

## CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

Councillor Gordon Jackson (Chairman)  
\* Councillor Jo Randall

\* Councillor Philip Brooker  
\* Councillor Colin Cross  
\* Councillor David Elms  
\* Councillor Mike Hurdle

\* Councillor Jennifer Jordan  
Mrs Maria Angel  
\* Mr Ian Symes

\*Present

Councillor Nigel Manning, Lead Councillor for Finance and Asset Management, was also in attendance.

### **CGS15 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies for absence were submitted on behalf of The Deputy Mayor, Councillor Gordon Jackson, and Mrs Maria Angel.

### **CGS16 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS**

There were no disclosures of interest.

### **CGS17 MINUTES**

The minutes of the meeting of the Corporate Governance and Standards Committee held on 4 June 2015 were confirmed and signed.

### **CGS18 EXTERNAL AUDIT UPDATE**

The Committee considered a report from the Council's external auditors, Grant Thornton, covering the progress of the 2014-15 external audit up to July 2015.

It was brought to the Committee's attention that there was a correction to paragraph 3.4 where it stated that a provision in the 2014-15 financial statements had not been included in the calculation of holiday pay, whereas we had actually made a provision of £243,000.

Having considered the report, the Committee

RESOLVED to note the contents of the External Auditor's report.

### **CGS19 TREASURY MANAGEMENT ANNUAL REPORT**

The Council considered the Treasury Management Annual Report for 2014-15. The treasury management function involved the control and management of all the Council's cash, regardless of its source, including investments and borrowing. The Council's cash balances had built up over a number of years, and reflected a strong balance sheet, with considerable revenue and capital reserves. Officers carried out this function within the parameters set by the Council each year in the treasury management strategy statement.

The Chartered Institute of Public Finance and Accountancy (CIPFA) treasury management Code of Practice and the CIPFA Prudential Code for Capital Finance in Local Authorities required the Council to set Prudential and Treasury Indicators. CIPFA also requires an annual report on treasury management activity and compliance with Prudential Indicators.

The objectives of the Prudential Code, and the indicators calculated in accordance with it, were to provide a framework for local authority capital finance that would ensure:

- capital expenditure plans were affordable
- all external borrowing was within prudent and sustainable levels
- treasury management decisions were taken in accordance with professional good practice and
- in taking the above decisions, the Council was accountable by providing a clear transparent framework.

The annual report confirmed that the Council complied with its Prudential Indicators, treasury management policy statement and treasury management practices for 2014-15.

The report summarised the Council's treasury management performance over the past year, compared to estimate and discussed the factors affecting this performance. It also contained detailed information on the return on investments and interest paid on external debt.

The officer's report was accompanied by a presentation of how we performed against the Strategy set in Feb 2014 (appended to these minutes). Further to a query from the Committee, the officer clarified that we were able to achieve an increased rate of return with decreased risk by diversifying our portfolio into high performing, good security covered bonds and high quality and secure investments.

In response to another query from the Committee, the officer confirmed that the treasury strategy anticipated a 0.25% rise in the Bank of England's interest rate, possibly rising to 0.5% by the end of the financial year.

Having considered the report and the presentation, the Committee

RESOLVED that:

- (1) the treasury management annual report for 2014-15; and
- (2) the actual Prudential Indicators reported for 2014-15, as detailed in Appendix 1 to the report submitted to the Council

be noted.

Reason for Decision:

To comply with the Council's Treasury Management Policy Statement, the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on treasury management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

## **CGS20 DRAFT STATEMENT OF ACCOUNTS**

The Committee considered the draft annual Statement of Accounts 2014-15. The Council's Chief Financial Officer had certified the Statement and it was now available for public inspection until 3 August 2015. The external audit of the accounts would take place between 4 August and 30 September 2015.

The Head of Financial Services gave a presentation outlining the key points of the accounts (slides attached).

