

Audit, Governance & Standards Committee

18 September 2017

Is the final decision on the recommendations in this report to be made at this meeting?

Mixed

Co-Opted Independent Members

Final Decision-Maker	Full Council (on the constitutional amendments, recommendation 1) Audit, Governance & Standards Committee (on the delegations, recommendation 2)
Lead Head of Service	Rich Clarke – Head of Audit Partnership
Lead Officer and Report Author	Rich Clarke – Head of Audit Partnership
Classification	Public
Wards affected	All wards

This report makes the following recommendations to this Committee:

1. To **Recommend** that **Council** changes the constitution to allow the Audit, Governance & Standards Committee to include co-opted independent members.
2. To **delegate** to the Director of Finance & Business Improvement powers, in consultation with the Chair of the Audit, Governance and Standards Committee and following the above constitutional changes, to fill the role of co-opted independent members. This will include composing a job description, setting pay and managing recruitment.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all -
- Securing a successful economy for Maidstone Borough -

The proposal helps support the good governance of the Council and so helps with achievement of both corporate priorities.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	18 September 2017
Council (on recommendation 1)	27 September 2017

Co-Opted Independent Members

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report comes following discussions between the Head of Audit Partnership, Director of Finance & Business Improvement and the Committee Chair. While all recognise the Committee's current effective work, as confirmed by its most recent annual report, we note that similar committees elsewhere have improved still further through adding independent co-opted members.
- 1.2 So, this report aims to provide Members with an illustration of different models of committee composition elsewhere in local government. It also aims to highlight advantages and disadvantages of each and closes with a recommendation that this Committee should seek two co-opted independent members.
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2. INTRODUCTION AND BACKGROUND

- 2.1 To avoid confusion, the following terms are used in this report:
- **Audit Committee Member** = an elected Member who sits on the Audit, Governance & Standards Committee (or equivalent committee when the report discusses another council).
 - **Co-Opted Independent Member** = a role not currently within the Council's constitution but discussed in this report.
 - **Independent Member** = an elected member who is not part of a national political grouping.
 - **Parish Member** = a parish councillor invited to attend the Audit Committee.
 - **Independent Person** = the specific role set out in the Councillor Code of Conduct and involved in managing complaints.
- 2.2 The Council's Constitution (at 2.2.12) describes the Audit, Governance & Standards Committee membership:
- Membership: 9 Councillors** *(plus 2 non-voting Parish Councillors for the Standards Hearings Sub-Committee, for Parish Council matters; and the Council's Independent Person(s) also to be invited.*
- 2.3 Taken with the political balance demands at section 1.4 of the Constitution the Committee currently comprises 4 Conservatives, 4 Liberal Democrats, 1 Labour and 1 Parish Member.
- 2.4 Looking more broadly across local government, it is common for councils to supplement their Audit Committee with Co-Opted Independent Members. [Research undertaken by CIPFA in late 2016](#) highlighted how common.

Number of Co-Opted Independent Members	Proportion of Committees 2016	Proportion of Committees 2011
None	61%	69%
One	14%	16%
Two	17%	11%
Three to Five	7%	5%
More than Five	2%	0%
Total with Co-Opted Members	39%	31%

2.5 We must note that the figures show the influence of external causes such as national changes to Standards regimes and the Welsh Government decision in 2012 to mandate co-opted members. However, even considering just 'traditional' audit committees in England alone, almost half (45%) have at least one co-opted Independent Member. As is also clear, audit committees have had Co-Opted Independent Members for some time now, so see continuing value in their presence.

2.6 The most common reason cited for seeking Co-Opted Independent Members lies in recognition that work of an Audit Committee concerns technical financial and governance matters. In these fields especially, Elected Members recognise the benefit in having independent expert contributions to help them provide effective challenge and scrutiny to officers. This experiential demand is common with job descriptions for Co-Opted Independent Members. The quote below, for example, comes from a recent [advertisement](#) for a similar role in Richmond London Borough.

You should have experience either within a financial, accounting or audit background or of governance issues more generally. For this position, you should be able to demonstrate the ability to analyse information and to question effectively, have effective interpersonal skills, a willingness to maintain confidentiality, and have high standards of personal integrity.

2.7 Closer to home, many Members will be aware that Tunbridge Wells Audit & Governance Committee has featured Co-Opted Independent Members for many years. Currently, their Committee comprises eight Elected Members, two Parish Members and three Co-Opted Independent Members who serve four-year terms.

2.8 Beyond the added expertise, Tunbridge Wells' [constitution](#) cites further benefits:

Co-opted [independent] Members [also] help increase public confidence in the Council by promoting high ethical standards. Independent Members also bring a wider perspective from their outside experiences.

