

Leicester  
City Council

Democratic and Civic  
Support  
City Hall  
115 Charles Street  
Leicester  
LE1 1FZ

12 January 2016

Sir or Madam

I hereby summon you to a meeting of the LEICESTER CITY COUNCIL to be held at the Town Hall, on THURSDAY, 21 JANUARY 2016 at FIVE O'CLOCK in the afternoon, for the business hereunder mentioned.

**Monitoring Officer**

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**AGENDA**  
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1. **LORD MAYOR'S ANNOUNCEMENTS**
2. **DECLARATIONS OF INTEREST**
3. **MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 26<sup>th</sup> November 2015 are available to view at:

<http://cabinet.lcc.local/ieListDocuments.aspx?CId=81&MId=7048&Ver=4>

Copies are also available from Democratic Support on (0116) 454 6350 or [Committees@leicester.gov.uk](mailto:Committees@leicester.gov.uk).

#### **4. STATEMENTS BY THE CITY MAYOR/EXECUTIVE**

#### **5. PETITIONS**

- Presented by Members of the Public
- Presented by Councillors
- Petitions to be debated
  - 5.1 Petition to reject the Proposal to Close the Central Fire Station and Sell the Building.

#### **6. QUESTIONS**

- From Members of the Public
- From Councillors

#### **7. MATTERS RESERVED TO FULL COUNCIL**

7.1 Treasury Strategy 2016/17

#### **8. REPORTS OF THE MONITORING OFFICER**

8.1 Standards Committee Annual Report

#### **9. EXECUTIVE AND COMMITTEES**

To note any changes to the Executive. To vary the composition and fill any vacancies of any Committee of the Council.

#### **10. NOTICES OF MOTION**

Proposed by the Deputy City Mayor, seconded by Councillor Russell:

##### **Leicester City Council and the UK's Membership of the European Union**

Over half of Britain's exports go to EU countries, worth £227 billion last year to the UK economy. UK businesses large and small are dependent on trade with the EU. Major employers from across the world choose to locate in Britain and in the East Midlands because we are a gateway into the European Union, supporting many thousands of jobs.

EU Membership has given vital rights to British workers and the EU's rules provide important protection to consumers, workers and the environment. Rights to equal pay, paid holidays, maternity and paternity leave, equal rights for part-time workers and health and safety regulations are protected under EU law.

There are direct benefits to Leicester's communities of EU membership including EU funding which supports economic growth and regeneration across the city; for example the £89m indicative allocation of EU funds to support economic and social programmes across the Leicester and Leicestershire LEP

area 2014/20 and the £24m that has supported regeneration and economic development initiatives since 2011.

We have seen significant progress in recent years in attracting major employers and jobs to Leicester. Britain leaving the EU would seriously undermine those efforts and weaken our ability to attract investment and jobs to Leicester.

The EU is not perfect and there is a strong case for reform. Leicester City Council believes that EU reform should make the EU better for the UK and that means remaining a member to lead that reform, not being a spectator on the sidelines.

Leicester City Council believes it is in the best interests of residents, business and the whole city of Leicester for the UK to remain a member of the European Union.

## **11. ANY OTHER URGENT BUSINESS**

### **Fire & Emergency Evacuation Procedure**

- The Council Chamber Fire Exits are the two entrances either side of the top bench or under the balcony in the far left corner of the room.
- In the event of an emergency alarm sounding make your way to Town Hall Square and assemble on the far side of the fountain.
- Anyone who is unable to evacuate using stairs should speak to any of the Town Hall staff at the beginning of the meeting who will offer advice on evacuation arrangements.
- From the public gallery, exit via the way you came in, or via the Chamber as directed by Town Hall staff.

### **Meeting Arrangements**

- Please ensure that all mobile phones are either switched off or put on silent mode for the duration of the Council Meeting.
- Please do not take food into the Council Chamber.
- Please note that Council meetings are web cast live and also recorded for later viewing via the Council's web site. Tweeting in formal Council meetings is fine as long as it does

not disrupt the meeting. Will all Members please ensure they use their microphones to assist in the clarity of the web-cast.

- The Council is committed to transparency and supports efforts to record and share reports of proceedings of public meetings through a variety of means, including social media. In accordance with government regulations and the Council's policy, persons and press attending any meeting of the Council open to the public (except Licensing Sub Committees and where the public have been formally excluded) are allowed to record and/or report all or part of that meeting. Details of the Council's policy are available at [www.leicester.gov.uk](http://www.leicester.gov.uk) or from Democratic Support. If Members of the public intend to film or make an audio recording of a meeting they are asked to notify the relevant Democratic Support Officer in advance of the meeting to ensure that participants can be notified in advance and consideration given to practicalities such as allocating appropriate space in the public gallery etc.

The aim of the Regulations and of the Council's policy is to encourage public interest and engagement so in recording or reporting on proceedings members of the public are asked:

- ✓ to respect the right of others to view and hear debates without interruption;
- ✓ to ensure that the sound on any device is fully muted and intrusive lighting avoided;
- ✓ where filming, to only focus on those people actively participating in the meeting;
- ✓ where filming, to (via the Chair of the meeting) ensure that those present are aware that they may be filmed and respect any requests to not be filmed.



Leicester  
City Council

**WARDS AFFECTED**  
All Wards

**COUNCIL**

**21<sup>st</sup> January 2016**

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**PETITIONS FOR DEBATE BY FULL COUNCIL – REJECT THE PROPOSAL TO  
CLOSE THE CENTRAL FIRE STATION AND SELL THE BUILDING**

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**REPORT OF THE MONITORING OFFICER**

**1. INTRODUCTION**

A petition has been received which asks the City Council to reject the proposal to close the Central Fire Station and sell the building.

The Council's Petitions' Scheme (adopted in September 2014) states that any petition that receives 1,500 or more validated signatures must be subject to a debate at Full Council. This petition meets these requirements.

**2. RECOMMENDATIONS**

Council is recommended to consider the petition and make any recommendations in accordance with the Petitions' Scheme.

**3. REPORT**

The petition received from the Fire Brigades Union has 12,017 signatures and is in the following terms:

*“Please sign this petition to reject the proposal to close Central Fire Station and sell the building: Say no to cuts which affect frontline services and demand that elected members of the Combined Fire Authority and City Mayor Peter Soulsby reject all of these proposals and insist Leicestershire Fire and Rescue Service explore alternative ways to save money.”*

The lead petitioners have been invited to speak on their petition for five minutes to be followed by a Councillor debate for a maximum of 15 minutes.

Following the debate, as the subject of the petition is something over which the Council has no direct control; the Council can consider making representations on behalf of the community to the relevant body, which in this instance is the Combined Fire Authority.

Following the Council meeting the petition organisers will receive written confirmation of the outcome.

### Background

This petition has arisen as a result of proposals which the Leicestershire Fire and Rescue Service have put out for consultation on the future configuration of services covering both the City and County areas.

The Council has no formal role in terms of the management of the Fire Service and there is, therefore, no specific officer advice which accompanies this report. The Council does however have Member level representation on the Combined Fire Authority and the debate on this petition could inform the views of relevant members in any future discussions at the Combined Fire Authority on matters raised by the petition. Further, Members may wish to comment on the issues raised by the petition as it may be felt that the communities they serve are affected by the proposals.

## **4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **4.1. Financial Implications**

There are no direct financial implications arising from this report.

Alison Greenhill, Chief Finance Officer, 374001

### **4.2 Legal Implications**

There are no direct legal implications arising from this report.

