CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

19 November 2020

* Councillor Nigel Manning (Chairman)
* Councillor Deborah Seabrook (Vice-Chairman)

* Councillor Liz Hogger
* Councillor Ramsey Nagaty
* Councillor George Potter
* Councillor John Redpath
* Councillor James Walsh

Independent Members:	Parish Members:
*Mrs Maria Angel MBE	*Ms Julia Osborn
Mr Murray Litvak	*Mr Ian Symes
	Mr Tim Wolfenden

*Present

Councillors Tim Anderson, Joss Bigmore, Jan Harwood, Maddy Redpath, John Rigg, Tony Rooth, Paul Spooner, and Catherine Young were also in attendance.

CGS29 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

An apology for absence was received from Tim Wolfenden.

CGS30 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

No disclosable pecuniary interests were declared.

Councillor Deborah Seabrook declared a non-pecuniary interest in relation to agenda item 4 on the basis that she was a patient of the chiropractor firm which currently leased Burchatts Farm Barn. On the basis that the firm was not the subject of the governance report, and in the interests of transparency, Councillor Seabrook confirmed that it would not affect her objectivity in relation to the matter.

CGS31 MINUTES

The minutes of the meeting held on 24 September 2020 were approved as a correct record.

CGS32 SUMMARY OF INTERNAL AUDIT REPORTS - 1 MAY 2020 - 31 OCTOBER 2020

At the request of the Chairman, Councillor Nigel Manning and in the interests of transparency, the Vice-Chairman took the chair for the consideration of this item on the basis that he had been a member of the Property Review Group when the Burchatts Farm Barn matter had been considered previously.

The Vice-Chairman, Councillor Deborah Seabrook declared a non-pecuniary interest in relation to this matter on the basis that she was a patient of the chiropractor firm which currently leased Burchatts Farm Barn. On the basis that the firm was not the subject of the governance report, and in the interests of transparency, Councillor Seabrook confirmed that it would not affect her objectivity in relation to the matter, her ability to chair the committee in respect of this item of business.

Prior to the formal consideration of this item, Mr Gavin Morgan, on behalf of the Guildford Heritage Forum, addressed the Committee in respect of the governance review of Burchatts

Farm Barn. and a statement written by Honorary Alderman Gordon Bridger in respect of that matter was read out to the Committee.

The Committee considered a report setting out a summary of internal audit reports produced by KPMG for the period 1 May 2020 to 31 October 2020, which related to the review of the operation of Treasury Management controls and the design and operating effectiveness of payroll controls, together with remedial recommendations which had been agreed with management. It was agreed that an update on the implementation of the recommendations would be presented to the Committee at its meeting in January.

The report also contained draft reports on two governance reviews completed by KPMG, on Burchatts Farm Barn and North Downs Housing Ltd, which had been due in March 2020 but had been delayed until after the lockdown in August.

The Committee noted that the Burchatts Farm Barn review had addressed the process by which the Council had let the venue, which had been a contentious issue and the scope of the review was to examine whether due process had been followed and the lessons to be learned for the future.

The draft governance review in respect of North Downs Housing Ltd had identified a number of areas for improvement in terms of reporting structures, clearer terms of reference, and monitoring and action tracking of decisions.

The Committee noted that, as the two KPMG reports were still in draft, it was intended that the reports would be updated following consideration by officers and councillors. In particular it was anticipated that additional information would be included within the Burchatts Farm Barn report which would lead to an additional recommendation(s) being made by the auditors in relation to the need to review the classification of assets.

Although the reports had been included in the agenda in draft for the Committee's discussion at this meeting; it was not appropriate for further comments on the reports to be made by the auditors at this stage.

During the debate on the Burchatts Farm Barn governance review, the following points were made by the Committee:

- Inadequacy of the advertising of the disposal
- No consideration of possible community use of the Barn
- Concerns over the inaccurate financial information made available to councillors – for example the £40-70,000 overstatement of operating costs
- The Council should consider introducing a policy on the transfer/disposal of buildings and assets of community value
- The Council should consider conducting an audit of existing community facilities on a ward-by-ward basis including the condition of such assets
- Management and operation of our community assets need to be urgently reviewed, including information to the public as to availability of such assets for hire and facilities available at each venue
- Accountability of officers making the decision
- Whether KPMG had reviewed relevant emails from councillors, including the former Leader and relevant former lead councillors regarding the disposal, and whether KPMG will interview those councillors and former councillors as part of the investigation
- Error in KPMG's project timeline
- Look at establishing a task group to:
    - review the Council's approach to the disposal of community assets in the future and procedures to be adopted including the involvement of the local community and ward councillors in informing decisions on disposals;
    - review community facilities across the borough with a view to developing a policy on how the Council can provide support to them

