

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

29 September 2022

- * Councillor George Potter (Chairman)
- * Councillor Deborah Seabrook (Vice-Chairman)

Councillor Liz Hogger
Councillor Nigel Manning
* Councillor Susan Parker
* Councillor Tony Rooth
* Councillor James Walsh

Independent Members:

- * Maria Angel MBE
- * Murray Litvak

Parish Members:

- * Julia Osborn
- Ian Symes
- * Tim Wolfenden

*Present

The Lead Councillor for Governance, Councillor Joss Bigmore and the Lead Councillor for Resources, Councillor Tim Anderson were also in attendance. The Lead Councillor for Economy, Councillor John Redpath was in remote attendance.

CGS20 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Liz Hogger and Nigel Manning, and from Ian Symes.

CGS21 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS22 MINUTES

The minutes of the meeting of the Committee held on 28 July 2022 were approved as a correct record.

The Chairman signed the minutes.

CGS23 DECISION AND ACTION TRACKER

The Committee noted that the decision and action tracker had been introduced to monitor progress against the decisions and actions that the Committee had agreed, which would be kept up to date for each meeting. When decisions/actions were reported as being 'completed', the Committee would be asked to agree to remove these items from the tracker.

The Committee, having noted the updates set out on the Supplementary Information Sheet

RESOLVED: That the decision and action tracker be noted and that the actions reported as being completed be removed from the table.

CGS24 BUDGET PRESSURES 2022-23 AND MEDIUM-TERM FINANCIAL PLAN

The Committee considered a report which summarised the emerging financial position against the approved 2022/23 budget and highlighted pressures on the already stretched Medium Term Financial Plan (MTFP). Several factors had affected the Council's budget since it was approved

in February 2022, most of which had had an adverse impact. Although the financial outturn in 2021/22 on the general fund and HRA had been positive overall, there were some concerning cost pressures and income shortfalls that were likely to continue into future years. This, coupled with the significant inflationary pressure experienced since April, presented a very challenging position for the Council.

The report presented a high-level summary of the position and proposed a series of actions for addressing the budget shortfall in this and future years. A more detailed financial monitoring report would be considered by the Committee at its special meeting on 6 October, and comments from the Committee would help inform the mid-year review of the MTFP which was now necessary. A similar exercise had been undertaken in 2021/22 and, as evidenced by the General Fund outturn report, this had been successful as the overall position at year end had been £138,000 under budget.

Officers were currently projecting a net overspend on the general fund revenue account of £3.1 million, a significant proportion of which related to current inflationary pressures, principally increasing utilities costs. The position was likely to worsen as forecasts were refined in the coming weeks. Part of the projected budget shortfall had arisen from growth bids which managers considered were necessary to meet service demands and address resource gaps. These bids would be subject to approval of a business case and funding.

The report had also alerted the Committee to the fact that officers were investigating a potential discrepancy in the staff cost budget which had come to light in July and appeared to have originated during the transition period of phase 2 of the Future Guildford programme. This could materially impact both the general fund and the HRA in 2022/23 and future years.

In summary, the Council had spotted early an emerging budget shortfall and was taking steps to address this in the current and future years.

The Executive had also considered this report at its meeting on 22 September and had agreed:

- (1) To note the emerging position against the 2022/23 budget and the impact on the Council's finances in future years.
- (2) To approve the high-level action plan set out in the report and to identify any further measures that should be taken.
- (3) To instruct officers to undertake a comprehensive mid-year review of the 2022/23 budget and to present this, and a revised Medium Term Financial Plan, to Council at its meeting on 6 December 2022.

During the debate, the Committee made the following points:

- In response to concerns over the impact on the Council's finances of the recent mini-budget statement by the Chancellor of the Exchequer, the Joint Section 151 Officer indicated that a briefing note of the elements of the mini budget that would effect in a positive or negative way both Guildford's finances and also our economically disadvantaged residents was being put together, and a copy of this would be circulated to councillors.
- The Committee received assurance that the risk register was being used as a management tool to help manage the current financial situation.
- It was suggested that officers assess the overall macroeconomic impact on the Council's financial position at such a point in the future when there was greater certainty and stability.

- In response to a question as to the extent to which the Council was reviewing its treasury management arrangements, officers reported that a strategy meeting had been held recently with Arlingclose and such meetings would be held on a more frequent basis as the financial position and economic factors changed to enable our investments and borrowing to be kept under review.

Having considered the report, the Committee

RESOLVED: That the decisions taken by the Executive on 22 September 2022 and the comments referred to above be noted.

CGS25 CAPITAL AND INVESTMENT OUTTURN REPORT 2021-22

The Committee considered the annual outturn report on capital expenditure, non-treasury investments and treasury management performance for 2021-22.

In total, expenditure on the General Fund capital programme had been £39.78 million against the original budget of £148.3 million, and revised budget of £141.9 million. Details of the revised estimate and actual expenditure in the year for each scheme were set out in Appendix 3 to the report.

The budget for Minimum Revenue Provision (MRP) had been £1.5 million and the outturn was £1.38 million. This was due to slippage in the capital programme in 2020-21.