Kamal Adatia, City Barrister and Head of Standards, 371401

### **4.3 Climate Change**

The recommendations in this report will have no implications for Leicester City Council's own operational carbon footprint as this does not fall within our own property portfolio/services. It should be noted however that the closure of the Central Fire Station could result in a number of implications for city wide emissions; emergency vehicles may have to travel further to reach emergencies in the vicinity of the existing station, implications may arise through any future development on the site. If the site is to be developed on in the future, it is ideally situated to make a connection to the city's district heating network.

Louise Buckley, Senior Environmental Consultant, 372293

**5. OTHER IMPLICATIONS**

OTHER IMPLICATIONS	YES/NO	Paragraph References Within the Report
Equal Opportunities	<b>N</b>	
Policy	<b>N</b>	
Sustainable and Environmental	<b>N</b>	
Crime and Disorder	<b>N</b>	
Human Rights Act	<b>N</b>	
Elderly/People on Low Income	<b>N</b>	
Corporate Parenting	<b>N</b>	
Health Inequalities Impact	<b>N</b>	

**6. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972**

**None**

**7. CONSULTATIONS**

None.

**8. REPORT AUTHOR**

Matthew Reeves  
Senior Democratic Support Officer.





21 January 2016

MATTERS RESERVED TO COUNCIL

**7.1 Treasury Strategy 2016/17**

The Director of Finance submits a report that proposes a strategy for the Council's borrowing and investments during 2016/17. Other than limits which apply specifically to 2016/17, the Council is asked to give this strategy immediate effect.

The Council is recommended to approve the treasury strategy, and the authorised borrowing limit set out in paragraph 6.3.

**Sir Peter Soulsby  
City Mayor**



COUNCIL

21<sup>st</sup> January 2016

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## TREASURY STRATEGY 2016/17

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### Report of the Director of Finance

1. **Purpose of Report**

1.1 This report proposes a strategy for the Council's borrowing and investments during 2016/17.

2. **Summary**

2.1 Treasury management is the process that ensures that the Council always has enough cash to make the payments that are necessary for its operations, and this involves both borrowing and investment. The Council's borrowing totals some £240 million; and its investments vary from below £190 million to over £240 million depending on circumstances.

2.2 The strategy described in this report reflects a number of factors and these are:-

- (a) Current government policy is to fund capital projects by grant. This means that borrowing is only required when we are funding the costs ourselves (which is rare, given the revenue budget outlook); or when borrowing pays for itself. The vast majority of our borrowing has funded historical development. If government policy continues, we do not believe we will need to borrow money for the foreseeable future, if at all;
- (b) Investment balances are high, and (at current interest rates) do not attract enough income. They continue to build up because of the lack of any borrowing requirement and the requirement to set money aside to repay debt as part of the revenue budget;
- (c) Ideally we would use balances to repay existing debt, but government rules mean there is a financial disincentive to do this;
- (d) Since the financial crash of 2008, our investments have been restricted to the UK government, other local authorities and substantial UK banks together with managed funds of cash invested across a diverse range of the world's strongest banks;
- (e) changes to rules on bank solvency in 2015 mean that the Government will no longer bear the full cost of "bailing out" a failing bank. Banks which require

capital must first look to commercial depositors (including local authorities). This is known as “bail in”.

- 2.3 The consequence of the above is that the focus of our strategy is very much on investments. The strategy manages credit risk through the selection of strong counterparties, the selection of investments backed by security and by diversification. Where possible we will use investments to repay debt, but the rationale for doing so will be risk reduction rather than savings (as in the past). The strategy continues the policy, introduced in 2015, of holding up to £20m for projects that support the local economy. One scheme currently under consideration is the “Enterprising Leicester Investment Fund”.

### 3. **Recommendations**

- 3.1 The Council is recommended to approve this treasury strategy, and the authorised borrowing limit in paragraph 6.3. Other than limits which apply specifically to 2016/17, the Council is asked to give this strategy immediate effect.

### 4.0 **Treasury Strategy**

- 4.1 This document is the treasury strategy for 2016/17. At the beginning of each year the Council receives this report which identifies how it is proposed to borrow and invest in the light of capital spending requirements, interest rate forecasts and economic conditions.

- 4.2 The strategy covers the matters listed below:

- i. the Council’s current debt and investments;
- ii. prospects for interest rates;
- iii. capital borrowing required;
- iv. investment strategy;
- v. the balance between holding investments and using them to repay debt (or as a substitute for new borrowing);
- vi. debt rescheduling opportunities;

- 4.3 The key factors to consider are:

- i. How much interest the Council can get on its investments.
- ii. Ensuring the security of investments.
- iii. When loans are due to be repaid and how much it is likely to cost to refinance them at that time.

- 4.4 The Council supports the finance function of the Leicestershire Combined Fire Authority and from 2016 this support will cover the treasury function. The advice to that authority will reflect the advice given in this report.

## 5. **Current Portfolio Position**

- 5.1 The Council's current debt and investment position is shown in the table below. Members are asked to note that the figures shown represent a snapshot at a single moment in time. The table excludes £26M of debt managed by the County Council on behalf of the City Council and also excludes debt instruments held by contractors for PFI schemes.

<b>Treasury Position As At 28th November 2015</b>	<b>Amount</b>
Fixed Rate Funding	
Public Works Loan Board	£134m
Stock	£9m
Market Loans	£96m
Total Debt	£239m
Investments	£192m
Net Debt	£47m

- 5.2 The debt is long dated, with repayments mainly due from 37 years to 66 years.

## 6. **Treasury Limits For 2016/2017**

- 6.1 The treasury strategy includes a number of prudential indicators required by CIPFA's Prudential Code for capital finance, the purpose of which is to ensure that treasury management decisions are affordable and prudent. The recommended indicators and limits are shown below. One of these indicators, the "authorised limit" (para 6.3 below), is a statutory limit under the Local Government Act 2003.
- 6.2 The first indicator is that over the medium-term net borrowing will only be for capital purposes – i.e. net borrowing should not, except in the short-term, exceed the underlying need to borrow for capital purposes (the "capital financing requirement"). We do not anticipate any difficulties in complying with this requirement.
- 6.3 The Council is required to set an "authorised limit" on borrowing which cannot be exceeded. The approved limits recommended for 2016/17 are:

	£m
Borrowing	280
Other forms of liability	145
Total	425

6.4 “Other forms of liability” relates to loan instruments in respect of PFI schemes and to pre-unitary status debt managed by the County Council (and charged to the Council). The remainder, “borrowing”, refers to conventional loans. In practice, the treasury strategy only manages the borrowing component.

6.5 The Council is also required to set an “operational boundary” on borrowing which requires a subsequent report to scrutiny committee if exceeded. In practice, the treasury strategy only manages the borrowing component. The approved limits recommended for 2016/17 are:

	£m
Borrowing	270
Other forms of liability	145
Total	415

6.6 Recommended upper limits on fixed and variable rate debt exposures are shown in the table below. The figures shown are the principal sums outstanding on “borrowing”.

	£m
Fixed interest rate	240
Variable interest rate	60

6.7 The Council has also to set upper and lower limits for the remaining length of outstanding loans that are fixed rate as a percentage of the total of all loans. This table also excludes other forms of liability. Recommended limits are:

Upper Limit

	%
Under 12 months	30
12 months and within 24 months	40
24 months and within 5 years	60
5 years and within 10 years	60
10 years and within 25 years	100
25 years and over	100

We would not normally borrow for periods in excess of 50 years.

