GUILDFORD
BOROUGH

James Whiteman
Managing Director

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CORPORATE GOVERNANCE AND STANDARDS COMMITTEE
THURSDAY, 25TH MARCH, 2021

Supplementary Information Sheet (Pages 1 - 10)

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CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

25 MARCH 2021

SUPPLEMENTARY INFORMATION

Change in order of business
Due to the need for our external auditor to attend remote meetings of both this Committee and the equivalent committee at Mole Valley District Council, which are taking place at the same time, the chairman has agreed to take agenda item 5 (Final Audit Findings Report 2019-20) *before* agenda item 4 (Performance Monitoring Report 2020-21)

AGENDA ITEM 5: FINAL AUDIT FINDINGS REPORT 2019-20

The Management Response to the auditor's recommendations in the Action Plan (pages 85 to 89 of the agenda) are as follows:

Issue and Risk	**Management Response**
HRA Dwellings disposed but not removed from asset register (page 85) Finance should ensure that part disposals are communicated by the housing team in a timely manner to ensure these are removed from the fixed asset register.	Finance will liaise with housing at the end of the financial year to double check the share properties tie in with the asset register.
Debtors / creditors journals posted after accounts closure (page 85) Finance should ensure all required postings are made prior to the submission of the draft accounts	Finance aim to return to the 31 May date for preparing the draft Statement of Accounts and all journals will be posted in the preparation as has happened in previous years.
Employee starters contracts (page 85) Management should reiterate the need for employees to sign contracts within a set time period after starting.	The starter process is being reviewed as part of the transformation programme and the implementation of the new ERP.
Grants document retention (page 86) Management should ensure document retention arrangements around grant income are strengthened.	Accountants are obtaining copies of agreements as and when grants are received so we have the information to hand when we close the accounts.
Group Accounts – preparation arrangements (page 86) There is need for the Council to put in place measures to ensure that the group accounts and consolidation process can be prepared promptly with appropriate review in place.	Additional resource has been created in the finance team, which is responsible for company accounts, and will enable the accounts to be prepared in a more timely fashion and allow more time to be spent on the consolidation.
Related party declarations not received (Page 87) We recommend that as part of the process for identifying related parties for the year ended 31 March 2021 that the process for identifying missing declarations and then following these up is enhanced to ensure a higher rate of response	This was more tricky this year with remote working. In future, with more face-to face meetings, we will be able to work with councillors at Council/committee meetings so should have a higher return rate.

Issue and Risk	Management Response
Finance team capacity (page 87) Management should ensure document retention arrangements where service expenditure is administered in a non-finance system (e.g. Orchard) are strengthened.	Since the introduction of Business World, the way we process invoices has changed. This should help with the source documentation being available. From 1 April 2021, Orchard invoices will be dealt with differently, and POs will be raised in BW as well as Orchard.
Accounts payable document retention (page 87) Management should ensure document retention arrangements where service expenditure is administered in a non-finance system (e.g. Orchard) are strengthened.	Since the introduction of Business World, the way we process invoices has changed. This should help with the source documentation being available. From 1 April 2021, Orchard invoices will be dealt with differently, and POs will be raised in BW as well as Orchard.
Treasury management working papers (Page 88) We recommend that management's capacity for financial statement closedown and response to audit queries is strengthened in 2020/21.	Of the many discussions on the treasury management transactions we had throughout the whole audit process, there were only a couple of outstanding items that were resolved in January, the majority were resolved much earlier in the audit. We will ensure the working papers are better cross referenced in future.
Fully depreciated assets (page 88) There is need for the Council to put in place measures to ensure that assets that are reaching/have reached their full economic useful life are evaluated and appropriate action is taken to either revise estimates or clearly show that these assets are no longer in use in the fixed asset register.	Finance will work with the Asset team to review these assets in the asset register.
Fully amortised assets (page 88) There is need for the Council to put in place measures to ensure that intangible assets that are reaching/have reached their full economic useful life are evaluated and appropriate action is taken to either revise estimates or clearly show that these assets are no longer in use in the intangible assets register	Finance will review the assets on the asset register
Unrecorded liabilities (page 89) Enhance arrangement for year-end cut off to ensure unrecorded liabilities are captured.	This does depend on whether invoices are in dispute, held up or not received/paid in time during the closing process (which is what happened with one of these transactions). With the introduction of Business World, we are now operating a Purchase Order process so we hope this will mitigate this issue. Finance do also review the new year payments and will accrue for any that managers have not accrued for and this process will continue.

