# CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

14 January 2021

* Councillor Nigel Manning (Chairman)
* Councillor Deborah Seabrook (Vice-Chairman)

* Councillor Liz Hogger
* Councillor Ramsey Nagaty
* Councillor George Potter
* Councillor John Redpath
* Councillor James Walsh

| Independent Members: | Parish Members: |
| --- | --- |
| Mrs Maria Angel MBE | *Ms Julia Osborn |
| *Mr Murray Litvak | *Mr Ian Symes |
| | * Mr Tim Wolfenden |

*Present

Councillors Tim Anderson, Joss Bigmore, and Maddy Redpath were also in attendance.

## CGS40 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

An apology for absence was received from Maria Angel MBE.

## CGS41 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

## CGS42 MINUTES

The minutes of the meeting held on 19 November and the special meeting held on 26 November 2020 were approved as a correct record.

## CGS43 GENDER PAY GAP REPORT

The Committee was informed that the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 imposed obligations on employers with 250 or more employees to publish information annually relating to the gender pay gap in their organisation. In particular, employers were required to publish, amongst other information, the difference between the average hourly rate of pay paid to male and female employees; and the relative proportions of male and female employees in each quartile pay band of the workforce.

The Committee therefore considered Guildford's Gender Pay Gap Report for 2021, which would be published on the Council's website and on a publicly accessible Government website and retained for a period of three years.

The figures in the Report, which were based on hourly rates of pay, showed that:

- the Council's female employees had an average hourly rate that was 10.3% higher than male employees' hourly rate; and
- at the mid-point within the range of hourly earnings that the Council paid its employees, female employees had an hourly rate that was 21.7% higher than male employees' hourly rate.

The main reason for this gender pay gap was an imbalance of male and female colleagues across the services as there was a much higher proportion of men working in the Waste Collection and Parks & Landscape Services. Many of the roles within those services fell within the lower pay bands.

In response to an enquiry as to whether any comparative analysis had been done in respect of job roles performed by both male and female employees, the Lead Specialist (Human Resources) confirmed that this could be undertaken, but it would be preferable to look at conducting such analysis on completion of the current restructure.

The Committee

RESOLVED: That the Gender Pay Gap Report for the year 2021, attached at Appendix 1 to the report submitted to the Committee, be noted.

Reason:
To comply with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

**CGS44 SUMMARY OF INTERNAL AUDIT REPORTS: 1 NOVEMBER TO 31 DECEMBER 2020**

The Committee considered the report from the Council's internal audit manager (KPMG) for the period November to December 2020 which included the final audit report in respect of North Downs Housing Ltd (NDH), which had been presented in draft form at the 19 November 2020 meeting. The final report for Burchatts Farm Barn would be presented to the 25 March meeting of this Committee with additional information and a specific covering report to add some context and background to support the management responses.

In relation to NDH, KPMG had reviewed the governance arrangements used by the Council to manage NDH and assessed whether they were sufficient to monitor the performance of the subsidiary. To do this, they looked at the overarching governance model in place, the arrangements that were used to monitor the performance of the subsidiary and how issues were identified and escalated appropriately, and how individuals were held to account for implementing actions arising.

KPMG had provided partial assurance (amber/red rating) as a result of their review, which had derived from a lack of consistent and regular performance management between the Council and the subsidiary as well as there being no formalised and approved terms of reference in place for the NDH Board or Guildford Borough Council Holdings Ltd board. KPMG had agreed four recommendations with management, one of which was of a high priority.

The Committee was informed that the Board would be considering KPMG's recommendations at its next meeting. The chairman asked that details of how the recommendations were to be implemented be circulated to members of the committee following that meeting.

In relation to Burchatts Farm Barn, KPMG had been asked to review the process for disposing of community assets using Burchatts Farm Barn as a case study. The scope of their work had two objectives, first to assess the robustness of the Council's documented procedures for disposing of community assets and second to review the Council's corporate record in order to assess compliance with that stated process. KPMG had provided partial assurance (amber/red rating) as a result of their review, which had derived from a lack of consistent and codified processes for disposing of community assets and also improvements required to the corporate record to support the decision making and also to evidence the process as it proceeded.

