

Guildford Borough Council

Report to: Corporate Governance & Standards Committee

Date: 26 September 2024

Ward(s) affected: All

Report of Strategic Director: Legal & Democratic Services

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Report status: Open

Proposed disbandment of the Corporate Governance & Standards Committee and establishment of a new Audit & Risk Committee and a Standards Committee

1.1 Executive Summary

1.1 It is good practice to keep the terms of reference of committees under review, as they form a key part of the Constitution of the Council and help to ensure good governance.

2. Recommendation

That the Corporate Governance & Standards Committee recommend to the Council (8 October 2024):

- (1) That the Corporate Governance & Standards Committee be disbanded with immediate effect and replaced by a new Audit & Risk Committee and a new Standards Committee
- (2) That the Terms of Reference for the new Audit & Risk Committee as set out in Appendix 1 and Standards Committee, as set out in Appendix 2, be adopted into the Constitution.

(3) That the Monitoring Officer be given delegated authority to appoint two of the current Independent and Parish Members to each Committee as co-opted non-voting members.

3. Reasons for Recommendation:

3.1 Guildford Borough Council currently has one Committee, the Corporate Governance and Standards Committee, which is responsible for a wide breadth of areas including ethical standards, corporate governance and accounts and audit. Disbanding the Committee and splitting its current workload 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 areas of responsibility and allow for better support and training for members. 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', and the recommendations in this paper will address that concern.

3.2 The Corporate Governance & Standards Committee has been well supported by 3 co-opted Parish Council members and 1 independent member, and we would wish to retain their skills if they are still willing to continue making a contribution to our governance arrangements.

4. Purpose of Report

4.1 This report presents, for members' consideration, the suggested terms of reference for a new Audit & Risk Committee at Guildford Borough Council. These are based on the CIPFA good practice model and will align with the terms of reference of Waverley Borough Council's Audit & Risk Committee.

4.2 This report also presents a new Standards Committee which will deal with the ethical framework, constitutional issues, and member development.

4.3 The terms of reference, if adopted, will meet best practice, and align this part of the Constitution across both Councils.

5. Strategic Priorities

- 5.1 This report will assist in the delivery of the Councils' corporate priorities and collaborative working agenda, in particular Priority 5: A resilient and well managed Council.
- 5.2 An Audit 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 Committee supports the work of the Monitoring Officer in upholding the highest ethical standards within the Councils 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. The CIPFA guidance was endorsed by the former Department for Levelling Up, Housing & Communities, and a copy of the revised CIPFA guidance is set out at Appendix 3. Changes compared to 2018 are the removal of the suggestion that audit committees undertake a wider role in supporting local authorities, and the recommendation that local authorities appoint at least two co-opted independent members. Other new recommendations include:
 - Audit committee members should be trained to fulfil their role.

- Large committees should be avoided.
- The committees should support the maintenance of effective arrangements for financial reporting.

6.3 The current terms of reference for the Corporate Governance and Standards Committee have not been based on CIPFA guidance and therefore it is impossible to do a comparison. A copy of the current terms of reference is set out at Appendix 4. We are suggesting that the large role of this committee is divided into two new committees, one which fits the model of a best practice, Audit & Risk Committee and the other being a Standards Committee which will fulfil the ethical framework role but also have a wider role over governance through the operation of the Constitution and member development.

6.4 We are looking to align the Audit & Risk Committees' terms of reference for both Waverley & Guildford Borough Councils. For both Councils, we are recommending up to two independent members be appointed to the Audit & Risk Committee who can provide technical expertise to support the work of the Committee. This is considered best practice by CIPFA. These positions are as non-voting members.

6.5 As set out above, Guildford Borough Council already has the advantage of four additional (non-councillor) members of the Corporate Governance & Standards Committee, who are highly valued by members and officers for their input. We hope that they would consider remaining on one or other of the new Committees.

Standards Committee

6.6 For both Councils, the proposed role of the Standards Committee comprises three main areas; the ethical framework and standards regime, reviewing the Constitution and member development. Moving to a Standards Committee will allow for a greater focus and training on the ethical framework and the governance across the whole of the Council.

6.7 The revised terms of reference have been based on the current Waverley Borough Council terms of reference with some amendments.

- 6.8 In line with the majority of councils, the current terms of reference say that the parish council representatives may only speak on matters which relate to parish council issues. In practice, those members do speak on matters on the agenda in the role of 'critical friend' to support the work of the Committee, and we are proposing that this be removed from the terms of reference to reflect the actual position. Parish Council members hold non-voting positions.
- 6.9 Guildford Borough Council has a number of additional areas currently in the remit of the Corporate Governance & Standards Committee, namely:
- (a) approving the equality scheme and monitoring E&D policies,
 - (b) monitoring performance on freedom of information and environmental information requests,
 - (c) monitoring data protection and information security initiatives, and
 - (d) planning appeals and S106 monitoring reports.

It is proposed that (a) the equality scheme be adopted by the Executive for the future, and monitored by O&S (b) performance monitoring in these areas should be done by the O&S as part of its overall performance monitoring responsibilities, (c) that any initiatives agreed by the Executive are monitored by O&S and (d) that planning appeals and S106 monitoring reports should be considered by the relevant O&S Committee. The current terms of reference of the O&S Committees are sufficiently wide to allow these areas to be covered.

7. Consultations

- 7.1 The Joint Strategic Director – Finance and Deputy S151 officers have been consulted over the proposed changes, in particular the establishment of a new Audit & Risk Committee and its proposed Terms of Reference. They 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 also supportive of the proposed, including the proposal to create a Standards Committee, as it will help to bring more focus and a greater level of importance to the role of the Committee.
- 7.3 The Executive of Guildford Borough Council has been advised of the proposals and are supportive of the changes as they help the Council to meet the improvement actions which it has agreed to deliver.

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 terms of reference are too broad, then the focus is diluted and there is a lack of support and challenge in appropriate areas.

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 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 Committee could:
 - (a) Recommend that it is disbanded and replaced by two new Committee with the proposed terms of reference set out in this report.
 - (b) Recommend the same but change the terms of reference.
 - (c) Recommend to the Council that the Committee remain in place. However the Council has already agreed as part of its improvement plan to create a new audit committee and this option is not therefore recommended.

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 Committee

Appendix 3: CIPFA Good Practice guidance 2022

Appendix 4: Existing Terms of Reference for the Corporate Governance & Standards Committee