Lower Limit

	%
Less than 5 years	0
Over 5 years	60

## **7. Borrowing and Investment Levels**

- 7.1 It appears likely that the Council's requirement to borrow is now at a peak and is likely to decline. Until 2011, the Government provided support for capital expenditure by a combination of capital grants and "supported borrowing" allocations. Supported borrowing allocations enabled the Council to borrow money, with the costs of financing the debt being met by Revenue Support Grant. Since then Government support has been wholly grant funded.
- 7.2 The law and codes of practice require that money must be set aside in the budget each year to repay previous years' debt. These rules, very broadly, seek to ensure that the Council's borrowing is repaid over the life of the projects which have been financed. Hence, in the absence of new borrowing, the Council's net borrowing requirement will decline.
- 7.3 The Council undertakes a number of projects which are not Government supported and can borrow for these – this is known as "unsupported" or "prudential" borrowing.
- 7.4 In practice, it has not been necessary to undertake fresh borrowing for several years. We have instead used money set aside to repay debt or other available cash.
- 7.5 Beyond 2016/17 the money set aside to repay debt will not be used for planned capital spending as Government grant will be used. This does not necessarily mean that we shall immediately repay debt, unless it is beneficial to do so - as noted above for a number of years we have not borrowed but have instead used cash balances as an alternative to borrowing.
- 7.6 The cumulative impact of these policies is that we have anticipated the need to repay debt and a cumulative total £220m of balances have been used as an alternative to external borrowing. Currently this saves the Council approximately £8m per year in interest.
- 7.7 Even after using balances as an alternative to borrowing, large cash balances remain. In theory at least, much of these are temporary in nature and held against commitments - for example grants received in advance of expenditure, and funds earmarked for committed capital projects. In addition the budget for 2016/17 plans for reserves to be spent. The level of balances is expected to decline over 2016/17 and later years. However, it is estimated that over the medium term we will have around £50m of investments which we will never spend (unless Government policy changes).

### **Interest Rates**

- 7.8 Interest rates, both long term and short term are very low by historical standards. Our treasury advisors, Arlingclose, forecast that short term rates will rise from 2016 but that the rate of increase will be slow. By the end of 2017 they

see short term rates of 1.75% and beyond that, over the medium term they do not see short term rates rising beyond 3% to 3.5%, and such rates are lower than the historical long term average. If our current position continued we would have a high level of investments earning very little in the short term with only a modest improvement over the medium term.

- 7.9 At the time of writing this report the interest rate on fixed rate borrowing from the PWLB for 50 year loans is 3.4% and our advisors see this rising to 4.2% by the end of 2017. This is historically extremely cheap, but we have no need to take it.

### **Investment Risks**

- 7.10 Within the Eurozone, whilst economic and financial tensions have eased many underlying issues remain to be resolved. A reduction in the rate of the growth of the world economy has been a major contributor to the fall in the price of oil and other commodities with negative impacts on the economies of producer countries which may also be adversely affected by currency flows as US rates start to rise. The direct impact of these factors fall outside the UK, but due to the interconnected nature of financial markets and the world economy there could be an indirect impact on the UK and on the credit risk of investments. The most significant risk to the UK economy arising from a persistence of the recent volatility in the Chinese stock markets and Renminbi exchange rate might be a slowing of global economic growth as a result of weaker confidence.
- 7.11 During 2015 changes were made to reduce the need for taxpayer bailouts when banks run into trouble and these increased the risk to large investors - the deposits of small investors now take priority over the deposits of larger investors such as the Council and formal mechanisms now require that large investors are “bailed in” to any bank restructuring (i.e. a proportion of their investments will be converted into bank equity, which may have little or no value) before any taxpayer bailout takes place. However, measures are progressively being put in place to strengthen banks’ balance sheets, a process that will not be complete until 2019, and this will serve to reduce the risk to investors.
- 7.12 Within an environment of low interest rates and in which the risk of bank failure falls on large investors, our treasury strategy should emphasise risk reduction, and an increase in investment return whilst striking a cautious balance between risk and reward.
- 7.13 Our advisors provide tools to help us monitor the credit risk of bank and building society investment. These include the monitoring of credit ratings and share prices coupled with an analysis of balance sheets of banks and building societies.

### **Investments up to One Year**

- 7.14 Some of our investments are primarily held to manage the Council’s cashflow for periods of up to one year.



- 7.15 We will continue to place deposits with banks and building societies. Our treasury advisors provide information and advice to monitor 'bail in' risk.
- 7.16 We propose to make greater use of overnight deposit facilities offered by our bankers, Barclays Bank, because this can be the most cost effective and operationally efficient way of dealing with day to day cashflows when these are not large. Currently the investment strategy permits a maximum investment limit for Barclays of £20M of which £10M is assigned to deposits with a further £10M assigned to longer term investments backed by security. It is proposed that the limit for longer term investments be reduced to £5M and that the limit for deposits be increased to £15M. The additional £5M could only be placed on overnight deposit, which is considered to be safer than longer deposits as the cash can be quickly withdrawn if the bank shows signs of financial stress.
- 7.17 We will continue to place deposits with other local authorities and with the Government through its Debt Management Office. Such investments are highly secure, although interest rates are also very low.
- 7.18 We propose to add repurchase agreements ('REPO') as an approved investment. These are short term investments akin to deposits backed by security, and are made with financial institutions. This security is achieved by the contractual arrangements which secure the investment against a government bond or other security provided by the borrower. The availability of this security enables us to lend to banks we would not otherwise chose to lend to.
- 7.19 We will continue to use money market funds. These are pools of highly credit rated investments such as deposits and short dated bonds which reduce risk by diversification. The funds include the strongest international banks and are actively managed preventing us having to monitor the underlying investments. Cash is repayable on demand making these useful tools for managing the Council's short-term cashflows (particularly if we make the medium term investments described below).
- 7.20 We are also proposing to make use of funds similar to money market funds, often described as money market plus funds. These still pool highly credit rated investments but have a longer average maturity than money market funds. These are useful for managing cash over periods from between one month ahead to up six months ahead and offer higher returns than money market funds. Whilst the fund may under-perform if it misjudges the pace and direction of interest rates it should not under-perform because of credit losses. Such funds may make use of derivatives where this supports the objectives of the fund (in terms of security of capital and return). Importantly, however, derivatives are not used for outright speculative purposes. We will not invest in any funds where an analysis of investment objectives and prospectus indicates any significant risk to capital. The decision to invest in such a fund would be made the by the Director of Finance in consultation with the City Mayor so as to provide assurance that only appropriate funds are selected.
- 7.21 Another investment with a similar underlying structure is the short-dated bond fund. These funds lend less money to banks and most is invested in short-dated

government bonds. The return on such funds is low because of the low interest rates on short-dated bonds and because of the fund manager's fees. This is an option that we might consider in adverse market conditions if we decided to reduce our credit exposure to banks.

### **Longer Term Investments**

- 7.22 Historically, our investments represent money received in advance of need and monies set aside to repay debt or reserves. Consequentially, they are a short term resource. However, the changes described in this report suggest around £50m is now best seen as a longer term resource.
- 7.23 This is because, even though the Council has more debt than investments, we will continue to have £50m of investments we will not be able to use.
- 7.24 Over the next two years we expect our cash balances to remain high and during 2016/17 it is suggested that we may hold up to £120M in investments with a maturity in excess of one year. Over subsequent years we see these balances declining.
- 7.25 Conventional bank deposits with a maturity in excess of one year are not considered appropriate, even for the strongest banks. Whilst the risk of being "bailed in" is considered to be low it is real and the interest rates offered are not considered adequate to reflect this risk. We shall continue to deposit money with other local authorities for periods up to two years.
- 7.26 We will continue to invest in "covered bonds" . Here money is loaned to a bank for a period of between one to five years and is secured on bank assets, such as the bank's mortgage portfolio. They are similar to REPOs discussed above.
- 7.27 In theory, we would like to use investments to repay debt. This has always required a premium to be paid (i.e. why would a lender accept repayment of a loan paying 4% which it cannot reinvest at the same rate?). This does not necessarily make the deal uneconomic – it simply ensures debt is repaid at fair value. However rules recently imposed have increased the premium payable. Whilst we can, and should, use investments to repay some debt we will need to be selective about the loans to repay, and recognise we are primarily doing it to reduce investment risk rather than to make savings for the revenue budget. This strategy permits us to do so.
- 7.28 We will continue to hold cash available for a local investment fund. We can support capital projects, at a marginal cost to us of 0.5% in the short-term (i.e. what we lose on the investments), and not much more in the medium term. We would be able to fund schemes with a short life at rates exceeding what we get on our investments. The fund would be less suitable for funding longer term projects, as rates beyond 10 years' time are not knowable; however, schemes with secure longer term income streams may be viable. At the time of preparing this report proposals are in hand for an "Enterprising Leicester Investment Fund"

of up to £10M. We will continue to appraise other local investment opportunities to generate future revenue income and capital growth.

