CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

20 January 2022

* Councillor George Potter (Chairman)
* Councillor Deborah Seabrook (Vice-Chairman)
* Councillor David Goodwin
* Councillor Nigel Manning
* Councillor Susan Parker
* 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

Councillors Joss Bigmore, Julia McShane, Ramsey Nagaty, Maddy Redpath, Paul Spooner, and Cait Taylor attended the meeting remotely.

CGS45 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor James Walsh and Tim Wolfenden.

CGS46 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS47 MINUTES

The minutes of the meeting of the Committee held on 18 November 2021 were approved as a correct record. The Chairman signed the minutes.

CGS48 FREEDOM OF INFORMATION COMPLIANCE - ANNUAL REPORT 2021

The Committee considered the annual report for 2021 on the monitoring of the Council's performance in dealing with Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests.

Following a drop in performance rates during 2020, largely due to the Covid pandemic lockdown and corporate restructures, performance rates for timely delivery of FOI/EIR requests within the 20-working day deadline had returned to more normal levels in 2021.

The figure for 2021 (January–November) had been 92%, compared with 80% for 2020.

Questions and comments from the Committee raised the following points:

- The improvement in response rates was welcomed, and it was pleasing to see that 34% of requests had been responded to within 10 working days. It was suggested that the Council monitors this as an additional target.
- In relation to FOI requests from the media, it was noted that these related mainly to 'round robin' requests for information from the national media. Local media requests for information were generally not dealt with through formal FOI channels, as they usually required a quicker response from the Council.
- In relation to internal/external reviews, it was suggested that future reports include details of the number of such reviews that were upheld.

The Committee considered a suggestion that, in future, the monitoring and reporting of FOI compliance should be based on the financial year rather than the calendar year which would bring it into line with the current arrangements for corporate performance monitoring.

The Committee

RESOLVED:

(1) That the Freedom of Information Compliance Report for 2021 be noted and that the Committee continues to receive six monthly updates.

(2) That, in future, the monitoring and reporting of FOI compliance should be based on the financial year rather than the calendar year.

Reasons:
- 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

CGS49 SUMMARY OF INTERNAL AUDIT REPORTS (APRIL 2021 TO JANUARY 2022)

The Committee considered a report on progress made by the Council's internal audit manager (KPMG) on their internal audit plan for 2021-22 for the period April 2021 to January 2022, which included a summary of the work that they had concluded since the previous report to Committee and what they had planned to do ahead of the next. The report also provided an executive summary of four internal audit reports which examined Financial Controls in respect of: Capital Management, income and accounts receivable compliance, expenditure and accounts payable compliance, and Procurement.

In debating this item, the Committee raised the following points:

- In response to concerns raised in relation to a report on an internal audit review already completed this year in respect of HRA Right to Buy receipts, KPMG reassured the Committee that it would be following up progress with their recommendations in respect of that report in the next financial year as part of their next Internal Audit Plan. The Director of Resources also commented that the enhanced reporting included within the Financial Monitoring Report elsewhere on the agenda for this meeting provided a good oversight of the current situation in respect of spending Right to Buy receipts. In addition, a proposed Right to Buy policy, which was one of the core recommendations from the review, would be considered by the Executive on 24 February 2022.
- In relation to overdue debts in the context of the Income and Accounts Receivable Compliance report, assurance was sought regarding whether:

  (a) the software was now fully functioning
  (b) action had been taken in respect of existing debts where the system had not been able to send out debt recovery letters, and
  (c) the Committee should have a role in monitoring overdue debts

  In response, the Director of Resources informed the Committee that the automated reminder letter functionality went live at the end of November 2021, and that this had included reminder letters in respect of those debts that had not previously been the subject of recovery letters. During the process although reminder letters were not being sent statements were being issued setting out details of amounts owed to the Council. With regard to monitoring, the Director reminded the Committee that there was a performance indicator in the Corporate Performance Monitoring Report which showed the number days a debt has been outstanding. The Director suggested that the levels of overdue debt could also be included into future Financial Monitoring Reports. The Director also reminded the Committee that during the Covid pandemic, the Council made a conscious decision not to pursue debts, partly in recognition of the additional pressure on people's finances but also because it would not have been possible to take action through the Courts as we could not get Court dates. Furthermore, the Government had decided that no evictions of tenants could take place during the pandemic.