Having considered the report, the Committee

RESOLVED: to note the draft Statement of Accounts 2014-15 in advance of the audit.

### Reason for the decision:

To comply with the Accounts and Audit Regulations 2011.

## **CGS21 URGENT ITEM - ETHICAL STANDARDS - APPOINTMENT OF INDEPENDENT PERSONS**

The Committee considered a report requesting authorisation for the Monitoring Officer to establish a joint appointments panel for the appointment of Independent Persons under Section 28 of the Localism Act 2011.

Under the Localism Act 2011, the Council was required to seek the views of an Independent Person before it took a decision on an allegation of misconduct by a councillor which it has decided to investigate. At Guildford, the Monitoring Officer also decided, after consultation with the Independent Person, whether a complaint merited a formal investigation. The Independent Person's views could also be sought by the Council at any other stage in a misconduct complaint, or by a councillor against whom an allegation had been made.

Following a joint appointments process with other Surrey districts, the Council appointed three Independent Persons initially until May 2015. Mole Valley District Council, Spelthorne Borough Council and Reigate & Banstead Council had indicated they would be happy to undertake a joint selection process for the purpose of appointing Independent Persons.

The report recommended that the Monitoring Officer be authorised to establish a joint appointments panel with participating Surrey councils so that the panel may short-list and interview candidates and make recommendations to the respective councils for the appointment of Independent Persons. The report also recommended that the Monitoring Officer be authorised to agree appropriate representations on the panel with participating councils. However, it would be left to each participating council to formally approve their Independent Persons following the selection process.

Having considered the report, the Committee RESOLVED to authorise the Monitoring Officer to:

1. establish a joint appointments panel with participating Surrey councils so that the panel may short-list and interview candidates and make recommendations to the respective councils for the appointment of Independent Persons; and
2. agree appropriate representation on the panel with participating councils.

Reason for the decision:

To comply with Section 28 of the Localism Act 2011 in respect of the appointment of Independent Persons.

**CGS22 WORK PROGRAMME**

The Committee considered a report outlining its draft work programme for the rest of the municipal year.

The Committee Manager gave a verbal update to the programme outlining the following:

- At the Committee's last meeting on 4 June, it resolved to receive a report from the Member Development Steering Group to consider matters relating the councillor training programme. Members of the Steering Group had been nominated earlier in the week with the expectation that they would have their first meeting in September 2015.
- Budget monitoring had been erroneously excluded from the work programme appended to the report.
- It had been brought to the Monitoring Officer's attention that Councillor Graham Ellwood may need a dispensation to enable him to participate in Council business pertaining to Surrey County Council's Local Committee "cluster meetings". The application would be considered by the Committee at its next meeting.
- At its meeting on 26 March 2015, the Committee considered a report regarding councillors' eligibility to have criminal record checks, and resolved that further consideration of the matter would be deferred until after the local elections in May 2015. Officers suggested the report be considered by the Committee at either its next meeting in September, or its meeting on 26 November 2015.

Having considered the draft work programme and the officer's verbal update, the Committee RESOLVED to approve the work programme subject to the following amendments to be appended to the minutes:

- the Member Development Steering Group report and the report revisiting councillor criminal record checks would be added to the work programme under "unscheduled";
- the budget monitoring reports would be included in the work programme; and
- consideration of an application for a dispensation for Councillor Graham Ellwood would be considered by the Committee at its next meeting.

The meeting finished at 7.53 pm

Signed .....

Chairman

Date .....

## Statement of Accounts 2014-15

Claire Williams Morris  
Head of Financial Services



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## Financial Reporting

Objective:

Show the results of the **stewardship** and **accountability** of elected Councillors and management for the resources entrusted to them, which is of paramount importance in the use of public funds.

How:

- Plans & policies with consultation
- Budget book
- Council tax leaflet
- Transparency reporting
- **Statutory requirement to produce audited accounts and publish them**

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## What is the purpose of financial statements?