KPMG had agreed nine recommendations with management, two of which were of a high priority.

The Committee

RESOLVED: That the summary of audit reports for the period 1 November to 31 December 2020 be noted together with the recommendations to management arising from the governance reports.

Reason:
To ensure good governance arrangements and internal control by undertaking an adequate level of audit coverage.

**CGS45 CAPITAL AND INVESTMENT STRATEGY 2021-22 TO 2025-26**

The Committee considered a report on the Council's capital and investment strategy, which gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability.

Decisions made now, and during the period of the strategy on capital and treasury management would have financial consequences for the Council for many years into the future. The report therefore included details of the capital programme new bids plus the requirements of the Prudential Code and the investment strategy covering treasury management investments, commercial investments plus the requirements of the Treasury Management Code and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance.

The Committee noted that in order to achieve the ambitious targets within the Corporate Plan, the Council needed to invest in its assets, via capital expenditure.

The Council had a current underlying need to borrow for the general fund capital programme of £400 million. No new bids had been received for 2021-22, although it was anticipated that a bid, currently estimated to be around £1 million, would be submitted in respect of the Guildford Economic Regeneration Programme.

Some capital receipts or revenue streams could arise as a result of investment in particular schemes, but in most cases were currently uncertain and it was too early to make assumptions. Some information had been included in the capital vision highlighting the potential income. It was likely that there were cash-flow implications of the development schemes, where income would come in after the five-year time horizon and the expenditure would be incurred earlier in the programme.

All projects would be funded by general fund capital receipts, grants and contributions, reserves and, finally, borrowing. It was not currently known how each scheme would be funded and, in the case of development projects, what the delivery model would be. To ensure the Council demonstrated that its capital expenditure plans were affordable, sustainable and prudent, Prudential Indicators were set that must be monitored each year.
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The capital programme included a number of significant regeneration schemes, which it was assumed would be financed from General Fund resources. However, subject to detailed design of the schemes, there might be scope to fund them from HRA resources rather than General Fund resources in due course. Detailed funding proposals for each scheme would be considered when the Outline Business Case for each scheme was presented to the Executive for approval.

The report to be presented to the Executive would include a summary of the new bid submitted, the position and profiling of the current capital programme (2020-21 to 2024-25) and the capital vision schemes.

The report had also included the Council's Minimum Revenue Provision (MRP) policy and the Prudential Indicators.

The Committee was informed that officers carried out the treasury management function within the parameters set by the Council each year and in accordance with the approved treasury management practices.

The budget for investment income in 2021-22 was £1.278 million, based on an average investment portfolio of £77.3 million, at an average rate of 1.57%. The budget for debt interest paid was £5.637 million, of which £5.05 million related to the HRA.

In relation to non-financial investments and investment strategy, the Executive was informed that councils could invest to support public services by lending to or buying shares in other organisations (service investments) or to earn investment income (commercial investments where this was the main purpose).

The Council had £153.4 million of investment property as per the 2019-20 Statement of Accounts, with rent receipts of £8.4 million and a current yield of 6.3%.

The Council had invested £14.3 million in its housing company – North Downs Housing (NDH), via 40% equity to Guildford Borough Council Holdings Limited (£5.7 million) (who in turn passed the equity to NDH) and 60% loan direct to NDH (£8.6 million) at a rate of base plus 5% (currently 5.1%). The loan was a repayment loan in line with the NDH business plan.

The Committee, having noted the corrections and clarifications to the report set out in the Supplementary Information Sheet circulated at the meeting,

RESOLVED: That the recommendations to the Executive and Council in respect of the Capital and Investment Strategy, as set out in the report submitted to the Committee, be endorsed.

Reason:
To enable the Council at its budget meeting on 10 February 2021, to approve

- the capital and investment strategy for 2021-22 to 2025-26; and
- the funding required for the new capital investment proposals.

**CGS46 FINANCIAL MONITORING 2020-21 PERIOD 8 (APRIL TO NOVEMBER 2020)**

The Committee considered a report which summarised the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for the period April to November 2020.