- In response to a question as to when the Council was aware that it could not track debtors, the Director of Resources confirmed that officers had been aware since the Council went live with the Business World system that the functionality around reminder letters was not working as it should, and that the issue had been pursued by the Project Board to ensure the system fix was in place.

The Committee

RESOLVED: That the internal auditor's progress against their 2021-22 internal audit plan, together with the key findings from the reviews undertaken, be noted.

Reason:
To ensure good governance arrangements and internal control by undertaking an adequate level of audit coverage.

CGS50 CORPORATE PERFORMANCE MONITORING 2021-22: QUARTER 2

The Committee considered the Corporate Performance Monitoring Report (in relation to quarter 2 of 2021-22), which had been submitted as part of the Council's evolving performance monitoring framework.

The Committee had been invited to submit comments and questions regarding the report itself and specific performance indicators in advance of the meeting, details of which, together the officer response, were included in the Supplementary Information Sheet circulated prior to the meeting.

The Leader of the Council commented that this was still an evolving process, but it was moving in the right direction in terms of active engagement by officers and councillors in addressing issues around key performance areas.

During the debate, the following points were made:

- In response to a request for further information as to why the figure in respect of homeless families being placed in B&B accommodation was rising (H & J5), officers explained that the number of families in B&B temporary accommodation varied significantly throughout a typical month, and throughout the course of a year, the number would typically vary between zero and seven or eight. It was suggested that this KPI might need to be altered perhaps showing an average amount of a time families occupied B&B accommodation. It was noted, however, that as this KPI was a nationally recognised indicator an alternative option would be to provide background information to put the figures into context. This would be clarified in future reports.
- In relation to ENV3 (fly-tipping), it was noted that performance was going in the right direction, but more prompt information would be useful.
- It was felt that the climate change officer's role should not be collating data for ENV9 (energy use by the Council; gas, electricity and fleet), but should be far more proactive in looking at ways to improve our climate change position. The Chairman asked whether a specialist was required to obtain and monitor this data, or whether there was insufficient staff capacity to monitor the data even though it was readily available. A written response on these matters would be circulated to the Committee.

- The Leader of the Council reassured the Committee that the Council was putting in place measures to work with Surrey County Council and Waverley Borough Council in order to maximise resources on our climate change agendas, but it was important that decisions made were based on reliable performance data.
- In relation to H & J4 (Affordable new homes completed each year), officers agreed to separately identify new social housing and affordable housing completions by having separate targets for these in future reports.
- In relation to COU2 (staff turnover), an enquiry was made as to whether there was a common theme emerging from exit surveys. The Lead Specialist – HR would be asked to circulate a response on this point to the Committee.
- In response to concerns regarding COU11 and COU12 (speed of determining planning applications), the Leader of the Council reported that the Council had spent in excess of £1million in additional staffing resource to deal with the significant backlog of outstanding planning applications, a position which was reflected across the south-east region, which also meant that recruitment of suitable officers was increasingly difficult. The Leader was pleased to note that the number of outstanding applications was reducing as a result, and that the pre-application advice service would resume in early February, which would bring in additional income and improve the quality of applications.
- A response to an enquiry relating to ENV2 (household waste recycled and composted), with regard to the measure against which the percentage of household waste recycled and composted was determined, and whether the figures actually reflected recycled and composted waste or whether any of that waste was rejected as being contaminated, would be circulated to the Committee
- In relation to COM3 (number of community hot meals delivered), it was suggested that, for clarity, the metric should show not only the number of hot meals delivered, which fluctuated according to demand, but also perhaps a qualitative metric showing the number delivered on time that were still hot.

The Committee, having reviewed the report

RESOLVED: That the contents of the report along with the Performance Monitoring Report for 2021-22 quarter 2, shown in Appendix 1 thereto, be noted, together with the update information set out in the Supplementary Information Sheet.

<u>Reasons:</u>
To support our corporate performance monitoring framework and enable the Committee to monitor the Council's performance against key indicators, as well as review key data relating to the 'health' of the borough.

