

With regard to the wider context and the Council's financial position in the longer term it should be noted that although the budgetary savings achieved contribute towards achieving a balanced out-turn position there still remains a budget gap in future years, which is being addressed as part of the budget-setting process. 2017/18 is the last year the Council will receive Revenue Support Grant (RSG) funding, which was reduced from £1.007m in 2016/17 to £0.346m in 2017/18. From 2017/18, the financial settlement also introduced significant reductions in the amount of New Homes Bonus (NHB) awarded, by the introduction of a growth threshold and a reduction in the number of years NHB is paid from 6 years down to 4.

Consequently, from 2018/19 onwards, core funding is restricted to a basis of 100% locally sourced taxation in the form of Council Tax and Business Rates Retention (BRR). BRR presents an increased financial risk to the authority as it is subject to year on year, and also in year, variations and volatility outside the direct influence of the Council, for example as a result of appeals, revaluations and technical changes to the BRR scheme late in the year. Conversely, it is also an opportunity to benefit directly from growth in the business sector for which the City Deal programme is a key enabler.

The Capital Programme reported highlights a forecasted variation at the end of the year. Some capital resources will be rolled forward to allow the scheme to be completed in the next financial year. A review of ICT is in progress and the outcome of this review by SOCITM will help to determine future ICT capital projects which will be aligned to supporting service transformation and delivering more customer-focussed and efficient services.

6. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

6.1 Comments of the Statutory Finance Officer

The financial implications are contained within the report.

6.2 Comments of the Monitoring Officer

The purpose of the report is to provide detailed information to Governance committee on the council's overall financial position.There are no direct legal implications arising as such.

Other implications:	
▶ **Risk** ▶ **Equality & Diversity** ▶ **HR & Organisational Development** ▶ **Property & Asset Management** ▶ **ICT / Technology**	Risk is identified in the report. The main risk area is the inclusion of assumptions. Assumptions have been made with regard to estimating future costs and external influences that will affect projections in future months. Therefore any conclusions drawn from the contents of the report should be treated with some caution. This report is not considered to have any adverse impact on equality.

7. BACKGROUND DOCUMENTS

Budget Report and Medium Term Financial Strategy – February 2017

- Appendix A - Capital expenditure

Jane Blundell
Principal Management Accountant/Deputy s151

Report Author:	Telephone:	Date:
Jane Blundell	01772 625245	12/01/18

Capital Monitoring 2017/18 - Quarter 3 (December)

Appendix 1

	Projections						
	(A)	(B)	(C)	(A - C)			
	Latest Budget 2017/18	**Total Committed Spend**	**Forecast Out-turn 2017/18**	**Projected Variance**	**Re-phasing**	**In Year Variance**	**Further details**
	£	**£**	**£**	**£**	**£**	**£**	
Shared Services and Corporate Support	370,963	260,738	341,424	(29,539)	0	(29,539)	All upgrades and system replacements will be considered as part of the Business Transformational change programme for which a budget provision has been included in the proposed Capital Strategy for 2018/19 - 2022/23. Therefore the underspend in year won't be carried forward.
Management of Assets	355,976	178,783	382,379	26,403	(30,000)	56,403	The projected variance relates to budget increases for works to the Civic Centre which will be reimbursed by the DWP.The £30k relates to match funding towards a planned new community centre at Gregson Lane once the community group has raised sufficient funds themselves. Therefore timescales for spend are dictated by the community group and the £30k funding will therefore be earmarked.
Neighbourhoods and Streetscene	2,222,876	898,848	890,480	(1,332,396)	(1,310,949)	(21,447)	Tenders for refuse collection and other vehicles have been awarded and orders placed however delivery of the vehicles will be in the new financial year and therefore £718k has been re-phased into 2018/19. Other major schemes re-phased into 2018/19 are (i) St. Mary's, Penwortham - Churchyard wall repairs £105k, (ii) Worden Park - replacement conservatory/green house £143k, and (iii) Worden Park Toilet facilities £200k.
Regeneration, Leisure & Healthy Communities	954,262	333,504	439,095	(515,167)	(216,005)	(299,162)	With regard to the Leyland Regeneration project (£285k), a master planning exercise is now being undertaken under management of City Deal. On completion of this there will be consideration of future works programme for Leyland. This budget has been incorporated in the Capital strategy budget for approval by Cabinet. The £216k slippage includes £143k for the Lostock Hall football facility (s106 funded) and Walton-le-dale Community Centre car park refurbishment (£55k).
Strategic Planning and Housing	922,837	619,409	922,837	0	0	0	Housing projects (Disabled Facilities Grants, Empty Properties and Home Improvement grants) are on target and no variance anticipated at this stage forecast at this stage, however these figures are based on all DFG applications being fully completed before the end of the year.
South Ribble Partnership (PRG)	25,556	15,697	27,457	1,901	0	1,901	Minor variation fully funded from Performance Reward Grant.
Expenditure Total	**4,852,470**	**2,306,978**	**3,003,672**	**(1,848,798)**	**(1,556,954)**	**(291,844)**	
% of Latest Budget		**47.5%**	**61.9%**	**38.1%**	**32.1%**	**6.0%**	

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REPORT TO	ON
Governance Committee	**31st January 2018**

External Audit Annual

TITLE	REPORT OF
External Audit - Update Report/Closure of Annual Accounts 2017/18 - plans to achieve the new deadline	Deputy s 151 Officer

Is this report confidential?	**No**

1. PURPOSE OF THE REPORT

To provide an update on the progress of preparation for the closure of accounts 2017/18 as per the request of the Governance Committee in November 2017 and present the external audit Progress Report and Sector Update from Grant Thornton along with their Certification Letter for the Housing Benefit Subsidy claim.

2. RECOMMENDATIONS

2.1 That members note the contents of this report, the Shared Financial Services Closure of Accounts Timetable at Appendix A, the contents of the external auditor's progress and update report at Appendix B, and the contents of the external auditor's Certification Letter at Appendix C.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	√

4. PREPARATION FOR THE 2017/18 STATEMENT OF ACCOUNTS PRODUCTION

4.1 As Committee are well aware, the Accounts and Audit Regulations 2015 set out new deadlines for the publication of the 2017/18 Statement of Accounts. The draft accounts must be completed and signed by 31st May 2018 with the final audited accounts approved by the Chief Finance Officer and Governance Committee by the 31st July 2018.

4.2 The 2016/17 accounts production process was used as a second practice run to test our project plan and our preparations for this advancing deadline by setting ourselves the target of producing the draft accounts by 31st May in 2017 even though the statutory publication deadline for the draft 2016/17 accounts was 30th June 2017. As previously reported, the Shared Financial Services Team was successful in achieving this challenging target, having

a draft set of financial statements ready by 19th May 2017. A number of improvements were undertaken to expedite the closure process and these are highlighted below:

- Prepared working papers and pro-forma Statement of Accounts earlier in Feb/March.
- Early review and approval of Accounting Policies
- Ensured asset valuations were received by 31st March, engaged with an external valuer.
- Implementation and trial of Asset Accounting module for financial system.
- Co-ordinated collection of year-end flexi, TOIL and leave balances and developed spreadsheet solution.
- Posted bank files daily instead of weekly so bank and cash reconciliations can be undertaken sooner.
- Undertook some tasks in a different order, including preparation of the Collection Fund and asset register production earlier in the process.
- Reallocated some tasks to areas better suited to deliver them, e.g. purchase order year end processing to Management Accountants.
- Shortened timescales for submitting carry forward requests and accruals of income and expenditure by departments.
- Used the coding structure in the financial system to even greater degree incorporating the new format of accounts for automatic production.
- Introduced a new automated statistical methodology for calculating Business Rates appeals provision.

4.3 Preparation for the 2017/18 closure of accounts process is well underway and has built on the lessons learnt from 2016/17. We have undertaken an internal review of the 2016/17 process to inform our planning for 2017/18 and we have already met with external audit on a number of occasions to plan for the 2017/18 audit.

4.4 The changes required as part of the updated CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 are relatively straightforward when compared to the large number of changes in 2016/17. This will further aid the early closure of the accounts. The changes are highlighted below:

Amendments	**Description**	**Action**
Section 2.2 Community Infrastructure Levy	Clarification of the treatment of revenue costs and any charges received before the commencement date	None required, already accounted for as stated.
Section 3.1 Narrative Reporting	Introduce key reporting principles for the Narrative Report	Most principles already included, additional sections to be added where necessary.
Section 3.4 Presentation of Financial Statements	Clarification of the reporting requirements for accounting policies and going concern reporting	Additional sections to be added with reference to financial resilience and sustainability.
Section 3.5 Housing Revenue Account	Directions 2016 disclosure requirements for English authorities	Not relevant.
Section 4.2 Lease and Lease Type Arrangements	Clarification of lease accounting relevant to Scottish authorities.	Not relevant.
Section 4.3 Service Concession Arrangements	Changes to disclosures in respect of PFI & similar schemes relevant to Scottish authorities.	Not relevant.
Section 7.4 Financial Instruments – Disclosure and Presentation Requirements	Amendments reflect Scottish regulations and provide clarification of disclosures.	No changes to financial reporting requirements.

Section 6.5 Accounting and Reporting by Pension Funds	Additional disclosures of pension fund investment management transaction costs.	Not relevant.

4.5 The Shared Financial Services Team's operational closure timetable has been updated for 2017/18 with tasks allocated to relevant finance team members. A number of items have been identified as candidates for earlier completion and consultation is underway with stakeholders regarding the revised deadlines before the timetable is finalised. Some of the additional changes that will aid the faster closure in 2017/18 are:

- Flexi, TOIL and leave recorded on the corporate system
- Further use of Asset Accounting module
- New timetable for Budget Outturn Report approval to ensure a timely feed-in for inclusion in the accounts
- Shorter timetable for non-financial performance reporting to feed into the Narrative Report in the Statement of Accounts
- Preparing a number of working papers and notes early, e.g. Related Party Transactions, Finance Lease, Members Allowances, Officers Remuneration, External Audit Costs

4.6 As outlined above, the Shared Financial Services Team prepare a detailed operational timetable for the closure of accounts process, with resources identified and tasks allocated to individual officers. This operational plan is further broken down and supplemented in many areas of work, such as the financial systems year end and the accruals of income and expenditure, with additional detailed guidance and individual task timetables. These timetables and guidance notes are distributed to relevant services and published on the Council's intranet and have been backed up with training sessions.

4.7 As requested by Governance Committee in November, the detailed operational Closure of Accounts Timetable is included at Appendix A. It must be stressed that this is an internal document and therefore contains terms and abbreviations that will mean very little to Members but is provided to demonstrate the extent to which this critical activity is planned and managed. It also must be noted that, currently, the timetable is only at the draft stage so still subject to the agreement, or notification, of a number of key dates. Furthermore, it is also a live document that constantly changes throughout the closure of accounts process. For example, actual completion dates are recorded for monitoring purposes. The timetable contains over two hundred individual tasks and the version provided at Appendix A is presented in the task-based view where tasks are grouped together in themes or areas of work. The timetable is also used in a date view, ordering all tasks in date order which allows progress monitoring throughout the closure process. A further resource view is also utilised, where all tasks are grouped by the officer responsible to allow individual workload and resource clashes to be identified. An extract is included below showing many of the tasks associated with producing the Collection Fund and completing the NNDR3 and Council Tax returns for submission to external bodies. The extract clearly shows detailed individual tasks, target dates, assigned responsibilities and relevant notes for consideration.

No	KEY TASKS	Notes	KEY DATES		RESPONSIBILITY	NOTES
		SRBC	Day	Target Date	SRBC	
T	COLLECTION FUND					
	DCLG supply NNDR3 return		TBC	TBC	RBM	Date TBC by DCLG
	Obtain list of o/s NNDR appeals from VOA		Tuesday	03/04/18	RBM	
	Calculate provision for appeals		Friday	06/04/18	PFA	
	Complete NNDR3 for review and signing		Friday	13/04/18	PFA	
	NNDR3 reconcile to accounts		Friday	13/04/18	PFA	
	S151 - Signing the CTAX outturn pro forma to LCC		Tuesday	17/04/18	RFO/PFA	
	Return Council Tax pro forma to LCC		Friday	20/04/18	PFA	Date TBC by LCC
	Submit Unaudited NNDR3 return		Friday	27/04/18	PFA	Date TBC by DCLG
	Submit Certified NNDR3 return		Friday	27/07/18	PFA	Date TBC by DCLG

4.8 Further to our own preparations for the 2017/18 closure of accounts process, the Shared Financial Services Team have also met with the external auditors, Grant Thornton, to agree some measures to assist in expediting the audit process. These include agreeing mutually suitable dates for the interim audit, committing to the completion of early testing of some transactions and balances, provision of a detailed working paper requirements list and specified working paper formats, agreement of data formats in advance of the audit, and a commitment to address any technical issues early and agree a response timeframe for request for information.

5. KEY RISKS TO THE CLOSURE OF ACCOUNTS PROCESS 2017/18

5.1 It goes without saying that adequately resourcing the closure of accounts process is key to its successful delivery. Resources have been assigned in line with the allocations for our successful practice run, but any changes to those resource levels could put the successful delivery of the 2017/18 Statement of Accounts at risk and will need to be monitored closely.

5.2 Due to the significantly reduced timescales, particularly for the audit of the accounts, it will be important to review and minimise any bureaucratic processes and consult with stakeholders to manage their expectations around existing practices. For example, if normal committee report clearance and publication deadlines are to be met for the approval of the accounts by 31st July, the external auditors would need to have completed the audit by 13th July to ensure the finalised Statement of Accounts can be published with committee agendas, allowing just six weeks for the audit. Any additional approval processes would shorten the audit timeframe further. Report approvals may not be able to go through every existing channel and it may be appropriate to consider special arrangements in some circumstances to ensure appropriate review and sign-off is still gained but within the constrained timeframe. Shared Financial Services will engage with the relevant stakeholders to ensure key stages, such as giving Members adequate time to consider papers, are not jeopardised.

5.3 A further key risk is the delivery of asset valuations and the Valuer's Report to the Chief Finance Officer. This process is critical to the accounts, and a key risk identified by the external auditors because of the material values associated with our land and buildings assets. Quotations are being sought from a number of external valuers with a view to engaging with one of these to deliver the 2017/18 land and buildings valuations by 31st March. The external auditors have indicated that a key line of audit enquiry this year will be the consideration of any material changes to asset values for those assets that have not been valued in the year as part of the five year rolling programme. This consideration is a key part of the Valuer's Report to the Chief Finance Officer and the authority must ensure resources are in place to deliver this.

6. INTRODUCTION OF THE GRANT THORNTON UPDATE AND PROGRESS REPORT AND ANNUAL CERTIFICATION LETTER

6.1 The progress and update report submitted by Grant Thornton and attached at Appendix B includes information in relation to the following:

- Progress on the 2017/18 external audit
- Audit deliverables
- Meeting the deadlines
- Sector updates

6.2 Attached at Appendix C is Grant Thornton's letter to the Council in relation to their certification work. Grant Thornton are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The results of the certification work are reported to you in the certification letter. This letter

reports any matters arising from the certification work carried out under the Public Sector Audit Appointments (PSAA) contract.

6.3 The key messages from the letter are; that only minor issues have been identified and these generally related to following up findings from previous years, as a result of the issues identified Grant Thornton reported the findings to the Department for Work and Pensions (DWP) who may require the Council to undertake further work or provide assurances on the issues reported, and finally that there is no change to the indicative fee of £6,968 for this work although any additional work required by DWP may incur additional fees.

7. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

7.1 Comments of the Statutory Finance Officer

The report and attached appendices are provided at the request of Governance Committee to demonstrate our preparedness for the 2017/18 closure of accounts process. They are for information only and therefore there are no direct financial implications.

7.2 Comments of the Monitoring Officer

The primary purpose of the report is to provide reassurance to members that the council is fully prepared to meet the new deadline for the closure of accounts. There are no direct legal implications arising.

