

Guildford Borough Council

Report to: Corporate Governance & Standards Committee

Date: 29 November 2023

Ward(s) affected: All

Report of: Monitoring Officer

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Report Status: Open

Governance Framework: Guildford Borough Council Housing Services

1. Executive Summary

- 1.1 It has come to light that there have been some non-compliance issues within the Council's Housing Service, which have led to a lack of governance around contract management, people management and financial controls.
- 1.2 The Council is carrying out a governance review in the service area to ascertain how such failures have arisen, to make recommendations to provide a more robust governance framework and an action plan to provide assurance of compliance going forward.
- 1.3 This report provides information to the Corporate Governance & Standards Committee about the proposed governance review.

2. Recommendation to Committee

The Committee is recommended to resolve:

- 2.1 To note the contents of the report.

2.2 To receive a report from the Strategic Project Board in approximately six months.

3. Reasons for the Recommendation

3.1 The Corporate Governance & Standards Committee is recommended to note the report in order that they have oversight of this matter as the Committee is a key component of the authority's corporate governance regime. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The Committee has within its terms of reference, the role of considering the Council's arrangements for corporate governance and recommending to the Council any action necessary to ensure compliance with best practice.

4. Exemption from Publication

4.1 This report does not contain exempt information as provided for by schedule 12A Local Government Act 1972 and the report is therefore deemed to be open and available to the public.

5. Purpose of the Report

5.1 The report aims to provide the Corporate Governance & Standards Committee with information as to the scope and structure of the review into governance arrangements within the Council's Housing Service.

6. Strategic Priorities

6.1 The proposals in this report are consistent with our values in the Corporate Plan of:

- spending money carefully and delivering good value for money services, and
- ensuring that our staff uphold the highest standards of conduct.

7. Background

Summary

7.1 The Committee will be aware that there has been a governance failure in the Council's Housing Service. There is evidence of overspend on contracts and a lack of contract management in terms of spend, compliance, and delivery.

- 7.2 Allegations have also arisen of potentially fraudulent activity, which may have caused financial loss to the Council. An external investigation is ongoing into such allegations.
- 7.3 Various contractual works are being reviewed; some works have been paused whilst further enquiries are made, some are ongoing, and the Council has served notice to terminate some contractual arrangements.
- 7.4 The priority in recent weeks has been to stop the continuation of any potential wrongdoing, whilst supporting the delivery of the service to the Council's tenants.
- 7.5 Whilst continuing with reviewing our contractual arrangements and financial position, as well as engaging with tenants and delivering a service, the Council must progress an internal governance review of how it has arrived at this position, what remedial steps need to be taken to ensure more robust governance arrangements and how assurance can be given going forward.
- 7.6 Whilst the matter is complex and highly sensitive, it is imperative that the Council has in place the appropriate resources and sound governance arrangements to support this very challenging situation.

External Investigation

- 7.7 In July 2023, an external investigation team was instructed to consider the allegations that there may have been some wrongdoing within the Council in respect of the Council's relationship with one or more contractors. An accredited anti-fraud investigation unit is working alongside the Police in respect of this matter.
- 7.8 The governance arrangements supporting the investigation are that the Council's Chief Financial Officer, Monitoring Officer, and Strategic Director for Community Wellbeing are updated on at least a monthly basis. In turn, the Chief Executive, the Leader of the Council, and the Chair of the Corporate Governance & Standards Committee are also being updated on at least a monthly basis.
- 7.9 It is now proposed, however, that a more structured approach is taken and that a Strategic Project Board (Housing) is established as per paragraph 7.18 et seq. below, to include the Leader, Chair of

Corporate Governance & Standards Committee, three statutory officers and relevant Director, for the external investigation team to report to, on at least a monthly basis.

Strategic Project Group (Housing)

7.10 There are numerous different workstreams that have arisen from this complex situation and so in early October, a Strategic Project Group (Housing) (SPGH) was established to monitor and co-ordinate the work of the various workstreams. The Project Group has been meeting on a weekly basis and is co-chaired by the Monitoring Officer and Strategic Director, Community Wellbeing.

7.11 The membership of the (SPGH) is as follows:

- Strategic Director, Community Wellbeing
- Chief Financial Officer & s151 Officer
- Monitoring Officer
- Lead Legal Specialist & Deputy Monitoring Officer
- Finance Manager and Deputy s151 Officer
- Executive Head of Housing Services
- Interim Housing Project Manager
- Executive Head of Regulatory Services
- Executive Head of Community Services
- HR Manager
- ICT Manager
- Communications Manager
- Communications Officer
- Note Taker

7.12 The workstreams and lead officers that report into the (SPGH) are as follows:

Workstream	Lead Officers
Operational Housing Delivery	Strategic Director, Community Wellbeing Executive Head of Housing Services Interim Housing Project Manager
Contracts, Invoices & Financial Management	Lead Legal Specialist Finance Manager

Workstream	Lead Officers
	Executive Head of Housing Services Interim Project Manager
Stakeholder Engagement & Communications	Executive Head of Community Services Executive Head of Housing Services Communications Manager Monitoring Officer
Liaison with External Audit	Chief Financial Officer Monitoring Officer
Employment & Human Resources Matters	Strategic Director, Community Wellbeing Human Resources Manager Lead Legal Specialist Monitoring Officer Executive Head of Regulatory Services
ICT Matters	ICT Manager
General legal issues	Monitoring Officer Lead Legal Specialist External lawyers
Safety & Compliance issues	Strategic Director, Community Wellbeing Executive Head of Housing Interim Housing Project Manager

7.13 It is now proposed that to complement the governance of the SPGH, a more structured reporting mechanism be established to provide for the Group to report into the proposed Strategic Project Board (Housing) on at least a monthly basis (see para 7.18 et seq. below).

