

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

28 September 2023

- * Councillor Phil Bellamy (Chairman)
- * Councillor Bob Hughes (Vice-Chairman)
- Councillor Joss Bigmore
- * Councillor James Jones
- * Councillor George Potter
- * Councillor James Walsh
- Councillor Fiona White

Independent Members:

- * Murray Litvak

Parish Members:

- * Julia Osborn
- * Simon Schofield
- * Tim Wolfenden

*Present

The Leader of the Council, Councillor Julia McShane, the Lead Councillor for Finance & Property, Councillor Richard Lucas, and Councillor Philip Brooker were also in attendance.

The Lead Councillor for Community and Organisational Development, Councillor Carla Morson, and Councillors Ruth Brothwell and Howard Smith were in remote attendance.

CGS24 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Joss Bigmore and Fiona White.

CGS25 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS26 MINUTES

The minutes of the special meeting of the Committee held on 18 July 2023 were approved as a correct record. The minutes of the meeting of the Committee held on 27 July would be referred to the next meeting of the Committee to enable wording of Minute CGS20 – Planning Appeals Monitoring Report to be corrected.

CGS27 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.

In relation to the first item, which had been outstanding for over a year, the Executive Head of Planning Development informed the Committee that four issues had been raised at that time by Cllr Wyeth-Price, before she became a councillor, in respect of the Planning Appeals Monitoring Report to the Committee in June 2022.

The first issue related to missing and incorrect data in the table in paragraph 3.1 of that report:

- the number of appeals in 2020 should have read "7" rather than "8", and the number of appeals in 2021 should have read "13" rather than "12"
- the overturns dismissed figure for 2020 should have read "3 (1 pending)", and for 2021, it should have read "3 (2 pending)".

The second issue related to incorrect calculation of appeal figures, and that the report had amalgamated all appeals into a single category and did not differentiate between non-major appeals and major appeals. In future, appeal figures would be categorised as that was how they were measured and reflected in returns to government. The third issue was that the assessment of Councillors' performance had been disingenuous, because it had amalgamated all types of decision making into a single category rather than breaking them down into three categories, which would have been Committee decisions which overturned an officer recommendation from approval to refusal, committee refusals, officer refusals. In future reports, decisions would be set out in those three categories so that it would be possible to measure not only the performance of councillors, but also the performance of officers.

The fourth issue referred to a figure quoted in respect of the award of costs in relation to the Ash Manor appeal, which had been accepted as being incorrect.

It was suggested that either an updated report, to include these corrections, be circulated to the Committee or that the details be referred to in the next scheduled Planning Appeals Monitoring Report.

The Committee

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

CGS28 DATA PROTECTION AND INFORMATION SECURITY UPDATE REPORT

The Committee considered a report from the Information Governance Officer that provided an update on developments in data protection and information security within the council since the last report in October 2022. The report also covered details of data breaches in 2022-23, key risks for the Council, and objectives for the coming twelve months.

During the debate, the following points were made:

- Concern was expressed over the delay in removing legacy hardware and operating systems and the volume of priorities being placed on ICT. In response to a question as to how the work was prioritised, the Information Governance Officer commented that work was prioritised according to the level of risk involved, and availability of both financial and staffing resources. It was hoped that the removal of legacy hardware and operating systems would be completed in the next six to twelve months. Progress on this would be shared with councillors.
- Officers acknowledged that, contrary to the comment in the report that there were no Climate Change/Sustainability implications, there were clearly sustainability implications associated with the disposal of legacy hardware, and energy use associated with new hardware and greater energy efficiency associated with increased cloud hosting.
- In response to a request for an update on the review of ICT security policies, it was confirmed that this was still ongoing.
- It was noted that the number of data breaches recorded in 2022-23 was commendably low.
- In response to a question, the Information Governance Officer confirmed that no distinction was currently made in respect of ICO notifications due to data breaches between notifications required under GDPR and those required under the Network and Information Systems rules. It was confirmed that this could be something that could be looked into in future.

