CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

13 June 2019

* Councillor Tim Anderson (Chairman)

* Councillor Jan Harwood	Independent Members:
* Councillor Liz Hogger	* Mrs Maria Angel MBE
* Councillor Nigel Manning	* Mr Murray Litvak
Councillor Ramsey Nagaty	
* Councillor John Redpath	Parish Members:
* Councillor James Walsh	Mr Charles Hope
	* Ms Geraldine Reffo
	Mr Ian Symes

*Present

The Leader of the Council, Councillor Caroline Reeves, the Lead Councillor for Finance and Asset Management, Councillor Joss Bigmore, the Lead Councillor for Housing (social and affordable), Homelessness, Access and Disability, Councillor Angela Goodwin, together with Councillors Christopher Barrass, Chris Blow, and Tony Rooth were also in attendance.

CGS1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were submitted on behalf of Charles Hope and Ian Symes.

CGS2 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS3 MINUTES

The Committee confirmed as a correct record the minutes of the meeting held on 28 March 2019. The Chairman signed the minutes.

CGS4 INTERNAL AUDIT PLAN 2019-20

The Committee considered a report on the Internal Audit Plan for 2019-20.

The Committee was informed that, in 2018-19, the Council's internal audit function had been outsourced to KPMG. The Audit and Business Improvement Manager was the client-side officer and a multi skilled team within Audit and Business Improvement, who had both audit and business improvement experience, had been retained. The new structure had produced year-on-year savings of approximately £90,000 for a similar level of audit coverage.

This solution had provided the Council with the necessary assurance, experience and flexibility while still retaining in-house audit expertise within the Business Improvement Team. The structure fulfilled both the governance and assurance obligations of the internal audit function, but was practical and sustainable and represented value for money.

The Committee noted that, in 2018-19, 36 audits had been completed, or were being working on, which represented 95% of the audit plan. The work carried out so far had shown that there was no indication of any material or significant issues arising.

The Plan for 2019-20, which was appended to the report, had been extracted from the audit planning system and showed a resource requirement for 400 days.

The report had also set out information on the findings of the Local Government Ombudsman in respect of the 24 complaints about the Council that had been lodged in 2018-19.

Having considered the report, the Committee

RESOLVED: That the internal audit plan for 2019-20, as set out in Appendix 1 to the report submitted to the Committee, be approved.

Reason:
To ensure an adequate level of audit coverage.

CGS5 EXTERNAL AUDIT 2019-20 FEE LETTER

The Committee considered the External Audit 2019-20 Fee Letter, which had been submitted by the Council's external auditors, Grant Thornton. The letter provided a broad summary of the programme of work that they intended to carry out during 2019-20.

The Committee noted that the overall fee for the core audit in 2019-20 would be £44,300, which was the same as 2018-19. The fee for grant certification work would be dealt with separately.

Having considered the report, and noted that the fee for the core audit could be managed within the overall budget for the finance directorate, the Committee

RESOLVED: That the external audit fee for 2019-20 submitted by Grant Thornton, in the sum of £44,300, be approved.

Reason:
To enable the Committee to consider and comment on the planned audit fee.

CGS6 CAPITAL AND INVESTMENT OUTTURN REPORT 2018-19

The Committee considered the Capital and Investment Outturn Report for 2018-19, which had included:

- a summary of the economic factors affecting the approved strategy and counterparty update
- a summary of the approved strategy for 2018-19
- a summary of the treasury management activity for 2018-19
- compliance with the treasury and prudential indicators
- non-treasury investments
- capital programme
- risks and performance
- Minimum Revenue Provision (MRP)
- details of external service providers
- details of training

The Committee was informed that total expenditure on the General Fund capital programme in 2018-19 had been £37.7 million, which was less than the revised budget by £99.6 million. Details of the revised estimate and actual expenditure in the year for each scheme were set out in Appendix 3 to the report. Although the budget for Minimum Revenue Provision (MRP) had been £1.2 million, the outturn had been £795,190, due to slippage in the capital programme in 2017-18.

Councillors noted that the Council's investment property portfolio stood at £161 million as at 31 March 2019. Rental income had been £9 million, and income return was 6.3% against the benchmark of 4.8%.

The Council's cash balances had built up over a number of years, and reflected the 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. As at 31 March 2019, the Council held £97.3 million in investments, of which £20 million was short term borrowing.

The Council had borrowed short-term from other local authorities for cash flow purposes, but did not take out any additional long-term borrowing during the year. The Council had £212.9 million borrowing at 31 March 2019, of which £20 million was short-term borrowing for cash purposes.

The report confirmed that the Council had complied with its prudential indicators, treasury management policy statement, and treasury management practices for 2018-19.

The Committee noted that the slippage in the capital programme had 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.