Officers had reviewed the capital programme and had determined that the following schemes were no longer required:

- Albury closed burial grounds £57,000 in 2022/23
- Mill Lane Flood Protection works - £16,000 2022/23 and £200,000 2023/24
- Merrow & Burpham surface water study - £15,000 in 2022/23

This would reduce the Councils underlying need to borrow for capital purposes and generate a saving to the revenue account in respect of MRP and Interest of approximately £10,000 over the life of the schemes.

The Council's investment property portfolio stood at £174 million at the end of the year. Rental income was £8.75 million, and our income return had been 5.3% against the benchmark of 4.7%.

The Council's cash balances had built up over several years, and reflected our strong balance sheet, with considerable revenue and capital reserves. Officers carried out the treasury function within the parameters set by the Council each year in the Capital and Investment Strategy. At 31 March 2022, the Council held £152 million in investments, £303 million in borrowing of which £147 million related to the HRA, and £134 million was short term borrowing, resulting in net debt of £157 million.

The Council borrowed short-term from other local authorities for cash flow purposes and aimed to minimise any cost of carry on this. The Council had taken out three loans for Weyside Urban Village under the infrastructure rate. This interest was capitalised against the project and not charged to the General Fund as interest payable.

Section 8 of the report confirmed that the Council had complied with its prudential indicators, treasury management policy statement and treasury management practices (TMPs) for 2021-22. The policy statement was included and approved annually as part of the Capital and Investment Strategy, and the TMPs were approved under delegated authority.

The treasury management performance over the last year, compared to estimate, had been summarised in the report, and the factors affecting this performance had been highlighted in the report. There had been slippage in the capital programme which resulted in a lower Capital Financing Requirement than estimated. Interest paid on debt had been lower than budget, due to less long-term borrowing taken out on the general fund because of slippage in the capital programme.

The yield returned on investments had been lower than estimated, but the interest received had been higher due to more cash being available to invest in the year – a direct result of the capital programme slippage. Officers had been reporting higher interest receivable and payable and a lower charge for MRP during the year as part of the budget monitoring when reported to councillors during the year.

Due to the Council projecting an over-spend earlier in the year, the decision was taken to sell a pooled fund that had accumulated a capital gain. This had been redeemed in December at a gain of £1.398 million, which was income to the General Fund.

The report also contained detailed information on the return on investments, and interest paid on external debt.

During the debate, the Committee made the following comments:

- A need to ensure that we have up-to-date information on the schedule of investments and the need to review the overall situation in respect of the prudence of investments in other local authorities.
- Clarification was sought as to the position in respect of reviewing existing investments.
- In relation to the proposed schemes that had been recommended for removal from the capital programme, concern was expressed in respect of two of the schemes, which sought to address flooding issues, that insufficient information had been provided to justify their removal.

The Committee

RESOLVED: That the report be commended to the Executive subject to the various corrections set out on the Supplementary information sheet circulated at the meeting and to the comments referred to above made by the Committee during its debate.

Reasons:

- 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.
- As per the treasury management code although the scrutiny of treasury management (and indeed all finance) had been delegated to the Committee, ultimate responsibility remained with full Council. This report therefore fulfilled that need.

Action:	Officer to action:
<p>(a) To ensure that up-to-date information on the schedule of investments and the need to review the overall situation in respect of the prudence of investments in other local authorities.</p> <p>(b) To clarify the position in respect of reviewing existing investments.</p>	<p>Lead Specialist - Finance</p>

CGS26 HOUSING REVENUE ACCOUNT FINAL ACCOUNTS 2021-22

The Committee considered a report on the Housing Revenue Account (HRA) final accounts for 2021-22. The HRA recorded all the income and expenditure associated with the provision and management of Council owned residential dwellings in the Borough. The requirement to maintain a HRA was set out in the Local Government and Housing Act 1989 and the requirement to publish final accounts was set out in the Accounts and Audit (England) Regulations 2015.

The report had set out the actual level of revenue spending on day-to-day services provided to tenants recorded in the HRA in 2021-22. The operating surplus for the HRA in 2021-22 had been £368,000 less than the budgeted surplus of £11.220 million at £10.339 million. The outturn therefore allowed a contribution of £2.5 million to the reserve for future capital and a contribution of £7.84 million to the New Build reserve. The HRA working balance at year-end remained at £2.5 million.

The Chief Finance Officer, in consultation with the Leader of the Council and Lead Councillor for Community and Housing and Lead Councillor for Resources had used their delegated authority to make the necessary transfers to reserves. This continued the policy adopted in previous years, whereby the year-end surplus was applied to each of the two reserves referred to above.

During the debate, the Committee made the following comments:

- A need to review the way in which we transfer money to different pots of reserves in relation to the HRA
- emphasis on the importance of making sure we are taking account of climate change impacts particularly in relation to insulation
- the importance of lobbying government in relation to Right to Buy replacement in the 60/40 split when it comes to the spending of right to buy receipts and
- concern over implications of an increase in right-to-buy numbers and where it might be heading in the future

Having considered the report, the Committee

RESOLVED: That the report be commended to the Executive subject to the various corrections set out on the Supplementary information sheet circulated at the meeting and to the comments referred to above made by the Committee during its debate.

