

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

14 June 2018

- * Councillor Richard Billington (Chairman)
- * Councillor Alexandra Chesterfield (Vice-Chairman)

- | | |
|--------------------------------|-----------------------|
| * Councillor Nils Christiansen | * Mrs Maria Angel MBE |
| * Councillor Colin Cross | * Mr Charles Hope |
| Councillor Andrew Gomm | * Ms Gerry Reffo |
| * Councillor Mike Hurdle | * Mr Ian Symes |
| * Councillor Nigel Kearse | |

*Present

The Lead Councillor for Housing and Environment, Councillor Philip Brooker, the Lead Councillor for Finance and Asset Management, Councillor Nigel Manning, and Councillor David Quelch, were also in attendance.

CGS1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

An apology for absence was received from Councillor Andrew Gomm.

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 29 March 2018. The Chairman signed the minutes.

CGS4 ANNUAL GOVERNANCE STATEMENT 2017-18

The Committee considered a report on the Council's Annual Governance Statement for 2017-18, as required by the Accounts and Audit (England) Regulations 2015. The Statement was underpinned by the Audit and Performance Manager's (as Head of Internal Audit) Annual Opinion Report April 2017 to March 2018, which was appended to the report.

The Statement set out the Council's governance framework and procedures that had operated at the Council during the year, a review of their effectiveness, significant governance issues that had occurred and a statement of assurance.

The Annual Governance Statement, which would be included in the Council's statement of accounts for 2017-18, concluded that Guildford was a well-run Council with good governance processes in place. However, there had been a number of significant governance issues during the year, full details of which were reported in the Statement.

Having considered the report and the Annual Governance Statement set out in the Appendix thereto, the Committee

RESOLVED: That the Executive be requested to adopt the Council's Annual Governance Statement for 2017-18 as set out in Appendix 1 to the report submitted to the Committee, subject to the following correction:

In the “Asbestos and Legionella” section of the table in paragraph 6.8 of the Annual Governance Statement, add the following text to Actions Agreed in respect of the first recommendation:

“Update risk assessments for legionella”

Reason:

To comply with Regulation 10 of the Accounts and Audit (England) Regulations 2015, the Executive must approve an Annual Governance Statement.

CGS5 INTERNAL AUDIT PLAN 2018-19

The Committee considered a report on the Internal Audit Plan for 2018-19.

The Committee was informed that, in 2017-18, 93% of audits had been completed. Councillors were also updated on the internal audit resource issue and noted that, following an internal review, the internal audit function was outsourced with effect from 1 April 2018. A contractor (KPMG) would now be responsible for completing the Audit Plan over the coming year, with the Audit and Business Improvement Manager acting as the client-side officer.

The Plan for 2018-19 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 15 complaints about the Council that had been lodged in 2017-18.

Having considered the report, the Committee

RESOLVED: That the audit plan for 2018-19 as set out in Appendix 1 to the report submitted to the Committee be approved.

Reason:

To ensure an adequate level of audit coverage.

CGS6 EXTERNAL AUDIT 2018-19 FEE LETTER

The Committee considered the External Audit 2018-19 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 2018-19.

The Committee noted that the overall fee for the core audit in 2018-19 would be £44,300, a reduction of 23% from 2017-18. 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 2018-19 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.

CGS7 CAPITAL AND INVESTMENT OUTTURN REPORT 2017-18

Following the adoption of the new capital and investment strategy for 2018-19, the Committee noted that the annual treasury management report now encompassed capital and non-treasury

investments. The amended format met the requirements of the revised Prudential and Treasury Codes of Practice and the Ministry of Housing, Communities, and Local Government (MHCLG) updated Investment Guidance.

The Committee considered the report in its revised format, which had included:

- a summary of the economic factors affecting the approved strategy and counterparty update
- a summary of the approved strategy for 2017-18
- a summary of the treasury management activity for 2017-18
- 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 2017-18 had been £13.9 million, which was less than the revised budget by £20.2 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 £1.229 million, the outturn had been £573,852, due to slippage in the capital programme in 2016-17.

Councillors noted that the Council's investment property portfolio stood at £147.4 million as at 31 March 2018. Rental income had been £9.17 million, and income return was 6.59% against the benchmark of 4.2%.