CGS51 RISK MANAGEMENT UPDATE

The Committee considered a report which provided an update on the work undertaken so far to improve the Council's risk management processes in light of the KPMG audit recommendations in March 2021. It had set out the internal consultation carried out to develop a new Risk Management Framework as well as outlining the current status of the Corporate Risk Register and the Committee's proposed role moving forward.

The report summarised the next steps, including bringing the revised Corporate Risk Register and a further report on progress to the Committee's meeting in April 2022.

The Committee

RESOLVED: That the report detailing the work undertaken to improve the Council's risk management processes and controls, be noted.

Reason:
To advise the Committee on the work undertaken to progress the recommendations within the KPMG report and to achieve risk management best practice.

CGS52 CAPITAL AND INVESTMENT STRATEGY (2022-23 TO 2026-27)

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.

Decisions made now, and during the period of the strategy on capital and treasury management would have financial consequences for the Council for many years into the future. The report therefore included details of the capital programme, any new bids/mandates submitted for approval plus the requirements of the Prudential Code and the investment strategy covering treasury management investments, service investments, and commercial investments. The report had also covered the requirements of the Treasury Management Code and the prevailing Statutory Guidance.

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, which was split into the General Fund (GF) and Housing Revenue Account (HRA).

All projects, regardless of the fund, would be funded by capital receipts, grants and contributions, reserves, and finally borrowing. When preparing the budget reports, it was not known how each scheme would be funded and, in the case of regeneration projects, what the delivery model would be. The report showed a high-level position. The business case for each individual project would set out the detailed funding arrangements for the project.

The Committee noted that some capital receipts or revenue income streams might arise as a result of regeneration schemes, but in most cases the position was currently uncertain, and it was too early at this stage to make assumptions. It was likely that there would be cash-flow implications of the development schemes, where income would come in after the five-year time horizon of the report and the expenditure incurred earlier in the programme.

The Council had an underlying need to borrow for the GF capital programme of £298 million between 2021-22 and 2026-27. Officers had put forward bids, with a net cost over the same period of £16.5 million, increasing this underlying need to borrow to £315.5 million should these proposals be approved for inclusion in the programme.

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

The main areas of expenditure (shown gross), as set out in the report, were:

- £218 million: Weyside Urban Village (WUV)
- £63.5 million: strategic property purchases – it was proposed to widen the remit of this fund to allow redevelopment opportunities (for example estate redevelopments)
- £32 million: North Downs Housing (NDH)
- £28 million: Ash road bridge and footbridge

As part of the savings programme and in realigning the capital programme in line with the new corporate plan, officers had reviewed the capital programme, and had recommended the removal of some schemes from the programme, and if required in future would come forward with a new mandate under the PPM governance framework.

The report contained a summary of the new bids submitted and the position and profiling of the current programme (2021-22 to 2025-26).

The HRA capital programme was split between expenditure on existing stock and either development of or purchase of new dwellings to add to the stock. Work had started on updating the condition surveys of the existing stock and bringing it into line with changes to legislation. This had resulted in a need to invest a far greater sum for 2022-23 than in previous years - £24.5 million. The capital programme would be funded from HRA capital receipts and reserves. There was also £142 million between 2022-23 and 2026-27 million included for development projects to build or acquire new housing (including WUV).

The main areas of major repairs and improvement expenditure were:
- £11 million: refurbishment, replacement, and renewal programme of existing stock, including kitchen and bathroom upgrades, void property refurbishment and roof works
- £9 million: works to existing stock to comply with changes to standards and legislation, including replacement fire doors, electrical testing and fire protection works
- £2 million: mechanical and electrical works, including central heating systems
- £1.9 million: other works, including damp prevention

The main development projects were:
- £45.7 million: Guildford Park Car Park
- £17 million: Bright Hill
- £15 million: WUV
- £10 million: Foxburrows

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 budget for investment income for 2022-23 was £1.2 million, based on an average investment portfolio of £118 million, at a weighted average rate of 1.69%. The budget for debt interest paid was £5.74 million, of which £5.05 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 earning a return was the primary purpose).