AGENDA ITEM 4: PERFORMANCE MONITORING 2020-21

Following enquiries from councillors, further information/ explanations and answers to questions relating to the Performance Monitoring report are set out below.

General questions about the report:

1. Can we benchmark any of our corporate PIs with other authorities?

   We cannot currently do this, but it might be possible in future where data may be available to us and we are able to share it. If/ when this is possible, it will be included in future reports.

2. Where an indicator is showing red, can further details be provided on what work is being done to turn this around?

   As owners of their PIs, Service Leaders will be asked to provide additional commentary when an indicator is not heading towards the target. This will be included in future reports.

Questions/ comments about specific performance indicators:

3. The PI 'ECO6 – Percentage of vacant town centre retail units' is showing positively as it is only Guildford vacancy rates. However, the data presented in the COVID-19 Recovery Index (circulated to Councillors on 15 March 2021) shows a less positive picture for Guildford, when compared with the South East and UK.

   We will provide commentary including the data for the South East and UK in future reports to provide a comparison.

   For information, for the last quarter of reporting (Q3) Guildford's vacancy rate was 13.2%, compared with the South East and UK which were both 11.7%.

4. The PI 'ECO1 – Occupancy rates of commercial property investments' looks like vacancy rates and not occupancy rates.

   We propose to re-word this PI to 'Vacancy rates of commercial property investments' to ensure this is clearer going forward.

5. The PI 'COM6 – Total number of households on the housing transfer register' has the same number for Q2 and Q3, but one is RAG rated red and the other amber.

   This is because the preferred direction of travel begins by comparing data with the previous quarter (for this PI the preferred direction of travel is 'decreasing').

   For Q1, the number was 567, this increased to 572 for Q2. This meant Q2 data was going against the preferred direction of travel and is shown with a RAG rating red (i.e. off target/ heading in the wrong direction of travel). Then for Q3, the number stayed the same as for Q2 (there was no increase or decrease). This meant the data in Q3 was RAG rated amber (i.e. the same as the previous quarter).

   The meaning for each RAG rating is shown in the Performance Monitoring Report in section 1.2.

6. The PI 'COU9 – Business rates arrears' and 'COU10 – Council Tax arrears' appear to show a high arrears rate.

   These graphs in the report show the arrears compared to the previous year, and the commentary underneath highlights whether the year is currently 'up' or 'down' on last year.

In order to ensure these PI are more clearly presented, we will re-word them to 'COU9 – Business rates collected' and 'COU10 – Council tax collected'.

7. From Councillor George Potter:
   In relation to 'COU4 – Council suppliers paid within 30 days' and 'COU11- Time taken to assess new Housing Benefits claims': In both cases we seem to be falling short of our target and, even allowing for the issues mentioned in the comment for COU4, I'd still be interested in hearing more about the whys behind both and what level of improvement we expect to happen in the near future please.

   <u>COU4</u> – response from Nicola Haymes (Resource Case Services Manager):

   Business World brought in a significant change to the way invoices are processed for both services and our suppliers. To ensure that invoices are processed within our governance framework, all invoices require a purchase order to be raised at the time of ordering under the 'No PO, no Pay' policy. Although this was previously a requirement under financial procedure rules, this was a paper-based process and not always followed. Business World allows us to enforce this policy, allowing the council to have better control and oversight over its expenditure.

   New processes, better enforced policies and a new system were a learning curve for all, and this led to delays in invoices being processed whilst teams adjusted to the new ways of working. Since go live we have worked hard to support services through this transition, providing additional training and support to help with this change.

   In the last few months we have seen a 30% reduction in the number of invoices being received without a purchase order number and we are working to continue to reduce this through changes to processes that will result in less delays for suppliers. We are also continuing to develop technology to help support this change further through interfaces and system improvements that will allow services to further manage their invoices in an efficient way.

   <u>COU11</u> – response from Belinda Hayden (Exchequer Services Manager) and Dan Rolfe (Principal Exchequer Services Officer – Benefits):

   This is the impact of COVID and of Phase B of Future Guildford.

   The good news is that the figures show an improvement and, despite a marked increase in claims due to COVID, we are still processing at a reduced time period as the year has progressed.