Officers were projecting an increase in net expenditure on the general fund revenue account of £8,167,251.

Covid-19 continued to impact the Council in several ways including the inability to maintain income levels at those budgeted for in February 2020. The direct expenditure incurred by the Council in the current financial year stood at £2,914,217, with support received from the Government of £2,197,153. The Government support would contribute to both the direct and indirect costs of the Covid-19 pandemic.

The indirect costs of Covid-19 are reflected in the services forecasting. As the pandemic continued, estimates for losses in income and increased costs had been made with the best information available, which would be subject to change as the year progressed. The report considered the expenditure and income forecasted up to 30 November and would therefore potentially move adversely as the measures progressed.

The Committee was reminded that the Council, at its meeting of 5 May 2020, had approved an emergency budget to deal with the impact of Covid-19 should government support fall short of the final costs of the pandemic. The Government had since announced further support for local authorities and figures would be updated to reflect this support once the detail had been received.

The increase in net expenditure on services, net of reserve transfers, had been £7,986,808.

There had been a reduction (£351,107) in the statutory Minimum Revenue Provision (MRP) charge to the general fund to make provision for the repayment of past capital debt reflecting a re-profiling of capital schemes. This was offset by a reduction in interest income of £531,550 leaving a net movement on Interest and MRP of £180,443.

A surplus on the Housing Revenue Account would enable a projected transfer of £8.53 million to the new build reserve and £2.5 million to the reserve for future capital at year-end. The transfer was projected to be £97,384 higher than the budgeted assumption and reflected modest variations in repair and maintenance expenditure and staffing costs.

Progress against significant capital projects on the approved programme, as outlined in section 7 of the report, was being made. The Council expected to spend £49.596 million on its capital schemes by the end of the financial year. The expenditure was higher than it had been for many years and demonstrated progress in delivering the Council's capital programme.

The Council's underlying need to borrow to finance the capital programme was expected to be £28.561 million by 31 March 2021, against an estimated position of £125.956 million. The lower underlying need to borrow was a result of slippage on both the approved and provisional capital programme as detailed in paragraphs 7.3 to 7.6 of the report.

The Council held £143 million of investments and £276 million of external borrowing as at 30 September 2020, which included £192.5 million of HRA loans. Officers confirmed that the Council had complied with its Prudential indicators in the period, which had been set in February 2020 as part of the Council's Capital Strategy.

Following clarification of a number of queries, the Committee:

RESOLVED: That the results of the Council's financial monitoring for the period April to November 2020, be noted.

Reason:
To allow the Committee to undertake its role in relation to scrutinising the Council's finances.

## CGS47 WORK PROGRAMME

The Committee considered its updated 12 month rolling work programme and noted a number of suggested amendments, which were set out on the Supplementary Information Sheet.

The Committee noted that the work programme had envisaged the Audit Findings Report and the Audited Statement of Accounts for 2020-21 being considered at the meeting on 29 July 2021. It had been suggested that, with the ongoing pandemic, the deadline for finalising the 2020-21 audit of local authority accounts could be put back to 30 September 2021, although nothing had been announced officially. Officers had suggested, if that were the case, putting back the meeting scheduled for 23 September to Tuesday 28 September.

The Committee

RESOLVED: That the updated 12 month rolling work programme, as set out in Appendix 1 to the report submitted to the Committee, be approved subject to the following changes:

25 March 2021

| Item | Proposed change |
|---|---|
| Discussions with those charged with governance | Delete (report no longer necessary) |

| Item | Proposed change |
|---|---|
| Audit Report on the Certification of Financial Claims and Returns 2019-20: Housing Benefit Subsidy and Pooling Housing Capital Receipts | Defer to the 22 April meeting |
| Review of Financial Procedure Rules and Procurement Procedure Rules | Defer to the 22 April meeting |

18 November 2021

| Item | Proposed change |
|---|---|
| Planning Appeals Monitoring Report: | bring forward to the 23 September meeting |

Reason:
To allow the Committee to maintain and update its work programme.

The meeting finished at 8.20 pm

Signed ........................................................................ Date ........................................................

Chairman