Other implications:	
▶ **Risk** ▶ **Equality & Diversity** ▶ **HR & Organisational Development** ▶ **Property & Asset Management** ▶ **ICT / Technology**	Risk implications apply in relation to the Accounts and Audit Regulations 2015 to prepare financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty. This is a progress report and update to the Governance committee and therefore there are no other direct implications

BACKGROUND DOCUMENTS

- Accounts and Audit (England) Regulations 2015
- CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

APPENDICES

Appendix A: Shared Financial Services DRAFT Closure of Accounts Timetable 2017/18
Appendix B: Audit Progress Report and Sector Update (Grant Thornton)

SMT Member's Name: Jane Blundell
Job Title: Deputy S151 Officer

Report Author:	Telephone:	Date:
Lee Hurst Principal Systems & Financial Accountant	01257 515481	18/01/18

APPENDIX A

Internal Closure of Accounts Timetable 2017/18 as at 19th January 2018

No	KEY TASKS	Notes	KEY DATES		RESPONSIBILITY	NOTES
		SRBC	Day	Target Date	SRBC	
	BANK HOLIDAYS 2018					
	Good Friday		Friday	30/03/18		
	Easter Monday		Monday	02/04/18		
	May Day Bank Holiday		Monday	07/05/18		
	Spring Bank Holiday		Monday	28/05/18		
A	**PLANNING & PREPARATORY WORK**					
	Review lessons from previous year closedown		Friday	22/12/17	RFO	
	Purchase 2017/18 Code, Guidance & Disclosure Checklist		Thursday	04/01/18	FA	
	Set up and begin monthly Audit Liaison meetings with external audit		Friday	12/01/18	RFO	
	Review of 2016/17 External Audit Report/Issues		Friday	19/01/18	RFO	See Audit Findings Reports for any issues
	Risk register and Project Management		Friday	02/02/18	RFO/PFA	
	Receipt of pension data spreadsheet from YPS		Friday	16/02/18	PMA	
	Check and return pension data spreadsheet to YPS		Monday	19/02/18	PMA	
	Critical Judgements note. Initial work.		Friday	19/01/18	PFA	Email persons who might be aware of any critical judgements we need to make
	Set up Working Paper Files on T & K drives		Friday	23/02/18	FA	
	List of Balance Sheet Reconciliations & Ownership		Friday	23/02/18	FA	
	Preliminary review of Balance Sheet accounts		Friday	09/03/18	MA	
	Distribute Closure Memo & Year End Timetable to Departments		Friday	09/03/18	PFA	
	Collate Declarations of Interest and undertake company and directorship checks for Related Parties note		Wednesday	28/02/18	FA	Emails to be sent out in Feb via HR for Officers to update any declarations of interest Emails to be sent out in Feb via democratic services to members to update declarations of interest Collate list in February and update note by the end of Feb
	Produce 1st draft of statement & review acctg policies		Friday	23/03/18	RFO/PFA	
	Accounting Policies to Governance Committee		Wednesday	28/03/18	PFA	Governance Committee 18th April 2018
B	**END OF YEAR PRINTS**					
	C Tax & NNDR obtain prints		Tuesday	03/04/18	PFA	nr6285b, nr6297b, nr7050 ct6223a, ct6140c
	Year End Debtors Reports - 31 March listing & aged debt analysis - Need in both PDF & Excel		Tuesday	03/04/18	RBM	Schedule
	HB Income. Obtain IMAN prints & make posting		Tuesday	03/04/18	RBM/PFA	im6320 & im6330 and sy6040HB (Analysis of HB arrears for BDP calc)
	Production of Year End report listing all creditors		Thursday	29/03/18	ST	Needed in excel and pdf
C	**DEBTORS SYSTEM**					
	SRBC final day for input of debtor invoices		Wednesday	28/03/18	All Depts./MA	
	Clear cash posted to Debtors Suspense Account		Thursday	29/03/18	RBM	
	General Debtors reconciliation/Control Account		Tuesday	03/04/18	FA	
D	**OTHER DEBTOR ISSUES**					
	RIA & manual debtor accruals received by Mgt Accy		Wednesday	11/04/18	MA	
	RIA & manual debtor accruals posted		Friday	13/04/18	MA	
	Bad Debt Provision calculation		Friday	06/04/18	PFA	Use aged debt analysis (end of year print)
	Raise any misc Government Grant Debtors		Friday	13/04/18	MA	NB S31 BRR accrual follows completion of NNDR3. Can be a creditor if grant is repayable.
	Housing Benefit subsidy finalise debtor		Friday	13/04/18	PMA	
E	**CREDITORS SYSTEM**					
	SRBC system shutdown - start		Thursday	29/03/18	PFA/ST	Extended shut down period due to bank holiday
	SRBC system shutdown - finish		Tuesday	03/04/18	PFA/ST	
	Tidy up outstanding commitments - start		Thursday	01/03/18	All Depts./MA	This process is now built into budget monitoring and monitored closely from Jan to March meaning by year end the remaining commitments to be reviewed will be very low.
	Tidy up outstanding commitments - finish		Friday	23/03/18	MA	
	Final list of outstanding commitments circulated to departments		Friday	23/03/18	MA	
	Produce list of incomplete invoices & invoices in dispute		Thursday	01/03/18	ST	Accounts Payable Team to resolve with departments
	SRBC Roll Forward of Commitments & accruals		Thursday	29/03/18	MA	
	Yr End Creditors Control Account Reconciliation		Tuesday	03/04/18	ST	
	Complete review of invoices charged to 2018/19		Friday	20/04/18	MA	Post additional accruals if required
F	**OTHER CREDITORS**					
	Holiday, toil and flexi accrual - Data collected by Finance		Tuesday	03/04/18	MA	Discuss use of Wintime for 2017/18 with HR during Feb. Agree report formats March.
	Accrue employee benefits (holiday/flexi/TOIL)		Friday	06/04/18	PFA	
	Accrue unpaid redundancies/pension strain		Friday	06/04/18	PMA	
	Depts. to supply manual creditor lists		Friday	13/04/18	MA	
	Manual creditor accruals posted to ledger		Monday	16/04/18	SMA	
G	**MONTH & YEAR END REPORTING**					
	Daily clearance of general ledger suspense & holding accounts - start		Thursday	15/03/18	FA	
	Daily clearance of general ledger suspense & holding accounts - finish		Thursday	29/03/18	FA	
	SRBC Load Payroll Costing Files		Tuesday	27/03/18	ST	
	SRBC Accrue expenses and overtime per April payroll		Friday	27/04/18	ST	
	Clear ICON (Cash receipting) Suspense		Thursday	29/03/18	RBM	
	Stock & Petty cash certificates due from Depts.		Thursday	05/04/18	MA	
	Stocks - analyse movements & post		Friday	06/04/18	MA	
	Slippage Requests rec'd from departments & reviewed		Friday	13/04/18	MA	
	Director and Cabinet Lead approval of carry over balances		Thursday	19/04/17	PMA	
	Slippage Requests submitted to S151		Friday	20/04/17	MA	
	Despatch monitoring/out-turn statements		Monday	16/04/18	MA	
	Complete Balance Sheet Reconciliations		Friday	27/04/18	All	Realistically the final reconciliations need to be done after journal postings finished. BUT! They need to be reviewed beforehand to check there are no journals to post.
H	**TREASURY / BANKING**					
	SRBC Bank journals		Tuesday	03/04/18	FA	Clearance of holding account items
	Reconciliation of Refunds & Cash-C/Tax		Friday	06/04/18	FA	
	Reconciliation of Refunds & Cash-NNDR		Friday	06/04/18	FA	
	Reconcile ICON Cash		Friday	06/04/18	FA	
	Bank Reconciliation		Friday	06/04/18	FA	
	Accrue investment interest		Friday	06/04/18	FA	
	Deferred Credits/Mortgage Account Closure		Thursday	29/03/18	FA	
	Completion of treasury reconciliations		Thursday	12/04/18	FA	
	Calcn of average rate of interest		Thursday	12/04/18	FA	
	Allocate interest to misc balances		Thursday	12/04/18	FA	
	SRBC premia & discount posting		Thursday	12/04/18	PFA	
J	**CAPITAL RESOURCES**					
	Journal receipts <£10k to revenue		Wednesday	11/04/18	PMA	Should be mainly complete before April
	Identify disposals and reconcile receipts		Friday	06/04/18	PMA	
	Check capital income accruals		Wednesday	11/04/18	PMA	
	Housing Capital Receipts Pooling - accrue final quarter pooling liability		Thursday	12/04/18	FA	
K	**CAPITAL CLOSURE**					
	Asset register - Preliminary reconciliation		Friday	16/03/18	PFA	
	Asset register - non property assets		Thursday	29/03/18	PFA	Delete disposed vehicles, plant and equipment
	Asset register - supply 31 March valuations		Tuesday	03/04/18	PS	
	Identify cap exp charged to revenue & transfer		Wednesday	11/04/18	PMA	Should be mainly complete before April
	New lease drawdown work		Friday	06/04/18	PMA	Implication for CFR if relevant assets not leased by 31 March
	SRBC leisure partnership finance lease postings		Tuesday	10/04/18	PMA	
	Raise capital creditors		Friday	13/04/18	PMA	
	Match DFGs to Housing records to agree accruals		Wednesday	11/04/18	MA	
	Review Capital Outturn - expenditure & funding		Thursday	12/04/18	PMA	
	Capital clearance, funding and journals		Friday	13/04/18	PMA	
	Asset register - complete reconciliation		Friday	20/04/18	PFA	This is ongoing and will be finished after all postings have been made.
	Produce working paper to show all capital income has gone through CI&E account		Friday	27/04/18	PFA/PMA/SMA	MiRS
L	**CAPITAL CHARGES**					
	MRP post		Friday	16/03/18	PMA	
	Depreciation of fixed assets - calc & post		Friday	20/04/18	PFA	
	Amortisation of intangible assets - calc & post		Friday	20/04/18	PFA	
M	**PENSIONS**					
	Pensions - Receipt of actuary's report		Friday	20/04/18	PFA	Provisional date based on last year
	Pensions postings		Wednesday	25/04/18	PFA	
N	**PROPERTY SERVICES**					
	CBC ONLY					
O	**MAYORS CHARITY / TRUST FUNDS / OTHER CHARITIES**					
	Mayors Charity complete draft accounts		Friday	20/04/18	PMA	
	Scrutiny and inspection of charity accounts (as per Risk Register requirement)		Friday	27/04/18	FA	
P	**MISCELLANEOUS**					
	Finance Leases lessor postings		Friday	27/04/18	PFA	

	I&E Detailed Analytical Review (cash/manageable basis) for Auditors - Major Variations		Friday	05/05/17	MA	
	Ensure that the review process for reconciliation working papers is working		Friday	05/05/17	RFO	
Q	**GROUP ACCOUNTS**					
	Review whether Group Accounts are necessary		Friday	09/03/18	PFA	Email to audit
	Agree with audit whether group accounts necessary		Friday	16/03/18	PFA	Chase audit for an opinion
	Receive Leisure Trust Accounts		Friday	11/05/18	PMA	Accounts produced by Serco. Save copy of accounts on final account folder
R	**SHARED SERVICES ACCOUNTS**					
	Prepare Annual Return for internal audit		TBC	TBC	MA	
	Shared Services Joint Committee - report deadline		TBC	TBC	MA	
	Shared Services Joint Committee - agenda publication		TBC	TBC	MA	
	Shared Services Joint Committee - meeting		TBC	TBC	MA	Mid to late July
S	**FINAL LEDGER POSTINGS**					
	Complete final Balance Sheet reconciliations		Friday	27/04/18	all	
	Final day for posting journals to ledger		Friday	27/04/18	all	
	Support Service Recharges - calculate and post		Monday	30/04/18	MA	No longer required for accounts
T	**COLLECTION FUND**					
	DCLG supply NNDR3 return		TBC	TBC	RBM	Date TBC by DCLG
	Obtain list of o/s NNDR appeals from VOA		Tuesday	03/04/18	RBM	
	Calculate provision for appeals		Friday	06/04/18	PFA	
	Complete NNDR3 for review and signing		Friday	13/04/18	PFA	
	NNDR3 reconcile to accounts		Friday	13/04/18	PFA	
	S151 - Signing the CTAX outturn pro forma to LCC		Tuesday	17/04/18	RFO/PFA	
	Return Council Tax pro forma to LCC		Friday	20/04/18	PFA	Date TBC by LCC
	Submit Unaudited NNDR3 return		Friday	27/04/18	PFA	Date TBC by DCLG
	Submit Certified NNDR3 return		Tuesday	31/07/18	PFA	Date TBC by DCLG
U	**NOTES TO FINANCIAL STATEMENTS**					
	Accounting Policies	1	Friday	27/04/18	PFA	Report to Governance Committee in advance of accounts closure if possible
	Accounting standards issued but not adopted	2	Friday	23/03/18	PFA	
	Critical judgements in applying accounting policies	3	Friday	06/04/18	PFA	
	Assumptions made & sources of major estimation uncertainty	4	Friday	11/05/18	PMA	
	Material income & expenditure	5	Friday	27/04/18	PMA	
	Events after the reporting period (balance sheet date)	6	Friday	11/05/18	PFA	
	Note to the Expenditure & Funding Analysis	7	Friday	11/05/18	PFA	
	Expenditure & Income Analysed by Nature	8	Friday	11/05/18	PFA	
	Adjustments between funding and accounting bases	9	Friday	11/05/18	PFA	
	Transfers to/from earmarked reserves	10	Friday	04/05/18	PMA	
	Other operating expenditure	11	Friday	11/05/18	PFA	
	Financing and investment income & expenditure	12	Friday	11/05/18	PFA	
	Taxation & non specific grant income	13	Friday	11/05/18	PFA	NB ALL CORE STATEMENTS ARE SUBJECT TO A QUALITY ASSURANCE ASSESSMENT
	Property plant & equipment (PPE)	14	Friday	04/05/18	PFA	AND THEREFORE 11/05/2018 IS THE FINAL DATE FOR ALL NOTES WITHOUT EXCEPTION
	Investment property	15	Friday	04/05/18	PFA	
	Intangible assets	16	Friday	04/05/18	PFA	
	Financial instruments	17	Friday	11/05/18	PFA	
	Inventories	18	Friday	04/05/18	all MA's	
	Debtors (short-term)	19	Friday	04/05/18	SMA	
	Cash and cash equivalents	20	Friday	11/05/18	PFA	
	Assets held for sale	TBC	Friday	11/05/18	PFA	
	Creditors (short-term)	21	Friday	04/05/18	SMA	
	Provisions	22	Friday	04/05/18	PFA	
	Usable reserves	23	Friday	11/05/18	PMA	
	Unusable reserves	24	Friday	11/05/18	PFA/SMA	
	Cash flow statement - operating activities	25	Friday	11/05/18	PFA	
	Cash flow statement - investing activities	26	Friday	11/05/18	PFA	
	Cash flow statement - financing activities	27	Friday	11/05/18	PFA	
	Amounts reported for resource allocation decisions	TBC	Friday	11/05/18	PFA	
	Acquired and discontinued operations	TBC	Friday	11/05/18	PFA	
	Trading operations	28	Friday	11/05/18	MA	
	Members allowances	29	Friday	04/05/18	MA	
	Officers remuneration & exit packages SRBC	30	Friday	04/05/18	MA	
	Termination benefits	31	Friday	04/05/18	MA	
	External audit costs	32	Friday	04/05/18	MA	
	Grant income	33	Friday	11/05/18	PMA	
	Related parties	34	Friday	04/05/18	PFA	
	Capital expenditure and financing	35	Friday	04/05/18	SMA	
	Leases	36	Friday	11/05/18	PFA/MA	
	Impairment losses	TBC	Friday	11/05/18	PFA	
	Defined benefit pension scheme	37	Friday	04/05/18	PFA	
	Contingent liabilities	38	Friday	11/05/18	PMA/PFA	
	Contingent assets	39	Friday	11/05/18	PMA/PFA	
	Prior Period Adjustment	TBC	Friday	11/05/18	PFA	
V	**FINALISE DRAFT STATEMENT**					
	Collection Fund		Wednesday	18/04/18	PFA	See deadline for completion of unaudited NNDR3 and Council Tax info for LCC
	Comprehensive Income & Expenditure Statement		Friday	04/05/18	PFA	
	Balance Sheet		Friday	04/05/18	PFA	
	Expenditure and Funding Analysis		Friday	04/05/18	PFA	
	Movement in Reserves Statement		Friday	04/05/18	PFA	
	Cash Flow		Wednesday	09/05/18	PFA	
	Review of accounts - start		Monday	14/05/18	RFO	
	Review of accounts - finish		Friday	18/05/18	RFO	
	Narrative Statement		Friday	18/05/18	RFO	
	Full Draft Accounts completed		Wednesday	23/05/18	PFA	
	S151 approval of SoA		Friday	25/05/18	RFO	
W	**COMMITTEE REPORTS - DRAFT CORE STATEMENTS**					
	SRBC Governance Cttee report deadline DRAFT Core Statements		Monday	14/15/17	PFA	Freeze Draft Core Statements for reporting
	SRBC Governance Cttee report deadline DRAFT Core Statements		Tuesday	15/05/17	RFO	Clear Draft Core Statements
	SRBC Governance Cttee publish agenda DRAFT Core Statements		Wednesday	16/05/17	PFA	
	SRBC Governance Cttee Meeting DRAFT Core Statements		Thursday	24/05/18	PFA	
X	**RETURNS etc.**					
	TBC		TBC	TBC		
Y	**AUDIT REQUIREMENTS**					
	Advert- Inspection of Accounts		TBC	TBC	FA	To include the first ten working days of June
	Public Inspection of Accounts - TBC with Audit		TBC	TBC	RFO	
	Audit confirm date for Exercise of Public Rights		TBC	TBC	External Audit	
Z	**ANNUAL AUDIT**					
	Check Auditors have access to T & K drives		Wednesday	30/05/18	ST	
	Commencement of audit		Friday	01/06/18	External Auditor	
	Audit Progress Review Meetings		TBC	TBC	RFO	Weekly during audit
	Schedule of Adjustments		TBC	TBC	RFO	
	Finalisation Actions		TBC	TBC	PFA	
	SRBC resolution of outstanding queries		TBC	TBC	RFO	
	External Audit review resolution of o/s queries		TBC	TBC	External Auditor	
	Audit meeting S151 re Audit findings		TBC	TBC	RFO	Presentation of Audit differences to S151 officer
	Revised Set of Accounts to Audit		TBC	TBC	PFA	
	Audit to review files & feedback to Officers		TBC	TBC	RFO	
	Audit provide ISA260 for discussion/agreement		TBC	TBC	RFO	
AA	**FINAL APPROVAL OF AUDITED ACCOUNTS**					
	Obtain representations from Chief Officers		Friday	06/07/18	RFO	To enable letter of representation to be signed
	Preparation of Letter of Representation		Wednesday	11/07/18	RFO	Usually based on template provided by External Audit
	Full Accounts & Report completed		Tuesday	17/07/18	PFA	
	SRBC Governance Cttee - report deadline		Tuesday	17/07/18	PFA	
	SRBC Governance Cttee - publish agenda		Wednesday	18/07/18	PFA	
	SRBC Governance Cttee - meeting		Thursday	26/07/18	RFO/PFA	
	Responsible finance officer to re-certify SRBC accounts		Tuesday	17/07/18	PFA	Chair to certify approval by Governance Committee at meeting
	Signed copy of SRBC statement to external audit		Thursday	26/07/18	PFA	
	SRBC Letter of Representation to External Audit		Thursday	26/07/18	RFO	
	Audit sign off Accounts - Opinion Letter		Thursday	26/07/18	External Auditor	
	Deadline for Publication of Accounts with audit opinion and certificate		Tuesday	31/07/18	RFO	Publish on web site
BB	**NOTICE OF CONCLUSION OF AUDIT**					
	External Auditors notify Council(s) of conclusion of Audit		Friday	27/07/18	External Auditor	
	Make SOA available on web site		Tuesday	31/07/18	FA	
	Review accessibility of SOA		Tuesday	31/07/18	PFA	