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 2018, the Council held £133.6 million in investments, of which £43.5 million was short term borrowing.

Longer-term borrowing was undertaken in line with the Council's liability benchmark and the capital programme. The Council had £241.6 million borrowing at 31 March 2018, of which £43.5 million was short-term borrowing for cash purposes.

The report had confirmed that the Council had complied with its prudential indicators, treasury management policy statement, and treasury management practices for 2017-18.

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 the variable loan rate being reset lower than expected.

The yield returned on investments had been lower than estimated, but the interest received was higher due to more cash being available to invest in the year – a direct result of the capital programme slippage.

In considering the report, the Committee made the following points:

- (a) The table in paragraph 9.10 of the report showing the current portfolio of non-treasury investments should be substituted with the table shown in Appendix 2 to the report (Guildford BC Investment Property Fund Portfolio Report for 2017-18) on pages 84 and 85.
- (b) In Appendix, the text accompanying the red portion of the pie chart on page 87 (outcome of property review) should read:

“Does ~~need~~ *not* meet criteria”

- (c) The aggregate figure quoted in paragraph 9.11 and in Appendix 2 in respect of the capital value of the Council’s investment property portfolio (£144,619,500) was incorrect and should read £147.4 million as referenced in the Executive Summary of the report.

The Committee, having noted that the outturn report would also be considered by the Executive at its meeting on 19 June 2018, and by full Council on 24 July 2018

RESOLVED: That, subject to the corrections to the Investment Property Fund Portfolio Report referred to above, the following recommendations to Council be endorsed:

- (1) That the Treasury Management Annual Report for 2017-18 be noted.
- (2) That the actual prudential indicators reported for 2017-18, 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.

CGS8 REVENUE OUTTURN REPORT 2017-18

The Committee received a report setting out the final position on the General Fund and the Collection Fund revenue accounts, for the 2017-18 financial year.

The Committee was informed that the overall position on the General Fund had shown that net expenditure had been £1.14 million lower than originally budgeted, of which £0.2 million related to net expenditure on services (1.6% of net revenue expenditure), reflecting lower than anticipated expenditure totalling £0.9 million and £0.7 million of additional income.

Net income from interest receipts had been £796,000 more than estimated and the minimum revenue provision (MRP) for debt repayment was £400,000 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 the following contributions to reserves:

	£
• Transfer to the Capital Programme reserve	1,122,000
• Contribution to the Mayor’s Distress Fund	<u>20,000</u>
	<u>1,142,000</u>

Details of the closing balance on all the Council reserves (excluding the transfers referred to above) were set out in the report, together with the ongoing policy for each.

The Committee noted that 2017-18 had been the third 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 £12.8 million, principally because of the impact of business rate appeals, 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 2018, which would be subsequently audited by the Council's external auditor, Grant Thornton UK LLP. The Committee noted the draft (unaudited) Statement of Accounts, which had been posted on the Council's website, and that it would review the audited accounts at its next meeting on 26 July 2018.

Having noted that this matter would be considered by the Executive on 19 June 2018, the Committee

RESOLVED:

- (1) That the Draft Statement of Accounts for 2017-18, as set out on the Council's website, be noted.
- (2) That the recommendation to note the Council's final outturn position on the General Fund for 2017-18 to endorse the decisions, taken under delegated authority, which were:
 - (a) to transfer £1,122,000 to the capital programme reserve, and
 - (b) to contribute £20,000 to the Mayor's Distress Fund.

be commended to the Executive.

Reasons:

- To comply with The Accounts and Audit Regulations 2015, which require the approval of the statutory Statement of Accounts for 2017-18 by 31 July 2018.
- 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.

CGS9 HOUSING REVENUE ACCOUNT FINAL ACCOUNTS 2017-18

The Committee received a report setting out the final position on the Housing Revenue Account (HRA) for the 2017-18 financial year. The HRA recorded all the income and expenditure associated with the provision and management of Council owned dwellings in the Borough.

Rental income from dwellings had been £517,000 higher than estimated. The actual net cost of revenue services in 2017-18 had been £642,708 lower than budgeted. This variation represented 1.99% of the total turnover of over £32.25 million. The final outturn (subject to audit) had shown a surplus for the year of £10.06 million compared to a budgeted surplus of £10.73 million. 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 £7.56 million being transferred to the new build reserve.