During the debate, the Committee noted the following points:

(a) The capital projects which were due to come forward in the 2018-19 financial year, but had been delayed were:

- Westfield Road/Moorfield Road, Slyfield – resurfacing scheme
- Chapel Street Public Realm scheme
- Rodboro Buildings Environmental Improvement
- New burial ground
- Guildford Park Car Park Redevelopment
- Guildford West Station

(b) In response to a question regarding the Council's proposals to address the empty industrial units at the Midleton Industrial Estate and the poor condition of the Estate, officers confirmed that the Council was deliberately letting units on a short-term tenure in order to provide flexibility for the longer term redevelopment. The scheme for the redevelopment of the Midleton Industrial Estate was now on the approved capital programme and had reached the stage at which a planning application was being developed in respect of the first phase. In terms of the redevelopment proposals and expected return on the Council's investment, the Director of Finance indicated that she would circulate the report submitted to the Executive last year on the business case.

(c) In respect of the Council's investment property fund portfolio, officers acknowledged the current risks associated with the retail sector, and noted that the Council received rent on the long leases granted in respect of the Friary and Tunsgate shopping centres. In respect of the Council's own tenants, there had been no increase in void properties currently. Officers were also aware of similar risks associated with the office sector and noted that two tenants had exercised break clauses within their respective leases in recent months. The situation was being monitored via the Property Review Group. The Council's current policy was to not acquire any additional retail units.

(d) In response to a question regarding the Council's strategy for addressing a reduced demand for retail units with an ever increasing supply, the Committee was informed that should any retail unit under the Council's direct control become vacant, all options would be examined, including refurbishment and redevelopment, and progressed subject to a sound business case.

The Committee, having noted that the outturn report would also be considered by the Executive at its meeting on 18 June 2019, and by full Council on 23 July 2019

RESOLVED: That the following recommendations to Council be supported:

(1) That the Treasury Management Annual Report for 2018-19 be noted.

(2) That the actual prudential indicators reported for 2018-19, as detailed in Appendix 1 to the report submitted to the Committee, be approved.

Reason:
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.

CGS7 REVENUE OUTTURN REPORT 2018-19

The Committee received a report setting out the final position on the General Fund and the Collection Fund revenue accounts, for the 2018-19 financial year.

Overall, the outturn on the General Fund had been £1,851,116 less than originally budgeted, which reflected the Council's continued sound financial management.

The report had set out the major reasons for the variance. At service level after adjustment for movements to and from reserve, the projected outturn was £168,000 higher than the latest estimate.

Net income from interest receipts had been £1,641,694 more than estimated and the minimum revenue provision (MRP) for debt repayment had been £405,453 lower than estimated.

In accordance with the authority delegated to the Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Finance and Asset Management, the underspent balance had been used to make a transfer to the Invest to Save Reserve to support the transformation agenda.

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 noted that 2018-19 had been the fourth year of the Business Rates Retention Scheme (BRRS) and it had continued to cause volatility in the Council's accounts. The Business Rates balance on the Collection Fund was particularly susceptible to movements in the number and value of appeals that businesses had made against their rateable values. The Council had no control over these appeals, and had limited information from the Valuation Office to help assess the potential impact.

The Committee was advised that there was an overall deficit on the Collection Fund of £4.9 million, as detailed in the report.

The outturn position had been included in the Statement of Accounts signed by the Chief Finance Officer on 31 May 2019, which would be subsequently audited by the Council's external auditor, Grant Thornton. The Committee noted that the draft Statement of Accounts had been posted on the Council's website, and that the audited accounts would be reviewed by the Committee at its next meeting on 25 July 2019.

During the debate, the Committee noted the following points:

(a) The Collection Fund prudently made appropriate provision for business rates appeals.

(b) The reason for the increased provision for bad debt of £984,000 had been due partly to a change in accounting standards during the year, which introduced stricter rules on how provision for bad debt was calculated.

(c) The decrease in off-street meter income of £412,000 had been due in part to closure of Bright Hill Car Park due to health and safety issues.

(d) There was an error in the heading to the table in Appendix 3 (List of Earmarked Reserve Balances) in that the references to "£000" should be omitted.

Having noted that this matter would be considered by the Executive on 18 June 2019, the Committee

RESOLVED: That the following recommendations to the Executive be supported:

(1) That the Council's final revenue outturn position for 2018-19 be noted.

(2) That the decision, taken under delegated authority, to transfer £1.85 million to the Invest to Save Reserve to support the transformation agenda, be endorsed.

<u>Reasons:</u>

- To note the final outturn position and delegated decisions taken by the Chief Finance Officer, which have been included within the statutory accounts the Chief Finance Officer signed at the end of May.

- To facilitate the on-going financial management of the Council.

CGS8 HOUSING REVENUE ACCOUNT FINAL ACCOUNTS 2018-19

The Committee received a report setting out the final position on the Housing Revenue Account (HRA) for the 2018-19 financial year. The HRA recorded all the income and expenditure associated with the provision and management of Council owned residential dwellings in the Borough.

This report sets out the actual level of revenue spending on day-to-day services provided to tenants recorded in the HRA in 2018-19.

Rental income from dwellings had been £80,070 below the estimate. The actual net cost of revenue services in 2018-19 had been £369,394 lower than the budget of £14,406,490. This variation represented 1.15% of the total turnover of £31.991 million. The final outturn (subject to audit) had shown a surplus for the year of £10.35 million, compared to a budgeted surplus of £9.746 million, after taking into account various accounting adjustments. The HRA working balance at year-end remained at £2.5 million.

