

Guildford Borough Council

Report to: Corporate Governance & Standards Committee

Date: 14 November 2024

Ward(s) affected: All

Report of Strategic Director: Legal & Democratic Services

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Report status: Open

Proposed Changes to the Terms of Reference of the Corporate Governance & Standards Committee

1.1 Executive Summary

1.2 This report gives consideration to a dedicated committee for audit purposes, in accordance with recommendation 9.5 of the Council's improvement plan.

2. Recommendation

That the Corporate Governance & Standards Committee recommend to Council:

(a) That the terms of reference of the current GBC Corporate Governance & Standards Committee be amended and the Committee renamed the Standards & General Purposes Committee, with effect from the start of the 2025-26 municipal year;

- (b) That a new GBC Audit & Risk Committee be established, with effect from the start of the 2025-26 municipal year;
- (c) That the proposed Terms of Reference of the new Standards & General Purposes Committee and Audit & Risk Committee, as set out in Appendices 1 and 2 to this report, be adopted into the Constitution, with effect from the start of the 2025-26 municipal year;
- (d) That the residual remit of the current Corporate Governance & Standards Committee be distributed as set out in Appendix 3, with effect from the start of the 2025-26 municipal year.

3. Reasons for Recommendation:

- 3.1 The Corporate Governance and Standards Committee is responsible for a wide breadth of areas including corporate governance, accounts and audit, and ethical standards. Splitting the remit and functions of the Committee into two separate and distinct committees will help to ensure that an appropriate focus is given to both areas, and that, in turn, this will improve the effectiveness of the committees and allow for better support and training for members.
- 3.2 The recent SOLACE review of governance for Guildford Borough Council found that the remit of the Committee is **'so broad as to marginalise the audit role to the detriment of the Council's governance'**. It recommended that the Council give consideration to a separate audit committee, and the Council agreed to accept the SOLACE recommendations in full.

4. Purpose of Report

- 4.1 This report presents, for members' consideration, the suggested terms of reference for a new Audit & Risk Committee. These are based on the CIPFA best practice model.
- 4.2 This report also presents a revised Corporate Governance & Standards Committee, to be known as the Standards and General

Purposes Committee, to deal with, among other things, ethical framework matters.

- 4.3 Any residual functions of the current Corporate Governance & Standards Committee that relate to performance are recommended to be included within the terms of reference of the existing Overview and Scrutiny Committees, as set out in Appendix Three.

5. Strategic Priorities

- 5.1 This report will assist in the delivery of the Council's corporate priorities and collaborative working agenda, in particular Priority 5: A resilient and well managed Council.
- 5.2 An Audit & Risk Committee helps the authority to fulfil its responsibilities for accountability to the local community, and meet the expectations of partners, regulators, and other stakeholders, and ensures that areas of concern are given proper attention.
- 5.3 A Standards and General Purposes Committee supports the work of the Statutory Officers in upholding the highest ethical standards within the Council and allows the public to have trust and confidence in the system of governance and the conduct of members.

6. Background

Audit & Risk Committee

- 6.1 An effective Audit & Risk Committee can support the authority in establishing, maintaining, and improving effective governance, risk management, and internal control arrangements. These arrangements are the enablers that allow the authority to deliver against its objectives and improve its performance. They are essential if the authority is to make best use of all its resources and minimise loss and waste.

6.2 CIPFA updated their good practice guidance in 2022 and the revised terms of reference have been built on this guidance, with local variances.

6.3 The Council's terms of reference for the Corporate Governance and Standards Committee have not been based on CIPFA guidance but some areas are very similar to the existing terms of reference.

6.4 We are recommending up to two independent members be appointed as non-voting co-optees to the Audit & Risk Committee, who can provide technical expertise to support the work of the Committee. This is considered best practice by CIPFA. This is also the position adopted in the majority of Surrey Councils.

6.5 The Council currently has three co-opted parish representatives and one co-opted independent member sitting on its Corporate Governance & Standards Committee. We would suggest that they are asked to consider sitting on either the Audit & Risk Committee as independent members, or on the Standards & General Purposes Committee as Parish representatives, as two are needed for each committee and they bring experience of the Council and make a valuable contribution.

6.6 The distinction between the role and purpose of a Parish representative and an independent member should be noted. Further, an independent member of a Committee should not be confused with the statutory role arising from the Localism Act of an independent person.

Standards & General Purposes Committee

6.7 The proposed role of the Standards & General Purposes Committee comprises three main areas; the ethical framework and standards regime, review of the constitution and member development. Moving to a separate Standards & General Purposes Committee will

allow for a greater focus on the ethical framework, member development and governance.

- 6.6 The Council has a number of additional areas currently in the remit of the Corporate Governance & Standards Committee's terms of reference, and Appendix 3 shows the proposed new governance route for those areas.
- 6.7 It is usual to have parish representatives sitting on a Standards Committee, to represent the views of all parishes and parish councillors when decisions are made on standards and conduct issues.

