

Slough Borough Council

Report To:	Council
Date:	23 January 2025
Subject:	Changes to the Council's Constitution – Audit and Corporate Governance Committee and Treasury Management functions
Chief Officer:	Sukdave Ghuman, Director of Law and Governance/Monitoring Officer
Contact Officer:	Sarah Wilson, Assistant Director – Legal and Governance
Ward(s):	All
Exempt:	NO
Appendices:	Appendix A – Draft Article 9 Audit and Corporate Governance Appendix B – Draft Article 9A Standards Committee Appendix C – Draft extract to 4.6 Financial Procedure Rules

1. Summary and Recommendations

- 1.1 This report sets out proposed amendments to Article 9, 9A and 4.6 of the Council's Constitution.

Recommendations:

Council is recommended to:

1. Approve the proposed new Article 9 – Audit and Corporate Governance Committee and Article 9A – Standards Committee terms of reference to take effect on the day after Full Council approval
2. Approve the changes to Part 4.6 Financial Procedure Rules in relation to treasury management to take effect on the day after Full Council approval.

Reason:

The Council is required to prepare and keep up to date a constitution under the Local Government Act 2000. This requires that individual parts of the Constitution are subject to regular review to ensure they remain in accordance with the law and best practice.

The proposed changes have been reviewed by the Member Panel on the Constitution.

Commissioner Review

"The commissioners note the content of this report and that although no single model of audit committee is prescribed, best practice indicates that to be effective the audit & corporate governance committee needs to be independent from executive and scrutiny. The Council will need to ensure that the ultimate role of the audit and corporate governance committee is not compromised by too much cross-membership with scrutiny.

Where the audit and corporate governance committee has been nominated to ensure effective scrutiny of the treasury management strategy and policies, it will need to undertake a scrutiny role in accordance with the Treasury Management Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit and corporate governance committee."

2. Report

Options considered

The changes to the Audit and Corporate Governance Committee and Standards Committee terms of reference are to reflect the proposals put forward to Council in November 2024 to change the restrictions on overlap between committees to better reflect the current political make up of the Council.

There are also proposed changes to the Audit and Corporate Governance Committee and Financial Procedure Rules in relation to treasury management functions.

These proposed changes have been discussed by the Member Panel on the Constitution (MPOC) and that Panel is supportive of the changes.

Changes to rules on overlap between committees

2.1 The current terms of reference for Audit and Corporate Governance Committee and Standards Committee state that there should be no more than a two member overlap between Audit and Corporate Governance Committee and Corporate Improvement Scrutiny Committee (CISC) and no overlap between Audit and Corporate Governance Committee and Standards Committee. It is proposed to remove the restriction for no overlap between Audit and Corporate Governance Committee and Standards Committee on the basis this appears to be an error or anomaly and serves no obvious benefit. It is also proposed to increase the overlap between Audit and Corporate Governance Committee and (CISC) to a maximum of four to reflect the fact the Council now has four political groups and that there is currently an overlap of four members across three political groups.

2.2 The MPOC have reviewed and discussed the main changes and agree that these are appropriate, having regard to the guidance from CIPFA on Audit Committees and the political make-up of the Council. The MPOC also requested consideration of removal of the political proportionality rules and a meeting between Group Leaders prior to nominations to this committee to allow the committee to be made up of members with experience, knowledge, skills and an interest in the work of the committee without being restricted to meeting political proportionality. Whilst the Council can depart from political proportionality on a committee, it can only do so by Full Council passing a resolution with no member voting against the resolution. Therefore, this would be a matter for Annual Council to determine at the point committee appointments are being made. Democratic

services will put in place a process to allow a discussion to take place between Group Leaders prior to Annual Council each year.

Changes to rules on roles and responsibilities for treasury management function

2.3 The Treasury Management Strategy is approved by Council on an annual basis. It was subject to a fundamental review in 2021/22 following the issuing of a s.114 and a new finance team being in place. Since then, there have been differences in approach in relation to reporting on progress against the strategy and this was raised as a concern by Audit and Corporate Governance Committee in November 2024.

2.4. Officers have conducted a review of the current constitutional provisions as against the CIPFA Code of Practice – Treasury Management in the Public Sector 2021. This has highlighted the minimum reporting requirements and clauses for adoption by the Council as part of its financial regulations.

2.5 The changes set out in Appendix C are proposed to comply with these minimum requirements, but it is also recommended to including additional clauses to comply with other treasury management principles, including:

- (a) That the delegated officer must undertake all borrowing in accordance with the approved strategy and plan and any decision not in accordance with the approved strategy must be taken to Full Council. This picks up on learning following decisions to loan money to GRE5.
- (b) Confirmation that Audit and Corporate Governance Committee will be responsible for effective scrutiny of the strategy and policies and will receive the draft strategy, mid-year review and outturn report in advance of them being submitted to Full Council. This picks up on questions raised by committee members on its role and reporting to allow for effective scrutiny.
- (c) That officers are expected to keep full records of all decisions both for the purposes of learning from the past and accountability. This picks up from concerns raised by external auditors about record keeping and quality of data to inform decision-making.
- (d) That there must be effective systems in place for separation of functions and officers tasked with treasury management functions are professionally competent and there is effective deputisation arrangements. Those tasked with monitoring and scrutiny should receive training and flag any training needs. This picks up on learning from the accounts closure process in previous years, as well as learning from other councils who have excessively borrowed beyond their means.
- (e) Clarification that the Council must not borrow primarily for a financial return. This picks up on learning from historic borrowing decisions in SBC and other councils.

2.6 The MPOC were supportive of the changes. This alongside the recommended draft strategy, confirm that Full Council will receive three reports a year (as a minimum): the draft Treasury Management Strategy, a report on performance of the previous year's strategy and a mid-year review. All of these will be reviewed by the Audit and Corporate Governance Committee in advance of submission to Full Council in order for this committee to fulfil its monitoring / scrutiny function.

Status Update

2.7 A status update was shared with the MPOC. A discussion on the Council Procedure Rules will take place at the next meeting. The statutory governance officers will review the proposal to have a new Statutory Governance Officer Protocol and a new protocol on

council companies and connected entities, with a view to that being brought to the MPOC for discussion this municipal year.

2.6 There are some protocols in the ethical framework which have not recently been reviewed and whilst there is no information to suggest these need updating, good practice would indicate that they should be reviewed. These include the rules on sponsorship and donations, joint protocol with the external auditor and anti-fraud arrangements. This will be a focus for the remainder of the municipal year, with a view to an annual update report on the Constitution being presented to Annual Council.

3. Implications of the Recommendation

3.1 Financial implications

3.1.1 There are no financial implications directly resulting from the recommendations of this report.

3.2 Legal implications

3.2.1 The Council is required to prepare and keep up to date a constitution under the Local Government Act 2000. Under the Local Government and Housing Act 1989 and the Local Government Regulations 1990 the Council must allocate seats on Committees to give effect to the political balance rules. Section 17 of the 1989 Act states that the rules of political proportionality shall not apply in relation to appointments to a relevant committee if the prescribed procedure set out in the Regulations has been complied with and no member of the authority has voted against the proposal.

3.3 Risk management implications

3.3.1 The changes support the Council to comply with the law and good governance.

3.4 Environmental implications

3.4.1 There are no identified environmental implications.

3.5 Equality implications

3.5.1 There are no specific equality implications arising from this report.

4. Background Papers

None