- 7.29 Our investment strategy permits a range of bonds. These are:
- (a) UK government bonds (gilts). At present these are not attractive compared to other investment options but are a very safe option in adverse market conditions and can be easily sold.
  - (b) Bonds issued by the new Local Authority Bond Agency, which is being set up to lend to other local authorities following an initiative of the LGA. Rates payable are likely to be good. However, we remain unconvinced that many authorities are actually going to borrow from the agency and there may therefore not be any need for our cash (many authorities are in the same position we are);
  - (c) We can look to lend long-term to a high quality institution (such as the European Investment Bank, Transport for London or another local authority).
- 7.30 It is proposed that we invest in the CCLA Local Authorities Property Fund. This fund invests in commercial property and only serves local authorities. CCLA is owned by its clients who are local authorities and charities. Its governance structure includes representatives of local authorities and other clients. In presentations it has presented a credible approach to investment and has a good track record.
- 7.31 The Royal Institute of Chartered Surveyors (RICS), a respected industry body which operates at arms-length from individual property funds, reports a healthy and improving property market.
- 7.32 It is considered that it would only be appropriate to invest in this fund if we expected to retain our holding for at least five years, and we expect this to be the case. There are two reasons for this. One is that when new funds are put into the fund new properties are bought with this investment. These purchases incur costs such as stamp duty and legal fees and these costs are passed back to new investors. The gap between the initial investment and its value is expected to close over time as income is realised and the value of the properties rise. A further consideration is that the value of property might fall and a sufficiently long investment period is required to ride out any dips in the property market,
- 7.33 The fund is expected to pay dividends at a rate of 4% to 4.5% and this exceeds current cash returns of 0.5%. Over the next 3-4 years we propose to apply the surplus over cash returns to firstly pay down the initial costs and also to create a buffer against any fall in property value. Thereafter we would take the full level of income.

## 8. **Debt Rescheduling & Premature Repayment of Debt**

- 8.1 This report proposes the premature repayment of debt using cash that is currently invested.

- 8.2 Rescheduling is also an option that may be considered. The only difference is that instead of using existing cash balances to fund the repayment we would fund it by borrowing a new loan on more attractive terms than the old loan.
- 8.4 In practice the premature repayment of debt will incur a premium, in which case the financial calculations become more complex, however, the principle remains the same.
- 8.5 In practice, debt rescheduling will be unlikely unless we successfully run down investment balances first.

## 9. **Managing Credit Risk and Other Risk**

- 9.1 This report outlines the investment strategy. Further details are given in the appendix, which sets the criteria that we apply to ensure that we only invest with borrowers of high credit worthiness. It also deals with measures to manage other key issues, for example ensuring access to liquid funds.
- 9.2 Investments will always comply with the minimum credit ratings specified in this strategy but other factors will be taken into account as contra-indicators and these will include share price, the cost to investors of buying insurance against default and political and economic developments (especially those to do with the Eurozone). Account will also be taken of credit worthiness opinions of our Treasury Advisors based on analyses of institutions' accounts.
- 9.4 This investment strategy is based on the advice of Arlingclose, our Treasury Advisors and they have consistently taken a cautious approach (for example they advised against investing in Icelandic banks).

## 10. **Sensitivity of This Strategy and Risk Management**

- 10.1 This strategy is based on the view that the economic outlook for 2016/2017 and later years carries a number of significant risks.
- 10.2 Short-term interest rates are expected to rise slowly over the medium term and the main risk is that they rise faster and/or sooner than expected. If this happens some individual investments may perform worse than expected, but overall the impact on the Council is likely to be that its investment income increases because most of its investments pay interest at short or variable rates.
- 10.3 There is a related risk that long-term rates rise faster than expected. If this happens some of the investments proposed in this report would decline in value. At the same time debt repayment and debt rescheduling options may become more financially beneficial.
- 10.4 If long term interest rates decrease, or rise slower than expected then some of the medium term investments proposed in this report would increase in value.

However, future debt repayment/debt rescheduling opportunities will become less favourable. Overall the short-term impact on the Council would be limited.

- 10.5 The main concern around lower than expected interest rates would be the underlying reason. For example the continuation of low interest rates seen during the current year reflects slower than expected growth in the world economy, something that has the potential to feed into increased credit risk.
- 10.6 The future level of cash balances is a material consideration. If these are higher than forecast (or decline more slowly than expected) then the Council's investments will increase, and so will investment income. The converse will be true if they are less than forecast or decline more slowly. These impacts will be limited by the low level of interest rates.
- 10.7 The Council has £96 million of market loans at favourable interest rates on which the lender has the right to periodically propose an interest rate increase. These loans are known as LOBOs. We have the option to refuse a proposed rate increase and to repay the loans, but would then have to borrow new loans at the prevailing interest rates. In the current interest rate environment the financial risk is believed to be low - it's unlikely that lenders will exercise their option and if they did (which we would probably welcome) the cost of replacement loans (if needed) could be kept low by borrowing short to medium term loans. We would give serious consideration to rescheduling or repaying these loans so as to reduce this risk, even if this did not generate a financial saving or came at a small cost.
- 10.8 Members are asked to note that LOBOs have recently received a bad press, with allegations that authorities were misled by advisors. We undertook most of this borrowing to refinance an earlier stock issues, at a time when there was limited availability of sources of borrowing. The exercise as whole saved money, and was worthwhile.
- 10.9 The proposed investment in the CCLA Local Authorities' Property Fund exposes the Council to declines in the value of commercial property. The fund benefits from a statutory provision such that this would not impact on the Council's revenue position (ie this would not reduce its ability to spend money on services) unless it sold its investment. These risks are mitigated by the expectation that the investment would be held for a minimum of five years over which time these risks would be lessened. These risks are further mitigated by the proposals to retain income in excess of cash returns to create a buffer.
- 10.10 Where, exceptionally, immediate action that does not comply with this strategy will benefit the Council such action will be taken, and will be reported to the City Mayor and the Overview Select Committee.

## 11. **Housing Revenue Account**

- 11.1 The Housing Revenue Account (HRA) operates under a self-financing regime in which it has earmarked debts separate from those of the General Fund. Where appropriate, a separate loans strategy should be operated for each pool. However, the requirements of the HRA for 2016/17 are straightforward in that little new borrowing is required and the strategy described in this report is appropriate for the HRA.

## 12. **Treasury Management Advisors**

- 12.1 Since January 2008 the Council has employed Arlingclose as treasury advisors. The service provides advice on our borrowing and investment policies and strategies. The annual fee for this service is £22,000.
- 12.2 There have been many challenges in 2015/16 and Arlingclose's performance has been good.