O&S Committees

- 6.8 The O&S Committee terms of reference are already sufficiently widely drafted to include the matters we are proposing to be within their remit.
- 6.9 A review of the O&S terms of reference will be on the JCRG work programme (together with consultation with the O&S committees) over the next few months. This is also set out in the Improvement Plan at para. 9.3.

7. Consultations

- 7.1 The Joint Strategic Director – Finance and Deputy S151 officers have been consulted over the proposed Audit & Risk Committee and its Terms of Reference and are supportive of the changes as they are considered best practice.
- 7.2 The Monitoring Officer and Deputy Monitoring Officers for both Councils have been consulted and are supportive of the proposed changes, as they will help to bring greater focus on audit and risk, and ethical standards at Guildford.

- 7.3 The GBC Executive were consulted on 28 August 2024. The Joint Constitution Review Group formally considered similar proposals on 2 September 2024.
- 7.4 At its meeting on 26 September 2024, the Corporate Governance & Standards Committee considered the proposed changes to the Committee structure including their respective terms of reference. The Committee noted that there had been no discussion with the chairs and vice-chairs of the overview & scrutiny committees regarding the allocation of the residual scrutiny related functions contained in the Corporate Governance & Standards Committee's current terms of reference. Accordingly, the Committee agreed the following:
- (1) That the matter be referred back to the next meeting of the Joint Constitutions Review Group for further consideration of:
 - (a) the terms of reference of the proposed Audit & Risk Committee and Standards & General Purposes Committee, and;
 - (b) which committees should be responsible for dealing with those residual matters within the current terms of reference of the Corporate Governance and Standards Committee which are not proposed to be dealt with by the proposed Audit & Risk Committee nor the Standards & General Purposes Committee.
 - (2) That, following further consideration by the Joint Constitutions Review Group, the matter be scheduled for formal consideration by this Committee at its next scheduled meeting on 14 November 2024.
- 7.5 All members of the Corporate Governance & Standards Committee, the chairs and vice-chairs of the overview and scrutiny committees, and members of the Executive were invited to the meeting of the JCRG on 21 October, by way of consultation.

- 7.6 At that meeting, members suggested that the Terms of Reference of the O&S Cttees could be expanded to include specific reference to pre-scrutiny of the areas being transferred from the Corporate Governance & Standards Committee, and this will be included in the future review of the Overview & Scrutiny Terms of Reference.
- 7.7 Members of the JCRG also requested the removal of the restriction to 3 substitutes on the new Standards & General Purposes Committee, and the proposed terms of reference have been revised accordingly.

8. Key Risks

- 8.1 A dedicated, effective Audit & Risk Committee is key to supporting good governance, strong financial management and effective audit arrangements. There is a risk that, where an audit committee has broad functions, it is not able to focus on its key roles and that its efforts get diluted.
- 8.2 A well-functioning standards committee is essential to promote the ethical framework and provide support to the Monitoring Officer and councillors in upholding the standards expected of members. There also needs to be a focus on member development to ensure that members feel supported to carry out their roles. Again, there is a risk that if the committee's terms of reference are too broad, then the focus is diluted and there is a lack of support and challenge in appropriate areas.
- 8.3 There is a risk that the co-opted Parish/Independent Members at Guildford will be unhappy with the proposals, and that it will prove challenging to recruit independent members to the Audit & Risk Committee.

9. Financial Implications

- 9.1 There are no direct financial implications resulting from this report.

9.2 The indirect financial implication is that there will be an increase in the number of committees at Guildford Borough Council (x1) but this has been factored into the restructure of Legal & Democratic Services.

10. Legal Implications

10.1 Councils have various obligations relating to audit, under the Local Audit and Accountability Act 2014. The Councils are responsible for the conduct of public business and spending public money, and they have a responsibility to ensure it is properly safeguarded and used economically, efficiently and effectively.

10.2 To discharge these functions, Councils must put in place proper arrangements for the governance of their resources and are also required to report through the Annual Governance Statement.

10.3 The Councils have a statutory duty to promote and maintain high standards of conduct for its elected members and co-opted members under the Localism Act 2011.

11. Human Resource Implications

11.1 There are no direct HR implications.

12. Equality and Diversity Implications

12.1 There are no equality and diversity implications arising from this report. This report has given due regard to the requirements of the Public Sector Equality Duty (Equality Act 2010) when making any recommendations concerning constitutional arrangements.

13. Climate Change/Sustainability Implications

13.1 There are no climate change or sustainability implications.

14. Summary of Options

14.1 The Corporate Governance & Standards Committee can either:

(1) recommend the proposals to the Council

(2) request officers to make further amendments to the proposals

15. Background Papers

(a) Terms of Reference: Corporate Governance & Standards Committee (Part 3 of the GBC Constitution)

(b) SOLACE review on Governance for Guildford Borough Council

16. Appendices

Appendix 1: Proposed Terms of Reference for the Audit & Risk Committee

Appendix 2: Proposed Terms of Reference for the Standards & General Purposes Committee

Appendix 3: Table showing the proposed governance route for the existing Corporate Governance & Standards functions