

# **Guildford Borough Council**

Report to: Council

Date: 3 December 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. Executive Summary**

- 1.1 This report gives consideration to a dedicated committee for audit purposes, in accordance with recommendation 9.5 of the Council's improvement plan.
- 1.2 The report also sets out proposed changes to the terms of reference of the Corporate Governance & Standards Committee.
- 1.3 The proposals have been considered by the Joint Constitutions Review Group on 2 September and again on 21 October 2024, and also by the Corporate Governance & Standards Committee at its meetings held on 26 September and 14 November 2024.
- 1.4 The Corporate Governance & Standards Committee has endorsed the recommendation below.

## 2. Recommendation to Council

- (1) That the terms of reference of the Corporate Governance & Standards Committee be amended and the Committee renamed the Standards Committee, with effect from the start of the 2025-26 municipal year.
- (2) That a new Audit & Risk Committee be established, with effect from the start of the 2025-26 municipal year.
- (3) That the proposed Terms of Reference of the new Audit & Risk Committee and Standards Committee, as set out respectively in Appendices 1 and 2 to this report, be adopted into the Constitution, with effect from the start of the 2025-26 municipal year, subject to the amendment in Appendix 2 to indicate that the Standards Committee will co-opt one parish member and one independent member, rather than two parish members.
- (4) 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.
- (5) That it be noted that a further report will be submitted to the Corporate Governance & Standards Committee, by the end of the 2024-25 municipal year, on the review of the terms of reference of the overview and scrutiny committees.

## 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 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 3.

## **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 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 its 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. As the co-optees currently make a valuable contribution to the Committee's work, we would suggest that they are asked to consider sitting on either the Audit & Risk Committee as independent members, or on the Standards Committee as a parish representative or as an independent member.
- 6.6 The Corporate Governance & Standards Committee currently considers S106 contributions and the monitoring of spend, and the co-opted Parish Council representatives on the Committee contribute to this debate. It is proposed that this item should move to be the responsibility of the Overview & Scrutiny Committee - Services.
- 6.7 The Overview & Scrutiny Committee terms of reference currently allow for the co-option of members, and additionally any member of the public may attend and ask questions. The Overview & Scrutiny Committee terms of reference are to be reviewed by the end of the Municipal Year, and this will be an opportunity for the Council to consider how it wishes to involve parish representatives in this area.

- 6.8 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 Committee**

- 6.9 The proposed role of the Standards Committee comprises three main areas; the ethical framework and standards regime, review of the constitution and member development. Moving to a separate Standards Committee will allow for a greater focus on the ethical framework, member development and governance.
- 6.10 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.
- 6.11 It is usual to have at least one parish representative sitting on a Standards Committee, to represent the views of all parishes and parish councillors when decisions are made on standards and conduct issues.

### **Overview & Scrutiny Committees**

- 6.12 The Overview & Scrutiny Committees' terms of reference are already sufficiently widely drafted to include the matters we are proposing to be within their remit.
- 6.13 A review of the Overview & Scrutiny terms of reference will be on the JCRG work programme (together with consultation with those 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 Constitutions 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 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 or Standards 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 At its meeting on 14 November 2024, the Corporate Governance & Standards Committee considered the revised proposals and made the following comments during its debate on the matter:
- The co-opted independent member of this Committee expressed concern that the report had indicated that, if he was willing, he would become an independent member on the new Audit & Risk Committee, whereas his background was in respect of ethical standards related matters. Officers responded by emphasising that the report was seeking approval in principle to the proposed terms of reference of the revised committee arrangements. Once the terms of reference had been accepted, officers would have discussions with the current co-optees to ensure that they had continuing involvement in the committees in some capacity. The full Council, at its annual meeting next year, would make appointments to the committees, including the co-optees to those committees.
  - It was suggested that this Committee could amend the proposals so that the two co-optees on the Standards Committee included one parish member and one independent member. The Joint Strategic Director of Legal & Democratic Services commented

that it was best practice to have co-opted parish representatives on a standards committee because that committee dealt with code of conduct complaints against parish councillors, and it was best practice, under the CIPFA guidance, to co-opt independent members to audit committees.

- Whilst welcoming the proposal to implement the changes from the beginning of the new municipal year to enable further detailed consideration of the proposals, one of the parish representatives expressed concern over the proposal to transfer S106 monitoring and planning appeals monitoring, which were pertinent to parish councils, to the Overview and Scrutiny Committee - Services, where currently there were no co-opted parish representatives. It was suggested that the Overview and Scrutiny Committee should be able to co-opt one of the parish representatives to ensure that they did not lose their collective voice on these two important issues, and that of the two remaining parish representatives, one be co-opted to the new Audit & Risk Committee and the other co-opted to the Standards Committee. The Joint Strategic Director of Legal & Democratic Services commented that the Overview and Scrutiny Committees already had powers to co-opt, either for particular matters or more generally.
- It was suggested that the issues raised by the co-optees should be referred back to this Committee for further consideration.
- A further suggestion was that, as the Standards Committee would also be considering matters other than standards, there might be merit in having one, or two, co-opted parish representative(s) and one independent member on that Committee.
- Welcomed the clear proposals in the report that ensured that all of the current terms of reference of the Corporate Governance & Standards Committee would be allocated to either of the two new committees or to overview and scrutiny, in accordance with best practice. It was noted that any decision to co-opt a parish representative to an overview and scrutiny committee would be a matter for that committee. The Joint Strategic Director of Legal & Democratic Services commented that the Joint Constitutions Review Group would shortly be reviewing the terms of reference



of the overview and scrutiny committees, the outcome of which would be reported back to this Committee before the end of the current municipal year and that, as part of that review, it would be possible to consider whether the terms of reference should include the co-option of a parish representative.

The Committee agreed that full Council, at its meeting on 3 December 2024, be asked to approve the following recommendation:

- (1) That the terms of reference of the Corporate Governance & Standards Committee be amended and the Committee renamed the Standards Committee, with effect from the start of the 2025-26 municipal year.
- (2) That a new Audit & Risk Committee be established, with effect from the start of the 2025-26 municipal year.
- (3) That the proposed Terms of Reference of the new Audit & Risk Committee and Standards Committee, as set out respectively in Appendices 1 and 2 to the report submitted to the Committee, be adopted into the Constitution with effect from the start of the 2025-26 municipal year, subject to an amendment in Appendix 2 to indicate that the Standards Committee will co-opt one parish representative and one independent member, rather than two parish representatives.
- (4) 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.
- (5) That it be noted that a further report will be submitted to the Corporate Governance & Standards Committee, by the end of the 2024-25 municipal year, on the review of the terms of reference of the overview and scrutiny committees.

## **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 Council can either:

- (1) approve or amend the proposals in this report; or
- (2) request officers to re-submit further proposals.

## **15. Background Papers**

- Terms of Reference: Corporate Governance & Standards Committee (Part 3 of the GBC Constitution)
- 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: Table showing the proposed governance route for the existing Corporate Governance & Standards functions