

# CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

30 July 2019

- \* Councillor Tim Anderson (Chairman)
- \* Councillor Nigel Manning (Vice-Chairman)

- Councillor Jan Harwood
- Councillor Liz Hogger
- \* Councillor Ramsey Nagaty
- \* Councillor John Redpath
- \* Councillor James Walsh

## Independent Members:

- \* Mrs Maria Angel MBE
- \* Mr Murray Litvak

## Parish Members:

- \* Ms Julia Osborn
- Mr Ian Symes
- \* Mr Tim Wolfenden

\*Present

The Lead Councillor for Finance and Asset Management, Councillor Joss Bigmore was also in attendance.

## **CGS12 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies for absence were submitted on behalf of Councillor Jan Harwood, Councillor Liz Hogger, and Ian Symes.

## **CGS13 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS**

There were no disclosures of interest.

## **CGS14 MINUTES**

The Committee confirmed as a correct record the minutes of the meeting held on 13 June 2019. The Chairman signed the minutes.

## **CGS15 AUDIT FINDINGS REPORT FOR 2018-19**

The Committee considered the Audit Findings report from the Council's external auditors (Grant Thornton), which set out their opinion on the Council's Financial Statements for 2018-19 and gave a conclusion on the Council's arrangements for ensuring value for money in the use of resources.

The audit of the 2018-19 accounts was now complete and the independent auditor had indicated that they intended to issue an unqualified opinion on the financial statements, which the Chief Finance Officer would re-certify in accordance with the Accounts and Audit Regulations 2015 immediately after the Committee meeting. The auditors had issued an Audit Findings report, which was included as Appendix 1 to the Committee Report, together with a management action plan (Appendix A to the Audit Findings Report).

The auditors had not found any misstatements which affected the primary financial statements or financial position of the Council. The auditors had found some areas that required adjustments, which had been highlighted in the audit findings report. There were also some minor changes that were not individually significant enough to warrant separate disclosure in the findings report.

The auditors had proposed to give an unqualified Value for Money conclusion. Their recommendations relating to value for money had been included in the action plan. The key points related to the medium-term financial plan and the general fund capital programme.

The Chairman of the Corporate Governance and Standards Committee was required to issue a letter of representation on behalf of the Council to the auditors to provide assurance over the management framework operating at the Council and the disclosures in the accounts. A copy of the proposed letter was attached as Appendix 2 to the Committee Report.

During the debate, the Committee made the following comments:

- Concern over capacity issues for staff involved both in work associated with the Future Guildford project and preparation of the statement of accounts.
- Clarification was sought in respect of accounting for profit or loss on HRA assets as to whether allowance should be made for monies spent on, for example, a replacement roof. In response, the external auditors explained that componentisation was used to value assets and that the cost of a replacement roof would be addressed through changes in the revaluation reserve.
- the introduction of Better Business Case training was welcomed.

The Committee

RESOLVED:

- (1) That Grant Thornton's Audit Findings report attached as Appendix 1 to the report submitted to the Committee, and the management responses provided in the action plan (as set out in Appendix A to Appendix 1) be noted.
- (2) That the letter of representation, as set out in Appendix 2 to the report, be approved, and that the Chairman be authorised to sign the letter on the Council's behalf.

Reason:

To allow the external auditor to issue his opinion on the 2018-19 accounts.

## **CGS16 AUDITED STATEMENT OF ACCOUNTS 2018-19**

The Committee considered the Audited Statement of Accounts for 2018-19. The Audit Findings report had covered the changes made to the accounts between the draft accounts, issued on 31 May 2019 and the audited accounts. The audited accounts, a copy of which was circulated to the Committee before the meeting, included the changes.

The Committee noted that the external auditors (Grant Thornton) intended to issue an unqualified opinion on the financial statements.

In order to comply with the Accounts and Audit Regulations 2015 the statutory Statement of Accounts required approval by 31 July.

Comments from the Committee raised the following points:

- Clarification that the trade receivables for goods and services provided related to 2018-19 (page 77 of the Statement of Accounts).
- Reference was made to a rent review due on 1 April 2017 in respect of Bellfields Service Station (page 51 of the Statement of Accounts) the outcome of which would remove the uncertainty in the levels of unobservable inputs. Clarification was sought about the status of the rent review. The Director of Finance indicated that a written response on this would be circulated to the Committee.
- The Council's performance against the 17 key performance indicators should include targets in future (page 15 of the Statement of Accounts).