	Confirm date of publication to External Audit		Tuesday	31/07/18	PFA	
	Advertise Completion of Audit (web site only)		Tuesday	31/07/18	FA	
	Review of Closure Process		Friday	28/09/18	RFO	

Key to Initials

RFO Responsible Financial Officer (Section 151)
PFA Principal Financial Accountant
PMA Principal Management Accountant
SMA Senior Management Accountant
MA All Management Accountants
ST Financial Systems Team
FA Financial Accountant
RBM Revenues & Benefits Manager
PS Property Services

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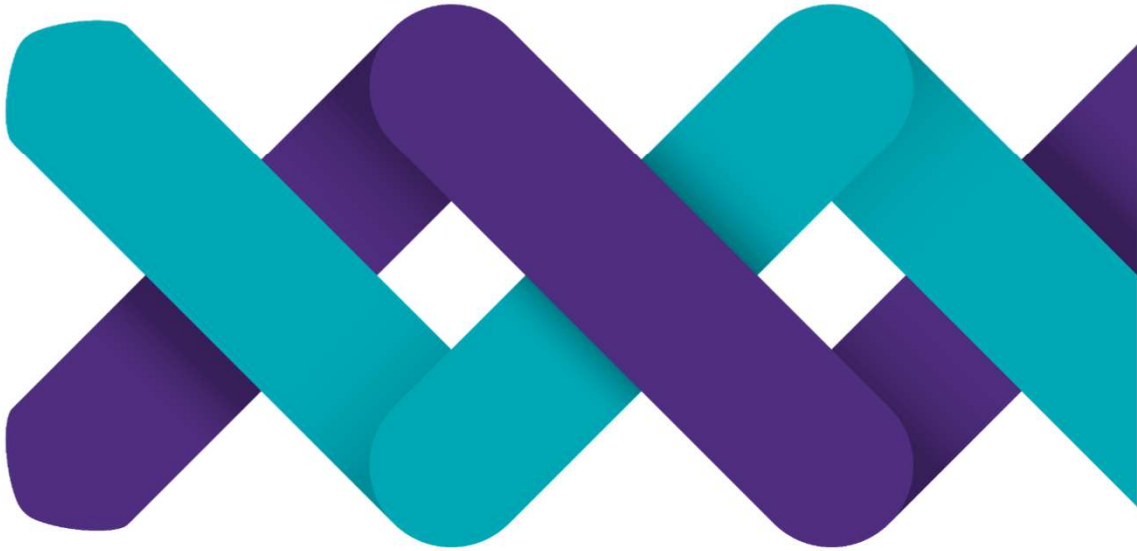
Grant Thornton

An instinct for growth™

Audit Progress Report and Sector Update

South Ribble Borough Council
Year ending 31 March 2018

16 January 2018



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Introduction

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This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk .

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

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Progress at 16 January 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We are due to commence our interim audit in February 2018. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the March Governance Committee.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We discuss our plan and timetable with officers.

The final accounts audit is due to begin on 1 June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

•Informed decision making

•Sustainable resource deployment

•Working with partners and other third parties

We will make our initial risk assessment to determine our approach in January 2018 and report this to you in our Progress Report at the March Governance Committee

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

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Progress at 16 January 2018

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We are meeting Finance Officers on a monthly basis to discuss emerging developments and to ensure the audit process is smooth and effective. We also meet regularly with your Chief Executive to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our next events are:

- Chief Accountants workshops are taking place during January and February. In the north-west the dates are 23 January in Manchester, 25 January in Liverpool and 15 February in Preston
- Income Generation event taking place in our Manchester office on 8 February, which will look at:
  - New innovative approaches adopted by commercial councils
  - Market trends in commercial innovation
  - Council responsibilities to adhere to new regulations

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

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Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	February 2018	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Governance Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

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Meeting the deadlines

The Governance Committee requested an update on how we plan to meet the audit deadline of 31 July 2018. We recognise that bringing forward the audit deadline by two months, and the deadline for the Council to produce its accounts by one month, does pose a challenge. However by working closely together over the next few months, with regular liaison meetings and addressing issues as they arise, we fully expect that the challenges will be met.

In the following two columns we set out some of the key steps we are taking, with the help of the Council's finance team, to ensure that the audit deadline is met. We are very much reliant on the Council's officers producing a full set of financial statements and supporting notes by 31 May, along with a clear set of working papers. With the expectation that this will be achieved we have plans in place to ensure our deadline is met.

What we have done, or plan to do:

- Arranged monthly meetings with the finance team to ensure there are 'no surprises' and to discuss issues as they arise prior to the accounts production and therefore our audit
- Booked quarterly meetings with internal audit to ensure that we make the most of the good working relationship
- Complete the VfM Conclusion work by mid-April 2018, with the initial planning already underway
- Complete some early testing of transactions and balances. We will work with the Finance Team to ensure we complete any early work on the most appropriate areas
- Earlier completion of interim work, to ensure that the finance team maximise their time on closedown
- Agree a tailored list of required working papers well in advance of the year-end
- Hold weekly meetings during the audit to discuss outstanding queries and jointly monitor progress
- Meet with members of the governance committee to discuss relevant issues
- Set out at the beginning of the final accounts audit who will be completing the audit work and when that testing will be completed by
- Agree a response timeframe, to allow prompt responses to our queries

By such close working and the professional approach by both the Council's officers and the Audit team, we are confident that the audit deadline will be met.

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Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Governance Committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

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Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?

You can see and hear what delegates thought on our website

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Combined Authorities: Signs of Success

In her foreword to 'Building our Industrial Strategy' the Prime Minister states that the initiative "will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East."

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the levering in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

Click on the report cover to download and read more.

Grant Thornton Publication

Consider:

Is your Authority considering how the combined authority model may evolve?

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Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is the not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

Click on the report cover to download and read more

Grant Thornton Publication

Challenge question:

Is your Authority considering the risks and governance issues of the commercialisation agenda?

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Cost Assurance

Did you know….

40
Number of Public Sector engagements to date

£125m
Annual spend analysed

£3.55m
Rebate opportunities identified

£1.1m
Fee income identified

2.84%
Error rate – rebates versus spend volume

55%
Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton **Challenge question:**

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

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Setting up a successful social enterprise

Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended.

The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Key findings from the report:

•Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre

•The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so

•Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice

•Some local authorities have converted exiting models into social enterprises; for example where a greater focus on social outcomes has been identified

Click on the report cover to download and read more

Grant Thornton Publication

Challenge question:

Is your local authority looking to transition a public service to a social enterprise model, and if so are you familiar with this report?

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The Board: creating and protecting value

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

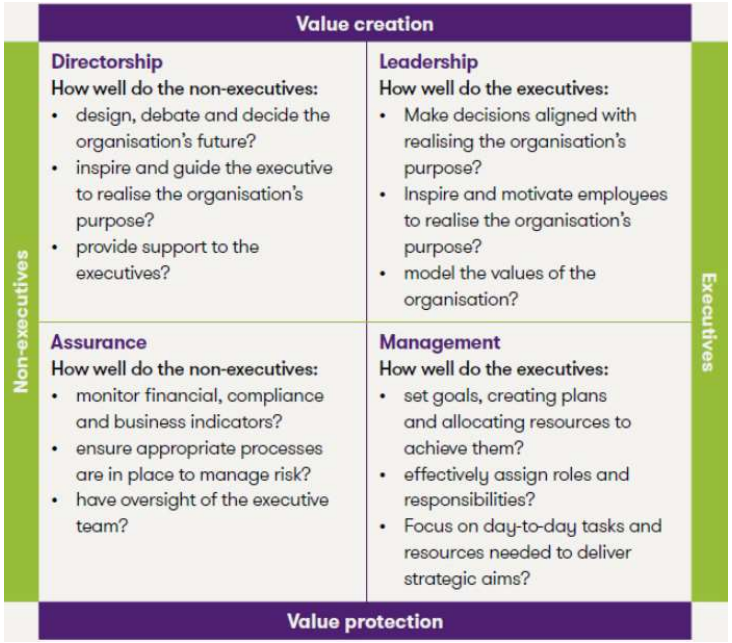
Grant Thornton's new report 'The Board: creating and protecting value' is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance.

This powerful tool provides a framework with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

Click on the report cover to download and read more



Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton Publication

Challenge question:

Can you use the key questions raised in the report to consider the effectiveness of your own governing body?

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Code of Practice on Local Authority Accounting and IFRS 9 and IFRS 15

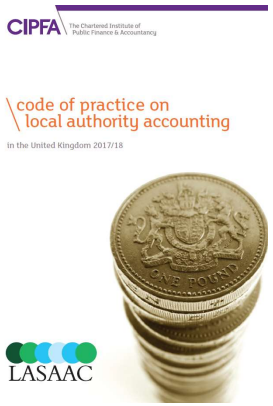
CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18 which specifies the principles and practices of accounting required to prepare a Statement of Accounts.

The main changes to the Code include:

- amendments to section 2.2 for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 to introduce key reporting principles for the Narrative Report
- updates to section 3.4 covering the presentation of financial statements to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 affecting the Housing Revenue Account, to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 relating to the Accounting and Reporting by Pension Funds, to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Alongside the Code, CIPFA has also published Guidance Notes for Practitioners and a Disclosure Checklist for 2017/18 Accounts.

These publications may be obtained from CIPFA and are available here.



CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.

Looking further ahead, this sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

An Early Guide for Local Authority Practitioners covering IFRS 9 Financial Instruments is to be published in December 2017.

CIPFA Publication

Challenge question:

Is the Finance Team aware of the changes affecting the preparation of the financial statements for 2017/18 and the forthcoming changes to financial instruments and revenue recognition.

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Overview of General Data Protection Regulation (GDPR)

What is it?	What's next?
GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.	Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

GDPR

Challenge question:

Can your authority effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

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CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.

CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

CIPFA Publication

Challenge question:

Are these publications of use to you?

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Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available here.

Did you know….

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

http://www.cfoinsights.co.uk/

CFO Insights

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Links

Grant Thornton website links

https://www.grantthornton.co.uk/

http://www.grantthornton.co.uk/industries/publicsector

http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/

http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/

http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/

http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/

http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/

http://www.cfoinsights.co.uk/

CIPFA website links

http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice

http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online

http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online

http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition

DCLG website links

https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance

https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn

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17 January 2018

Dear Jane

Certification work for South Ribble Borough Council for year ended 31 March 2017

We are required to certify the Housing Benefit subsidy claim submitted by South Ribble Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy of £21.9 million. Further details are set out in Appendix A.

We identified only minor issues from our certification work that we wish to highlight for your attention and these generally related to following up findings from previous years. Details of these issues are set out in Appendix A.

As a result of the issues identified, we reported our findings to the Department of Work and Pensions (DWP). The DWP may require the Council to undertake further work or provide assurances on the issues reported in our qualification letter.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £6,968. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£21,883,545	No	0	Yes	See below for details.

Findings from certification of housing benefits subsidy claim

Incorrect Local Housing Allowance (LHA) applied
In previous years we have found that the incorrect LHA figure had been used due to the Council's housing benefit system not correcting the anniversary date. Additional testing was completed to follow up on the issue, with all similar cases in the year reviewed. The Council is dealing with this issue, with only minor errors identified resulting in overpayments of £129.60 and underpayments of £32.37.

Correct application of assessment dates for new cases and changes in circumstances
As a result of errors identified previously, additional testing was completed to ensure suitable documentation had been seen to support assessment dates for new cases and changes in circumstances. The testing identified one underpayment of £1.13. A further error, not related to the issue being tested, was found where an assessor missed an amendment on rent resulting in an overpayment of £38.40. Given we were not testing rent figures, we did not request the Council to complete further work on this issue. The DWP have written to South Ribble in January requesting further assurance.
.