In accordance with the authority delegated to the Chief Finance Officer, in consultation with the Lead Councillors with responsibility for Housing and Finance, the surplus had been used to make a transfer of £2.5 million to the reserve for future capital programmes, with the balance of £7.85 million being transferred to the new build reserve.

Having noted that this matter would be considered by the Executive at its meeting on 18 June 2019, the Committee

RESOLVED: That the following recommendations to the Executive be supported:

(1) That the final outturn position on the Housing Revenue Account for 2018-19, be noted.

(2) That the decision, taken under delegated authority, to transfer £2.5 million to the reserve for future capital programmes, and £7.85 million to the new build reserve from the revenue surplus of £10.35 million in 2018-19, be endorsed.

Reason:
To allow the Statutory Statement of Accounts to be finalised and subject to external audit, prior to approval by the Corporate Governance and Standards Committee, on behalf of the Council.

CGS9 REVIEW OF THE CODE OF CONDUCT FOR STAFF

The Committee noted that, although there was a statutory requirement for the Council to adopt a Code of Conduct for Councillors, there was no such requirement for a Code of Conduct for Staff. However, it was considered good practice to have one and of benefit to staff to provide local guidance about acceptable behaviour and conduct.

The current Code of Conduct for Staff was set out in Part 5 of the Council's Constitution alongside the Councillors' Code of Conduct. However, the Constitution, as the Council's tool of governance, was not a day-to-day reference for many of the Council's employees. The Committee considered a report on the review of the Code of Conduct for Staff, which had sought to provide a more accessible document in terms of style and language and to contain links to other key sources of relevant employment policies and protocols and other online information for all employees.

Alongside a general modernisation, it was also proposed that the revised Code of Conduct should:

(a) become part of the line management process, including new employee induction and end of probation sign off; and

(b) be provided to all staff (new and existing), who would be required to confirm that they understood the behaviours and conduct expected of them.

A key aspect of the review process was a workshop of senior staff in February 2019 to review the current code of conduct to see which elements should be retained and which could be revised to bring it up to date to reflect current practice.

In considering the proposed revised code of conduct for staff, the Committee felt it was a clearer document, easier to read and to understand the important points.

However, there were a number of points on which further clarification/information was sought as follows:

- Paragraph 5.3 (use of media and social media) required further information to clarify that the code could apply to a member of staff making inappropriate comments on

social media not about the Council, but perhaps of a racist/homophobic nature, which could be detrimental to the reputation of the Council as an employer. It was suggested that wording similar to that in paragraph 5.2 could be included in paragraph 5.3.
- The fourth bullet point in paragraph 12.1 (personal interests) required clarification as to its meaning and practical application
- Whether paragraph 17 required clarification that any finding of a breach of the code *following an investigation* may be regarded as a disciplinary offence. The legal relationship between the Council and its staff was set out in the employment contract, particularly the duty of mutual trust and confidence. The formal disciplinary policy and procedure made provision for process to be followed in dealing with disciplinary matters, including the conduct of an investigation.

Having considered the matter and in view of the comments made at the meeting, the Committee

RESOLVED: That, subject to the clarification of the points referred to above, the revised Code of Conduct for Staff, attached as Appendix 2 to the report submitted to the Committee, be commended to full Council on 23 July for adoption.

<u>Reason:</u>
To provide up to date and fit for purpose guidance accessible to all staff.

CGS10 REVIEW OF THE COUNCILLORS DEVELOPMENT STEERING GROUP

The Committee noted that Council Procedure Rule 24 (v) required the appointing body to review annually, the continuation of task groups appointed by them. Although the Councillors' Development Steering Group had been set up originally as an Executive working group, it was agreed in 2015 that the Steering Group would report on its work to this Committee.

The Committee considered a report which reviewed the work carried out by the Steering Group over the past twelve months and the work they were likely to undertake over the next twelve months. The Committee was asked to agree that the Steering Group should continue its work and that all five political groups should be represented on it.

Having considered the report, the Committee

RESOLVED:

(1) That the Councillors' Development Steering Group should continue its work and that the numerical allocation of seats on the Steering Group to each political group be agreed as one member per group plus a nominated deputy.

(2) That political group leaders be asked to nominate one member to sit on the Steering Group for the 2019-20 municipal year, plus one nominated deputy.

<u>Reason:</u>
To comply with the requirement for this Committee to review the continuation of the Councillors' Development Steering Group, in accordance with Council Procedure Rule 24 (v).

CGS11 WORK PROGRAMME

The Committee considered its updated 12-month rolling work programme and felt that the number of items scheduled for the next meeting on 25 July was excessive and asked officers to identify whether any of the items which were not time sensitive could be put back to a subsequent meeting in order to ensure a more manageable agenda.

The Committee therefore

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 further review in respect of the 25 July meeting to determine, in consultation with the chairman, whether any of the scheduled reports could be deferred to the September meeting.

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

The meeting finished at 9.25 pm

Signed .... Date ....

Chairman