- The Committee should consider whether the disposal of community facilities should be determined by the Executive in all cases, rather than by officers under existing delegated authority
- The decision to dispose of the Barn was taken in October 2016 and it was never designated as a community asset
- Officers provided information in good faith, but it is important that we learn from mistakes made
- The importance of having a clear set of rules governing the disposal of community facilities including a decision matrix on matters such as deliverability, rental income, community asset value
- The need to differentiate between community facilities and Assets of Community Value
- Whether the remit of the governance audit should be extended to include other examples of disposals of community facilities around the borough
- As part of a series of wider learning points, there was a need to produce and maintain an index of Council policies to include details of what they covered, the name of the responsible officer, when they were approved, and when they were next due to be reviewed

During the debate on the North Downs Housing Ltd (NDH) governance review, the following points were made by the Committee:

- NDH and the holding company appeared to be operating well despite current operating processes rather than because of them
- KPMG recommendations provide some clarity going forward, particularly in terms of reporting to the Council on NDH's performance, and will help in terms of clarifying NDH's aims and objectives

The Committee's comments would be reviewed by the auditors as part of the process of finalising the reports. The final reports, together with management responses, would be reported to the Committee at its meeting in January for further consideration.

Having considered the matters raised, the Committee

RESOLVED:

(1) That the Internal Audit Progress Report (November 2020) prepared by KPMG, as set out in Appendix 1 to the report submitted to the Committee be noted.

(2) That the draft reports prepared by KPMG concerning the Burchatts Farm Barn review and North Downs Housing Ltd be noted and scheduled to be resubmitted in final format to the meeting to be held on 14 January 2021.

Reason:
To ensure an adequate level of audit coverage.

CGS33 PLANNING APPEALS MONITORING REPORT

Councillor Manning resumed the chair.

The Committee considered the first monitoring report providing a factual overview of Planning Committee decisions and appeals data for two calendar years, 2019 and 2020 to date, which had been requested by the Chairman. The data focused on Planning Committee member overturns, which overturns ended up at appeal and whether any costs were sought and awarded. The report also looked at general appeals data for each year and the number and type of appeals received.

The report had also identified costs both for and against the Council and the quantum of costs where they had been settled. It was noted that these may well be from different years as the

agreement on the final costs settlement could occasionally take a long time to resolve and often involve a costs draughtsman should the expectations of both parties be far apart. The report also highlighted the high success rate the Development Management team has had at appeal in both 2019 and 2020.

The Committee noted that, in 2019, 73 planning applications of varying complexity had been determined by the Planning Committee and, of these, 15 officer recommendations had been overturned by the Committee. These had mostly been from approval to refusal but occasionally vice versa. Eleven applications were appealed, of which seven had subsequently been allowed by the Planning Inspectorate, but no costs had been awarded against the Council in respect of any of them. Overall, the percentage of appeals dismissed in 2019 had been 72%.

The Committee noted that in relation to the plot 23 RSCH Hearing, the cost of the Council's barrister had been £9,200 and the transport engineer's costs were £1,600. The cost of officer time was charged at between £50 and £125 per hour depending on the seniority of the officer involved. It was suggested that information on such costs should be included in future reports.

In 2020, there had been 80 appeal decisions, of which 66 had been dismissed overall (82.5%), with 12 appeals allowed and two mixed decisions. Up to the November Planning Committee meeting there had been twelve member overturns, but it was too early to advise on appeal outcomes and any associated costs.

The Committee noted that, at the Chairman's request, the next report to the Committee would include data from 2018.

During the debate, the following points were raised:

- The report was welcomed and the Council's overall performance commended
- The need for ongoing practical and collaborative training for Planning Committee members and officers was emphasised looking at specific examples of appeal decisions and learning points for the future
- Regular (six monthly) update reports were requested
- Details of officer appeals should be set out separately from member overturns at the Planning Committee in future update reports

Having considered the report, the Committee

RESOLVED:

(1) That the contents of the report be noted.

(2) That the next update report to the Committee on 22 April 2021 shall include comparative data for 2018 and set out details of appeals against officer refusals separately from details of appeals deriving from member overturns at the Planning Committee.

Reason:
To enable the Committee to monitor the Council's performance on planning appeals.