- The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users for
  - accountability purposes and
  - for decision-making purposes
- Financial reporting is not an end in itself. Its purpose is to provide information useful to users.
- The objectives of financial reporting are therefore determined by reference to the users of accounts, and their information needs.

[IPSASB Exposure Draft – Conceptual Framework]

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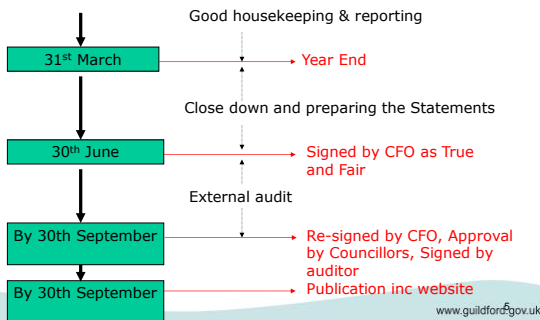
## Who uses Local Authority Accounts?

- ‘Funders and financial supporters’ - government, Council Tax and Non-Domestic Rate payers
- Service users and their representatives
- Councillors have an important role to play both in representing and as part of the management of the authority

Preparing financial statements in a manner that is consistent with government information requirements should help minimise the amount of dual reporting that is required

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## Preparing the accounts



## The Accounts

- <http://www.guildford.gov.uk/soa>
- Include many statements!
  - Explanatory Foreword
  - Annual Governance Statement (AGS)
- Financial Statements:
  - Movement in Reserves Statement (MiRS)
  - Comprehensive Income and Expenditure Statement (CI&ES)
  - Balance Sheet
  - Cash Flow Statement
  - Notes
- Now on an International Financial Reporting Standard (IFRS) basis

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# Minute Item CGS20 Appendix 1



## CGSC – Statement of Accounts review

Review of the statements and satisfy yourself that appropriate steps have been taken to meet statutory and recommended professional practices. Including:

- reviewing the explanatory foreword to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
- reviewing whether the foreword is readable and understandable by a lay person
- identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years
- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- seeking explanations for changes in accounting policies and treatments
- reviewing major judgemental areas, eg provisions
- seeking assurances that preparations are in place to facilitate the external audit
- refer any significant concerns from the accounts to Council
- refer any significant concerns from the external to Council

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## GF and HRA Performance - CIES (1)

Comprehensive Income and Expenditure Statement

Notes	2014-15		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central services to the public	2,201	1,068	1,133
Cultural and Related Services	12,884	7,009	5,875
Environmental and Regulatory Services	14,923	7,260	7,663
Planning Services	7,488	2,387	5,101
Highways and transport services	6,301	11,740	(4,839)
Local authority housing (HRA):			
- Revaluation gain	2	(22,462)	(22,462)
- Other		15,592	(16,693)
Other housing services	43,045	37,988	5,057
Adult social care	2,524	1,565	959
Corporate and democratic core	4,841	759	4,082
Non distributed costs		74	74
<b>Cost of Services</b>	<b>88,011</b>	<b>102,051 (14,040)</b>	

Reconciles to the Segmental Reporting Note

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## GF and HRA Performance – CIES (2)

Cost of Services	88,011	102,051	(14,040)
Other operating expenditure	4		(2,150)
Financing and investment income and expenditure	5		(1,565)
Taxation and non-specific grant income	6		(18,867)

**Surplus on Provision of Services (36,622)**

Items that will not be reclassified to the surplus on provision of services

Surplus on revaluation of Property, Plant and Equipment assets	2, 26		(60,098)
Remeasurements of the net defined benefit liability	2, 26		22,376

Items that may be reclassified to the surplus on provision of services

Surplus on revaluation of available for sale financial assets	26		(716)
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**Other Comprehensive Income and Expenditure (38,438)**

**Total Comprehensive Income and Expenditure (75,060)**

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## GF and HRA Performance

- Surplus or Deficit – what does this mean?
- Comparison with Budget Outturn
- Implications for long-term planning?