LHA weekly rent
As a result of errors identified previously, the Council completed a 100% check of all LHA cases where a weekly, rather than monthly rent, had been recorded. The testing identified seven cases where the rent was incorrectly recorded. However, in each case the correct LHA rate was used. No errors were therefore found in housing benefit granted or subsidy claimed by the Council.

Payslip Cases
Errors have been previously identified in 2014-15 and 2015-16, due to the presentation of information relating to salary sacrifice for one large employer in the borough area. The testing identified one underpayment of £12.32, which does not affect subsidy and has not been classified as an error for subsidy purposes.

Incorrect change of date for non-dependent circumstances
As a result of errors identified previously, further testing was required to ensure that suitable documentation had been seen to support the inclusion of appropriate non-dependent deduction. No errors were found in this testing.

Working Tax Credit - income assessment applied correctly

In certifying the 2015-16 subsidy claim, we found an error relating to an incorrect recording of the working tax credit. Additional testing was therefore required to ensure working tax credit cases had been recorded correctly. The testing identified no errors.

Recommended actions for officers
We acknowledge that, due to the complex nature of assessing claims, there is a risk of errors arising in that assessment process. The Council should therefore continue to work on minimising the risk of such errors occurring.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance between indicative fee and actual (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£9,290	£6,968	£6,968*	£0	No variance between indicative fee and actual
Total	£9,290	£6,968	£6,968*	£0	

*** excludes any potential fee for additional work from DWP letter dated 11 January 2018**

REPORT TO	ON
Governance Committee	**31st January 2018**

Jan 2017

TITLE	AUTHOR	*Agenda item No.*
2nd Internal Audit Interim Report as at 29th December 2017	**Garry Barclay Dawn Highton**	

1. PURPOSE OF THE REPORT

1.1 The purposes of this report are:

- To advise Members of the progress made on the South Ribble and Shared Services Internal Audit Plans for the period August 2017 to December 2017 and to comment on the outcomes;
- To give an appraisal of the Internal Audit Service's performance to date.

1.2 The report links with all of the corporate objectives, especially to be an 'efficient, effective and exceptional council'.

2. RECOMMENDATIONS

2.1 That the report be noted.

3. CORPORATE PRIORITIES

3.1 The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	x

4. BACKGROUND TO THE REPORT

4.1 This is the second progress report for the 2017/18 financial year and covers the period 31st July to 29th December 2017.

5. INTERNAL AUDIT PLANS

5.1 **Appendix 1** provides a "snapshot" of the overall progress made in relation to the 2017/18 Internal Audit Plans, indicating which audits have been completed and their control rating, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits.

5.2 Members will note that at this stage, the Internal Audit Plans are on target to be achieved. The table below highlights the main pieces of work undertaken during the period together with any issues identified, where applicable;

Audit Area	Assurance Rating	Comments
South Ribble Borough Council		
National Fraud Initiative	Not applicable	Investigations undertaken by the Revenues Section of the 2016/17 exercise are still on-going and to date have identified overpayments of housing benefit and council tax reduction scheme of £17,397 which is currently being recovered. Data for the Council Tax (Single Person Discount) and the Electoral Register was submitted in December 2017, with 871 matches identified which are now being investigated.
Performance Management	Not applicable	Continued project team support is being provided to enhance the Council's performance management arrangements. A sample of the reported performance data will be audited in Quarter 4.
City Deal	Not applicable	We are a member of the project team to provide advice and guidance on governance, control and risk. In addition we have provided support to enable the production of a robust risk register, which is being continuously reviewed and assessed.
Council Tax	Amber (8) Substantial	Whilst the risks within Council Tax are being effectively managed, minor improvements to the system were agreed including documenting refund checks and strengthening the administrator access arrangement for ICT officers.
NNDR	Amber (8) Substantial	No significant control weaknesses were identified however an independent review of the awarding of reliefs and discounts should be introduced.

Housing Benefits	Pending	Audit in progress.
Homelessness	Amber (6) Substantial	Our work confirmed that officers are knowledgeable and strive to provide an effective Homelessness Service. The introduction of the Homelessness Reduction Act will introduce new duties on the Council, and work is already underway to implement the required changes.
General Data Protection Regulations (GDPR)	Not applicable	We are continuing to support the Revenues Manager in preparation for the introduction of GDPR in May 2018.
Shared Services		
Treasury Management	Amber (8) Substantial	The controls in place for the management and administration of Treasury Management provide substantial assurance with only a couple of minor control weaknesses identified.

CONTROLS ASSURANCE KEY

Risk Rating

Minor, Standard, Major or Critical reflects the relative risk of each system and the impact on the Council if it was to fail.

The risk rating for each audit has been agreed following a detailed risk assessment by Internal Audit and approval by Senior Management.

Risk Rating	Full	Substantial	Adequate	Limited
Critical	4	8	12	16
Major	3	6	9	12
Standard	2	4	6	8
Minor	1	2	3	4

Control Rating

Control Rating

Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist. **Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. **Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. **Full –** the Authority can place complete reliance on the controls. No control weaknesses exist.

6. INTERNAL AUDIT PERFORMANCE

6.1 **Appendix 2** provides information on Internal Audit performance as at 29th December 2017. All the indicators have either been achieved or exceeded with the exception of two indicators which are slightly below target for the reasons below:

- Planned time used - due to some reviews being re-profiled for the final quarter;
- % Audit Plan completed – due to one review being at draft report stage.

7. GOVERNANCE RISK AND CONTROL EVALUATION (GRACE)

7.1 The implementation of GRACE is continuing and since April 2017, the following has been delivered:

- Training to over 80 South Ribble and Shared Services Officers.
- A member learning hour on "Understanding the Corporate Risk Register" alongside the Corporate Improvement Manager.

7.2 At the Governance Committee meeting in September 2017, we reported that over 100 risks were being continuously reviewed and monitored by risk owners. This figure has now risen to over 350 risks with both corporate and system level reports now being routinely produced.

8. BACKGROUND DOCUMENTS

Internal Audit Plan 2017/18

APPENDIX 1

INTERNAL AUDIT PLANS 2017/18

WORK AREA	Risk	Qtr	Est	Actual	Balance	Comments	Assurance Rating
SOUTH RIBBLE							
CORPORATE AREAS							
Annual Governance Statement	N/A	1 & 4	20	17.7	2.3	Complete	
Anti-Fraud & Corruption	N/A	ALL	10	7.2	2.8	On-going	
NFI	N/A	ALL	20	15.2	4.8	On-going	
GOVERNANCE							
Scrutiny & Performance							
Performance Management	Critical	1 & 4	20	6	14	Support and Q4 review	
Project Management	Critical	4	15	1.1	13.9	To commence Q4	
Human Resources							
Recruitment & Selection	Major	3	15	0	15	To commence Q4	
DEVELOPMENT, ENTERPRISE & COMMUNITIES							
City Deal	N/A	ALL	10	8.5	1.5	On-going	
Housing							
Housing Captial Programme Group	N/A	ALL	5	2	3	On-going	
Private Sector Housing Grant	Major	3	15	0	15	To commence Q4	
Revenues / Homelessness							
Council Tax	Critical	3	10	12.8	-2.8	Complete	**Amber (8) Substantial**
NNDR	Critical	3	10	12	-2	Complete	**Amber (8) Substantial**
Housing Benefits	Critical	3	10	10.3	-0.3	Draft report	
Sundry Debtors	Critical	3	10	1	9	To commence Q4	
Homelessness	Major	1	15	18.5	-3.5	Complete	**Amber (6) Substantial**
ICT							
Data Protection	Critical	1	15	8.1	6.9	On-going	
NEIGHBOURHOODS, ENVIRONMENTAL HEALTH & ASSETS							
Waste, Transport & Neighbourhoods							
Environmental Enforcement	Major	4	15	4.8	10.2	Work in progress	
Public Health							
Health and Safety	Critical	2	15	4.8	10.2	Work in progress	
Property Services							
Property Investment Portfolio	N/A	ALL	10	3.6	6.4	On-going	
Commercial Properties	Major	4	15	3.6	11.4	Work in progress	
Legionella / Asbestos Management	Major	2	15	1	14	To commence Q4	
GENERAL AREAS							
Residual Work from 2016/17	N/A	1	20	30.7	-10.7	Complete	
Risk & Control Self-Assessment (GRACE)	N/A	ALL	30	26.3	3.7	On-going	
Post Audit Reviews	N/A	ALL	10	5.2	4.8	On-going	
Contingency / Irregularities	N/A	ALL	15	12.7	2.3	On-going	
Governance Committee	N/A	ALL	15	12.2	2.8	On-going	
SOUTH RIBBLE SUB TOTAL			**360**	**225.3**	**134.7**		
SHARED SERVICES							
SHARED FINANCIAL SERVICES							
Treasury Management	Critical	3	20	19.9	0.1	Complete	**Amber (8) Substantial**
Payroll	Critical	4	20	0.2	19.8	To commence Q4	
Creditor	Critical	4	20	0.8	19.2	To commence Q4	
SHARED ASSURANCE SERVICES							
Risk Management	Critical	4	15	0	15	To commence Q4	
General Areas							
Residual Work from 2016/17	N/A	1	20	29.7	-9.7	Complete	
Risk & Control Self-Assessment (GRACE)	N/A	ALL	5	4.5	0.5	On-going	
Post Audit Reviews	N/A	ALL	10	3.4	6.6	On-going	
Contingency / Irregularities	N/A	ALL	10	4	6	On-going	
SHARED SERVICES SUB TOTAL			**120**	**62.5**	**57.5**		

APPENDIX 2

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 29th December 2017

	Indicator	Audit Plan	Target 2017/18	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	53%	53%	Target achieved
		SRBC	90%	67.5%	63%	Below target as some audit work re-profiled for the final quarter.
2	% audit plan completed	SS	100%	33%	33%	Target achieved
		SRBC	100%	50%	40%	One review at draft report stage
3	% management actions agreed	SS	98%	98%	100%	Target exceeded
		SRBC	98%	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	90%	0%	Not applicable
		SRBC	90%	90%	98%	Target exceeded

SS = Shared Services
SRBC = South Ribble

REPORT TO	ON
Governance Committee **Council**	31st January 2018 21st March 2018

September 2017

TITLE	REPORT OF
Member and Officer Protocol	Interim Corporate Improvement Manager

Is this report confidential?	**No**

1. PURPOSE OF THE REPORT

To present the draft Member and Officer Protocol to Governance Committee for comment prior to its submission to Council for approval on 21st March 2018.

2. RECOMMENDATIONS

2.1 That members recommend to Council that the draft Member and Officer Protocol shown at **Appendix 1** be approved

2.2 That members recommend to Council that all members of the Council and all Tier 1 – 4 officers and any other officers whose posts are politically restricted be required to sign the Protocol to signify their acceptance of its contents and their commitment to their adherence to the Protocol.

2.3 That members recommend to Council that the Member and Officer Protocol becomes a formal part of the Council's revised Constitution

3. EXECUTIVE SUMMARY

3.1 Following the Scrutiny Review of Licensing and the LGA Corporate Peer Challenge, there was a need to develop a Member and Officer Protocol to set out clearly the expected behaviours of members and officers.

3.2 The LGA commissioned a consultant to work with members and officers to develop the Protocol and this is now submitted to members for consideration prior to Council approval.

3.3 The Protocol applies to all members and officers of the Council. When approved, it will form an integral part of the Council's Constitution.

3.4 The Protocol sets out the respective roles of members and officers and the behaviours expected of them. It details the behaviours needed to ensure mutual trust and respect and effective working relationships.

3.5 It also refers to the social media protocol approved by Council in July 2017 and the rules relating to the use of information technology.

3.6 Section 23 of the Protocol sets out the processes to be followed for addressing concerns and the sanctions to be applied for non-compliance of the Protocol.

4 CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe		**Strong and healthy communities**	
Strong South Ribble in the heart of prosperous Lancashire		**Efficient, effective and exceptional council**	✓

5. BACKGROUND TO THE REPORT

Following the Scrutiny Review of Licensing undertaken in September 2016, the Cabinet approved a Corporate Improvement Plan incorporating the recommendations made in the Scrutiny Review.

One of those recommendations was the need to develop a Member / Officer Relations Protocol. A diagnostic to identify the issues which the Protocol should address was undertaken by the Centre for Public Scrutiny in February 2017.

The LGA Corporate Peer Challenge carried out at the end of March 2017 considered the findings from this diagnostic work and noted that there was a need to ensure strong standards of personal behaviour. It recognised the importance of Members and Officers taking collective responsibility for driving a change in culture at the Council and to help strengthen mutual trust and respect between Officers and Members.

Accordingly, the LGA commissioned work to develop a Member and Officer Protocol ('the Protocol') to provide clarity in relation to the respective roles and responsibilities of Members and Officers and the nature of the relationships that underpin effective joint working.

This work was undertaken by Mike Green from Transitional Spaces between August and December 2017.

6. DEVELOPMENT OF THE PROTOCOL

6.1 Officers worked closely with Mike Green to establish an inclusive approach to development of the Protocol.

6.2 In early October, a series of focus group with a cross section of members and staff were held to identify the challenges that currently exist so that a draft protocol could be developed to meet the Council's specific needs. The Focus Groups considered of the following.

- Cabinet members
- Scrutiny Members
- Backbench members
- Committee Chairs
- Senior Management Team
- Middle managers (including HR)

- Front line staff (office based – Including HR)
- Front line staff (Depot)

6.3 The feedback from these sessions was used to inform the development of a draft Protocol which was then tested out in a joint meeting between the Cabinet, the Shadow Cabinet and the Senior Management Team held on 13th November.

6.4 The Protocol was then refined and presented to members and officers in a series of joint workshops held in early December. A total of 5-workshops were held over two days attended by 38 officers and 30 members.

Members of the Cabinet and the Shadow Cabinet jointly facilitated these sessions alongside Mike Green and the Council's Interim Corporate Improvement Manager.

In these sessions, different scenarios were used to 'road test' the Protocol and to explore what it means for officers and members and the behaviours the Protocol is intended to promote.

Feedback from these sessions was then used to fine tune the Protocol.

6.5 A final version of the Protocol has now been developed for members' consideration and this is attached at **Appendix 1**.

6.6 **Appendix 2** provides a diagrammatic overview of the routes to resolution set out in the Protocol.

6.7 When approved, it is suggested that all elected members and all Tier 1 – 4 officers and any other officers whose posts are politically restricted are required to sign the Protocol to signify their acceptance of it and their commitment to its adherence.

6.8 Sanctions for non-compliance with the protocol are included within the Protocol at Paragraph 23.

6.9 When approved, the Protocol will become an integral part of the Council's Constitution.

7. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

7.1 Comments of the Statutory Finance Officer

There are no financial implications to this report.

7.2 Comments of the Monitoring Officer

This protocol needs to be seen in the context of a number of other council documents particularly the Code of Conduct for Members and the Code of Conduct for Employees.

For any council to function effectively there needs to be a good relationship between elected councillors and officers. At the heart of that relationship needs to be mutual respect.

7.3 Other implications

Risk	The Council's reputation (both generally and within the local authority sector) is at risk of being damaged if member and officer relations and behaviours do not improve. The Protocol is intended to mitigate against this risk.

Equality & Diversity	The Protocol applies to all member of the Council and all of its staff. There are no adverse implications on equality and diversity.
HR & Organisational Development	Adherence to the Protocol will strengthen member and officer relations and will have a positive impact on both staff and member morale, which will help to address some of the issues identified in the November 2016 staff survey and the September 2017 member survey.
Property & Asset Management	None
ICT / Technology	Adherence to the Council's IT Policies is included within the Protocol. This includes adherence to the Social Media Protocol which was approved by Council in July 2017.

8. BACKGROUND DOCUMENTS AND APPENDICES

Scrutiny Review of Licensing dated September 2016
Corporate Improvement Plan approved by Cabinet in February 2017
Centre for Public Scrutiny Report dated March 2017
LGA Corporate Peer Challenge final report dated 28th March 2017.