## 13. **Leasing**

- 13.1 The Council is likely to acquire equipment, principally vehicles, to the value of approximately £1.5 million that would be suitable for leasing.
- 13.2 Before leasing is pursued consideration will be given to the options of finance leasing, operational leasing, and prudential borrowing. At present prudential borrowing is more cost effective. This judgement takes into account the costs of the two forms of finance over the expected economic life of the asset. In addition, because of lease termination charges it is more expensive to dispose of a leased vehicle than an owned vehicle, and this is important because the Council is reviewing the utilisation of the existing fleet.
- 13.3 In practice, prudential borrowing will mean use of our cash balances.

## 14. **Financial and Legal Implications**

- 14.1 The proposals are in accordance with the Council's statutory duties under Local Government Act 2003 and statutory guidance, and comply with the CIPFA Code of Practice on Treasury Management. In accordance with the Council's Constitution the strategy requires full Council approval.

15. **Other Issues**

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		
Elderly/People on Low Income	No		
Corporate Parenting	No		
Health Inequalities Impact	No		

16. **Background Papers**

16.1 Background information is available on the files of the Director of Finance.

17. **Consultation**

17.1 Arlingclose Ltd.

18. **Author**

18.1 The author of this report is David Janes of the Financial Services Division on extension 37 4058

Alison Greenhill  
Director of Finance.

## Appendix to Treasury Strategy 2016/17

### ANNUAL INVESTMENT STRATEGY 2016/2017

#### 1. Introduction

- 1.1 This investment strategy complies with the DCLG's Guidance on Local Government Investments and CIPFA's Code of Practice.
- 1.2 The Investment Strategy states which investments the Council may use for the prudent management of its treasury balances. It also identifies other measures to ensure the prudent management of investments.
- 1.3 It does not cover the use of investments for local economic projects for which separate policies will be prepared.

#### 2. Investment Objectives & Authorised Investments

- 2.1 All investments will be in sterling.
- 2.2 The overriding policy objective for the Council is the prudent investment of its balances. The Council's investment priorities are
  - (a) the **security** of capital and
  - (b) **liquidity** of its investments.
- 2.3 The council will aim to achieve the **optimum return** on its investments commensurate with the proper levels of security and liquidity.
- 2.4 The Council will not borrow monies purely to invest or on-lend.
- 2.5 The following part of this appendix specifies how the Council may invest, with whom and the credit worthiness requirements to be applied.



2.6 The credit criteria in respect of loans to financial institutions are stated below. We only lend to banks and building societies based in the UK.

<b>Investment Type</b>	<b>Maximum Investment Period</b>	<b>Minimum Credit Rating</b>	<b>Individual Lending Limit</b>	<b>Limit for Investment Type</b>
Deposits – Credit Rated Banks and Building Societies	366 Days	A long term rating of A and a short term rating of F1	£10m.	£80m
	6 months	A long term rating of A- and a short term rating of F2	£10m.	
	100 days or less	A long term rating of BBB+ and a short term rating of F2	£10m Additional £5m overnight limit for Barclays Bank	
Covered Bonds	5 years	A long term rating of AA	£20m	Included in above
REPO Agreements	1 year	To be no less secure than a deposit	£20m	Included in above
Deposits – unrated building societies	6 months	N/A – Advice taken from Treasury Advisors	£1m	£10m

2.7 The credit criteria applied to other investments are as detailed in the table below. The quasi-public sector refers to such bodies as Transport for London (TFL) and the Student Loan Company which deliver public services and which are closely linked to the Government or to local government.

<b>Investment Type</b>	<b>Counterparty</b>	<b>Maximum Investment Period</b>	<b>Minimum Credit Rating</b>	<b>Individual Lending Limit</b>	<b>Limit for Investment Type</b>
Deposits	Local authority	2 Years	None required	£20m	£130M
Bonds	Local Government Bonds Agency	To be agreed	A long term rating of AA-	£30m	
Bonds, Bills and Deposits	UK Public Sector & Quasi-Public Sector	To be agreed	A long term rating of AA-	£30m	£60m
Deposits and Treasury Bills	UK Government / UK Government Guarantee	Unlimited	None required	Unlimited	Unlimited
Money Market Funds, Money Market Plus Funds and Short-Dated Bond Funds	Various Fund Managers	3 months	-	£20m	£60m
		7 days	-	£20m	£80m
Bonds	International Development Banks	5 Years	AA plus backing of one or more G7 countries.	£10m	£40m
Local Authorities' Property Fund	CCLA	-	Not Applicable	£10m	£10m

2.8 The table below specifies authorisations and consultations necessary prior to investments being added to the approved lending list.

<b>Investment Type</b>	<b>Counterparty</b>	<b>Authorisation / Consultation</b>
All	Quasi-UK Public Sector	Approval to named counterparty and class of investments by Director of Finance in consultation with the City Mayor.
Bond	International Development Banks	
REPO Agreements	To be agreed	
Money Market Funds, Money Market Plus Funds and Bond Funds	To be agreed	Director of Finance to consider a report recommending any new funds to be added to the approved lending list.

2.9 A 2% margin of error is permitted on the limits specified in this document when these limits are breached simply because interest has been paid and has been added to the account balance.

2.10 The following factors apply to all deposits.

- i. Deposits may be for fixed terms or may be repayable at the option of the borrower and/or the lender and may or may not be negotiable
- ii. Deposits or other investments may be agreed in advance that run from an agreed future date.
- iii. For the purposes of applying the credit rating criteria laid down in this AIS, investments agreed in advance shall be treated as running from the date they are agreed. However, where an investment is agreed 10 or fewer working days in advance it shall be treated as running from the date the cash is deposited.
- iv. Interest rates may be fixed at the outset or may be varied by agreement. They may also be varied by reference to market rates or benchmarks (eg LIBOR), provided that such rates or benchmarks are capable of independent verification.
- v. An investment with an organisation with an unconditional financial guarantee from a parent organisation may be treated as if it were an investment with that parent organisation subject to consideration of any contra-indicators that such a guarantee may not be effective.
- vi. Where an institution is part of a group then limits shall be set both at group level and at the level of the individual institution

### **3. Security of Capital**

- 3.1 The Director of Finance will only invest with the most secure counterparties. This section of the AIS describes how these are identified.

#### **Banks and Rated Building Societies**

- 3.2 The Director of Finance will maintain a list of approved counterparties.
- 3.3 The Council utilises credit ratings published by Fitch Ratings. Investments are also permitted on the basis of equivalent ratings issued by Moody's Investors Services or Standard and Poor's. In the absence of good reasons to the contrary, decisions will be based on the lowest rating. When applying credit rating criteria it shall be assumed that investments shall be held to maturity. Where, however, the Council has an unqualified option to require the investment to be fully repaid at an earlier date, then for the purposes of applying these criteria it shall be assumed that the investment shall run until the earliest repayment date.
- 3.4 Credit ratings will be monitored:
- i. All credit ratings for investments being actively used will be monitored monthly and credit rating alerts will be acted on as soon as practicable (the next working day or sooner);
  - ii. If a body is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that body will cease;
  - iii. A deterioration in credit ratings will not automatically lead to a decision to terminate the investment prematurely (and in many cases there will be no contractual provision to permit this).
  - iv. If a counterparty is upgraded so that it fulfils the Council's criteria, its inclusion will be considered and put to the Director of Finance for approval;
  - v. If other market intelligence suggests that credit ratings give an over-optimistic view of credit-worthiness, this will be taken into account.

