# CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

17 January 2019

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

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| Councillor Nils Christiansen | * Mrs Maria Angel MBE |
| Councillor Andrew Gomm | * Mr Charles Hope |
| Councillor Nigel Kearse | Ms Gerry Reffo |
| * Councillor Caroline Reeves | * Mr Ian Symes |
| * Councillor Tony Rooth | |

*Present

The Lead Councillor for Community Health, Wellbeing, and Project Aspire, Councillor Iseult Roche and the Lead Councillor for Finance and Asset Management, Councillor Nigel Manning, were also in attendance.

## CGS44 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Nils Christiansen, Andrew Gomm, and Nigel Kearse.

## CGS45 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

## CGS46 MINUTES

The Committee confirmed as a correct record the minutes of the meeting held on 29 November 2018. The Chairman signed the minutes.

## CGS47 ANNUAL REVIEW OF THE EQUALITIES SCHEME ACTION PLAN

The Committee was reminded that following adoption of the Equality Scheme and associated action plan by the Executive in January 2018, it was agreed that this Committee should monitor annually the implementation of the actions in the action plan.

The Committee therefore considered the first of the annual reviews of the Equality Scheme action plan.

In response to a question as to how the Council monitored that the website was accessible to protected groups, the Committee noted that the webteam were actively looking at this, including undertaking training for staff.

Having considered the progress with implementation of the various actions, the Committee

RESOLVED: That the updated equality scheme action plan (linked to the Equality Scheme 2018 - 2021), be approved.

<u>Reason:</u>
To assist the Council to meet its obligations under the Equality Act 2010 and continue to provide a way to measure and evidence work undertaken in this area.

## CGS48 GENDER PAY GAP REPORT 2019-20

The Committee was informed that the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 imposed obligations on employers with 250 or more employees to publish information annually relating to the gender pay gap in their organisation. In particular, employers were required to publish, amongst other information, the difference between the average hourly rate of pay paid to male and female employees; and the relative proportions of male and female employees in each quartile pay band of the workforce.

The Committee therefore considered Guildford's Gender Pay Gap Report for 2019, which would be published on the Council's website and on a publicly accessible Government website, and retained for a period of three years.

The figures in the Report, which were based on hourly rates of pay at 1 November 2018, showed that:

- the Council's female employees had an average hourly rate that was 9% higher than male employees' hourly rate; and
- at the mid-point within the range of hourly earnings that the Council paid its employees, female employees had an hourly rate that was 21% higher than male employees' hourly rate.

The main reason for this gender pay gap was an imbalance of male and female colleagues across the services as there was a much higher proportion of men working in the Waste Collection and Parks & Landscape Services. Many of the roles within those services fell within the lower pay bands.

Among the comments made at the meeting, the HR Manager indicated that she would discuss with the Managing Director whether the statement under "How we Compare to others" that the Council compares "favourably to others" ought to be re-worded and expressed in a less partial manner.

Having noted the minor correction to the Report referred to in the Supplementary information Sheet circulated at the meeting, the Committee

RESOLVED: That the Gender Pay Gap Report for the year 2019, attached at Appendix 1 to the report submitted to the Committee, be noted, subject to the substitution of the following in place of the first bullet point under "Our Gender Pay Gap by quartile":

- "*the lower quartile contains more males than females for the reasons set out above*"

<u>Reason:</u>
To comply with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

## CGS49 FREEDOM OF INFORMATION COMPLIANCE - ANNUAL REPORT 2018

The Committee considered an the annual report for 2018 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 2018, the Council's performance rate for responding to FOI requests within the 20 working day deadline stood at 93%, which compared favourably with the figure of 91.5% recorded at the end of 2017. 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 16 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:

- Plans were in place for publishing FoI and EIR responses on the Council's website, which may assist in dealing with the same or similar requests for information in future.
- The Council's overall response rate over the past five years had improved considerably from 75% to 93%.

The Committee,

RESOLVED: That the Freedom of Information Compliance Report for 2018 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

**CGS50 FINANCIAL MONITORING 2018-19 (APRIL TO NOVEMBER 2018)**

The Committee considered a report that set out the financial monitoring position for period April to November 2018.

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 reduction in net expenditure on the general fund revenue account of £792,095. This was the result of a reduction in the statutory Minimum Revenue Provision (MRP) charge to the General Fund to make provision for the repayment of past capital debt. This lower than budgeted MRP charge reflected a re-profiling of capital schemes, which also had a positive impact on the level of cash balances and assumed external borrowing costs, which had combined to produce higher than budgeted net interest receipts. At service level, the projected outturn was £294,007 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 £7.03 million to the new build reserve and £2.5 million to the reserve for future capital at year-end. This had been £216,947 lower than budgeted and was a consequence of the application of a risk-free interest rate on HRA reserve balances reflecting the allocation of risk between the general fund and the HRA.

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 £56.2 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 £34.8 million by 31 March 2019, against an estimated position of £71.15 million, which was due to slippage on both the approved and provisional capital programme, as detailed in the report.

The Council held £117 million of investments and £224.6 million of external borrowing as at 30 November 2018, which included £193.1 million of HRA loans. Officers confirmed that the Council had complied with its Prudential indicators in the period, which had been set in February 2018 as part of the Council's Capital Strategy.