Appendix 1: Member and Officer Protocol
Appendix 2: Overview of the Routes to Resolution

Joanne Platt
Interim Corporate Improvement Manager

Report Author:	**Telephone:**	**Date:**
Joanne Platt	01772 625309	19th January 2018

Member and Officer Protocol

2018

Document Control

Document Title: Member and Officer Protocol

Summary

Publication Date	January 2018
Related Documents	**Corporate:** Council Constitution, Council Standing Orders, Member Code of Conduct, Social Media Protocol, Officer Code of Conduct, Access to Information Procedural Rules, Council's Employee Whistle Blowing Policy
Owner (Name/Position)	Heather McManus, Chief Executive
Author (Name/Position)	Joanne Platt – Interim Corporate Improvement Manager
Applies to	All elected Members and officers

Review of Protocol

Review Date	April 2021

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Section 1: Introduction

1.1 The purpose of this Protocol is to guide both elected Members and officers of the Council in their relations with one another on some of the issues that most commonly arise and to assist with their working relationship generally.

1.2 The majority of the Protocol is a written statement of our current practice and conventions. However, where greater clarity would be helpful it tries to provide it.

1.3 Underpinning the Protocol are the rules of conduct which apply to both Members and officers and which emphasise the high standards of personal conduct which the public have a right to expect. Please see both the Member Code of Conduct and Officers Code of Conduct in the Councils Constitution which set out in more detail the obligations placed on Members and officers, respectively.

1.4 Both Members and officers are servants of the public and they are indispensable to one another. However, their responsibilities are distinct. Members are responsible to the electorate and serve only so long as their term of office lasts. Officers are responsible to the Council and the Chief Executive as the Head of Paid Service. Their job is to carry out the Council's work under the general policies and overall strategic direction which has been approved by Members.

1.5 All members and officers also have a duty of care to each other and this Protocol is intended to address some of the issues that have caused concerns in relation to that duty in recent times.

The two main areas where tensions occur are:

- When the distinctive roles of Members and Officers become blurred; and
- When Member challenge (of both officers and other Members) degenerates into criticism.

1.6 Mutual respect between Members and officers is essential to good local government. Two-way communication is key to effective working relations.

Close personal familiarity between individual Members and officers can damage this relationship and should be avoided.

1.7 Both Members and officers should maintain the highest standards of personal and professional conduct at all times and should not seek to take advantage of their positions.

1.8 It is important that the relationship works well without compromising the ultimate responsibilities of all officers to the Council as a whole, and with having regard to any technical, financial, professional and legal advice that officers provide to Members.

1.9 It is incumbent on all Members and officers to adhere to all Council processes, policies and protocols including the Member-officer protocol. Failure to do so for both Members and officers may result in sanctions under the respective Codes of Conduct.

Section 2: Roles of Members

2.1 Members undertake many different roles. Broadly these are:

- Members express political values and support the policies of the party or group to which they belong (if any)
- Members represent their ward and all those residents who live in that area
- Members are often involved with other organisations as community leaders
- Members contribute to the decisions taken in Council and the various bodies on which they serve, as well as joint committees, outside bodies and partnership organisations
- Members help develop, monitor and review policy strategy and service quality
- Members are involved in quasi-judicial work such as considering planning applications, through their Membership of regulatory committees

2.2 Members' experience and knowledge of the strategic and operational delivery of services may vary considerably, and whilst it is their role to set strategic direction and hold officers to account for service delivery, it is the role of officers to offer professional advice and implement decisions.

Section 3: Roles of Officers

3.1 Broadly, officers have the following main roles:

- Managing and providing the services the Council has given them responsibility for
- Providing information and advice to both the Council and its various bodies and to individual Members, for Members to discharge their roles and any specific function in respect of the services provided
- Initiating and implementing policy proposals
- Ensuring that the Council always acts in a lawful manner

Section 4: Effective Working Relations - Respect and Courtesy

4.1 For the effective conduct of Council business there must be mutual respect, trust and courtesy in all meetings and contacts, both formal and informal, between Members and officers. This plays an important part in the Council's reputation and how it is seen by the public.

4.2 It is important that, in any dealings between Members and officers, neither should seek to take unfair advantage of their position

4.3 It is very important that both Members and officers remember their respective obligations to enhance the Council's reputation and to do what they can to avoid criticism of other Members, or other officers, in public.

4.4 In politics, rival groupings are common and criticism of ideas and opinion is part of democratic debate, and does not in itself amount to failing to treat someone with respect.

However, whilst ideas and policies may be robustly criticised, individuals should not be subject to unreasonable or excessive personal attacks. This particularly applies to dealing with the public and officers.

Personal criticism by one Member of another can damage the reputation of the Council, adversely impact staff morale, and risk Members losing the respect of officers and of other Members.

Chairs of meetings are expected to apply the rules of debate and procedure rules or standing orders to prevent abusive or disorderly conduct taking place.

4.5 A Member should not apply undue pressure on an officer to do anything that he or she is not authorised to do, or to do any work which is outside their normal duties or outside normal hours. Particular care needs to be taken in connection with the use of Council property and services.

4.6 A Member should not raise matters relating to the conduct or capability of an officer in public or act in a way which does not reflect the principles set out in this Protocol, especially since an officer has no means of responding to such criticism in public.

When dealing with officers (especially junior officers), Members need to be aware that it is easy for officers to be overawed and feel at a disadvantage.

4.7 Members having concerns about the conduct or capability of an officer should raise them in the first instance with the Head of Service responsible for that service, who will take action accordingly.

4.8 An officer must not seek to use undue influence on an individual Member to make a decision in his or her favour, or raise personal matters to do with their job, or make claims or allegations about other officers. The Council has formal procedures for consultation, grievance, and discipline. The one exception to this rule is the right of staff to report possible wrongdoing under the Council's Employee Whistle Blowing Policy.

4.9 Officers should not undermine or criticise Members in meetings, but can raise any concerns with their Director or the Chief Executive.

4.10 The Chief Executive should be notified if the Party Group Leader becomes involved in dealing with any concern relating to an officer, or in any other case where that is appropriate. Feedback should be given to the officer on the outcome.

4.11 Challenge in a constructive and non-confrontational way is important in ensuring policies and service performance are meeting the Council's strategic objectives. Nothing in this protocol is therefore intended to stop Members holding officers to account.

4.12 The Monitoring Officer is empowered to decide whether a complaint from one Member or officer to another is vexatious and therefore no further action be taken.

Vexatious complaints are ones of a trivial or recurrent nature without merit, made with the intention of causing inconvenience, harassment or expense to the Council or a named individual representative (Member or officer) of the Council. Examples of such complaints could include but not be limited to:

- Where there is insufficient or no grounds for the complaint
- The complaint would appear to have been made only to annoy
- Refusing to specify the grounds of a complaint
- Repeat unwillingness to accept documented evidence as being factual
- Making unreasonable demands and failing to accept that these may be unreasonable
- Lodging numbers of complaints in batches over a period of time, resulting in related complaints being at different stages of a complaints procedure
- Persistently raising subsidiary or new issues whilst a complaint is being addressed that were not part of the initial complaint
- Submitting repeat complaints, after complaints processes have been completed, essentially about the same issues, with minor additions / variations
- Regularly focusing on a trivial matter which is out of proportion to its significance
- Have harassed or been personally abusive or verbally aggressive towards officers dealing with the complaint

Section 5: Familiarity

5.1 It is clearly important that there are close working relationships between some Members and officers, for example Cabinet Members / committee chairs and the relevant Director / Head of Service. However, care should be taken to ensure that the relationship does not become so close, or appear to be so close, as to bring into question the officer's ability to deal impartially with other Members and other groups.

5.2 Close personal familiarity between individual Members and officers can damage the principle of mutual respect. It could also intentionally or accidentally lead to the passing of confidential information, such as personal details and may also cause embarrassment to other Members and / or other officers or give rise to suspicions of favouritism.

5.3 For these reasons close personal familiarity must be avoided. This may include being 'friends' on Facebook or other social media interaction. See the Councils Social Media Protocol in the Council Constitution for further guidance.

Section 6: Provision of Information and Advice

(See also the Council Standing Orders and the Access to Information Procedural Rules in the Council Constitution.

6.1 Officers serve the Council as a whole and not any political party or individual Member of the Council. However, giving advice is an important part of the role of officers and the following guidelines should be respected.

6.2 Members of the Cabinet will be briefed first on agenda items and draft reports. Other Members should appreciate that, whilst they will be fully consulted at the earliest opportunity on agenda items and draft reports relating to their specific roles, there will be some situations where officers are under a duty to report on a particular item or submit a report providing independent advice.

6.3 Any Member is entitled to apply to the Chief Executive or to any Director, for information and / or advice required in connection with his / her work as an elected Member. Except where the information involves the divulging of exempt information (as defined in Section 100F of the Local Government Act 1972) or would be in breach of rules around personal data, it is the responsibility of the Chief Executive or Director approached to give that information and / or advice, within the limits of his / her Services' resources and to the best of his / her ability. Members should seek to act reasonably in the number and content of the applications they make. It should be noted that the clear route for information on policy in the first instance should be via the Portfolio Holder.

6.4 Members should be consulted as ward representatives on any major issues affecting their wards, on any public meeting proposed to be held in their wards and on any form of consultative exercise due to be held in their ward.

6.5 Information requested by a Member to address a ward issue may be supplied to that Member in confidence.

6.6 If any Member asks for specific information relating to the work of a particular Council team or service and it appears possible or likely that at a subsequent meeting issues will be raised or questions asked on the basis of the information provided, then the relevant Cabinet Member should be informed beforehand.

6.7 The Leader or Spokesperson of each minority Group, recognised as such by the Council, is entitled, for his / her own purposes as a Leader or Spokesperson, to apply to the Chief Executive and / or to the appropriate Director for general background information on, or for further information in respect of an item of business coming before the next meeting of a Committee of the Council. The appropriate Chair or Council Spokesperson, as appropriate, should be informed of any new / additional information which has been supplied by the Chief Executive or Director.

6.8 Technical / procedural information may be supplied, in confidence, to any Group Leader, to enable a budget to be presented by that Group which is in the legally correct form.

6.9 If a request is made for routine factual information regarding a service, then, in addition to being supplied to the Member concerned, it may be made available to all Members through Councillor Connect.

Section 7 Political Activity

7.1 Senior officers are usually politically restricted and cannot therefore be local authority Members or Members of Parliament, nor can they speak or publish written work for the public at large or to a section of the public with the apparent intention of affecting public support for a political party.

7.2 Officers are employed by the Council as a whole. They serve the Council through its Cabinet and Committees and are responsible to the Chief Executive ('Head of Paid Service') and not to individual Members of the Council, whatever office they might hold.

7.3 However, it is important for there to be regular contact between the Chief Executive, Directors and the Leaders of Political Groups on matters affecting the Council, and between, Committee Chairs on matters affecting their respective Committees.

Section 8: Employee Advice to Party Groups

8.1 It is common practice for the Cabinet and Political Groups to give preliminary consideration to some matters of Council business before those matters are considered by the relevant Council decision making body.

8.2 It is possible that a Director or other senior officer may be asked to attend an informal Cabinet Workshop meeting or a Political Group Meeting.

8.3 Any request for an officer to attend a Political Group meeting should be made to the Chief Executive outlining the name of the individual, the topic or information required and the reason it is necessary.

8.4 The Chief Executive, after consultation with the relevant Director and the individual officer concerned, will decide whether permission can be given for the officer to attend the meeting (provided they are willing to do so). The decision will be notified to the relevant Group Leader, together with the Leaders of the other Groups, advising that similar arrangements will be made for them if they wish.

8.5 Since legally, officers (including the Chief Executive and Directors) serve the whole Council, and not individual Political Groups, their attendance at Political Group Meetings is entirely voluntary.

8.6 Officers are entitled to have their political neutrality respected should they agree to attend the Group Meeting, and to be treated in a fair and proper way. Officers must not be placed in a position where they feel at a disadvantage or their political impartiality or integrity are put at risk. Normally officers should leave the meeting having given information on the issue in question and before the Group decide what view to take on it as a Political Group.

8.7 To safeguard both officers and Members, officers must not be asked to provide information except where it relates to matters of Council business. Officers should not be expected to be present when matters of Party business are discussed. Officers must be reminded on each occasion, that they should leave a meeting if there is any suggestion that they are to be asked to comment on matters beyond the brief agreed in advance, or if they feel vulnerable or that their integrity is being put in question.

8.8 Any breach of these arrangements by either Members or officers will be viewed seriously and appropriate action taken by Group Leaders or the Chief Executive respectively.

8.9 Special care needs to be exercised whenever officers are involved in providing information and advice to a Political Group Meeting that includes persons who are not elected Members of the Council. Those individuals may be bound by the rules of the Group, but will not be bound by the Members' Code of Conduct (in particular, the provisions concerning the declaration of interests and confidentiality). For this and other reasons, officers may not be able to provide the same level of information and advice as they would to a 'Members-only' meeting.

8.10 Officers must respect the confidentiality of any Political Group discussions at which they are present, in the sense that they should not relay the content of any such discussion to another Political Group.

8.11 Any particular cases of difficulty or uncertainty in this area of officer advice to Political Groups should be raised with the Chief Executive who will discuss it with the relevant Group Leader(s)

Section 9: Confidentiality

9.1 In accordance with the Members' Code of Conduct a Member must not disclose any information given to him or her as a Member in breach of any confidence.

9.2 Confidential Cabinet or Committee papers are to be treated as confidential information unless the relevant meeting resolves not to exclude press and public. Members are reminded that the author of the report makes the initial decision as to whether or not the papers are to be treated as confidential. The decision as to whether they remain confidential is for the meeting to determine. As this decision will be taken at the meeting, confidential reports should not be disclosed prior to the meeting taking place or at all if the meeting decides that the item should remain as confidential.

9.3 Other information may be confidential because to disclose it would be against the Council's or the public interest. Information may also be confidential because of the circumstances in which it was obtained.

9.4 Information and correspondence about an individual's private or business affairs will normally be confidential.

9.5 Officers should make it clear to Members if they are giving them confidential information. If a Member is not sure whether information is confidential, he or she should ask the relevant officer, but treat the information as confidential in the meantime.

9.6 Any Council information provided to a Member must only be used by the Member in connection with the proper performance of the Member's duties as a Member of the Council.

9.7 In particular, information discussed in confidential meetings between the Chief Executive and / or Directors and Group Leaders must not be disclosed to other Members, the media or at all to anyone.

9.8 If a Member receives confidential information and considers it should be disclosed to another person because it is reasonable and in the public interest to do so then he or she must first consult with the Monitoring Officer and shall not disclose the information without having regard to any written advice given by that officer.

Section 10: Member-Officer and Member-Member Resolution of Concerns

10.1 The two main areas where the Member-officer relationship may create tension and require resolution are:

- Where a Member or an officer is believed to have not performed their role or have acted in some way outside of their role; and

- Where a Member or officer has spoken or behaved without respect and courtesy or has acted in a way counter to the expectations suggested in this protocol.

10.2 Tackling poor Member-officer relationships require action, but also those involved need to be mindful that concerns may need to be tackled with sensitivity, especially when more junior officers are involved, due to the power differential.

10.3 Where a Member has a concern regarding the performance or behaviour of an officer then he or she should raise it with the officer's Head of Service. If the Head of Service cannot resolve the concern he or she will escalate the issue to the relevant Director, or if necessary, to the Chief Executive, who will raise with the appropriate Member and, if necessary, the relevant Group Leader.

Officers are bound by the Officers' Code of Conduct and can be held to account under the usual Council disciplinary and / or performance management procedures.

10.4 Where an officer has a concern regarding the conduct of a Member, he or she should raise it with their Head of Service who can discuss with the Member. If necessary the Head of Service can escalate the issue to Director level, or if necessary, to the Monitoring Officer or Chief Executive, who will raise it with the appropriate Member and, if necessary, the relevant Group Leader.