Investment property had been valued at £152 million, as per the 2020-21 Statement of Accounts, with rent receipts of £7.8 million, and a yield of 5.8%. The Council had also invested £21.2 million in its housing company (NDH), via 40% equity to Guildford Borough Council Holdings Ltd (£8.5 million) who, in turn, passed the equity to NDH, and 60% repayment loan direct to NDH (£12.7 million) at a rate of BoE Base rate plus 5%.

The report had also included the Council's Minimum Revenue Provision (MRP) policy and the Prudential Indicators, and had set out the updated flexible use of capital receipts policy. This policy, if approved at Council, would permit the use of any capital receipts received in year to be used to fund any service transformation costs incurred in the same year.

During the debate, the Committee made the following comments:

- Whether the spending objectives for evaluating the benefits of capital schemes should include 'impact on the environment' in the context of the Council's Climate Emergency declaration. In response, officers indicated that this would be taken on board for future consideration. The Committee would also like to see more capital projects coming forward that addressed issues relating to the Climate Emergency.
- In response to an enquiry as to the risks associated with increasing inflation, especially with regard to affordability, borrowing, and the effects of slippage in the capital

programme, officers acknowledged that inflation was a real concern and that provision for this should be made in the Council's Corporate Risk Register. The Council did not inflate its capital schemes as a matter of course, but it was noted that the tendering process mitigated some of the impact of inflation.

- In response to an enquiry as to why it was proposed to fund the upgrade/ replacement Housing Management and Asset Software Management Systems from the HRA, it was explained that these systems were used to administer properties within the HRA.
- In noting that the interest receivable had been calculated before base rates had increased, a question arose as to whether interest payable and the affordability of the Council's borrowing had been factored into the future cost of borrowing. In response, officers drew attention to the fact that most of the Council's borrowing would theoretically come from the Government's Public Works Loan Board, which was based on gilts that fluctuated. However, the majority of the borrowing was currently fixed on the HRA, with an assumption of a higher interest rate of 2.5% for the GF element.
- It was noted that the Council did not have a dedicated officer responsible for identifying possible sources of grant funding. Although the Council had signed up to GrantFinder, with limited success, external funding towards major projects had been sourced on a project-by-project basis mainly from government – for example via the LEP and housing infrastructure funds.
- In response to continuing concerns over delays progressing schemes in the HRA Capital Programme, officers acknowledged the slippage in both the GF and HRA Capital Programmes, which had been monitored over a number of years. The Committee was reminded of the measures the Council had put in place to address this matter including the introduction of the PPM governance framework for projects, and the new Major Projects team introduced following Future Guildford. In relation to the HRA Capital Programme, officers had sought to develop a broad portfolio of schemes of varying types, size, and structure in order to overcome this issue.
- Query as to whether the proposed capital expenditure of £24.5 million in 2022-23 on maintaining the existing housing stock was absolutely necessary given that most bathrooms, kitchens, and roofs normally functioned beyond a ten-year life cycle, and whether the Council should have a process of looking at what actually needed to be replaced. In response, officers advised that decisions were based on data gathered from stock condition surveys, together with guidance following changes in legislation post Grenfell. In addition, there was an urgent need to address requirements for smoke detection, fire alarm, and carbon monoxide systems. The Committee also noted that the Council followed the Decent Homes Standards in managing its housing stock, which required certain elements to be replaced after a specified period of time. Finally, it was noted that due to the age of the stock and given that a number of elements had been undertaken 30 years ago, it was now necessary to undertake these replacement works.
- In response to a request for clarification on "pipeline bids", officers confirmed that the Council had a long list of schemes that over a period of time had been reviewed and, following further discussions with Planning officers, viability work had been carried out. Following that work, some schemes had been brought forward for implementation.

Having considered the report, 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, together with the comments referred to in the debate and summarised in the bullet points above, be endorsed.

<u>Reason:</u>
To enable the Council at its budget meeting on 9 February 2022, to approve

- the capital and investment strategy for 2022-23 to 2026-27; and
- the funding required for the new capital investment proposals.

CGS53 FINANCIAL MONITORING 2021-22 PERIOD 8 (APRIL TO NOVEMBER 2021)

The Committee considered the latest financial monitoring 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 November 2021.

Officers were projecting an underspend on the general fund revenue account of £0.2 million. However, this position should be treated with caution as the introduction of the Government's Covid Plan B was likely to worsen the position during the coming months particularly around expectations for the achievement of budgeted income.

