

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

15 January 2020

- * 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, Assets, Customer Service, Councillor Joss Bigmore, was also in attendance.

CGS36 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies for absence.

CGS37 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS38 MINUTES

The Committee confirmed as a correct record the minutes of the meeting held on 19 November 2019. The Chairman signed the minutes.

CGS39 ANNUAL REPORT OF THE MONITORING OFFICER REGARDING MISCONDUCT ALLEGATIONS

The Committee received and noted the Monitoring Officer's annual report about decisions taken on standards allegations against borough and parish councillors for the 12-month period ending 31 December 2019.

The Committee noted that during this period, there had been eight complaints in total, of which seven were regarding borough councillors and one was in respect of a parish councillor.

Three of the complaints were the subject of no further action at stage 1, the initial jurisdiction test. Four of the complaints proceeded to stage 2, and one was subject to ongoing action. Two complaints were at stage 1 and were ongoing.

The Supplementary Information Sheet had set out for comparative purposes, information on complaints received in 2018. In relation to the eight complaints received in 2019,

- three were against one particular member
- two were against another particular member
- three were against other members

The Monitoring Officer reported that there was no common theme amongst the complaints.

At its last meeting, the Committee had agreed to convene a task group to examine, review, and report back on a number of corporate governance related matters, including the Councillors' Code of Conduct, and the best practice recommendations of the Committee on Standards in Public Life contained within its Report on Local Government Ethical Standards. The Committee noted that no parish member had been appointed to the task group and felt that it would be helpful to have a parish perspective to inform the task group's work. It was also felt that the gender balance of the task group would benefit from an additional female member.

The Committee therefore.

RESOLVED:

- (1) That the cases referred to the Monitoring Officer under the Council's arrangements for dealing with allegations of misconduct for the period 1 January to 31 December 2019, be noted.
- (2) That the Monitoring Officer be advised that there are no areas of concern upon which the Committee would like further information and/or further work carried out.
- (3) That Julia Osborn (parish member) be added to the list of members of the Corporate Governance Task Group.

Reasons:

- To ensure members of the Committee and others to whom the report is circulated are kept up to date with standards complaints received.
- To consider learning points for the future.
- To seek to promote and maintain high standards of conduct amongst Members.

CGS40 FREEDOM OF INFORMATION COMPLIANCE - ANNUAL REPORT 2019

The Committee considered the annual report for 2019 on the monitoring of the Council's performance in dealing with Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests.

The Committee was informed that, for the calendar year 2019, the Council's performance rate for responding to FOI requests within the 20 working day deadline stood at 94%, which compared favourably with the figure of 93% recorded at the end of 2018. The Council had, therefore, again exceeded both the Information Commissioner's performance indicator of 85%, and the 90% target agreed locally by the Corporate Management Team.

The Committee also noted the details of the requests received by service area for the year, noting in particular that ten service areas had achieved a commendable 100% response rate, and also the types of person requesting the information.

Questions and comments from the Committee raised the following points:

- There was not currently an accurate measure of the total officer time spent in responding to FOI requests.
- Action taken to address underperforming service areas which do not meet the 20 day response deadline.
- Many requests for information submitted by private companies related to information regarding contracts

The Committee

RESOLVED: That the Freedom of Information Compliance Report for 2019 be noted and that the Committee continues to receive six monthly updates.

Reasons for Decision:

- To ensure that the Committee is kept up to date with developments in the FOI/EIR framework
- To ensure that the Committee has the necessary information to enable requests for information to be made easily to the Council and properly responded to
- To assist with learning lessons and improving performance following requests for information made to the Council

CGS41 CAPITAL AND INVESTMENT STRATEGY 2020-21 TO 2024-2025

The Committee considered a report on the Council's capital and investment strategy, which gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability.

The Committee noted that in order to achieve the ambitious targets within the Corporate Plan, the Council needed to invest in its assets, via capital expenditure.

The Council had a current underlying need to borrow for the general fund capital programme of £290 million. Officers had put forward bids, with a net cost to the Council of £47.8 million, increasing the underlying need to borrow to £338 million should these proposals be approved for inclusion in the programme.

Some capital receipts or revenue streams could arise as a result of investment in particular schemes, but in most cases were currently uncertain and it was too early to make assumptions. Some information had been included in the capital vision highlighting the potential income. It was likely that there were cash-flow implications of the development schemes, where income would come in after the five-year time horizon and the expenditure would be incurred earlier in the programme.

All projects would be funded by general fund capital receipts, grants and contributions, reserves and, finally, borrowing. It was not currently known how each scheme would be funded and, in the case of development projects, what the delivery model would be. To ensure the Council demonstrated that its capital expenditure plans were affordable, sustainable and prudent, Prudential Indicators were set that must be monitored each year.

The capital programme included a number of significant regeneration schemes, which it was assumed would be financed from General Fund resources. However, subject to detailed design of the schemes, there might be scope to fund them from HRA resources rather than General Fund resources in due course. Detailed funding proposals for each scheme would be considered when the Outline Business Case for each scheme was presented to the Executive for approval.

The report included a summary of the new bids submitted, the position and profiling of the current capital programme (2019-20 to 2023-24) and the capital vision schemes.

The Corporate Management Team, the Lead Councillor for Finance and Assets, Customer Service, the Joint Executive Advisory Board Budget Task Group, and the Joint EAB had all reviewed the bids presented in the report.

The report had also included the Council's Minimum Revenue Provision (MRP) policy and the Prudential Indicators. The Committee noted the correction to the table in paragraph 5.6 of the report showing the budget for MRP for 2020-21 and future years, which was set out in the Supplementary Information Sheet circulated at the meeting.