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## GF and HRA Performance - Significant Movements 2014/15

- HRA revaluation gain £22m on CI&ES
- £2.8m income increase in Cultural and related services due to a change in accounting requirement for SPA receipts
- £36.6m Surplus on provision of services (£38.4m relates to HRA, deficit of £1.8m GF)
- £60m surplus on property revaluation
- £22m actuarial loss on pension fund

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## Balance Sheet

- Shows the value of assets and liabilities
- Significant movements 2014/15:
  - PPE increase £81m (15%) (Note 14);
    - £62m revaluation of property, mainly council dwellings
    - £5.9m additions to council dwellings
    - £5.7m additions to assets under construction
  - Investment property increase due to £7.4m acquisitions & £2.5m revaluation (note 16)
  - £8m increase in LT investments & £20m increase in ST investments (note 16)

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## Balance Sheet

- Significant movements 2014/15 continued:
  - £1.8m increase in provisions (note 21)
  - £25m increase in pensions liability (note 27)
  - £7.8m increase in HRA earmarked reserves (note 22)
  - £6.8m increase in GF earmarked reserves (note 22)

## Balance Sheet - Reserves

- **Useable reserves** (General reserves), which are intended for general contingencies: level should be based on risk analysis
- **Earmarked reserves**
- **Capital reserves**

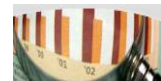
Reserves	2014/15, £000
General Fund (GF) Reserve	3,748
Earmarked GF Reserves	27,045
Housing Revenue Account reserve	2,500
HRA earmarked reserves	44,282
Capital receipts reserve	29,999
Major repairs reserve	2,070
Capital Contributions	63
<b>TOTAL USEABLE RESERVES</b>	<b>109,707</b>

## Key Financial Indicators

Indicator	Definition	2013-14	2014-15
Liquidity Ratio	Current Assets / Current Liabilities	3.78	3.08
Gearing %	Long term borrowing / Long Term Assets	29.75%	26.42%
Borrowing as a % Gross Income	Long Term Borrowing / (Gross Income - Other housing services + Taxation and Non-specific Grant Income)	2.53	2.39
Unringfenced Reserves as % Net Revenue Expenditure	level of GF & earmarked reserves / net revenue expenditure from RO form	185%	325%
GF Balance as % Net Revenue Expenditure	GF balance / net revenue expenditure from RO form	29%	40%

## Citizens Right to Inspect Ledgers

- Every year councils are required to open their accounting records for public inspection and challenge over a set time period. These citizens' rights include checking not just the accounts but also 'all books, deeds, contracts, bills, vouchers and receipts related to them'.
- These rights allow the public to check any spending under the £500 online transparency threshold, and avoid the need to submit Freedom of Information Act requests.
- Specific information published on
  - Elected Councillors remuneration
  - Senior Staff Salaries over 50k
  - Exit packages



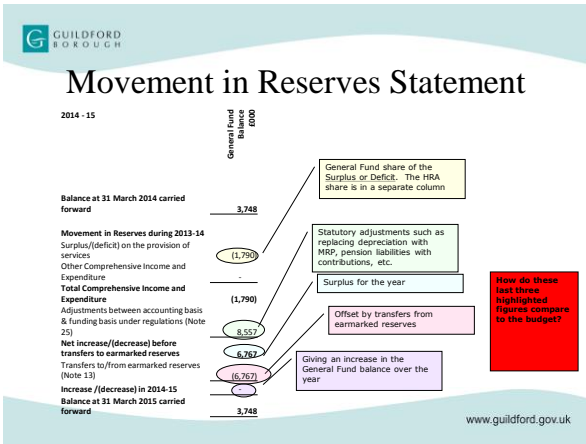
## External audit

- Objectives – assessment of:
  - The accounts are prepared in accordance with statutory provisions/regulations and 'True and Fair' the financial position
  - Value for money – financial resilience, economy, efficiency and effectiveness
- Work with internal audit to maximise effectiveness