#### **Unrated Building Societies**

- 3.5 For unrated building societies the Director of Finance will maintain a list of approved counterparties. The credit worthiness of unrated building societies will be assessed using advice from the Council's treasury advisors. This advice shall consider the risk of financial stress by reference to the most recently published accounts and by reference to any other publically available market information. In particular regard shall be had to the capital held to absorb financial shocks, liquidity and profitability. The advice shall also consider the extent of the financial loss in the event of a "bail in".
- 3.6 For all investments regard shall be had to the prospect of support from a parent institution or a strong government, though the role of the latter is now limited by "bail in" rules. In addition for all categories of investments regard will be had to other sources of information including (where applicable) the price of Credit

Default Swaps, share prices, developments, news, economic data and market sentiment. Regard shall be had to the likely impact of any “bail in”. Regard shall also be had to credit-worthiness assessments of the Council’s treasury advisors.

**4. Investment balances / Liquidity of investments**

- 4.1 The minimum percentage of its overall investments that the Council will hold in short-term investments is 40% and the Council will maintain liquidity by having a minimum of £30m of deposits maturing within 2 months (subject to the availability of funds to invest). There is a regular monthly cycle to the Council’s cashflow and these limits apply to the peak cash balance just ahead of the payday. These liquidity targets are guidelines and occasional and temporary deviations from these limits will be permitted on a planned basis where there are good reasons.
  
- 4.2 No more than £120m will be held in investments in excess of 366 days. For these purposes investment in money market funds, money market plus funds and short-dated bond funds shall be treated as investments held for less than 366 days and investments in the CCLA Local Authorities’ Property Fund shall be treated as an investment in excess of 366 days.



21 January 2016

REPORT OF THE MONITORING OFFICER

**8.1 Annual Report of Standards Committee July 2013 – June 2015 – Analysis of Cases Referred**

The Monitoring Officer presents the annual report of the Standards Committee.

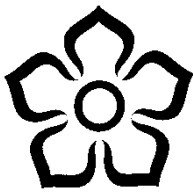
The item was considered by the Standards Committee on 14 October 2015 and a minute extract from this meeting is attached.

Council is asked to note the report.

**Kamal Adatia,  
Monitoring Officer.**







**WARDS AFFECTED**  
**All**

**Leicester**  
City Council

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

<b>STANDARDS COMMITTEE</b>	<b>14<sup>th</sup> October 2015</b>
<b>COUNCIL</b>	<b>21<sup>st</sup> January 2016</b>

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**ANNUAL REPORT OF STANDARDS COMMITTEE JULY 2013 – JUNE 2015 - ANALYSIS OF CASES REFERRED**

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**Report of the Monitoring Officer**

**1. PURPOSE OF REPORT**

- 1.1. This is the annual report of the Standards Committee following the change of legislation which took effect on 1<sup>st</sup> July 2012. Council have separately approved and revised two key documents (the “Code” and the “Arrangements”) which, respectively, set out the expected standards of behaviour of Elected Members and the procedural framework under which misconduct allegations are processed.
- 1.2. This report focuses specifically upon the case work that has come to the attention of the Standards Committee during the 2 years since the last annual report, covering the period 1<sup>st</sup> July 2013 to 30<sup>th</sup> June 2015. This report does not purport to deal with the other work undertaken by the Standards Committee in the relevant year (such as the policies it has commissioned, the reviews it has undertaken or the themes it has explored)

**2. RECOMMENDATIONS**

- 2.1. For Standards Committee to note the report and make any amendments
- 2.2. For Council to note the report

**3. REPORT**

**Principles**

- 3.1.1. The principles which underpin the Council’s processes for dealing with Member misconduct complaint remain as follows:

- a. There should be simplicity to the scheme so that it is easily understood and transparent
- b. There should be flexibility at every stage of the process for informal resolution and / or robust decisions to be taken about “no further action”
- c. There should be Member involvement at key stages in the process
- d. There should be the involvement of Independent Members (IM) and the Independent Person (IP) at key stages of the process
- e. The Monitoring Officer should have greater powers to deal with complaints relating to the Code of Conduct
- f. Rights for complainants to seek a “review” of a decisions at various stages should be limited, consistent with the reduced scope and severity of allowable outcomes that can be imposed under the new regime
- g. At any stage in the process where it is clear that a matter should be referred to the police this should be done and the local investigation should be suspended

3.2. **Volume**

<b>No. of complaints lodged 1<sup>st</sup> July 2013 to 30<sup>th</sup> June 2014</b>	<b>7</b>
<b>No. of complaints lodged 1<sup>st</sup> July 2014 to 30<sup>th</sup> June 2015</b>	<b>9</b>

**2013/14**

- 3.3. In the period July 2013 to June 2014 seven complaints were lodged. In the comparable twelve month preceding this there were twelve complaints lodged (an average of one per month). The twelve month figures to June 2014 therefore indicate a 42% reduction in complaints.
- 3.4. The seven cases to June 2014 involved eight allegations of Councillor misconduct because one of the complaints was leveled at two Councillors simultaneously (i.e. alleging the same misconduct against both Ward Councillors).
- 3.5. The total number of different Councillors complained-about was six. Two Councillors attracted two complaints each. Conversely, this demonstrates that 48 out of 54 Councillors did not attract an allegation of misconduct.

## **2014/15**

- 3.6. In the period July 2014 to June 2015 nine complaints were lodged. In the comparable twelve month preceding this there were seven complaints lodged. The twelve month figures to June 2015 therefore indicate a 28.5% increase in complaints.
- 3.7. The nine cases to June 2015 involved twelve allegations of Councillor misconduct because two of the complaints were leveled at more than one Councillor simultaneously (i.e. alleging the same misconduct against several Councillors).
- 3.8. The total number of different Councillors complained-about was ten. One Councillor attracted two complaints. Conversely, this demonstrates that 44 out of 54 Councillors did not attract an allegation of misconduct.

### **3.9. Source of Complaints**

#### **2013/14**

<b>Complaints from members of the public</b>	<b>6</b>
<b>Complaints from other Councillors</b>	<b>1</b>

#### **2014/15**

<b>Complaints from members of the public</b>	<b>6</b>
<b>Complaints from other Councillors</b>	<b>2</b>
<b>Complaint from staff member</b>	<b>1</b>

### 3.10. Nature of allegations

(This may be greater than the number of complaints, where a complainant has complained about more than one Councillor within the same complaint)

#### 2013/14

<b>Behaviour</b>	<b>1</b>
<b>Unhelpfulness</b>	<b>5</b>
<b>Declarations/Bias</b>	<b>1</b>
<b>Abuse of position</b>	<b>1</b>

- 3.11. The single most common theme for complaints was alleged Councillor ‘unhelpfulness’. This contrasts with the previous year when the dominant theme was ‘misbehaviour’ (though those figures were arguably skewed because of a proliferation of complaints between the two same Councillors).
- 3.12. The theme of ‘unhelpfulness’ predominantly involved allegations from constituents that their issues were not being pursued by the Elected Member from whom they had requested action/support

#### 2014/15

<b>Behaviour</b>	<b>8</b>
<b>Unhelpfulness</b>	<b>4</b>

- 3.13. The theme of ‘behaviour’ predominated in the twelve allegations made in the relevant year.