The Committee was informed that officers carried out the treasury management function within the parameters set by the Council each year and in accordance with the approved treasury management practices. The Council was in a good financial position, with a strong asset base and a good level of reserves.

The budget for investment income in 2020-21 was £1.684 million, based on an average investment portfolio of £79.8 million, at an average rate of 2.18%. The budget for debt interest paid was £5.656 million, of which £5.06 million related to the HRA.

In relation to non-financial investments and investment strategy, the Executive was informed that councils could invest to support public services by lending to or buying shares in other organisations (service investments) or to earn investment income (commercial investments where this was the main purpose).

The Council had £161.244 million of investment property on its balance sheet, generating a return of £9 million and a current yield of 6.3%.

The criteria for purchasing investment property, when originally approved were to achieve a minimum qualitative score and yield an internal rate of return (IRR) of at least 8%. It was now recommended that the IRR be changed to 5.5% due to the change in the market forces and recognition of the move to investing for strategic purposes, for example economic growth and housing and regeneration.

The Council had invested £12.251 million in its housing company – North Downs Housing (NDH), via 40% equity to Guildford Holdings Limited (£4.903 million) (who in turn passed the equity to NDH) and 60% loan direct to NDH (£7.348 million) at a rate of base plus 5% (currently 5.75%). The loan was a repayment loan in line with the NDH business plan.

In commending the Capital and Investment Strategy report to the Executive, the Committee made the following comments or sought clarification on the following matters:

- The internal rate of return specifically related to investment property for which there was a separate strategy. When the original strategy was set, borrowing rates were much higher. The 5.5% represented debt repayment which would enable the Council to cover its debt costs if it were to purchase investment properties.
- In relation to the liability benchmark, it was noted that there were currently no LOBO loans and the Council was not intending to enter into such loans.
- In response to a question as to whether the Council would consider making investments outside of the borough, the Chief Finance Officer confirmed that, although other councils had done this and that the proposal had been considered, Government guidance discouraged such investment and the Council had not committed to do this and she would not recommend it. Some authorities had proposed investing within the area covered by their Local Enterprise Partnership boundary.
- In response to a request for an indication of the size of borrowing compared to the annual Council budget, the Chief Finance Officer confirmed that there was not an indicator that showed the total amount of borrowing compared to the revenue stream. However, table 4.48 in the report showed the ratio of the financing costs as a percentage of the net revenue stream. This ratio looked at the burden that the borrowing costs had placed on either the General Fund or the HRA. The overall borrowing amount on its own was not such a useful indicator unless it was compared, for example, to the asset base.

The Committee, having noted that the current review of the Council's corporate priorities and corporate plan would have some implications for the capital and investment strategy

RESOLVED: That the recommendations to the Executive and Council in respect of the Capital and Investment Strategy, as set out in the report submitted to the Committee, be endorsed.

Reason:

To enable the Council at its budget meeting on 5 February 2020, to approve

- the capital and investment strategy for 2020-21 to 2024-25; and
- the funding required for the new capital investment proposals.

CGS42 FINANCIAL MONITORING 2019-20 (APRIL TO NOVEMBER 2019)

The Committee considered a report that set out the financial monitoring position for eight-month period April to September 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 a decrease in net expenditure on the general fund revenue account of £96,766, which included a £39,640 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 and a reduction in the anticipated income received from investments of £136,865.

Appendix 2 to the report showed detailed information for each service split between direct expenditure and income and indirect costs. Officers monitored the projected outturn against the revised (or latest) budget as this took into account any virement or supplementary estimates approved since the original budget was set in February 2019.

At service level, the projected outturn was £193,991 lower than the latest estimate once adjusted for items either funded from reserve or transferred to reserve.

The reported position at month 6 had forecasted an overspend at total service level of £403,502. The reduction in the forecasted position had been due to the implementation of an action plan drawn up by officers to identify in-year savings, details of which were set out in the report.

A surplus on the Housing Revenue Account would enable a projected transfer of £10.721 million to the new build reserve and the reserve for future capital at year-end. This had been £212,000 lower than budgeted and reflected modest variations in rental income and repair and maintenance expenditure.

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 £71.38 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 £41.21 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 £107 million of investments and £206 million of external borrowing as at 30 November 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.

In considering the report, the presentation of the figures shown at the bottom of Appendix 1 to the report, namely the Projected (under) overspend, Movement in MRP and External Interest, and Underlying (under) / overspend on services required clarification.

Having considered the report, the Committee

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

Reason:

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

CGS43 SUMMARY OF INTERNAL AUDIT REPORTS (APRIL TO SEPTEMBER 2019)

The Committee considered a report setting out a summary of Internal Audit Reports for the period 1 April to 1 December 2019.

The Committee's attention was drawn to the reports classified as 'Partial Assurance with improvements required', which related to the Council's processes for allocating lettings and dealing with void properties, and also to additional information circulated at the meeting on the audit plan and performance management.

The audit plan for 2019-20 was closely aligned with the Future Guildford Project. The theme in carrying out the audit work this year was to assess how the Council was managing and monitoring service performance, how success was measured, and how greater transparency and accountability could be introduced into the process. This was very much part of the Future Guildford project and going forward into 2020-21 we will include a standing item in all audit reviews on the performance and outcomes against the key corporate and service performance indicators.

Having considered the report, the Committee

RESOLVED: That the contents of the summary of internal audit reports and other associated work for the period 1 April to 1 December 2019 be noted.

Reason:

To ensure an adequate level of audit coverage.

CGS44 WORK PROGRAMME

The Committee considered its updated 12 month rolling work programme and

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 8.35 pm

Signed

Chairman

Date