Members are bound by the Members' Code of Conduct and can be held to account by the Standards Committee and Party Discipline procedures.

10.5 The Chief Executive should be notified if the Political Group Leader becomes involved, and likewise the Political Group Leader be notified if the Chief Executive becomes involved.

10.6 Feedback should be given to both the Member and the officer on the outcome, within five working days.

10.7 When a member criticises another member of their own or another party in public forum and this criticism is either personal, not factual or is of an abusive nature, then the criticised member can seek a route to resolution of their concerns via the Chair of the meeting in which the criticism was made or via the Chief Executive, Monitoring Officer and Group Leaders as set out in paragraph 10.4 above and in Section 23 below.

Section 11: Preparation of Agenda and Minutes

11.1 Each Council, Cabinet and Standing Committee and Member Working Group agenda will be prepared by the Democratic Services Team on behalf of the Chief Executive.

11.2 The Chair will be consulted once the draft agenda is available.

11.3 If there is disagreement between the Chair and the relevant Director over the inclusion of a particular item on the agenda, the Chief Executive will decide if the item should appear on the agenda in consultation with the Chair.

11.4 Special rules apply to the preparation of Cabinet Agendas (see paragraphs 2.8 – 2.13 of the Cabinet Procedure Rules in the Council Constitution. These include:

- The Leader will decide upon the schedule and agenda for the meetings of the Cabinet, and may put on the agenda of any Cabinet meeting any matter which he / she wishes
- With the agreement of the Leader any Member of the Cabinet may require the Chief Executive to make sure that an item is placed on the agenda of the next available meeting of the Cabinet for consideration
- Any Member of the Council may, with the agreement of the Leader, require the Chief Executive to include an item on the agenda of the next available Cabinet meeting
- The Chief Executive will make sure that an item is placed on the agenda where a relevant Scrutiny Committee or the full Council have resolved that an item be considered by the Cabinet
- The Monitoring Officer and / or the Section 151 Officer may in exercise of their statutory duties include an item for consideration on the agenda of a Cabinet meeting and if necessary may require the Chief Executive to call such a meeting

11.5 Minutes of Member meetings will be prepared by the Democratic Services Team after consultation with the appropriate Director.

11.6 At the next meeting of the Cabinet, Committee or the Council, as the case may be, it is for Members to adopt or amend the minutes as appropriate.

11.7 Reports to Cabinet or Committees should be written by the appropriate Director or an officer authorised by him or her.

It is likely that a sensitive report would be discussed with senior Members at a briefing meeting held with the relevant Director and Members may make suggestions as to the contents of the report. However, the report is the Officers, and any amendments can only be made by that officer. Obviously Members may move any amendments to any recommendations within a report at the formal meeting to consider the report. The report template for Cabinet meetings includes a section for Portfolio holder's recommendations to enable the inclusion of any comments by the Portfolio holder.

11.8 It is good practice to involve all Members in key strategic decisions prior to reports coming forward to Cabinet for approval, for example by use of cross party working groups or wider Member engagement sessions but ultimately the Cabinet doesn't have to do this, nor does

it have to discuss decisions with their Political Group in advance albeit that it is good practice to do so.

Section 12: Support Services to Members and Party Groups

12.1 The only basis on which the Council can lawfully provide support services (e.g. stationery, typing, printing, photocopying, transport, etc.) to Members is to assist them in discharging their formal role as Members of the Council. Such support services must therefore only be used on Council business. They should never be used in connection with Party political or campaigning activity or for private purposes.

12.2 In line with promoting a range of services to Members and encouraging and supporting them in their community leadership role, the Council has a policy on printing and photocopying ` for Members in connection with ward business. The policy in relation to this service is as follows:

- Printing and photocopying in connection with ward business will be undertaken for all Members upon request
- The cost of the service will be met corporately, subject to available resources
- All requests for service should be made to Democratic Services, who will also help and advise Members on style and content if required
- Assistance will be provided to Members upon request, to help them with legal constraints on content
- All material produced under this policy will bear an imprint stating by or on behalf of whom it has been written, published and printed

Section 13: Correspondence and e-mails

13.1 Official letters and official e-mails on behalf of the Council should be sent out in the name of the appropriate officer, rather than in the name of a Member. It may be appropriate in certain circumstances for a letter or e-mail to be sent in the name of a Member, for example in response to a letter of complaint sent direct to that Member. However, this is the exception rather than the norm and should only be done following consultation with the Chief Executive or appropriate Director.

13.2 Letters or e-mails which create obligations or give instructions on behalf of the Council should never be sent out in the name of a Member.

Section 14: Dealing with the Media

14.1 The Council has guidelines which set out procedures for dealing with the press and media which Members should follow.

14.2 It is important that Members act with caution in expressing views to the press or media on issues which are for discussion at future meetings of the Council. Such comments could affect a Member's right to discuss the matter in question at the meeting and may risk bringing the Council into disrepute.

14.3 Part 2 agenda items should never be discussed with the media until or unless Members have decided at the relevant meeting that the report should not be an exempt report.

14.4 Further information on this, including possible sanctions, is given in the Code of Conduct for Members and in the guidelines on Member involvement in planning procedures in the Council Constitution.

Section 15: Social Media

15.1 Social Media is an incredibly useful tool which has changed the way many Members now engage and communicate with the public. However, there can also be legal and reputational pitfalls and to help minimise any risk the Social Media Protocol sets out some of the points Members should keep in mind whenever they use Social Media in their official role as a South Ribble Councillor.

15.2 All references to the media in paragraph 14.1 and 14.2 above apply equally to social media, and confidential reports should never be referred to on social media in the same way they shouldn't be discussed with the media or press. The Code of Conduct for Members applies when Members engage in online activity whenever a Member is (or even just appear to be) acting in their capacity as a South Ribble Councillor rather than as a private individual. Further information on this, including possible sanctions, is given in the Code of Conduct for Members and in the guidelines on Member involvement in planning procedures in the Council Constitution.

Section 16: Use of Information Technology

16.1 The Council has agreed detailed guidelines for Members and officers on the use of information technology. These are set out in the ICT Acceptable Use Policy.

16.2 With reference to this protocol, emails written by one Member which are carbon copied to other Members should not criticise or undermine officers.

Section 17: Role of the Cabinet

17.1 The Cabinet is responsible for all the functions of the Council unless they are delegated elsewhere, either by law or under the Constitution. For a full description of the role of the Cabinet follow this link

17.2 The main functions of the Cabinet are:

- to recommend to full Council the Corporate Plan and Corporate Risk Register, Annual Revenue Budget, Medium Term Financial Strategy and Treasury Management Strategy
- to recommend any in-year changes to the budget that are reserved to full Council
- to recommend to full Council the policies and strategies that form the Policy Framework
- to consider and review reports on the Council's performance
- to approve the award of contracts that are reserved to Cabinet

- to agree strategies and plans that are not in the Policy Framework
- to consider reports on significant changes or issues relating to service delivery
- to receive and consider reports from Scrutiny Committee, including referrals from the call-in process
- to receive reports from Members sitting on strategic partnerships

Section 18: Role of the Leadership Team

18.1 The role of the Leadership Team is to ensure that advice and support is available to all Members to help them fulfil their various roles effectively. However, the team works particularly closely with Cabinet, with individual Cabinet Members, as appropriate, and with Scrutiny Committee to help and support them in fulfilling their responsibilities.

18.2 The team's overall role is to work with Members to ensure that the Council has a clear vision, challenging priorities and values which are owned and actively promoted, has effective corporate management and managerial leadership and delivers value for money in all of its services and actions and within an effective corporate framework.

18.3 The team also has overall responsibility for the day to day management of the Council and its employees, together with the powers to act under delegation as defined by the Council's Scheme of Delegation and on urgent items, in consultation with the appropriate Member as appropriate.

18.4 The council's senior management structure chart is set out in the Council Constitution.

Section 19: Role of Monitoring Officer / Chief Financial Officer

19.1 The Monitoring Officer / Chief Financial Officer have personal responsibility to report to the Council on certain matters specified in legislation.

19.2 They must be impartial in providing support and advice to all councillors as individuals, to all political groups, and to both Cabinet and Scrutiny functions and must maintain the confidentiality of that advice where appropriate.

19.3 They undertake to discharge their responsibilities in a manner which will enhance the reputation of the Council. In general terms their ability to discharge these duties depends on excellent working relations with colleagues and Members but also the flow of information and access to debate particularly at early stages.

19.4 Where any procedural, financial, probity or other constitutional issues are likely to arise, the following arrangements and understandings between the Monitoring Officer / Chief Financial Officer (or their Deputies) and colleagues and Members will help ensure the effective discharge of their functions:

- Advance notice of meetings whether formal or informal between senior managers and Members of the Cabinet or Committee Chairs
- Senior Managers should alert them of any emerging issues

- They should have access to all reports to Members
- They should develop good liaison and working relations, with the External Auditor and the Ombudsman including the giving and receiving of relevant information whether confidential or otherwise
- They should liaise closely with the Chairs of the Governance, Standards and Scrutiny Committees ensuring that they have up-to-date information
- The Monitoring Officer should make enquiries into allegations of misconduct in compliance with the Localism Act 2011 and supporting regulations along with the Council's Code of Conduct and Investigation and Hearing Procedure
- They should liaise closely to consider and recommend action in connection with current governance issues and other matters of concern regarding probity
- In carrying out any investigation the Monitoring Officer / Chief Financial Officer should be given unqualified access to any information held by the Council and any employee who can assist in the discharge of their functions
- They should be provided with adequate resources, including access to specialist advice

19.5 The Monitoring Officer will play an important role in highlighting whether a Member or an officer has breached this protocol and his or her advice to the Chief Executive and relevant Group Leader regarding resolution of any breach will constitute an important part of the process.

19.6 The Monitoring Officer is empowered to decide whether a complaint from one Member or officer to another is vexatious and therefore no further action be taken. Vexatious complaints are ones of a trivial or recurrent nature without merit, made with the intention of causing inconvenience, harassment or expense to the Council or a named individual representative (Member or officer) of the Council.

However referral to or intervention by the Monitoring Officer should be seen as a last resort.

Section 20: Members on Outside Bodies

20.1 Members are entitled to all reasonable assistance from officers to support them in their Membership of outside bodies to which the Council has appointed them. Such assistance includes provision of information about the body prior to appointment and the availability of a named contact officer for each body.

20.2 The appointment to an outside body by the Council carries certain responsibilities on behalf of the Council. A Member must still continue to observe the Council's Code of Conduct when acting for that body, unless legislation relating to that body directs otherwise. Furthermore a Member has a responsibility to keep the Council informed of all key issues relating to the activities of that body that are likely to affect the Council. Questions may also be asked at Council meetings of Outside Body representatives.

Section 21: Member Training and Development

21.1 The Leaders of the political groups have agreed the following protocol in relation to the above:

- All political groups agree to strongly encourage all of their Members to attend appropriate training and development in relation to their roles, in accordance with the council's programme, either in advance of taking up their place or within three months of being appointed thereto.

  This is particularly important in relation to the following committees and it is advisable that Members receive appropriate training in advance of taking up their places on them:

  - Planning
  - Licensing
  - Standards
  - Appeals
  - Appointments

- All groups agree to do everything possible, including use of group discipline, to enforce this protocol.

- All groups agree to have regard to Members' attendance or willingness to attend at previous training and development events when making nominations for committee places and other Member roles.

- All political groups are encouraged to follow the Personal Development Programme principles to assist the council to retain the North West Member Development Charter.

Section 22: Summary of Member-Officer Expectations

22.1 Members can expect officers to:

- demonstrate the highest standards of integrity

- act in an open, honest and transparent manner

- treat Members with courtesy and respect at all times

- implement and / or act in accordance with the policies of the Council

- implement the decisions of Council, committees and sub-committees

- inform Members of any decision that they cannot fully implement

- behave in a professional manner in accordance with the Council's values

- serve all Members, not just those of the Administration group(s)

- deal with Member enquiries efficiently and effectively

- strive continually to comply with the Council's policies, performance management and scrutiny processes
- comply with all relevant legal, regulatory and professional requirements, taking reasonable steps to ensure they are not placed in a position where they are unable to comply and to challenge non-compliance by others raising with the appropriate management
- fulfil any obligations to report information to relevant regulatory authorities
- ensure good governance is followed and risk taken fully account of
- support Members in their role ensuring all the required information is disclosed to Council, committee and Members to allow them to carry out their duties and make informed decisions
- Not use undue influence over a Member or put a Member(s) under undue pressure
- Avoid words or actions that may undermine respect for Members
- a commitment to the Authority as a whole corporate body rather than merely any one part of it
- show an understanding of and support for respective roles, workloads and pressures
- ensure timely responses to enquiries and complaints
- give professional advice, not influenced by political views or preference
- comply with the Employees' Code of Conduct and Protocols at all times; and
- follow the routes to resolution to address any issues as set out in this protocol

22.2 Officers can expect Members to:

- demonstrate the highest standards of integrity
- treat officers with courtesy and respect at all times
- endeavour to forge an effective working partnership
- avoid putting officers under pressure to the extent that it could be regarded as harassment, bullying and / or discrimination. Members should be particularly sensitive when dealing with less senior officers in the absence of the Chief Executive
- not require officers to do things that are not consistent with Council policy, not within normal budgetary controls and not part of the officer's normal duties
- avoid criticising officers, at public meetings or in the media (including on social media)
- avoid actions or words that may appear to others to be attaching blame to an officer(s) particularly when the officer(s) is not present

- avoid words or actions that may serve to undermine the professionalism and integrity of officers
- not circumvent Council's policies, processes and protocols
- show an understanding of and support for respective roles, workloads and pressures
- not use their position or relationship with officers to seek to influence decisions improperly
- comply with the Members' Code of Conduct and protocols at all times; and
- follow the routes to resolution to address any issues as set out in this protocol

22.3 Useful Descriptors of Members, Members and Officers, and Officers

Members	Members and Officers	Officers
Show a real interest in what's happening in the authority Show a real interest in employees Keep updated on latest ideas and innovations Are visible Really understand their patch Respect officers' expertise Do not personalise criticism of officers or other Members Appreciate and recognise achievements Do not bicker in public amongst themselves Challenge other Members' unacceptable behaviour	Have clarity of roles Have clarity of boundaries Show mutual respect and common courtesy Are friendly but not friends Are there to serve the Authority and the citizens Demonstrate reciprocity Do not misrepresent the other's views Abide by confidentiality rules Adhere to and role model South Ribble Values: ✓ always having a positive attitude ✓ acting with integrity ✓ striving for excellence ✓ being a learning organisation ✓ working as a team	Are helpful Are courteous Show Expertise Are professional Are polite Deliver in a timely way Are open and honest Are not condescending Give advice within the law Are supportive Take time to explain Seek to understand the political context Demonstrate loyalty to the Authority as a whole Respond to all political groups Are politically neutral

22.4 From time to time tensions and incidents may well occur between Members and officers, and Members and other Members, which fall within the remit of this protocol.

Given the value that the Council places on the aspiration for it to be a truly learning organisation it is critically important that all parties seek to:

- understand the true nature of the incident and how it arose
- (re)-establish lines of communication
- (re)-build trust in the relationship; and
- Instigate changes to behaviours and/or the processes which led to the incident.

Section 23: Non-compliance

23.1 Breaches of this protocol by Members will be addressed by reference to the Code of Conduct for Members. Members are bound by the Members' Code of Conduct and can be held to account by the Standards Committee and Party Discipline procedures. Sanctions as outlined in the Code of Conduct may be applied along with any Party Discipline procedures.

23.2 Breaches of this protocol by officers will be addressed by reference to the Code of Conduct for Employees and may result in a formal disciplinary process being initiated.

23.3 A Member or an officer who is deemed to have personally criticised another Member or officer or made false or unsubstantiated statements regarding another Member or officer in defiance of this protocol will be expected to publicly apologise and / or retract any false or critical statements.