## Slides for Information Only

# Minute Item CGS20 Appendix 1



## Segmental Reporting (1)

Note that headings are based on the authority's service units, not the service classification in SeRCOP (see page 110 of agenda)

2014-15	Business Systems	Corporate Development	Economic Development	Financial Services	Health and Community Care	Housing and Advice Services	Human Resources	Legal and Democratic Services	Neighbourhood and Housing Management	Operational Services	Parks and Leisure Services	Planning and Regeneration	Revenue Payments	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(4,364)	(829)	(8,164)	(1,188)	(2,502)	(129)	(719)	(1,228)	(3,958)	(20,558)	(7,896)	(2,032)	(2,608)	(32,275)	(88,450)
Government grants and contributions	(4)	-	(25)	(80)	(2)	-	(85)	-	-	-	-	-	(20)	(36,944)	(37,170)
<b>Total Income</b>	<b>(4,368)</b>	<b>(829)</b>	<b>(8,164)</b>	<b>(1,213)</b>	<b>(2,592)</b>	<b>(131)</b>	<b>(719)</b>	<b>(1,313)</b>	<b>(3,958)</b>	<b>(20,558)</b>	<b>(7,896)</b>	<b>(2,052)</b>	<b>(39,552)</b>	<b>(32,275)</b>	<b>(79,520)</b>
Employee expenses	1,738	1,292	1,836	3,170	2,631	642	771	1,341	1,714	6,638	2,876	3,003	1,818	2,716	31,986
Other service expenses	1,538	812	2,151	307	2,164	765	51	1,005	2,342	10,698	4,553	1,073	38,098	5,844	71,402
Support service charges	401	494	827	418	651	101	133	816	241	1,853	502	798	532	1,508	9,273
Depreciation and amortisation	575	32	298	54	54	-	-	25	2,262	2,818	-	-	-	5,951	11,817
<b>Total Expenditure</b>	<b>4,253</b>	<b>2,630</b>	<b>5,108</b>	<b>3,895</b>	<b>5,500</b>	<b>1,508</b>	<b>955</b>	<b>3,162</b>	<b>4,322</b>	<b>21,451</b>	<b>10,347</b>	<b>4,872</b>	<b>49,448</b>	<b>16,822</b>	<b>124,478</b>
<b>Net Expenditure</b>	<b>(115)</b>	<b>1,701</b>	<b>(3,056)</b>	<b>2,682</b>	<b>2,908</b>	<b>1,377</b>	<b>236</b>	<b>1,849</b>	<b>364</b>	<b>893</b>	<b>2,451</b>	<b>2,822</b>	<b>894</b>	<b>(16,250)</b>	<b>(1,242)</b>

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## Segmental Reporting (2)

	2014-15 £000
Net expenditure in the Service Unit Analysis	(1,242)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis, mainly comprising, revaluation gains and losses, revenue funded from capital under statute (REFCUS) and IAS19 adjustment.	(21,359)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	8,561
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(14,040)</b>

Reconciles to the **Net Cost of Services** figure in the CIES

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## CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

24 September 2015

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Application for dispensation	To consider an application from Councillor Graham Ellwood to grant a dispensation in respect of a disclosable pecuniary interest	Corporate Governance and Standards Committee	Satish Mistry 01483 444042
Freedom of Information Performance Report	To note the update report on performance in dealing with Freedom of Information requests	Corporate Governance and Standards Committee	Vincenzo Ardilio 01483 444053
Annual Governance Report 2014-2015	To approve the Annual Governance Report for 2014-2015	Executive 29.09 or 27.10 2015	Satish Mistry 01483 444042
Budget Monitoring	To receive a revenue budgetary monitoring report for Month 3 and capital monitoring report for Quarter 1	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Statement of accounts 2014-2015	To approve the Statement of accounts 2014-2015	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Audit Committee Update	To note the update report from the external auditor	Corporate Governance and Standards Committee	Grant Thornton/ Claire Morris 01483 444827
Audit findings report	To note the external auditor's findings and management's response in the Action Plan	Corporate Governance and Standards Committee	Grant Thornton/ Claire Morris 01483 444827
Annual report of the Local Government Ombudsman 2014-2015	To consider the Local Government Ombudsman's annual report for 2014-2015	Corporate Governance and Standards Committee	Martyn Brake 01483 444850

## CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

26 November 2015

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Annual Audit Letter 2014-2015	To consider the Annual Audit Letter and Annual Governance Report for 2014-15	Executive: 24.11.15	Claire Morris 01483 444827
Budget Monitoring	To receive a revenue budgetary monitoring report for Month 6 and capital monitoring report for Quarter 2	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Responsibility for functions and proposed amendments to the scheme of delegation	<ol style="list-style-type: none"> <li>1. To approve any proposed amendments to the scheme of delegation to officers in respect of executive functions</li> <li>2. To recommend to Council (07/07/15) the noting of the delegation of executive functions made during the 2013-14 municipal year and to approve any proposed amendments to the scheme of delegation to officers in respect of non-executive functions.</li> </ol>	Executive 23.06.2015	John Armstrong 01483 444102
Summary of internal audit reports April 2015 to September 2015	To consider the summary of internal audit reports and progress on the internal audit plan for April – September 2015	Corporate Governance and Standards Committee	Joan Poole 01483 444854
Internal Audit Plan: progress report			
Treasury Management monitoring report April – September 2015	To consider the report monitoring treasury management from April to September 2015	Executive 24.11.15 Council 08.12.15	Victoria Worsfold 01483 444834

## CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

**14 January 2016**

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Treasury Management Strategy 2015-2016	To recommend to Council the adoption of the revised Treasury Management Strategy and prudential indicators	Executive 19.01.16 Council 10.02.16	Victoria Worsfold 01483 444834
Freedom of Information Performance Report	To note the update report on performance in dealing with Freedom of Information requests	Corporate Governance and Standards Committee	Vincenzo Ardilio 01483 444053
Budget Monitoring	To receive a revenue budgetary monitoring report for Month 8	Corporate Governance and Standards Committee	Claire Morris 01483 444827

**31 March 2016**

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Enquiries of those charged with governance	To agree the Committee's response to the external auditor's audit plan for 2014-15	Corporate Governance and Standards Committee	Satish Mistry 01483 444042
Audit Plan	To note the external auditor's audit plan for 2014-15	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Budget Monitoring	To receive a revenue budgetary monitoring report for Month 10 and capital monitoring report for Quarter 3	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Audit Committee Update	To note the update report from the external auditor	Corporate Governance and Standards Committee	Claire Morris 01483 444827

## CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

### Unscheduled items

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Single Equality Scheme and Action Plan	To review the Single Equality Scheme and Action Plan for 2012-15 (Year 1 and 2)	Corporate Governance and Standards Committee	Martyn Brake 01483 444850
Corporate Risk Strategy	Report on the Council's corporate risk strategy and risk management arrangements	Corporate Governance and Standards Committee	Martyn Brake 01483 444850
Review of the Constitution	To monitor and review the Constitution in line with the Committee's terms of reference and further to the 2014 substantial review	Corporate Governance and Standards Committee	John Armstrong 01483 444102
Councillor Training Programme	To consider a report from the Member Development Steering Group relating to councillor training	Corporate Governance and Standards Committee	Sophie Butcher 01483 44456
<i>Criminal records checks for councillors</i>	<i>To recommend to Council whether it would be appropriate and proportionate to request councillors to apply for a basic disclosure criminal record check using the service provided by Disclosure Scotland</i>	<i>Council</i>	<i>John Armstrong 01483 444102</i>