### 3.14. Route

#### 2013/14

<b>Dealt with by M.O. and I.P</b>	<b>5</b>
<b>Dealt with after 'Review' by M.O. and second I.P</b>	<b>1</b>
<b>Proceeded to Independent Investigation</b>	<b>1</b>
<b>Proceeded to Standards Hearing</b>	<b>0</b>

- 3.15. Six of the seven complaints (86%) were dealt with by the Monitoring Officer in conjunction with one of the two Independent Persons. These complaints do not come to the attention of the Standards Committee or the Standards Advisory Board (a sub-committee of the Standards Committee which looks at specific complaints) save by way of anonymised and very brief update at each Standards Committee meeting which is convened throughout the year. The vast bulk of the complaint work is therefore dealt with by the Monitoring Officer with the Independent Person and only in the minority of cases where an independent investigation is commissioned, and subsequently reports, does the Standards Advisory Board sit to consider that report.
- 3.16. Of these six cases, one involved the complainant seeking a “review” of the first-stage decision. The Council’s “Arrangements” allow for this right to be exercised in respect of all outcomes short of referral for independent investigation. A review is achieved by the Monitoring Officer sending the complaint to the second Independent person, essentially for a second opinion as to outcome. In one case taken to review level over the past year, the conclusion was not different to that reached by the first Independent Person in conjunction with the Monitoring Officer. The view of the Monitoring Officer on this is that this demonstrates a broad level of consistency between the Monitoring Officer and the two Independent Persons as to the appropriate threshold and proper use of the Standards regime in individual cases, but also acts as a useful mechanism to test out initial decisions and indeed to explore other avenues which may not have received particular attention when the complaint was first looked at.
- 3.17. One of the seven complaints proceeded to independent investigation meaning that the Monitoring Officer has, on behalf of the Standards Committee, commissioned from an external source a fully independent investigation into the alleged misconduct. This is reserved for more serious complaints, though that is not to say that the independent investigations conclude that misconduct has occurred. The independent investigator’s conclusions are not binding upon the Standards Advisory Board and they must assess whether they agree with the findings of the investigator, or wish to proceed to convene a hearing at which further evidence is given and they hear directly from the complaint, the subject member and any witnesses.

## **2014/15**

<b>Dealt with by M.O.</b>	<b>1</b>
<b>Dealt with by M.O. and I.P</b>	<b>6</b>
<b>Dealt with after 'Review' by M.O. and second I.P</b>	<b>2</b>
<b>Proceeded to Independent Investigation</b>	<b>0</b>
<b>Proceeded to Standards Hearing</b>	<b>0</b>

- 3.18. 100% of cases were dealt with by the Monitoring Officer and Independent Person (nine cases) during 2014/15.
- 3.19. Of these 9 cases two entailed a request for a "Review". In both cases the outcome did not change after the Review.
- 3.20. No cases proceeded to Independent Investigation
- 3.21. No cases proceeded to come to the attention of the Standards Advisory Board

### **3.22. Outcome of allegations**

(As explained earlier, this maps outcomes against the number of allegations, rather than number of complaints)

## **2013/14**

<b>Rejected (not related to Code, or covered by another process)</b>	<b>0</b>
<b>Rejected (trivial, no public interest in pursuing, vexatious)</b>	<b>3</b>
<b>Informal resolution (no breach, reparation desirable)</b>	<b>1</b>
<b>Informal resolution (low level breach, undesirable to take further)</b>	<b>3</b>
<b>Independent Investigation (outcome of 'no breach')</b>	<b>1</b>
<b>Independent Investigation ('breach' outcome)</b>	<b>0</b>

- 3.23. No serious breaches of the Code of Conduct were established amongst the seven complaints. The three cases referred to above which involved low level breaches (leading to an outcome of “informal resolution”) were all in the category alleging “unhelpfulness”. The papers revealed some support for the allegations that the Subject Members had failed to properly deal with the constituent’s matter, but not in such a way as to have been willful, or in such a way as to have resulted in significant harm. As such, those cases were not pursued and some form of remedial action was recommended (e.g. an apology and/or an offer to deal with the substantive matter).
- 3.24. In one of the three cases mentioned above the Subject Member repeatedly failed to act upon the recommendation of informal resolution (which does not require their consent) despite numerous reminders from the Monitoring Officer. This ultimately led to his being summoned to a meeting with the Chair of the Standards Committee (attended by the Monitoring Officer and the Independent Person) and told that such non-compliance could lead to a fresh complaint being lodged, this time with the Monitoring Officer as the complainant. This yielded the desired outcome and prompted a revision to the ‘Arrangements’ to account for future cases where non-compliance may occur.
- 3.25. In the case considered by the Standards Advisory Board during the relevant period of this report the Board have, after detailed scrutiny of the report, concurred with the independent investigator’s findings of ‘no breach’. Even in these cases the Board has taken a broad view of its function and, wherever possible, have recommended practice changes or other feedback to be given either to Elected Members, officers or any other relevant persons. Such recommendations might reflect any useful learning from those investigations, or indeed might comment upon the alleged misconduct where it is clear that standards of behaviour which may not have met the threshold for formal findings were still worthy of comment / critique.

**2014/15**

<b>Rejected (not related to Code, or covered by another process)</b>	<b>2</b>
<b>Rejected (trivial, no public interest in pursuing, vexatious)</b>	<b>9</b>
<b>Informal resolution (no breach, reparation desirable)</b>	<b>1</b>
<b>Informal resolution (low level breach, undesirable to take further)</b>	<b>0</b>
<b>Independent Investigation (outcome of ‘no breach’)</b>	<b>0</b>
<b>Independent Investigation (‘breach’ outcome)</b>	<b>0</b>

- 3.26. Perhaps of remark for 2014/15 is the fact that although there were more complaints lodged in 2014/15 than in the previous year (nine as opposed to seven) none of them were deemed to have met the threshold for evidencing even a low level breach of the Code of Conduct.

### **3.27. Timeliness**

The 'Arrangements' set the following timeframes:

Complaint received ► Acknowledged to Complainant (within 5 days) ► Acknowledged to Subject Member (within 5 further days) ► Initial filtering decision by M.O. and I.P (within 15 days) ► [Further Fact Finding] ► Outcome letter ► Review (within 15 days of request)

In cases referred for investigation ► Investigation (within 3 months of initial outcome letter) ► Hearing (within 3 months)

3.28. The figures for the number of days taken to deal with a complaint are included within Appendix A. A relevant variable is for cases where an initial filtering decision results in the Monitoring Officer undertaking some more fact finding before an outcome is recommended. This could either entail asking for more details from the complainant, or involve meeting with the Subject Member to discuss the allegations. These are not always achievable within the ten day window envisaged, though the Monitoring Officer is conscious that "drift" in speedily resolving complaints is of itself harmful.

3.29. The Monitoring Officer is confident that in all cases complainants and Subject Members are communicated with in such a way that they are not left in doubt as to what stage of the process has been reached in dealing with their complaint, and when outcomes will be reached. Where target timescales are likely to be exceeded, it is important to explain this to the parties involved in a complaint, and in those circumstances (where the delay is purposeful) it is more important to maintain contact and dedicate what time is needed to the resolution of the complaint than to comply with rigid timeframes. The 'Arrangements' grant a degree of flexibility to the Monitoring Officer to achieve this aim.

### **3.22 Cost**

No detailed analysis of the cost of operating the complaints regime has been undertaken, and neither would it be easy to do so. However what is clear is that compared to the pre-July 2012 regime the cost is significantly lower. The vast majority of cases are dealt with without recourse to the Standards Advisory Board or a commissioning of any specialist investigations. The work is therefore absorbed within the day-to-day work of the Monitoring Officer in conjunction with one of the two Independent Persons. Most of this work in turn is conducted over e-mail.