The direct expenditure incurred by the Council on Covid-19 in the current financial year currently stood at £572,890. The Council had received a grant of £622,690 to finance direct Covid-19 costs for 2021-22.

The indirect costs of Covid-19, particularly the loss of income, were reflected in the services forecasting. The Council had made a claim for some of the income loss for the months of April to June, under the Sales, Fees and Charges (SFC) compensation scheme totalling £1.45 million. This was currently included within the projection. Officers were currently projecting a loss of income for the full year of around £4.2 million. At present the Government did not appear to have any plans to extend the SFC compensation scheme beyond June 2021. The report considered the expenditure and income forecasted up to 30 November 2021, which would potentially be subject to movement depending on the success of the Government's roadmap for lifting all Covid restrictions.

The Council was currently forecasting to have £48.8 million in reserves at the end of the year, of which £9.340 million was usable.

A surplus on the Housing Revenue Account would enable a projected transfer of £8.4 million to the new build reserve and meet the forecasted £2.5 million to the reserve for future capital at year-end.

Progress against significant capital projects on the approved programme as outlined in section 7 of the report was underway. The Council expected to spend £59.74 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 £36.89 million by 31 March 2022, against an estimated position of £94.59 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 £211 million of investments and £344 million of external borrowing on 30 November, which included £193 million of HRA loans. Officers confirmed that the Council had complied with its Prudential indicators in the period, which had been set in February 2021 as part of the Council's Capital and Investment Strategy.

In considering this report, the Committee made the following comments:

- Request for information on the monitoring of S106 funds in a manner comparable to the information provided in the 'Reconciliation to Spend to RTB' table provided in the report to ensure that the Council does not have to return S106 contributions to developers. The Chairman reminded the Committee that the first of the S106 Monitoring Reports was due to be considered at its April 2022 meeting, with further update reports every six months thereafter. Following consideration of the first of those reports, the Committee would be able to comment on the adequacy of the information provided. The Committee also noted that:

(a) the terms of the S106 agreements provided that monies were only required to be committed towards a project, not actually spent, to avoid having to repay those monies to a developer;
(b) In many cases, S106 monies were handed to Surrey County Council as contributions towards infrastructure schemes; and
(c) unlike CIL monies, S106 contributions were directly related to the specific area of the development.

- In response to a question as to the extension of the SFC compensation scheme, the Director of Resources clarified that the scheme had been extended into the first three months of the 2021-22 financial year.
- The Committee noted that the report had omitted to state that service managers were also required to report overspends, as well as underspends, at the earliest opportunity when carrying out monthly monitoring of income and expenditure.
- In response to a question as to what contingencies were in place to avoid the risk of repayment of RTB receipts should there be any further delays in progressing either of the Guildford Park or Bright Hill schemes, officers reassured the Committee that there were contingencies to divert those receipts to other HRA capital schemes which could include purchasing properties or expenditure on infrastructure (as well as construction costs) in preparation for development of housing schemes. In addition, the Right to Buy Policy would be introducing measures to avoid repayment of RTB receipts.

Having considered the report, the Committee

RESOLVED: That the results of the Council's financial monitoring for the period April to November 2021 be noted, subject to the comments referred to above.

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

CGS54 WORK PROGRAMME

The Committee considered its updated 12 month rolling work programme and noted that two of the matters scheduled for consideration at the next meeting on 24 March, namely:

- 2020-21 Audit Findings Report: Year ended 31 March 2021
- Approval of the Final 2020-21 Audited Statement of Accounts

were likely to be brought forward to a special meeting of the Committee on Monday 28 February, dependent on progress with the audit of the 2020-21 accounts.

The Committee further noted that it had been suggested that the Corporate Performance Monitoring Report scheduled for 24 March be deferred to the 21 April meeting, and that the information required to bring the Audit Report on the Certification of Financial Claims and Returns 2020-21 was unlikely to be available for the 24 March meeting.

The Committee

RESOLVED: That the updated 12 month rolling work programme, as set out in Appendix 1 to the report submitted to the Committee and subject to the changes referred to above, be approved.

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

The meeting finished at 9.20 pm

Signed .... Date ....

Chairman