The Committee

RESOLVED: That the update report be noted.

Reason:

To ensure that the Committee is kept up to date with developments in the Council's data protection and information security framework.

CGS29 EXTERNAL AUDITOR'S VALUE FOR MONEY LETTER TO THE CHIEF FINANCE OFFICER

The Committee received the letter from the external auditors, Grant Thornton to the Chief Finance Officer on their opinion as to whether the Council had put in place, for both 2020-21 and 2021-22, proper arrangements to secure economy, efficiency, and effectiveness in its use of resources.

Paul Cuttle, of Grant Thornton, commented on the letter and the key recommendations therein.

Mr Cuttle indicated that, once the external auditors were able to issue their audit findings report, there would be detailed management responses to each of the key recommendations. It was noted that, although the external auditors had not issued any statutory recommendations, they had noted the Council's implementation of a financial recovery plan and proposal for a revised MTFP for approval in October 2023. Grant Thornton would determine whether it was appropriate to use their statutory powers once there was greater clarity on the progress of developing a financial recovery plan that would demonstrate how the Council could deliver a balanced general fund budget in 2023-24, develop financial capacity and produce good quality updated 2021-22 draft financial statements with supporting working papers.

During the debate on this matter, the Committee made the following points:

- Clarification was requested in respect of the actual reasons for the delay in finalising audits. The external auditor's assertion that this was due to the Council's inability to produce accurate financial statements or audit evidence to support reported balances, whilst the Council's Finance team had previously cited other reasons. It was suggested that the opinion of the Interim Chief Finance Officer be sought on this.
- In response to a request for an update on the issues caused by the introduction of the new General Ledger System, the Strategic Director: Transformation and Governance commented that part of the financial recovery plan included actions to fundamentally review the Council's finance systems and processes, along with a structure to facilitate the production of accurate financial information. Again, it was suggested that this would be a matter for the Interim Chief Finance Officer to address.
- In response to a request for updates in relation to:

- (a) Actions relating to resourcing of the finance team to ensure that non-finance staff were not completing key financial actions like performing reconciliations; and
- (b) Timescales for the finance team to re-issue the 2021-22 and 2022-23 draft financial statements

the Strategic Director: Transformation and Governance noted that these matters would be picked up as part of the ongoing work on the review of the Council’s financial systems and structures.

The Committee

RESOLVED: That the External Auditor’s Value for Money Letter to the Chief Finance Officer, and the Committee’s comments referred to above, be noted.

| Action: | Officer to action: |
|---|-------------------------------|
| <ul style="list-style-type: none"> • To give an opinion as to the actual reasons for the delay in finalising external audits. • To provide an update on the issues caused by the introduction of the new General Ledger System. | Interim Chief Finance Officer |

CGS30 FINANCIAL MONITORING 2023-24 PERIOD 3 (APRIL TO JULY 2023)

The Committee considered a report which was attached to the Supplementary Information Sheet, and which summarised the projected outturn position for the Council’s General Fund (GF) revenue account and Housing Revenue Account, based on the latest actual and accrued financial data.

The Original Budget approved at Council in February 2023 had included a budget gap of £3.1 million. A revised budget had been presented to the Committee in July with a reduced budget gap of £1.6 million, following review of budgets with services. Further work had been undertaken, since July, jointly by the Corporate Management Board (CMB), finance and services to close this gap and savings had been made to reduce this ensuring that the Revised Budget was balanced. Several areas had been identified as a financial risk to the Council. Budgets had been increased to reflect this and were listed in the report. The month 4 forecast included these budget changes.

The revised budget had been adjusted to reflect the changes and officers were projecting an overspend within services on the General Fund revenue account of £0.676 million which was offset by transfers from reserves and corporate adjustments to give a forecast surplus of £0.331 million. The Committee noted that any surpluses or deficits would impact on reserves at year end.