Questions and comments from the Committee raised the following points:

- Costs in relation to agency staff in refuse and recycling service was due mainly to long-term sickness absence, and in relation to building control was due to difficulties in recruiting building surveyors
- The Council was currently actively marketing The Billings, and was confident that it would be let within the next few months
- In relation to additional gate fee costs, the Committee noted that the waste market had changed in the past year with a significant increase in fees to dispose of recyclates. Monies had therefore been set aside in reserve to mitigate the impact and in the budget for future years to mitigate the ongoing impact
- The Committee noted the additional external legal expenses incurred as a result of work involved with the Local Plan and specialist advice in support of the development of major capital schemes
- The Council was currently reviewing its investment portfolio as part of the ongoing work on the investment strategy
- Following a question as to why HRA rental income was £119,460 lower than budgeted, the Director of Finance indicated that a response would be circulated to the Committee after the meeting.

Having considered the report, the Committee

RESOLVED: That the results of the Council's financial monitoring for the period April to November 2018 be noted.

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

**CGS51 CAPITAL AND INVESTMENT STRATEGY (2019-20 TO 2023-24)**

The Committee considered a report on the Council's capital and investment strategy, including the capital programme new bids plus the requirements of the Prudential Code and the investment strategy covering treasury management investments, commercial investments plus the requirements of the Treasury Management Code and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance.

The aim of the capital strategy was to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Council also needed to demonstrate that it sets out the long-term context in which capital expenditure and investment decisions were made and gave due consideration to both risk and reward and the impact on the achievement of priority outcomes.

The strategy was intended to give an overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of services along with an overview of how associated risk was managed and the implications for future financial sustainability.

On view of the ambitious Corporate Plan and in order to achieve the targets therein, 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 £333 million. Officers had put forward bids, with a net cost to the Council of £6.4 million, increasing the underlying need to borrow to £339 million should these proposals be approved for inclusion in the programme.

Although it was likely that some capital receipts or revenue streams could arise as a result of investment in particular schemes, it was too early to make assumptions. Some information had been included in the capital vision highlighting the potential income. It was likely there would be 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.  In order to ensure that the Council demonstrated that its capital expenditure plans were affordable, sustainable and prudent, Prudential Indicators were set and monitored each year.

The capital programme included a number of significant regeneration schemes, which had been assumed would be financed from General Fund resources.  However, subject to detailed design of the schemes, there could be scope to fund them from HRA 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 contained a summary of the new bids submitted, together with the position and profiling of the current capital programme (2018-19 to 2022-23), and the capital vision schemes.

The Capital Programme Monitoring Group, Corporate Management Team, the Lead Councillor for Finance and Asset Management, the Joint Executive Advisory Board Budget Task Group (JEABBTG), and the Joint EAB had reviewed the bids presented in the report.

The report had also included the Council's Minimum Revenue Provision policy and the Prudential Indicators.

In relation to Treasury Management, the Committee noted that officers carried out this function within the parameters set by the Council each year, which was included at Appendix 1 to the report, and in accordance with the approved treasury management practices.

Security, liquidity and yield were considered when making treasury management decisions, across the portfolio as a whole.  With an ambitious corporate plan and medium to long-term aspirations within the Borough, the Council was in a good financial position, and had a strong asset base and a good level of reserves.

The budget for investment income in 2019-20 was £1.503 million, based on an average investment portfolio of £52.8 million, at an average rate of 3%.  The budget for debt interest paid is £5.755 million, of which £5.156 million related to the HRA.

The Committee noted 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).  Both of these were termed non-financial investments.

The Council had £147.412 million of investment property on its balance sheet, generating a return of £8.9 million and a current yield of 6.59%.

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 was not proposing to purchase outright investment property, but making purchases for strategic reasons.  The Council was not looking to purchase property outside the borough.

The Council had invested £4.501 million in its housing company – North Downs Housing (NDH).  This was via 40% equity to Guildford Holdings Limited (£1.803 million) and 60% loan direct to NDH (£2.698 million) at a rate of base plus 5% (currently 5.75%).  The loan was a repayment loan in line with the NDH business plan – with loan repayment anticipated to start in 2021-22.

The Council had the option of setting a policy where it could use new capital receipts to fund revenue expenditure that would generate ongoing savings, which could be used towards the Future Guildford project.

The report had also been considered by the Joint EAB at its meeting on 10 January 2019. The Joint EAB had commended the recommendations in the report to both the Executive and full Council.

Following clarification of a number of points of in respect of the Capital and Investment Strategy, the Committee

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.

<u>Reason:</u>
To enable the Council at its budget meeting on 26 February 2019, to approve

- the capital and investment strategy for 2019-20 to 2023-24; and
- the funding required for the new capital investment proposals.

**CGS52 WORK PROGRAMME**

The Committee, having considered its updated work programme for the remainder of the 2018-19 municipal year, and the work programme for the 2019-20 municipal year

RESOLVED: That the updated work programme for the remainder of the 2018-19 municipal year, and the 2019-20 municipal year, as set out in Appendix 1 to the report submitted to the Committee, be approved.

<u>Reason</u>:
To allow the Committee to maintain and update its work programme.

The meeting finished at 8.22 pm

Signed .................................................................. Date ...................................................

Chairman