Internal Governance Review Team

7.14 Whilst the focus over the last 3-month period has been to carry out initial enquiries into contract failures, to stop any potential wrongdoing and overspending, and to stabilise the service, it is imperative that the Council now addresses the governance failures that led us to this point. It is necessary to:

- review and understand if there were governance and financial management failures and how they occurred;

- make recommendations for change and develop and implement an action plan to ensure more robust governance arrangements;
 - obtain assurance that the governance failures do not exist elsewhere within the service area; and
 - to ensure such a situation could not arise again in the future.
- 7.15 This will be a significant piece of work and will involve a review of management failures relating to the recruitment, management and control of staff and agency workers, the failure of financial controls in respect of contractual spend and governance failures surrounding lack of compliance with procurement procedure rules, decision making and financial procedure rules. For this reason, this workstream is highly relevant to all three of the Council's statutory officers: the Head of Paid Service, the Chief Financial Officer/ s151 Officer and the Monitoring Officer.
- 7.16 There is insufficient capacity internally to progress this work in a timely manner and it is considered there is benefit from some independent scrutiny from external advisors in this matter. Officers therefore intend to seek an additional support from at least one senior external executive to conduct this review.
- 7.17 To ensure robust governance around the work of the Internal Governance Review Team, it is intended that they too will report, on at least a monthly basis, to the Strategic Project Board (Housing), (see para 7.18 et seq. below).

Strategic Project Board (Housing) (SPBH)

- 7.18 To ensure a robust and transparent governance framework around this issue, it is imperative that there is full transparency and oversight at the most senior level of the Organisation.
- 7.19 It is therefore proposed that a Strategic Project Board (Housing) is established with the following membership:
- Chief Executive and Head of Paid Service
 - Monitoring Officer
 - Chief Financial Officer & s151 Officer
 - Strategic Director, Community Wellbeing
 - Leader of the Council
 - Chair of the Corporate Governance & Standards Committee

7.20 The purpose of the Board should be to:

- Receive information and recommendations from the Strategic Project Group (Housing);
- Receive information and recommendations from the External Investigation Team; and
- Receive information and recommendations from the Internal Governance Review Team.

7.21 In turn the Strategic Project Board (Housing) would be responsible for periodically reporting to the Corporate Governance & Standards Committee.

7.22 The proposed governance structure set out in this report can be found at **Appendix 1** attached.

8. Consultations

8.1 Consultation on the content of this report has taken place with the Leader of the Council, the Chair of the Corporate Governance & Standards Committee, the Chief Executive/Head of Paid Service, the Chief Financial Officer/s151 Officer, the Monitoring Officer and the Strategic Director, Community Wellbeing.

9. Key Risks

9.1 There are risks to the integrity of the Council, the Council's financial position, and the service delivery to the community and Council's tenants if the proposals in this report are not adopted.

10. Financial Implications

10.1 There will be a number of costs associated with investigation, part of which may be chargeable to the Housing Revenue Account, for example the interim and agency staff covering vacant posts. The remaining costs will need to be met from the General Fund and this has been reflected in the Period 7 budget monitoring for the Council.

10.2 To date, additional costs are limited to the external investigation team from Reigate & Banstead, forensic analysis costs, legal advice from Counsel and external solicitors. The final costs of this which will be dependent upon the volume of legal advice sought.

Estimate £50-£100k.

- 10.3 The other main costs will be for the Internal Governance Review, provided through external experts, and of the dedicated admin support for this work.

Estimate £200-£250k

- 10.4 Overall total costs chargeable to the General Fund are therefore estimated to be between £250k and £350k.

11. Human Resource Implications

- 11.1 There are no direct human resource implications arising from this report.

12. Equality and Diversity Implications

- 12.1 There are no direct equality and diversity implications arising from this report.

13. Conclusions

- 13.1 The Council is facing a complex and challenging situation in its Housing service, and it is important to ensure there is a robust governance framework in place to govern their approach to dealing with the matter.

- 13.2 This report advises members of the Corporate Governance & Standards Committee of that governance framework, which comprises:

- A Strategic Project Group (Housing)
- An external investigation team
- An internal governance review team

Reporting into:

- A Strategic Project Board (Housing)

Reporting to:

- The Corporate Governance & Standards Committee

14. Background Papers

None

15. Appendices

Appendix 1: Proposed governance structure

Governance Framework: Guildford Borough Council Housing Services