The CMB was implementing measures to address the budget gap in 2023-24 through a “Financial Recovery Plan” and the initial actions had been set out in the budget report considered by Council at its extraordinary meeting held on 30 August 2023. Some of those measures would be one-off, in-year adjustments which would not help the budget in 2024/25 and future years. This would be prioritised in the mid-year review of the Medium-Term Financial Plan to be reported in November 2023.

The report noted that officers were projecting an overspend on the HRA of £1.966 million and had set out the detail behind this variance.

Progress against the capital programme was underway and the Council expected to spend £124.4 million on its capital schemes by the end of the financial year against a budgeted expenditure of £196.8 million.

The Lead Councillor for Finance & Property apologised to the Committee for the lateness of publication of the report, but emphasised the importance of ensuring that the Committee had an opportunity of commenting on it prior to the full Council meeting in October. The Lead Councillor acknowledged the huge level of effort that had been put in towards achieving the budget savings, but noted that this was only the first step in the process towards financial stability.

During the debate, the Committee made the following comments:

- Assurance was sought that the processes in place for monitoring future expenditure were sufficiently robust as the setting of next year’s budget was less than six months away. Officers commented that revenue accounts and capital accounts, and the balance sheet would be robustly monitored going forward.
- In relation to the variance of £58.3 million on the capital programme for 2023-24, there was a query as to whether there were any key risks of which the Committee should be aware, which might impact on that variance. For example, risks associated with loss of grant funding. It was suggested, and officers agreed, that bearing in mind the amber and red status of the Ash Road Bridge and Weyside Urban Village projects respectively, the amounts of the grants involved should be quantified in future reports.
- Noting that over a quarter of a million pounds had been saved in respect of climate change/sustainability, assurance was sought that climate change action was still a priority for the Council.
- Concern that some of the savings identified were speculative, and the savings identified in treasury management costs seemed to contradict the comments of the external auditor in their value for money letter.

- In response to a request for additional information to provide evidence of the claimed savings identified in the report, the Strategic Director: Transformation and Governance indicated that he would take this up with the Interim Chief Finance Officer to see how this additional information could be provided.
- Provision of information on key variances by directorate was welcomed.
- Given the issues with finalising the audit of accounts, query as to the outstanding risk associated with potential inaccuracies in the opening position and, conversely, in terms of in-year reporting, given the finance team resource constraints. In response, officers confirmed that the information in the report was as accurate as it could possibly be.
- Request for an update on the year end reserves forecast.
- Concern that the Council was able to commit the necessary resources in order to meet its legal requirements around Air Quality Management Areas both in the town centre and in Shalford.
- In relation to the £168,000 saving associated with the reduction in the amount of Minimum Revenue Provision (MRP) required due to application of correct treatment of assets, query as to what was the incorrect treatment of assets. Officers confirmed that treatment of MRP was about assets under construction, and that the guidance on how the rules were applied had been interpreted in a slightly different way following CIPFA guidance.
- In response to what had changed since the former Section 151 Officer had advised that no reserve should be used this year, yet reserves were stated in the balance sheet, it was noted that certain reserves were allocated or earmarked for specific purposes.
- In response to a request for clarification in respect of the £390,934 savings from salary adjustments for in-year vacancies, noting that there had been no recruitment freeze impact at this stage, the Strategic Director commented that a recruitment freeze had been introduced in respect of non-essential posts as part of the financial recovery plan approved by the Council at the end of July. The £390,934 savings related to unfilled vacancies through the course of the year.

Having considered the report, the Committee

RESOLVED: That the Council's latest financial monitoring for the financial year 2023-24 be noted and that the comments and observations made during the debate be passed to the Executive.

Reason:

To ensure that Councillors and officers fulfil their responsibilities for the overall financial management of the Council's resources.