CGS34 WORK PROGRAMME

The Committee considered its updated 12 month rolling work programme. In view of the business proposed to be transacted at the January and March 2021 meetings, the chairman and vice-chairman had requested that an additional meeting of the Committee be held in April 2021, in order to see whether the business could be spread more evenly across three meetings for more manageable agendas.

It was suggested that this additional meeting be held on Thursday 22 April 2021.

It was also suggested that, on the basis that much of the business in the Committee's work programme each year tended to be front-loaded in the first six months of the calendar year, in order to meet key deadlines, an additional meeting be programmed in April each year to help spread the business more manageably. This would be addressed in the report to the next Council meeting on the timetable of meetings.

The further report on Planning Appeals Monitoring that was scheduled in the work programme for June 2021 would now be brought forward to the 22 April meeting.

The Committee

RESOLVED:

(1) That the updated 12 month rolling work programme, as set out in the Supplementary Information Sheet circulated at the meeting, be approved.

(2) That an additional formal meeting of the Committee be convened on Thursday 22 April 2021 at 7pm.

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

The meeting finished at 9.05 pm

Signed ..... Date

Chairman

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

26 November 2020

* Councillor Nigel Manning (Chairman)
* Councillor Deborah Seabrook (Vice-Chairman)

Councillor Liz Hogger
* Councillor Ramsey Nagaty
* Councillor George Potter
* Councillor John Redpath
* Councillor James Walsh

Independent Members:	Parish Members:
*Mrs Maria Angel MBE	*Ms Julia Osborn
*Mr Murray Litvak	*Mr Ian Symes
	Mr Tim Wolfenden

*Present

Councillor Tim Anderson was also in attendance.

CGS35 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor Liz Hogger and Tim Wolfenden.

CGS36 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS37 AUDIT FINDINGS REPORT FOR 2019-20

The Committee noted that the audit of the 2019-20 accounts was nearing completion and the Council's external auditors intended to issue an unqualified opinion on the financial statements, which the Chief Finance Officer (CFO) 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 appended to the committee report, together with a management action plan. An update to the Audit Findings Report had been circulated to the Committee on the Supplementary Information Sheet.

The auditors had not yet found any misstatements which affected the primary financial statements or financial position of the Council. The auditors had found some areas that required adjusting and these were highlighted in the audit findings report. There are 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 were also included in the action plan. The key points related to the medium-term financial plan and the general fund capital programme. However, the auditors drew the Committee's attention to an Emphasis of Matter, highlighting material uncertainties, caused by the financial impact of the COVID-19 pandemic, around the valuation of land and buildings, investment properties and the Council's share of pension fund property investments as at 31 March 2020, which had been reflected in the accounts.

The auditors had indicated that, in their opinion, the Council had proper financial arrangements in place to deal with the challenges to financial sustainability caused by the COVID-19 pandemic, but had recommended that the financial position in respect of reserves should continue to be monitored and reported.

The auditors reported at the meeting that it was not now anticipated that the audit would be completed by the 30 November deadline.

The Chairman of this 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, which had been omitted from the committee report, had been circulated to the Committee on the Supplementary Information Sheet.

The Committee's attention was drawn to the Action Plan in the Audit Findings Report and the management responses, and to the various adjustments made to the accounts since the first draft of the accounts were published in August.

During the debate, the Committee made the following comments:

- In response to a concern over the possibility of identifying any significant issues during the final stages of the audit, the auditor confirmed that the most significant areas where potential issues arise were dealt with in the early stages of the audit process. However, should any significant issues come to light, they would be communicated to the Committee.
- Clarification was sought in respect of whether pension fund net liability would continue to represent a significant audit risk each year. It was confirmed that, given the very large figures involved and the need for expert help and advice and the uncertainties and complexity of underlying assumptions it was likely that it would remain a significant audit risk.

Having considered the report and the update on the Supplementary Information Sheet, the Committee

RESOLVED:

(1) That Grant Thornton's Audit Findings report attached as Appendix 1 to the Committee report, including the Update on the Supplementary Information Sheet circulated to the Committee prior to the meeting, and the management responses provided in the action plan (as set out in Appendix A to Appendix 1 to that report) be noted.

(2) That the letter of representation, as set out in Appendix 2 to the Supplementary Information Sheet, 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 2019-20 accounts.

CGS38 AUDITED STATEMENT OF ACCOUNTS 2019-20

The Committee considered the Audited Statement of Accounts for 2019-20. The Audit Findings report had covered the changes made to the accounts between the draft accounts, issued on 31 August 2020 and the audited accounts. The audited accounts appended to the Committee report included the changes.

A copy of the Guildford Borough Council Group Accounts for 2019-20, which had been omitted from the Statement of Accounts included on the agenda, had been circulated to the Committee prior to the meeting.