In considering the item, the Committee noted that the table in paragraph 5.12 of the report required clarification.

Having noted that this matter would be considered by the Executive on 19 June 2018, the Committee

RESOLVED: That the recommendation to note the final outturn position on the Housing Revenue Account for 2017-18, and to endorse the decision, taken under delegated authority, to transfer £2.5 million to the reserve for future capital programmes, and £7.56 million to the new build reserve from the revenue surplus of £10.06 million in 2017-18, be commended to the Executive.

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.

CGS10 ARRANGEMENTS FOR DEALING WITH MISCONDUCT AGAINST COUNCILLORS

The Committee considered a report from the Council Solicitor and Monitoring Officer on the outcome of a review of the Arrangements for Dealing with Allegations of Misconduct by Councillors and Co-Opted Members ("Arrangements").

The review had focused on correcting inconsistencies, contradictions, and vague drafting in the predecessor document, and on refining processes which had been found to cause uncertainty and delay. The review had also rationalised and restated the sanctions available to the Hearings Sub-Committee.

In considering the proposed revised Arrangements, the Committee commented as follows:

- Paragraph 3.2 (Making a Complaint) to be clarified to ensure that complainants with difficulty in making a written complaint may contact the Monitoring Officer other than by letter or email.
- The first sentence of Paragraph 4.2 (Complaints Identifying Possible Criminality) to be amended to read:

"4.2 If the complaint identifies criminal conduct or breach of other regulations by any person, the Monitoring Officer ~~may~~ *shall* report this to the Police or other prosecuting or regulatory authority, in addition to any action taken pursuant to the Code".
- The first sentence of paragraph 4.6 (Anonymous Complaints) to be amended to read:

"4.6 If an anonymous complaint is ~~received~~ *accepted* it will be considered by the Monitoring Officer at the initial assessment stage of these Arrangements."
- Paragraphs 19 and/or 20 (Procedure for Local Investigation of Assessed Complaint) to include reference to a protocol (to be finalised) for reference of complaints alleging criminal conduct (or breach of other regulation) to the Police (or other regulatory body or agency).
- Paragraph 37 (Procedure and powers of the Corporate Governance and Standards Committee and Hearings Sub-Committee) to be amended to include a requirement for the Monitoring Officer:
 - (a) to consult with the Chairman of the Corporate Governance and Standards Committee; and
 - (b) to have regard to the fundamental principles of natural justicewhen contemplating any variation to the procedure.

- The Monitoring Officer to meet with the three parish representatives and the independent member on this Committee to go through the proposed revised Arrangements to identify any changes that affect parish councillors.
- Following adoption of the revised Arrangements by the Council, the Monitoring Officer to communicate the changes to all parish councils, particularly in respect of their implications for parish councillors.

The Committee

RESOLVED: That, subject to the Committee's comments referred to above, the revised Arrangements for Dealing with Allegations of Misconduct by Councillors and Co-Opted Members, as set out in Appendix 1 to the report submitted to the Committee, be commended for adoption by the Council at its meeting on 24 July 2018.

Reason:

To promote effective and clear arrangements for dealing with allegations of misconduct, and a clearly stated suite of sanctions.

CGS11 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 and to agree that it should continue its work. The current political composition of the Steering Group was as follows:

Conservatives: 4
 Liberal Democrats: 1
 Guildford Greenbelt Group: 1
 Labour: 1

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 follows:

Conservatives: 4
 Liberal Democrats: 1
 Guildford Greenbelt Group: 1
 Labour: 1

- (2) That political group leaders be asked to confirm the councillor membership of the Steering Group in accordance with the numerical allocation of seats referred to in paragraph (1) above.

- (3) That the terms of reference of the Steering Group be confirmed as follows:

"To continue to support councillors in their ongoing development and training needs through a clear, structured Action Plan for councillor development that responds to the

fundamental themes that support the vision of the Corporate Plan: Place-making, Community and Innovation.”

Reason:

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).

CGS12 WORK PROGRAMME

The Committee, having considered its updated work programme for the 2018-19 municipal year

RESOLVED: That the work programme for the 2018-19 municipal year, 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 8.22 pm

Signed

Chairman

Date