   Over the past 12 months we have seen an increase in the number of claims being received due to COVID. So far, for 2020/21 2,072 new claims have been processed, compared to 1,419 for 2019/20.

   In order to process a new claim, we are naturally reliant on a claimant providing documentation to proceed. The claims process, from start to finish, can take anything up to one month depending on the detail required.

   The new structure of Phase B caseworkers is designed to create additional capacity to deal with changes in workload. Once this is fully transitioned and fully staffed the capacity should be in place. There are a number of vacancies in the service being covered by temps whilst we waited for Phase B consultation, and now as we go through to implementation and transition.

   The team also have additional workload, again due to COVID, in providing the governments Test and Trace Support payments.

8. From Councillor James Walsh:
   I note from COM10 (p.17) that the number of void properties in Guildford increased quite substantially between 1Q20 and 3Q20, with the number of days also increasing before flattening a little between 2Q and 3Q.

   Can you provide any more detail on this in the context of the KPMG findings on p.175 of the report pack that states there was "ineffective communication and monitoring between the re-housing and property management teams and a lack of minimum standards for void works"?

   Can we be assured that these issues have been or are being addressed please?

   Response from Siobhan Kennedy (Housing Advice Manager) and Helen Buck (Property Manager):

   Following KPMG's audit report, communication and monitoring has been improved through attendance at weekly 'T card' meetings by the Void Inspector. These meetings review progress on all void properties and ensure an open working relationship between the re-housing and property maintenance teams. To ensure that works standards are maintained, a service level agreement has been set and implemented between the two teams. In addition, the spreadsheet of voids has been improved to better align with the voids process and is now under continual review. Lastly, recruitment for a permanent Void Inspector is in progress with the job advert closing on 06 April. Until now the post has been, and is currently, covered by agency staff/ temporary arrangements.

   Further improvements will be made with the implementation of the Orchard voids module software. This is a key aspect of streamlining the voids process but has been delayed due to the restructure of software and systems as part of Future Guildford.

   A follow up review was carried out by KPMG in January 2021 which noted that the above improvements had been implemented. It also highlighted that the outstanding recommendation is the implementation of the voids module in the Orchard software. This is due for review again at the end of May.

We continue to welcome any feedback and suggestions from the committee for future performance monitoring reports; however, please bear in mind that we may not be able to answer any questions raised at the meeting if they relate to specific PI. We will, however, gather a response and share this at another time.

AGENDA ITEM 6: BURCHATTS FARM BARN FINAL AUDIT REPORT

<u>Question from the public</u>
Gavin Morgan, on behalf of the Guildford Heritage Forum, has asked the Committee chairman (Councillor Nigel Manning) the following question:

> *"Does the Chairman of the Corporate Governance and Standards Committee really think it is wise for the Council to reject large parts of the KPMG report?*
>
> *Section 3.6 tries reject the entire report by saying that the scope was to assess the disposal of community assets whereas Burchatts Farm Barn was an operational asset.*
>
> *I think the Council is missing the point. It closed a useful community building partly because it chose to categorise it in a particular way. Maybe the categorisation was wrong. Certainly, to the average voter it is blindingly obvious that Burchatts farm Barn*

was a valued community building. It is an 18th century farmhouse and barn converted for the public to hire. It is situated in a public park next to a model railway club and other community halls. The fact that the Council chose to categorise it in a particular way does not change what it was.

Next the Council denies that its financial figures were misleading and rejects the second part of Recommendation 4 on page 9 of the KPMG report. This suggests the Council's 2017 claim that "the property is currently costing Council between £30-£70k per year" was an exaggeration. Although the Council rejects the claim its defence seems to prove that the KPMG report was correct. The Council now states that "net cost of running the asset to the Council was around £17,000 to £18,000" and not £30-£70 as stated in 2017. If it had used the lower figure back in 2017 the argument for closing the Burchatts Farm Barn would have been much weaker and possibly unsustainable.

It appears to me that Lead Councillors for Asset Management were using misleading figures that suited an agenda and were not bothered about questioning what they received from officers. If the figures used to justify the decision to close Burchatts Farm Barn were misleading then the decision itself was potentially flawed.

There is no excuse for making the financial case against heritage buildings worse than it really is and ignoring community value. And yet in discussions under the last Council about Wanborough Barn, West Lodge and Guildford Museum I heard complaints that costs were being inflated by including shared costs or once in a generation repair bills.