## **4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **4.1. Financial Implications**

None

### **4.2. Legal Implications**

None



**4.3. Climate Change Implications**

None

**5. OTHER IMPLICATIONS**

<b>OTHER IMPLICATIONS</b>	<b>YES/ NO</b>	<b>Paragraph/References Within the Report</b>
Equal Opportunities		
Policy		
Sustainable and Environmental		
Crime and Disorder		
Human Rights Act		
Elderly/People on Low Income		
Corporate Parenting		
Health Inequalities Impact		

**6. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972**

**7. REPORT AUTHOR**

7.1. Kamal Adatia, City Barrister and Head of Standards.



## COMPLAINTS 01/07/13 – 30/06/14

Reference	Subject Member	Complainant	Nature of Complaint	Route	Outcome	Turnaround time (days)
2013/11	Cllr. A	Councillor	Conduct at Community Ward meeting.	Deputy MO and IP  Review undertaken	Rejected - no public interest to pursue – does not warrant investigation.  Review requested and rejected on same grounds.	25  (170 with review because complainant Councillor did not pursue Review once instigated, then later asked for it to be revived)
2013/12	Cllr. B	Public	Not responding to letters or following-up meetings.	MO and IP	Rejected - no potential breach of Code.  Second complaint withdrawn.	19  (with second complaint 54)
2013/13	Cllr. C	Public	Bullying, intimidation, improper use of position as Councillor, conflicts of personal interests, behaviour.	MO and IP	Rejected– not directly related to Code; no public interest in pursuing; elements of vexatious behaviour by complainant.	29
2013/14	Cllr. D	Public	Delay in dealing with pursuing complainant's case with the Housing Ombudsman.	MO and IP	Informal resolution (low level breach, apology forthcoming).	32
2013/15	Cllr. E	Public	Repeatedly failed to	MO and IP	Informal resolution (low level	29

			respond to complainant's requests for assistance.	Review undertaken	breach, apology forthcoming). Complainant asked for review with different IP – review not upheld.	(with review – 76)
2013/16	Cllrs. F and G	Public	Failure to respond to request for assistance and failure to return phone calls.	MO and IP.  For Cllr G element referred to Standards Committee.	(Cllr F element) – Code of conduct engaged but not a serious breach and informal resolution felt appropriate by way of apology and physical meeting which took place satisfactorily.  (Cllr G element) – Code of Conduct breached to be dealt with by informal resolution by way of apology and to pursue original matter if that remains appropriate. No apology was offered, despite reminders Matter referred to Standards Committee for discussion.  Cllr G subsequently summoned to meeting with Chair, IP and MO. Cllr G did write to apologise and offer meeting with complainant.	17 (Cllr F)  56 (Cllr G).  Reply time until close following Committee - 132
2013/17	Cllr. H	Public	Actions in dealing with Ward funding bid were motivated by self-	Independent investigation	Following receipt of the Investigator's report a Standards Advisory Board was	146

			interest and bias as opposed to the public interest. Also failed to declare relevant interests	Standards Advisory Board	convened and the Board agreed with the findings of the report and concluded that no breach had occurred.	
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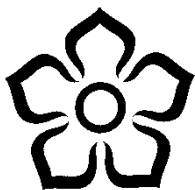
## COMPLAINTS 01/07/14 – 30/06/15

Reference	Subject Member	Complainant	Nature of complaint	Route	Outcome	Turnaround time (days)
2014/1	Cllr. I	Public	Allegation that Councillor had unreasonably objected to a planning application and made “farcical” statements in a letter of objection without having had sight of the application area.	MO and IP -	Rejected - no breach or potential breach of the Code evidenced.	18
2014/2	Cllr. J	Public	Allegation that Ward Councillor had raised voice in public meeting, displayed aggressive behaviour and inappropriate shouting.	MO and IP	Rejected – no breach of the Code evidenced. No public interest in pursuing	12
2014/3	Cllr. K	Councillor	Derogatory remarks at Council and refusal to apologise when asked to do so by the Lord Mayor.	MO and IP	Rejected – no breach of the Code and no public interest in pursuing.	18
2014/4	Cllr. L	Staff member	Councillor’s alleged inappropriate involvement in	MO and IP. Mediator	Resolved by way of informal resolution (mediation).	29

			employment issues and other operational matters.	appointed.		
2015/1	Cllr. M	Councillor	Complaint from Councillor about alleged disrespect shown by another Councillor at a Scrutiny Meeting.	MO and IP Review undertaken	Complaint dismissed as (i) no breach of Code of Conduct evidenced; (ii) matter fell within the bounds of political expression; (iii) matter handled appropriately within the Scrutiny meeting itself.  Review requested and rejected on same grounds.	21  (with review 34)
2015/2	Cllrs. N / O / P	Public	Failure to respond to numerous requests for assistance and that this may be "personal".	MO and IP	Complaint rejected as being trivial and misdirected. The issue concerned a national policy matter over which Ward Councillors had no control, and indeed no knowledge or involvement.	21
2015/3	Cllr. Q	Public	Complaint by member of public alleging Councillor was rude about him during electioneering visit in the neighbourhood.	MO	No jurisdiction. The provisions of the Code of Conduct cannot be utilised when Councillors are undertaking "political" as opposed to "Council" business.	4
2015/4	Cllrs. R / S	Public	Allegation that Ward Member did not speak out at a Committee meeting on behalf of	MO and IP	Complaint dismissed. No evidence that the Ward Councillor had ever agreed to represent the views of the	16

			<p>complainant and other residents as requested to do so by letter.</p> <p>At the meeting another Councillor failed to grant the complainant a right to speak.</p>		<p>complainant, nor indeed had ever been asked to do so directly. By contrast it was always clear that the Ward Member actively supported the scheme which the complainant opposed.</p> <p>The alleged conduct by another Councillor at the subsequent meeting could not conceivably engage the Code of Conduct.</p>	
2015/5	Cllr. T	Public	Complaint by member of the public that an elected Member had made defamatory remarks in the course of correspondence.	MO and IP	<p>Complaint dismissed as it had already been dealt with by another process e.g. earlier engagement with complainant's solicitors and the Subject Member.</p> <p>Review requested and rejected on the same grounds.</p>	14 (with review 35)





Leicester  
City Council

Minutes of the Meeting of the  
STANDARDS COMMITTEE

Held: WEDNESDAY, 14 OCTOBER 2015 at 5:30 pm

P R E S E N T :

Councillor Senior (Chair)  
Councillor Shelton (Vice Chair)

Also present:

Ms Fiona Barber	Independent Member
Mr Desmond Henderson	Independent Member
Mr Stephen Purser	Independent Member
Mr David Lindley	Independent Person
Ms Caroline Roberts	Independent Person

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**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Palmer, Councillor Sood and Ms Amanda Fitchett.

**12. ANNUAL REPORT 2013-2015**

The Monitoring Officer submitted the Draft Annual Report of the Standards Committee July 2013 - June 2015 which provided an analysis of cases referred.

Members were asked to note the draft report and make any amendments.

The Monitoring Officer stated that the report covered a two year period because after the Committee had made comments upon the 2013/14 report there had not been a scheduled Council meeting to consider it before the restrictions on meetings during the pre-election period prior to the elections in May 2015 had taken effect.

## MINUTE EXTRACT

The Monitoring Officer stated that monitoring data was now captured when complaints were submitted through the on-line forms on the website and he felt that qualitative data would be available for the 2015/16 report.

The Committee made the following observations and comments:-

- a) Delete the reference to the 'second annual report' in paragraph 1.1 of the report.
- b) It would be helpful to include a note on Complaint 2013/11 to explain the reason for the review taking 170 days.
- c) It would be helpful in future to incorporate a follow up procedure for those involved in complaints to comment upon the process.
- d) More emphasis could be made in relation to the 45 out of 53 councillors who had acted well and had not been the subject of a complaint. It would also be useful to include comparisons with other similar authorities to provide a benchmark for the Council's own performance.

### RESOLVED:

That the draft report be received and that the Committee's comments be incorporated into the report and that the final report be submitted to the January meeting of the Committee for approval.