(In accordance with Council Procedure Rule 19 (e), Councillor Bob Hughes requested that his abstention be recorded in the minutes.)

| Action: | Officer to action: |
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| <ul style="list-style-type: none">• To provide details of amounts of grants involved in both the Ash Road Bridge and Weyside Urban Village projects in future reports.• To provide additional information in support of the claimed savings identified in the report.• To provide an update on the year end reserves forecast. | Interim Chief Finance Officer |

CGS31 ANNUAL REPORT OF THE CORPORATE GOVERNANCE AND STANDARDS COMMITTEE 2022-23

The Committee noted that, following receipt of the KPMG internal audit report on the effectiveness of the Committee, considered on 24 March 2022, one of the recommendations was that the Committee should report at least annually to the Council on its activities and an assessment of its performance in discharging its responsibilities as defined in the Committee's terms of reference.

The Committee considered and reviewed the second of these annual reports setting out details of the Committee's work during the 2022-23 municipal year, under the main headings within the terms of reference, namely:

- Audit and Accounts activity,
- Corporate Governance Activity, and
- Ethical Standards Activity

The Committee noted the table in Annex 2 to the Annual Report setting out the types and category of report considered by the Committee during the year.

The Annual Report had demonstrated the importance the Council placed on its governance and audit arrangements, and provided assurance to the Council how the Committee was working towards:

- fulfilling its agreed terms of reference and adopted recommended practice; and
- strengthening risk management, internal control and governance arrangements.

The Committee expressed concern that the Annual Report did not recognise the various failures in governance, which had led to some of the issues around the Council's finances during 2022-23, and that the Council should reflect further on the Committee's role and terms of reference.

It was suggested that the failsafe mechanisms within the Council to prevent internal governance failures should be the audit process and this Committee. However, it was acknowledged that, until the external audit of the Council's accounts was fully up to date, the Committee could not come to any conclusions as to what could have, or should have been done differently.

It was also felt that there needed to be a wider review of the role of corporate governance and standards within the Council to ensure that the key governance issues could be scrutinised in sufficient depth. The Committee noted that it was proposed to conduct a Constitutional review in the next 12 months, which would include a review of the structure of committees and their terms of reference.

The Committee

RESOLVED: That the Annual report of the Corporate Governance and Standards Committee for the municipal year 2022-23 be commended to full Council for adoption.

Reason:

To ensure that the Committee is accountable for its work to the full Council.

CGS32 JOINT CONSTITUTIONS REVIEW GROUP - APPOINTMENT OF CO-CHAIR

At its last meeting on 27 July 2023, the Committee approved the establishment, in conjunction with Waverley Borough Council's Standards and General Purposes Committee, of a Joint Constitutions Review Group with an overall objective of aligning key parts of the Councils' respective constitutions, where it was appropriate to do so.

Although four members of this Council had been appointed to the Review Group (The Deputy Mayor, Cllr Sallie Barker MBE, Cllr Joss Bigmore, Cllr Catherine Houston, and Cllr James Jones), the Committee unfortunately had omitted to confirm which of those members would act as co-chair of the Review Group.

The Committee therefore

RESOLVED: That Councillor James Jones be appointed as co-chair of the Joint Constitutions Review Group.

Reason:

To ensure that, whenever Guildford hosted a meeting of the Review Group, a Guildford member would chair the meeting.

CGS33 WORK PROGRAMME

The Committee considered its updated work programme noting the significant business scheduled for the 16 November meeting.

The Committee

RESOLVED:

- (1) That the updated 12 month rolling work programme, as set out in Appendix 1 to the report submitted to the Committee, be approved.
- (2) That an additional meeting of the Committee be arranged for Wednesday 29 November 2023 at 7pm to deal with some of the business scheduled for the 16 November 2023 meeting.

Reason:

- To allow the Committee to maintain and update its work programme.
- To ensure that the Committee's business can be dealt with as expeditiously as possible

| Action: | Officer to action: |
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| To convene an additional meeting of the Committee on Wednesday 29 November 2023. | Democratic Services & Elections Manager |

The meeting finished at 8.40 pm

Signed

Date

Chairman