What I see in this report from the Council is a defensive attitude that is resistant to criticism and change. Is that the impression this Council wants to give the community?

What I want to see is a forward thinking Council eager to listen, tighten processes and continually improve. I want to see a culture where officers willingly explain the detail behind figures if asked by Councillors. I want a culture where Councillors are expected to challenge numbers that seem misleading without fear of censure, even when it is against the interests of their political party. At a time when the council is talking a lot about massive cuts we need to be confident that debates are based on accurate, clear and unbiased information rather than ballpark figures carefully selected to back up a predetermined point of view.

So I ask the Chairman, do you really think it is wise for the Council to reject large parts of the KPMG report?"

The chairman's reply to this question is as follows:

"I do not agree that large parts of the KPMG report are rejected. Clearly there are strong views and differences of opinion on both sides of the argument for and against the leasing of Burchatts Farm Barn. The Council is required to classify assets in its asset register in line with CIPFA guidance; it is also required by CIPFA guidance to charge support service costs, an apportionment of the Council's overheads and any repairs and maintenance against each service. The benefit of this accounting approach is that in making decisions as to whether to outsource a service, the decision is made based on Total Whole Life Cost of service provision rather than the annual marginal or direct costs, which may understate the true cost of asset ownership.

The Council is required by law to comply with CIPFA guidance as it is proper accounting practice. As set out in the report, the 'saving' to the Council is not just the net costs that have been reduced but also includes the additional income to the Council from leasing the asset. In addition, whilst there are some strong views as to how Burchatts Farm

Barn should or should not have been classified, the fact is that Burchatts Barn does not hold any special status and is not a nominated Asset of Community value. As such there were no specific requirements around the leasing or disposal of the asset which the Council was required to follow apart from the requirement set out in the Council's Constitution and the Local Government Act 1972 that the Council seeks 'Best Consideration reasonably obtainable' on the disposal of assets.

Regardless of whether there is agreement or disagreement with the audit report, the Council has committed to implement the majority of the recommendations (which include the proposal to set out a community asset transfer policy) and these will be progressed. The Council is open to criticism where it considers that such criticism is valid.

I would reiterate that Burchatts Farm Barn was an Operational asset and not a Community asset and the correct disposal procedure applicable at that time was followed. The actions being progressed now include reviewing the classification of assets before any future disposals and consulting with residents' groups and users. These measures should protect community interests in future. As the report explains, local groups can nominate 'assets of community value', so that assets that are important to the community can be locally listed".

AGENDA ITEM 10: FINANCIAL MONITORING 2020-21: APRIL 2020 TO JANUARY 2021

<u>Corrections and clarifications</u>

(a) In the table in paragraph 4.2 (page 204 of the agenda) showing the breakdown of the direct costs to date associated with the Covid-19 pandemic in the current financial year, there is reference to Government Grant of £24,387,783. The majority of the grant income relates to the Local Restrictions Support Grants and the Additional Restrictions Support Grants that the Council has been provided with by Government to provide support to Businesses whilst they are closed during the lockdown. Any monies not passed through to businesses will need to be returned to Government. The Council has received the funding from Government but is still in the process of making payments to businesses and will continue to do so until the end of April. Any unspent amounts will be accrued for at the year end.

A revised table is set out below:

Description	Actual £	Forecast £
Housing		**636,000**
Emergency Accommodation	179,919	
Culture		**3,424,000**
Leisure costs	2,264,401	
Finance & Corporate		**66,000**
Finance/Computer Software	42,674	
Other shielding		**400,000**
Food Purchases	315,924	
Other PPE		**529,000**
Staffing	153,874	
Consumables	153,048	
Equipment	25,503	
Other – excluding service areas		**307,000**

Description	Actual £	Forecast £
Grants and Subscriptions	16,552	
Public Health	57,000	**60,000**
Gross Expenditure	**3,208,895**	**5,422,000**
Government Grant	-2,033,537	-2,200,000
Rentals	-135,865	-135,865
Net Expenditure (Impact on General Fund).	**1,039,493**	**3,086,135**