Having considered the Statement of Accounts for 2018-19, the Committee

## RESOLVED:

- (1) That the audited Statement of Accounts for 2018-19, as set out in Appendix 1 to the report submitted to the Committee circulated at the meeting, be approved.
- (2) That the Chairman of the Committee be authorised to sign the official copy of the accounts to state that they are approved.

## Reasons:

- To approve the Statement of Accounts for 2018-19.
- To comply with the Accounts and Audit Regulations 2015 the statutory Statement of Accounts requires approval by 31 July.

## **CGS17 FINANCIAL MONITORING 2019-20 PERIOD 2 (APRIL/MAY 2019)**

The Committee considered a report that set out the financial monitoring position for period April to May 2019.

The report summarised the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for this period. Officers were projecting an increase in net expenditure on the general fund revenue account of £66,594, which included a £171,280 reduction 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. At service level, the projected outturn was £237,874 higher than the latest estimate once adjusted for items either funded from reserve or transferred to reserve.

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. This had been £97,384 higher than budgeted and reflected modest variations in repair and maintenance expenditure and staffing costs.

Officers were making progress against a number of major capital projects on the approved programme as outlined in section 7 of the report. The Council was expected to spend £82.5 million on its capital schemes by the end of the financial year.

The Council's underlying need to borrow to finance the capital programme was expected to be £46.42 million by 31 March 2020, against an estimated position of £53.35 million, which was due to slippage on both the approved and provisional capital programme, as detailed in the report.

The Council held £106.5 million of investments and £205.9 million of external borrowing as at 31 May 2019, which included £192.9 million of HRA loans. Officers confirmed that the Council had complied with its Prudential indicators in the period, which had been set in February 2019 as part of the Council's Capital Strategy.

Comments from the Committee raised the following points:

- Where there is slippage in the capital programme, investment interest income rises
- The Invest to Save variance of £323,000 in the table highlighting major movement in use of earmarked reserves related to slippage in the ICT transformation programme and was therefore an increase in use of reserves.
- It was acknowledged that further work was necessary to improve project management and governance around projects, as reported in the Council's Annual Governance Statement. As part of the Future Guildford transformation programme, the management team would be establishing a project management office, which would set the governance arrangements for major projects

- Slippage in capital projects was occasionally due to circumstances beyond the Council's control

Having considered the report, the Committee

RESOLVED: That the results of the Council's financial monitoring for the period April to May 2019 be noted.

Reason:

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

**CGS18 SUMMARY OF INTERNAL AUDIT REPORTS (OCTOBER 2018 TO MARCH 2019)**

The Committee considered a report setting out a summary of Internal Audit Reports for the period October 2018 to March 2019.

The Committee's attention was drawn to the reports classified as 'Partial Assurance', which related mainly to health and safety issues around fire risk assessments, asbestos, and legionella. A great deal of work had been carried out to address these issues by evaluating risk and putting in place measures to mitigate risk, recognising that failure to comply with relevant legislation carried significant risks, including possible corporate manslaughter charges, unlimited fines, and reputational damage to the Council.

It was suggested that a report on the Council's readiness for the impact of Brexit should be submitted to the next meeting of the Committee.

Comments from the Committee raised the following points:

- In relation to the report on monitoring of S.106 contributions, it was suggested that consideration be given to providing assistance to the S106 Officer to deal with the many planning applications being lodged since the adoption of the Local Plan which involve S.106 contributions. It was also suggested that a report could be submitted to this Committee setting out the trajectory of anticipated S.106 projects for the coming year, which could also be shared with parish councils.
- It was noted that the Council engaged external consultants to undertake fire risk assessments, and all staff undertook fire risk workplace assessment tests as part of the induction process.

Having considered the various reports, the Committee,

RESOLVED: That the contents of the summary of audit reports and other associated work for the period 1 October 2018 to 31 March 2019 be noted.

Reason:

To ensure an adequate level of audit coverage.

**CGS19 WORK PROGRAMME**

The Committee considered its updated 12 month rolling work programme and noted that the report scheduled for the next meeting on 19 September 2019 on the Review of Procurement Procedure Rules had been deferred. Taking into account the suggestion made earlier in the meeting for a report to the next meeting on Brexit, 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 amendments to the list of items scheduled for the 19 September 2019 meeting:

- the deferral of the report on the Review of Procurement Procedure Rules; and
- the inclusion of a report setting out the potential impact of Brexit on the Council

Reason:

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

The meeting finished at 8.10 pm

Signed .....

Chairman

Date .....