23.4 If unresolved, possible final sanctions for non-compliance of this Protocol will include but are not limited to:

- Exclusion from access to confidential papers
- Exclusion from Committees
- Exclusion from the Political Group (subject to Group policy)
- Exclusion from the Political Party (subject to Party policy)

23.5 All Members and officers (individually and collectively) are responsible for ensuring compliance with this protocol.

23.6 It is important that the combined political and managerial leadership of the Council seek both to role model effective behaviours and also to challenge inappropriate behaviours in a timely way.

Section 24: Conclusion

24.1 By following good practice and maintaining sensible and practical working relationships between Members and officers, where each understands and respects each other's role, we will enhance not only the reputation of the Council but also the delivery of high value quality services to the people of South Ribble.

Section 25: Signature

I acknowledge that I have read the above protocol, understand what it means for me and agree to adhere to it.

I understand that failure to comply with any or all of this protocol could lead to sanctions being taken against me as set out in Section 23 above.

Signed:

Full Name:

Date:

Member / Officer - Routes to Resolution

Appendix 2

Member criticises Officer in public forum (social media or in a cc'd email)

Other members challenge the offending member

The officer raises with their Head of Service/ Director

If there is a genuine concern the member first apologises for the public criticism and then takes up the concern with the officer's Head of Service/ Director

If there has been unwarranted or unsubstantiated criticism the member apologises publicly and retracts his/her statement.

The member is required to seek training regarding the content of the member-officer protocol

Officer acts unprofessionally towards a member

Member takes the matter up with the officer's Head of Service or Director who addresses the concern in line with the Employee Code of Conduct.

Feedback should be given to both the member and the officer on the outcome, within five working days.

General concerns a member may have with an officer

Where a member has a concern regarding the performance or behaviour of an officer then he or she should raise it with the officer's Head of Service.

If the Head of Service cannot resolve the concern they will escalate the issue to Director level, or if necessary, to the Chief Executive, who will raise with the appropriate member or the Group Leader.

Officers are bound by the Officers Code of Conduct and can be held to account under the usual Council disciplinary and/or performance management procedures.

The Chief Executive should be notified if the Party Group Leader becomes involved, and likewise the Party Group Leader be notified if the Chief Executive becomes involved.

Feedback should be given to both the member and the officer on the outcome, within five working days.

General concerns an officer may have with a member

Where an officer has a concern regarding the conduct of a member he or she should raise it with their Head of Service who can discuss with the member.

If necessary the Head of Service can escalate the issue to Director level, or if necessary, to the Monitoring Officer or Chief Executive, who will raise it with the appropriate member and, if necessary, the Group Leader.

Members are bound by the Members Code of Conduct and can be held to account by the Standards Committee and Party Discipline procedures.

The Chief Executive should be notified if the Party Group Leader becomes involved, and likewise the Party Group Leader be notified if the Chief Executive becomes involved.

Feedback should be given to both the member and the officer on the outcome, within five working days.

When a member requires legitimate information which should be provided by the ruling Group or officers

Member asks for information of relevant Group Leader, Cabinet Member or officer

Group Leader, Cabinet member of officer acknowledges the request within 5 working days and either provides the information at that time or gives the timescale when the information will be provided

OR

Group Leader, Cabinet member of officer acknowledges the request within 5 working days and gives the reason why the information cannot be provided to the member.

Member criticises member and the criticism is either personal, not factual or is of an abusive nature

If criticism is in a meeting, the Chair challenges the critical member and uses his/her powers to request an apology or exclude from the meeting

If the criticism is not in a meeting i.e. is via media, social media or in an email cc'd to other people, the matter should be dealt with by the Leader or Leaders of Political Groups and / or by the Chief Executive / Monitoring Officer

The member will be asked to make a public apology and to retract his/her statement(via the same mechanism the criticism was made)

The member is required to seek training regarding the content of the member-officer protocol

The member is referred to Standards Committee and his/her party disciplinary process as deemed appropriate

SOUTH RIBBLE BOROUGH COUNCIL

forward with South Ribble

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REPORT TO	ON
Governance Committee	**31 January 2018**

September 2017

TITLE	REPORT OF
Minutes Protocol	**Legal Services Manager / Interim Monitoring Officer**

Is this report confidential?	**No**

1. PURPOSE OF THE REPORT

The attached document sets out the protocol for the production of the minutes of meetings of the Council, Cabinet and various Committees, to be used by the staff in the Democratic Services Team.

2. RECOMMENDATIONS

That the Minutes Protocol be noted.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	X

4. BACKGROUND

4.1 Unfortunately, on some occasions in the past, incidents or debates which have taken place during the Council meetings have been referred to in the minutes even though they do not form part of the decision making process and therefore ought not to form part of the official minutes of the meeting.

4.2 Following the comments made by a number of Members of the Council about the content of the minutes of various Council meetings, the attached protocol has been produced to provide clear guidance to Members and Officers on the style and content of minutes.

4.3 Officers are trying to adopt a much more formal, professional and neutral style of minute taking as part of the Councils overall improvement journey.

5. MINUTES PROTOCOL

5.1 There is no statutory definition of minutes but the attached protocol is based on the leading manual *"Knowles on Local Authority Meetings*" produced by ICSA which provides guidance on the principles of good practice which have become widely accepted by local authorities.

5.2 Some of the key principles of good practice are that:

- Minutes should record clearly and concisely all decisions taken at a meeting;
- The minutes are not a verbatim record but a summary of the proceedings;
- The summary should include the essence of the content of the report, discussion and decision;
- The minutes should not attribute the views expressed during a debate to individual members or members of the public.

5.3 The protocol provides examples of how the comments or concerns made by Members during any debates at meetings can be summarised in the minutes. This can often be done by the inclusion of bullet points in the minutes reflecting the key issues raised by Members.

Council Minutes

5.4 The protocol indicates that the style of the Council minutes is slightly different from the minutes of other meetings in view of the formality of the Council meetings and provides details of the information to be provided, together with the instances when the names of individual Members can be recorded in Council minutes but not in the minutes of other meetings.

5.5 Unless a question is submitted in writing to the Leader of the Council, Cabinet Member, Committee Chairman or Council representative on an Outside Body for a response at a Council meeting, the precise details of the question will not be recorded and a brief summary of the question and response will be given in the minutes.

Cabinet and Committee Minutes

5.6 In addition to the principles referred to above, the protocol indicates that the minutes of **Cabinet meetings** must include the following information under separate headings, as set out in statutory legislation:

- Record of decision;
- Record of the reasons for the decision; and
- Details of any alternative options considered and rejected by the Cabinet

5.7 The details of other information to be included the minutes of Cabinet and Committee meetings is included in the protocol, which includes a summary of the key issues of any questions raised at meetings by Members of the Council and the public in accordance with Standing Orders 32 and 33 in the Council Procedure Rules and responses made.

6. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

6.1 Comments of the Statutory Finance Officer

There are no financial implications arising from the recommendations in this report.

6.2 Comments of the Monitoring Officer

The issue of what should and should not be included in minutes has periodically been the subject of debate in this Council.

The purpose of the Minutes Protocol is to provide some clarity in this regard and to lead to greater uniformity of approach.

Other implications:	
▶ **Risk**	The minutes protocol will ensure that the minutes of meetings record clearly and concisely all decisions taken at meetings and that they follow the examples of good practice set out in *"Knowles on Local Authority Meetings"*
▶ **Equality & Diversity**	There are no equality implications arising from this report
▶ **HR & Organisational Development**	There are no HR & Organisational Development implications arising from this report
▶ **Property & Asset Management**	There are no Property & Asset Management implications arising from this report
▶ **ICT / Technology**	There are no ICT / Technology implications arising from this report

7. BACKGROUND DOCUMENTS

None

APPENDICES

Appendix – Minutes Protocol

David Whelan
Legal Services Manager / Interim Monitoring Officer

Report Author:	Telephone:	Date:
Steve Pearce	01772 625307	02/01/18

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SOUTH RIBBLE BOROUGH COUNCIL
MINUTES PROTOCOL

There is no statutory definition of minutes but the guidance provided in Chapter 12 of the leading manual on Local Authority Meetings *"Knowles on Local Authority Meetings"* published by ICSA states:

- Minutes should record **clearly and concisely all decisions taken at a meeting**;
- There is no right or wrong way of preparing minutes: the form adopted by any particular local authority is a matter of individual choice or local custom. In the course of time a number of cardinal principles of good practice have become widely accepted. Thus for example, a minute should be brief, recording exactly what was done and no more, and be self-contained and decisive;
- A minute is **not a verbatim record but a summary of the proceedings** that includes the essence of the content of the report, discussion and decision. It is rarely necessary to reproduce, however summarily, what a particular speaker said; indeed there is a danger in recording individual contributions since all members are likely to want the same treatment and this would not result in a clear and concise minute.
- The summary can be properly used to record in narrative form, the tenor of the discussion on a particular item of business but in an impersonal way and **not attribute views expressed to individual members.**

Knowles indicates that the following examples of wording can be used in the summary / preamble to an individual minute:

- The following points were raised in the discussion: (a) …; (b)…; and (c)…
- The Council / Cabinet / Committee had regard to / took account of the following points made in the course of the discussion: (a) …; (b)…; and (c)…

It is also common practice for the following example to be used in minutes:

- Members of the Council / Cabinet / Committee expressed support / concern for / about the following issues raised in the report: (a) …; (b)…; and (c)…

On occasions when several comments are made by Members of the Council, the following example with **bullet points** could be used:

Members of the Council / Cabinet / Committee expressed support / concern for:
- xx
- xx (summary of comments to be inserted)
- xx

Knowles states that the following form of wording **should be avoided at all costs** as the content would be open to claims that the Councillor or officer was misinterpreted and the content of the minutes were inaccurate and not clear and concise:

- Councillor A said …; Councillor B replied …; and Councillor C pointed out …

COUNCIL MINUTES

The style of the Council Minutes is slightly different from the minutes of other meetings in view of the formality of the Council meetings, in that amendments and resolutions can be recorded showing the names of the proposer and seconder of motions, but in essence they follow the principles of good practice referred to above.

The minutes of the Council Meeting should provide a subject title, brief summary of the purpose / content of the reports, a summary of the debate, the motions and amendments moved and seconded by named Councillors, details of the votes taken and where requested by Members, details of the recorded votes* and finally a clear record of the decision taken on each agenda item.

* It should be noted that the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, require all local authorities to include provision within their Constitutions for recorded votes at Budget Council meetings on motions relating to the determination of the budget, council tax levels and the issuing of precepts. Please see Rule 16.5 in Part 4 of the Council Constitution.

In line with the principles set out above, reference should only be made in the minutes of Council meetings to the names of individual Councillors in the following particular instances when:

- they ask a question at a Council meeting;
- they respond to a question or an issue raised in a Council meeting as a “member with special responsibilities” (e.g. as a Cabinet Member, Committee/Forum Chair, Council representative on a particular Outside Body or Member Champion) and in those instances, the name and role of the member should be included in the minutes;
- they move or second a motion or amendment at a Council meeting;
- a recorded vote is taken at a Council meeting in accordance with Rules 16.4 and 16.5 in Part 4 of the Council Constitution; and
- a Member requests immediately after the vote is taken, that their vote is recorded in the minutes to show that he/she individually voted for or against the motion or abstained from voting in accordance with Rule 16.6 in Part 4 of the Council Constitution.

The names of members of the public will not be recorded in the minutes of Council meetings.

Unless the question is submitted in writing, the precise details of the question will not be recorded and a brief summary of the question and response will be given in the minutes.

CABINET MINUTES

An individual minute of the Cabinet should consist of a subject title and a preamble or narrative, which should include a brief summary of the purpose / content of the report and a summary of the debate. Under regulation 3 of SI 2000/3272, it must also contain under separate headings:

- a record of the decision;
- a record of reasons for the decision; and
- details of any alternative options considered and rejected by the Cabinet at the meeting at which the decision was made.

This information will normally be included within the report on the particular issue by the report author and should be included in the minutes of the Cabinet meeting.

If the Cabinet do not approve the recommendation within the report or amend some of the substance of the recommendation, the Democratic Services Officer or Legal Officer should seek clarification if necessary from the Chairman of the meeting on the revised reasons for the decision and why the recommendation was rejected, for inclusion within the minutes.

Rule 31 in Part 4 of the Constitution allows the provisions of Rule 16 referred to above to apply in relation to recorded votes and the right of an individual vote to be recorded in the minutes of Cabinet meetings.

Rules 32 and 33 in Part 4 of the Constitution allow Questions / Statements to be made by Members of the Council and the Public at Cabinet and Committee meetings but only Members of the Cabinet/Committee can vote. In line with the principles set out above, the key issues of any questions and responses will be summarised but the names of Councillors or members of the public will not be recorded in the Cabinet minutes.

COMMITTEE MINUTES

The principles set out above should be followed and the minutes should include a subject title, brief summary of the purpose / content of the report, a summary of the debate and a clear and concise record of the decision made by the Committee.

As indicated above:

- Rule 31 in Part 4 of the Constitution allows the provisions of Rule 16 to apply in relation to recorded votes and the right of an individual vote to be recorded in the minutes of Committee meetings;
- the key issues of any questions and responses made in accordance with Rules 32 and 33 in Part 4 of the Constitution will be summarised but the names of Councillors or members of the public will not be recorded in the Committee minutes.

LICENSING AND PLANNING APPLICATION COMMITTEE MINUTES

These should normally provide a subject title, brief summary of the purpose / content of the report and a clear and concise record of the decision made by the Committee. The details of any debate should be excluded as is appropriate with a quasi-judicial Committee.

PUBLIC INSPECTION OF REPORTS

Copies of the reports considered at meetings are available for inspection via the Council's website, except on occasions when the information is deemed to be exempt in accordance with the requirements of Part 1 of Schedule 12A to the Local Government Act 1972.

STYLE / FORMAT OF MINUTES

Attendance Details

The format should be used:

MEMBERS PRESENT:	Councillors xx (Chair), xx (Vice-Chair) xx, xx, xx and xx.
OFFICERS:	xx (Designation), xx (Designation)
OTHER MEMBERS AND OFFICERS:	Councillors xx (Cabinet Member for xx) xx, xx xx (Designation)
PUBLIC:	(number present)

Resolution

The following format should be used:

RESOLVED: (Unanimously) **or** (For: xx, Against: xx, Abstention xx)

That the report be noted. **or**

That:

(1) xxxx; and

(2) xxxx.

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REPORT TO	ON
Governance Committee	**31 January 2018**

September 2017

TITLE	REPORT OF
Appeals Committee - Terms of Reference	**Interim Monitoring Officer**

Is this report confidential?	**No**

1. PURPOSE OF THE REPORT

Following a meeting of the Governance Committee Working Group the report seeks the approval of Governance Committee to the proposed Appeals Committee Terms of Reference prior to their submission to full Council for their final approval.

2. RECOMMENDATIONS

2.1 That Governance Committee consider and approve the draft Appeals Committee Terms of Reference at Appendix A prior to submission to full Council for their final approval.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities**:**

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	√

4. BACKGROUND TO THE REPORT

4.1 All Councils are required to have a written Constitution which sets out the Council's internal governance arrangements, approved procedures and protocols. As part of the Corporate Governance Action Plan 2016/17 Members of the Governance Committee agreed to carry out a thorough review of the Constitution in order to ensure that the Constitution is as clear as possible, completely up to date and fit for purpose.

4.2 Historically there have been no formal Terms of Reference for the Appeals Committee which has been convened on an ad hoc basis to consider appeals. The opportunity is being taken to draft full Terms of Reference as part of the review of the Constitution to reflect the scope of work undertaken by the Committee.

4.3 Members should note that there is a specific and separate member body required by law to deal with Statutory Officers staffing matters.

4.4 The suggested draft Terms of Reference are set out at Appendix A. The changes that have been made to the draft document since the Working Group meeting are shown by tracked changes.