Other Non General Fund Related Grants

Description	Actual £	Forecast £
Local Restriction Support Grant Closed Addendum	1,013,480	
Discretionary Local Additional Restriction Grant	504,705	
Local Restriction Support Grant Open	13,036	
Christmas Support Payment for Wet-Led Pubs	14,000	
Local Restriction support Grant Closed Tier 4	479,992	
Closed Business Lockdown Payment	2,503,000	
Local Restriction Support Grant Closed (Add.5 Jan)	1,251,693	
	5,779,906	20,360,785
Supporting Government Grants	-20,360,785	-20,360,785
Available for distribution	-14,580,879	-
Net Expenditure (Impact on General Fund)	**Nil**	**Nil**

(b) In paragraph 7.6 with regard to the Provisional Capital Programme (page 213 and Appendix 5) the reference to scheme ED25(p) - Guildford Park new MSCP and infrastructure works (£4.38m), should be deleted.

(c) In paragraph 7.10 with regard to the Housing Investment Programme Approval Capital (pages 214 and 215 and Appendix 9), the Committee's attention is drawn to the recent government announcement that councils will now be given five years to spend receipts from Right to Buy sales. By way of update, the text below was reported to the Executive on the Supplementary Information Sheet at its meeting on 23 March as part of the report on the Review of the Use of Right to Buy Receipts and Appropriation of Land into the Housing Revenue Account.

Update:

In the report we set out that Right to Buy (RTB) receipts can only fund 30% of the cost of replacement housing and that the Council has a time limit of 3 years in which it can spend the receipts before the receipts have to be paid to government with interest. The government consulted on changes to the Use of RTB receipts in 2018. The consultation proposed a number of reforms such as increasing the length of time that councils have to spend the receipts, and also increasing the percentage of right to buy receipts that councils use to fund replacement housing. At the point of writing the report, no response to the consultation had been given by government. It is worth noting that both the LGA and an MHCLG parliamentary committee had made recommendations that amendments to the scheme were required to help councils to deliver on the Government's ambition to have one-for-one replacement housing nationally of properties sold under RTB.

On Friday 19 March 2021, the Secretary of State for Housing, Communities and Local Government finally announced the Government's response to the consultation. The Government has announced the following reforms for the use of RTB receipts which will have an immediate benefit to the Council and impact on the issues raised in the report. A summary of the key reforms which will take effect from 1 April 2021 are:

- The timeframe within which local authorities have to spend receipts will increase from 3 to 5 years, this applies immediately to all receipts held by local authorities that have been collected through RTB sales from 2017-18 onwards as well as new receipts. So, receipts generated in 2017-18 do not now need to be spent until 31 March 2023.
- Increase the cap on the percentage cost of a new home that local authorities can fund from RTB receipts from 30% to 40%
- Introduce a cap on the use of RTB receipts on acquisitions to help drive new supply – this is because the use of acquisitions to deliver replacement housing does not represent the best value for money. The government is clearly encouraging delivery of replacement housing through new build. The cap will apply as a maximum percentage of the Council's overall expenditure on replacement affordable or social housing that can be spent on acquisitions. The Cap will be nil in 2021-22, 50% in 2022-23, 40% in 2023-24 and 30% in 2024-25.
- Allow councils to deliver Shared Ownership and First Homes using RTB receipts as well as affordable or social rented tenures
- In order to help administration of the scheme and offer further flexibility to plan expenditure, the scheme will become an annual pooling scheme rather than a quarterly pooling scheme.

The announcement is extremely welcome and eases some of the immediate pressure and urgency the Council is facing on its use of RTB receipts. However, whilst the Council has additional time to spend its receipts it must note the cap on acquisitions that is to be applied from April 2022. As found in the report, it was the slippage on the new build programme which mainly caused the repayment to government in 2019-20. Spending of the receipts on acquisitions was an emergency measure put in place to try and mitigate the repayment risks and is what the Council has predominantly relied on in 2020-21. This measure will be limited in future. As a result, the Council MUST ensure that it has sufficient new build affordable / social schemes coming forward in order spend its RTB receipts and it MUST ensure that delivery of those schemes is properly planned and kept on track so that delays and slippage are minimised and, in turn, minimising the repayment risks.

AGENDA ITEM 11: CORPORATE GOVERNANCE AND STANDARDS COMMITTEE WORK PROGRAMME

It is suggested that the following change be made to the work programme:

<u>22 April 2021</u>

Item	Proposed change
Equalities Scheme Action Plan	Defer to the 17 June meeting

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