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

Comments from the Committee raised the following points:

- It was suggested that it would be helpful if the table of key performance indicators (on page 16 of the Statement of Accounts) was benchmarked across other comparable councils, with such benchmarked details included in future Statements. The CFO confirmed that it would be possible to circulate details of Surrey district and borough councils' key performance indicators to the Committee.
- In response to an enquiry as to whether the financial settlement in respect of the departure of the Director of Community Services (referred to on page 33 of the Statement of Accounts) had been approved by full Council, it was confirmed that the matter had been approved by the Council at its meeting held on 8 October 2019.

Having considered the Statement of Accounts for 2019-20, the Committee

RESOLVED:

(1) That, subject to paragraph (2) below, the audited Statement of Accounts 2019-20, as set out in Appendix 1 to the report submitted to the Committee, including the Guildford Group Accounts for 2019-20 circulated to the Committee prior to the meeting, be approved and that the Chief Finance Officer be authorised to make any amendments as a result of changes requested by the auditors after this meeting and before completion of the audit.

(2) That, in the interests of openness and transparency, the Chief Finance Officer be requested to report back to the next meeting of the Committee on 14 January 2021 to advise of any adjustments made to the Statement of Accounts for 2019-20 at the request of the external auditors, including details of the sum(s) involved and reason for the adjustment(s).

(3) 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 2019-20.

- To comply with the Accounts and Audit Regulations 2015 the statutory Statement of Accounts requires approval by 31 July. However, 2020 has been an exceptional year and the Accounts and Audit Regulations have been amended for the 2019-20 accounts revising the approval date to 30 November 2020.

CGS39 FINANCIAL MONITORING 2020-21: PERIOD 6 (APRIL TO OCTOBER 2020)

The Committee considered a report which summarised the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for the period April to September 2020.

Officers were projecting an increase in net expenditure on the general fund revenue account of £6,806,000.

Covid-19 continued to impact the Council in several ways including the inability to maintain income levels at those budgeted for in February 2020. The direct expenditure incurred by the Council in the current financial year stood at £948,881, with support received from the Government of £1,954,748. The Government support would contribute to both the direct and indirect costs of the Covid-19 pandemic.

As the pandemic continued, estimates for losses in income and increased costs had been made with the best information available, which would be subject to change as the year progressed. The report considered the expenditure and income forecasted up to 30 September (before the second lockdown occurred) and would therefore potentially move adversely as the second lockdown progressed.

The Committee was reminded that the Council, at its meeting of 5 May 2020, had approved an emergency budget to deal with the impact of Covid-19 should government support fall short of the final costs of the pandemic. The Government had since announced further support for local authorities and figures would be updated to reflect this support once the detail had been received.

There had been a reduction (£351,107) 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.

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. The transfer was projected to be £97,384 higher than the budgeted assumption and reflected modest variations in repair and maintenance expenditure and staffing costs.

Progress against significant capital projects on the approved programme, as outlined in section 7 of the report, was being made. The Council expected to spend £97.896 million on its capital schemes by the end of the financial year. The expenditure was higher than it had been for many years and demonstrated progress in delivering the Council's capital programme.

The Council's underlying need to borrow to finance the capital programme was expected to be £74.456 million by 31 March 2021, against an estimated position of £125.956 million. The lower underlying need to borrow was a result of slippage on both the approved and provisional capital programme, as detailed in paragraphs 7.3 to 7.6 of the report.

The Council held £143 million of investments and £276 million of external borrowing as at 30 September 2020, which included £192.5 million of HRA loans. Officers confirmed that the Council had complied with its Prudential indicators in the period, which had been set in February 2020 as part of the Council's Capital Strategy.

During the debate, the following comments were made by the Committee:

- An enquiry as to where Parks and Countryside income derived from
- It was confirmed that monies received during the year towards Special Protection Area sites were transferred to a reserve and that the net effect on the General Fund was nil.
- It was noted that, in relation to the £120,000 set aside in the Capital Programme for new boilers for the Electric Theatre, this had been agreed with the ACM at the time they entered into the lease with the Council in 2017.
- In response to an enquiry as to why the planning appeals budget was currently overbudget given that the budget had been increased, it was confirmed that planning appeals were £40,000 over budget and that the variance related to the loss of income on planning performance agreements.

Having considered the monitoring report, the Committee

RESOLVED: That the results of the Council's financial monitoring for the period April to September 2020, be noted together with the above comments.

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

The meeting finished at 8.03 pm

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

Chairman