Reason:

To allow the Statutory Statement of Accounts to be finalised and subject to external audit prior to approval.

CGS27 GENERAL FUND REVENUE OUTTURN REPORT 2021-22

The Committee received a report setting out the final position on the General Fund and the Collection Fund revenue accounts, for the 2021-22 financial year.

Overall, the outturn on the General Fund for 2021-22 had been £138,987 less than originally budgeted. This position had been achieved as a result of an in-year action plan put in place to mitigate a projected overspend following period 6 monitoring. The report had set out the major reasons for the variance. At period 10, officers were predicting an underspend of £229,000, but this had decreased to an underspend of £138,987.

Net income from interest receipts had been £1.5 million more than estimated and the minimum revenue provision (MRP) for debt repayment had been £154,414 lower than estimated, which was £1.6 million net additional interest receipt to the General Fund.

The Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Resources had used their delegated authority to transfer:

- (a) the underspend to the budget pressures reserve to deal with potential cost pressures in 2022-23; and
- (b) monies that had been earmarked for the implementation of technology as part of Future Guildford from the Business Rates retention reserve to the ICT renewals reserve to enable the further development of Salesforce to continue

Details of the closing balance on all the Council reserves were set out in the report, together with the ongoing policy for each.

The Committee was advised that there was an overall deficit on the Collection Fund of £488,000, as detailed in the report.

The full unaudited statement of accounts for 2021-22 had been published on Guildford's website and this included all reserves, collection fund and balance sheet. Once the external auditor had completed their audit, the full set of accounts would be brought to the Committee for consideration and approval, along with the auditor's findings report.

During the debate, the Committee made the following comments:

- reference to "£000" in the column headings in the table in paragraph 5.2 of the report should be omitted.
- concern that the focus of achieving the goal of 75% of customer contact being online was at the expense of mainly elderly residents who might only be able to contact the council by more traditional means (paragraph 4.16 of the report).
- Concern over the significant variances between year to date spend for certain services compared to the revised budget figures.
- In response to a query as to unspent specific grant monies awarded by government to the Council to spend on supporting refugee families, the Committee noted that the Council was taking action to support refugees, but the expenditure may have come from other sources of funding. Furthermore, as the 6-month period that those supporting refugee families had initially signed up for was now coming to an end, there was concern about an increasing number of guests being presented as homeless and the subsequent obligations on the Council to provide support, and this grant funding would be used for that purpose.

Having noted that this matter would be considered by the Executive on 27 October 2022, the Committee

RESOLVED: That, subject to the comments referred to above, the report be commended to the Executive.

Reasons:

- To note the final outturn position for 2021-22
- To facilitate the on-going financial management of the Council.

CGS28 FUTURE OF INTERNAL AUDIT

The Committee noted that the Council's existing contract for the provision of Internal Audit services would expire in March 2023. A process of soft market testing and due diligence had been undertaken to assess the available options and to identify a preferred provider.

The Committee considered a report which sought approval to enter into a Joint Working Agreement to receive internal audit services from Southern Internal Audit Partnership (SIAP) for a period of five years from 1 April 2023. Southern Internal Audit Partnership (SIAP), which had been established in 2012, was hosted by Hampshire County Council and was one of the largest providers of public sector internal audit in the region across a diverse portfolio of 29 public sector organisations.

In Surrey, Tandridge, Mole Valley, Epsom and Ewell, Reigate and Banstead and Surrey Police were all partners in the partnership as well as a number of other district and borough councils and police authorities across Hampshire and Sussex. Waverley Borough Council was a contracting authority. Joining SIAP would offer value for money as well as contributing to the achievement of the vision of the Guildford-Waverley partnership by alignment of support service provision with Waverley.

Having considered the report, the Committee

RESOLVED: That the following recommendations be commended to the Executive at its meeting on 27 October 2022:

- (1) That, with effect from 1 April 2023, the Council discharges its Internal Audit Function under Section 101 of the Local Government Act 1972 to Hampshire County Council so that Southern Internal Audit Partnership (SIAP) can provide the Internal Audit Service for Guildford Borough Council.
- (2) That the Council's Section 151 and Monitoring Officers be authorised to enter into the Joint Working Agreement by way of a deed of accession with Southern Internal Audit Partnership and undertake all necessary legal arrangements to do so.
- (3) That the Section 151 Officer or nominated officer represents the Council's interests by becoming a voting member of the Southern Internal Audit Partnership Key Stakeholder Board.

Reason:

To ensure good governance arrangements and internal control by undertaking an adequate level of internal audit coverage through discharging the Council's functions as permitted by the S101(5) of the Local Government Act 1972.

CGS29 WORK PROGRAMME

The Committee, having considered its updated 12-month rolling work programme

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

Reason:

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

The meeting finished at 8.55 pm

Signed

Chairman

Date