5.0 Appeals Committee Terms of Reference

5.1 The Terms of Reference have been dropped into the approved template for all Terms of Reference. The draft document provides as follows:

Paragraph	**Content**	**Justification**
1.Appeals Committee	Sets out role as final internal appeal body to deal grievances & disciplinary or dismissal appeals.	New section
2. Membership	The Committee consists 6 members appointed on a politically balanced basis with the Chairman appointed each meeting as the Committee meets on an ad hoc basis.	New section
3. Terms of Reference	Sets out role to act as final internal body to hear & determine appeals under the Councils various policies & procedures including • Dismissal for misconduct/ capability/ attendance • Redundancy selection criteria/ • Grievances • Any other staffing issues referred by the Head of Paid Services	New section

6.1 Comments of the Statutory Finance Officer

There are no financial implications arising directly from this report.

6.2 Comments of the Monitoring Officer

Every Council is required to have a written Constitution which is regularly reviewed and kept up to date.

Other implications:	
▶ **Risk**	There are no specific risk implications arising from this report
▶ **Equality & Diversity**	There are no specific equality implications arising from this report
▶ **HR & Organisational Development**	There are no specific HR implications arising from this report
▶ **Property & Asset Management**	There are no specific Property or asset management implications arising from this report
▶ **ICT / Technology**	There are no specific ICT implications arising from this report

7. BACKGROUND PAPERS

None

David Whelan
Monitoring Officer

Report Author:	Telephone:	Date:
David Whelan	01772 625247	21st January 2018

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2I Appeals Committee Appendix A

1. Appeals Committee

Appointed by Council at the first business meeting of the municipal year to meet on an ad hoc basis to act as the final internal appeal body to deal with grievances and disciplinary or dismissal appeals.

2. Membership

a) **Political Balance.** The rules of proportional political balance apply in accordance with the requirements of the Local Government & Housing Act 1989

b) **Membership.** 6 Members

c) **Chairing the Committee.** Chairman to be appointed at each meeting.

NB All Members must have received relevant training on the process and procedures to be followed. Updated training will be provided prior to each meeting of the committee.

3. Terms of Reference

1. To act as the final internal body to hear and determine appeals, in accordance with the relevant Council policies and procedures for:

a. Dismissal for misconduct

b. Dismissal for capability

c. Dismissal arising from the Council's Managing Attendance Policy

2. To consider any appeal by an employee that the selection criteria for redundancy has been unfairly applied in their case under the Council's Redundancy Policy.

3. To act as the final internal appeal body to determine staff grievances at stage 3 and in accordance with the Council's approved Grievance procedures.

4. To determine or make recommendations, as appropriate, on any other staffing matter referred to the Panel by the Head of Paid Service.

NOTE: There is a separate Committee to deal with matters relating to Statutory Officers – see <u>Appointment & Employment Panel Terms of Reference & Officer Employment Procedure Rules</u>

REPORT TO	ON
Governance Committee	**31 January 2018**

September 2017

TITLE	REPORT OF
My Neighbourhood Area Procedure Rules & Terms of Reference	**Interim Monitoring Officer**

Is this report confidential?	**No**

1. PURPOSE OF THE REPORT

Following a meeting of the Governance Committee Working Group the report seeks the approval of Governance Committee to the proposed My Neighbourhood Area Procedure Rules and Terms of Reference prior to their submission to full Council for their final approval.

2. RECOMMENDATIONS

2.1 That Governance Committee consider and approve the draft My Neighbourhood Area Procedure Rules and Terms of Reference prior to submission to full Council for their final approval.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities**:**

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	√

4. BACKGROUND TO THE REPORT

4.1 All councils are required to have a written Constitution which sets out the council's internal governance arrangements, approved procedures and protocols. As part of the Corporate Governance Action Plan 2016/17 Members of the Governance Committee agreed to carry out a thorough review of the Constitution in order to ensure that the Constitution is as clear as possible, completely up to date and fit for purpose.

4.2 Both the My Neighbourhood Area Procedure Rules & Terms of Reference have not been updated for some time. The opportunity is being taken to refresh both documents as part of the review of the Constitution and update to reflect current practice and procedures. As an example all former references to the Community Improvement Plans have been amended to refer to My Neighbourhood Plans and the section on decision making has been enhanced to reflect the

involvement of the Portfolio holder in practice and also the requirement to record decisions which was formerly within the section on decision making at what was Article 14.

4.3 However, in approving any refresh of the documents Members are asked to note that as the council's Transformation Plans are developed an opportunity for enhanced ways of working between Neighbourhoods and Street Scene is emerging which appears to have potential for more joint working and as a result further reports may be brought to members on the function and role of My Neighbourhood Areas going forward.

4.4 The suggested amendments to the My Neighbourhood Area Procedure Rules & Terms of Reference are set out at Appendix A with the original documents enclosed at Appendix B for ease of reference. Any changes to the suggested new documents since the meeting of the Working Group are highlighted by tracked changes.

5.0 My Neighbourhood Area Terms of Reference

5.1 The Terms of Reference have been dropped into the approved template for all Terms of Reference. There are very few changes to original, however the changes to note in the document are as follows:

Paragraph	**Content**	**Justification**
1.Summary	Short summary setting out role and purpose of My Neighbourhood Areas to strengthen links with the local community.	Original wording
2. Membership	Sets out the membership of each area and names and boundaries.	Original wording
3. Terms of Reference	Outlines responsibility for drawing up My Neighbourhood Plans – amends former description of "Community Improvement Plans"	Simplifies wording very slightly. Updates terminology.
4. Note	Indicates meetings are informal & do not normally have agendas & minutes.	Simplifies wording very slightly from original version.

6.0 My Neighbourhood Area Procedure Rules

6.1 The Procedure Rules are largely unchanged but have been updated to reflect up to date terminology and recent examples of a lack of clarity in the rules when changing nominated Chairmen mid – year. The changes to note in the document are as follows:

Paragraph	Content	Justification
1.Appointment of Chairman & Vice Chairman	Deals with the appointment of Chairmen & Vice Chairmen based on nominations from each Group to be ratified by full Council. If there is an equal number of seats held by both parties full Council will decide. If there is an in year vacancy or the Chairman or Vice is no longer a member of the nominating party the Group may re nominate to Council.	Original provisions with wording simplified for clarity. Additional section dealing with members crossing the floor or leaving the nominating group for any reason which allows the Group to re nominate.
2. Removal of Chairman & Vice Chairman	Deals with the removal of a Chairman or Vice Chairman in year by Notice of Motion to full Council.	Original wording but cross references now to relevant section of Council Procedure Rules for Notices of Motion which have been updated since these Rules were drafted. (ie 10 not 9)
3. My Neighbourhood Meetings	States meetings will be up to 4 times annually with arrangements approved by the chairman in consultation with other members.	Original wording
4. My Neighbourhood Plans	Deals with the establishment of the MNP in conjunction with the public & partners & in alignment with the Corporate plan & Development Plan. Indicates will identify funding for community improvements.	Original section but terminology updated e.g. My Neighbourhood Plans not Community Improvement Plans & Development Plan not Local Development Framework. Clarifies improvements need not be limited to “small scale”
5. Decision Making	Sets out the decision making process by the Chairman in consultation with the relevant Portfolio Holder & Senior Officer. Requires the Chairman to make every effort to obtain the consensus of members in the area and to make the decision with the	Updates the section on decision making to reflect the normal procedure in practice under which the portfolio holder is consulted. Incorporates the wording formerly in Article 14 which dealt with decision making & stipulated decisions makers

	interests of the whole Council in mind. Decisions must be recorded on the appropriate delegated decision form & published on the website.	must have the interests of the whole Council in mind & the consensus of other area members if possible. Also sets out the need for a delegated decision form & publication.

7.1 Comments of the Statutory Finance Officer

There are no financial implications arising directly from this report.

7.2 Comments of the Monitoring Officer

Every Council is required to have a written Constitution which is regularly reviewed and kept up to date.

Other implications:	
▶ **Risk**	There are no specific risk implications arising from this report
▶ **Equality & Diversity**	There are no specific equality implications arising from this report
▶ **HR & Organisational Development**	There are no specific HR implications arising from this report
▶ **Property & Asset Management**	There are no specific Property or asset management implications arising from this report
▶ **ICT / Technology**	There are no specific ICT implications arising from this report

8. BACKGROUND PAPERS

None

David Whelan
Interim Monitoring Officer

Report Author:	Telephone:	Date:
David Whelan	01772 625247	21st January 2018

APPENDIX A

4B. MY NEIGHBOURHOOD AREA PROCEDURE RULES

1. Appointment of Chairman and Vice-chairman

1.1 Appointment of My Neighbourhood area chairmen and vice-chairmen will be determined by full Council, following one nomination for each area from the political group with the majority of seats from amongst the ward members representing each My Neighbourhood area. Appointments will be for a period of one year or until the next annual First Business meeting of full Council.

1.2 If there is an equality of seats between political groups within any My Neighbourhood area, each group may nominate one chairmen and vice-chairmen and the appointments will be determined by full Council. In this situation if the chairman is taken from one political group then the vice-chairmen will be taken from the other group. Appointments will be for a period of one year or until the next annual First Business meeting of full Council.

1.3 In the event of the position of chairman or vice-chairman of a My Neighbourhood area becoming vacant, or if any chairman or vice chairman is no longer a member of the nominating group, during the municipal year, the appointment of a new chairman or vice-chairman shall be made in accordance with (1.1 and 1.2) above.

2. Removal of Chairman or Vice-chairman

2.1 A My Neighbourhood area may remove the chairman or vice-chairman of the My Neighbourhood area during the municipal year if a motion submitted to full Council in accordance with Council Procedure Rule 10 is passed by a simple majority of those members present at the Council meeting at which it is considered.

3. My Neighbourhood Meetings

3.1 My Neighbourhood meetings shall be held up to four times annually. The date, time, location and number of meetings shall be decided by each My Neighbourhood area chairman in consultation with other local neighbourhood members.

4. My Neighbourhood Plans

4.1 My Neighbourhood area members will work in conjunction with partners and the public to identify neighbourhood priorities and establish My Neighbourhood Plans.

4.2 My Neighbourhood Plans must align with the Council's Corporate Plan and the Development Plan and will also take into account existing plans such as those of Parish and Town Councils and other partners.

4.3 My Neighbourhood Plans will identify actions and funding for community improvements and will be reviewed annually as part of the corporate budget process. Any expenditure should be of a one-off nature and should not generate further on-going revenue expense to the Council.

5. Decision-making

5.1 My Neighbourhood area decision-making will be by delegation to the relevant My Neighbourhood chairman in consultation with the relevant first or second tier Council Officer and Portfolio holder.

5.2 The My Neighbourhood Chairman must make every effort to gain the consensus of the members of his/her My Neighbourhood area before making any decision. Any decision must be made with the interests of the whole Council in mind rather than the interests of any specific area.

5.3 All decisions must be recorded on the appropriate delegated decision form and details of the decisions taken and any associated expenditure recorded on the Council's website.

APPENDIX A

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2M - My Neighbourhood Areas APPENDIX A

After consulting with councillors, Council partners and members of the public, the Council decided to establish My Neighbourhood areas in order to strengthen communications with members of the local community and to increase their involvement in Council decisions about services which affect them.

Membership

(a) **Membership.** My Neighbourhood Areas consist of all councillors from the wards in each area identified below.

(b) **Boundaries/Names.** The current boundaries and names of the My Neighbourhood areas are as follows:

1) Western Parishes

Hoole, Longton and Hutton West, New Longton and Hutton East

2) Penwortham

Broad Oak, Charnock, Howick and Priory, Middleforth

3) Central

Farington East, Farington West, Lostock Hall.

4) Leyland

Broadfield, Buckshaw and Worden, Earnshaw Bridge, Leyland Central, Moss Side, Seven Stars, St Ambrose.

5) Eastern
Bamber Bridge East, Bamber Bridge West, Coupe Green and Gregson Lane, Samlesbury and Walton, Walton-le-Dale East, Walton-le-Dale West

Terms of Reference

Each My Neighbourhood area is responsible for drawing up a My Neighbourhood Plan to identify neighbourhood priorities. These plans will be drawn up by elected members

working alongside the public and the council's partners in the manner outlined in the My Neighbourhood Area Procedure Rules (see 4B)

Note

My Neighbourhood meetings are informal and are not normally expected to have agendas and minutes.

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APPENDIX B

Article 11 – My Neighbourhood Areas

11.01 **My Neighbourhood Areas**

After consulting with councillors, Council partners and members of the public, the Council decided to establish My Neighbourhood areas In order to strengthen communications with members of the local community and to increase their involvement in Council decisions about services which affect them.

11.02 **Form, Composition and Functions**

(a) **Membership.** My Neighbourhood areas consist of all councillors from the wards in each area identified in 11.02 (b) below.

(b) **Boundaries/Names.** The current boundaries and names of the My Neighbourhood areas are as follows:

1) Western Parishes

Hoole, Longton and Hutton West, New Longton and Hutton East

2) Penwortham

Broad Oak, Charnock, Howick and Priory, Middleforth

3) Central

Farington East, Farington West, Lostock Hall.

4) Leyland

Broadfield, Buckshaw and Worden, Earnshaw Bridge, Leyland Central, Moss Side, Seven Stars, St Ambrose.

5) Eastern
Bamber Bridge East, Bamber Bridge West, Coupe Green and Gregson Lane, Samlesbury and Walton, Walton-le-Dale East, Walton-le-Dale West

11.03 **Functions.**

Each My Neighbourhood area is responsible for drawing up a Community Improvement Plan to identify neighbourhood priorities. These plans shall be drawn up by elected members working alongside the public and the council's partners in the manner outlined in 4B.

11.04 **Proceedings**

My Neighbourhood meetings shall be informal and would not normally be expected to have agendas and minutes.

APPENDIX B
4B. MY NEIGHBOURHOOD AREA PROCEDURE RULES (STANDING ORDERS)

1. Appointment of Chairman and Vice-chairman

1.1 Appointment of My Neighbourhood area chairmen and vice-chairmen shall be ratified by full Council following one nomination for each from the political group with the majority of seats from amongst the ward members representing each My Neighbourhood area for a period of one year following which it shall be reviewed.

1.2 In the event of an equality of seats within the My Neighbourhood area, appointment of My Neighbourhood area chairmen and vice-chairmen shall be ratified by full Council following one nomination from each political party from amongst the ward members representing each My Neighbourhood area to serve for a period of one year following which it shall be reviewed.

1.3 In the event of the position of chairman or vice-chairman of a My Neighbourhood area becoming vacant during a municipal year, the appointment of a new chairman or vice-chairman shall be made in accordance with (1.1 and 1.2) above.

2. Removal of Chairman or Vice-chairman

2.1 A My Neighbourhood area may remove the chairman or vice-chairman of the My Neighbourhood area during the municipal year if a motion submitted to full Council in accordance with Standing Order 9 (Part 4), is passed by a simple majority of those members present at the Council meeting at which it is considered.

3. My Neighbourhood Meetings

3.1 My Neighbourhood meetings shall be held up to four times annually. The date, time, location and number of meetings shall be decided by each My Neighbourhood area chairman in consultation with other local neighbourhood members.

4. Community Improvement Plans

4.1 My Neighbourhood area members shall work in conjunction with partners and the public to identify neighbourhood priorities and establish Community Improvement Plans.

4.2 Community Improvement Plans shall align with the Corporate Plan and the Local Development Framework and shall take into account existing plans such as those of Parish and Town Councils and other partners.

4.3 Community Improvement Plans shall identify actions and funding for small scale community improvements and shall be reviewed annually as part of the corporate budget process. Any expenditure shall be of a one-off nature and shall not generate further on-going revenue expense to the Council.

5. Decision-making

5.1 My Neighbourhood area decision-making shall be by delegation to the My Neighbourhood chairman in consultation with the Director of Development, Enterprise and Communities in accordance with Article 14.08.