2.9 The precise role of Co-Opted Independent Members takes on many different forms. In the report author's experience the role most resembles that at Tunbridge Wells. That is, there are one or more added committee members with the same general audit committee role as elected Members. Some authorities, however, seek Co-Opted Independent Members for specific purposes. For example, [Royal Borough of Greenwich](#) has a Co-Opted Independent Vice-Chair who also serves as the Council's Independent Person. This individual then chairs the group when sitting as a Standards

Committee. As another example, [Woking Borough Council](#) have a Co-Opted Independent Member as Chair. However, the report author is not aware of any arrangement (in local government at least) which grants Independent Co-Opted Members voting or decision making rights.

2.10 Those authorities without Independent Co-Opted Members typically cited one or both of two reasons within CIPFA's research. The first is more philosophical, summarised by a Head of Internal Audit at an English Unitary Council as:

"there is a reluctance to do this [seek independent co-opted members] in my authority. Elected members are of the view that they have been democratically elected by the public and therefore have a vested interest in ensuring that the Council maintains an effective system of governance, control and risk management".

2.11 The second cited reason is more practical: difficulty in finding suitable applicants. This is especially the case where councils offer the role unpaid, or with just expenses. While many authorities have achieved success in finding volunteers, typically most councils who have found good applicants have offered pay. Exactly how much pay varies. At Tunbridge Wells for example it is £800 a year, whereas other authorities offer a by-meeting payment that varies between £100 and £500.

2.12 While the pay is no doubt welcome for applicants, authorities also see it as an important expression of a commitment to the role for both sides. By offering payment, the council signals its intent to fill the role and expectation the applicant performs with commitment and professionalism. The council also recognises the need for compensation to gain those qualities.

3. AVAILABLE OPTIONS

3.1 As noted above, the Audit, Governance and Standards Committee currently performs effectively. It does so with contributions of all its members, including Parish Members. Therefore the Committee would suffer no loss in deciding to continue its existing basis without Co-Opted Independent Members.

3.2 If the Committee did seek to include Co-Opted Independent Members there exist many models of how they might integrate with the Committee. Beyond those, of course, the Council could seek to design its own approach. Subject to Council agreement to necessary constitutional changes, the Committee can seek any model for its membership to meet its needs.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Within that broad scope, though, our recommendation is the Committee seeks to recruit two Co-Opted Independent Members. The advantages of having two such Members lay in resilience and broadening the range of perspectives and experience available to the Committee without overwhelming or adversely affecting its balance.
- 4.2 We further propose the appointment be four years. This will signal the Council's commitment to the role to potential applicants. It also provides an opportunity later to review effectiveness and vary, expand or delete the role as needed.
- 4.3 We also propose the Council offer pay for the role. The precise figure will be agreed in consultation between the Director of Finance & Business Improvement, the Shared Head of Human Resources and the Committee Chair. However, we are mindful of figures offered by neighbouring authorities and so anticipate offering in the range of £700 to £1,000 per year.
- 4.4 Therefore we invite the Committee to recommend to Council the relevant section of the constitution (which currently reads as at paragraph 2.2 of this report) to instead read:

Membership: 9 Councillors (plus 2 non-voting Co-Opted Independent Members and a non-voting Parish Council Representative. Also 2 Parish Councillors for the Standards Hearings Sub-Committee, for Parish Council matters; and the Council's Independent Person(s) also to be invited.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 This report was prepared following discussions with the Audit, Governance and Standards Committee chairman.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 On agreeing the recommendations, the Director of Finance & Business Improvement will arrange for presentation to full Council on the necessary constitutional changes.
 - 6.2 Once the constitution allows, the Director of Finance & Business Improvement will then lead on recruiting suitable Co-Opted Members. He will do so in consultation with the Committee Chairman and other Committee Members as fitting. This may include, on request, providing updates to future meetings. We aim to have the Co-Opted Members in place in time to begin attending Committee meetings in the 2018/19 municipal year at the latest.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims through improved governance.	Rich Clarke 1 September 2017
Risk Management	The proposals result in no new risks that lay beyond the Council's risk appetite.	Rich Clarke 1 September 2017
Financial	Accepting the recommendations will demand extra spending on training, recruitment and pay of Independent Members. The Director of Finance & Business Improvement is satisfied that spending can be delivered within existing approved budgets.	Section 151 Officer & Finance Team
Staffing	Accepting the recommendations will commit to adding two new individuals to the Council's payroll.	Rich Clarke 1 September 2017
Legal	The Committee may add co-opted independent members subject to permission of the Council's constitution.	[Legal Team]
Equality Impact Needs Assessment	We do not expect the recommendations to have varying impacts on different communities within Maidstone. We will undertake recruitment in line with agreed policies, which include appropriate consideration of equalities.	Rich Clarke 1 September 2017
Environmental/ Sustainable Development	We do not expect any impact in these areas.	Rich Clarke 1 September 2017
Community Safety		
Human Rights Act		
Procurement		
Asset Management		

8. REPORT APPENDICES

This report has no appendices.

9. BACKGROUND PAPERS

Background papers in compiling this report are referenced within as hyperlinks and include:

- CIPFA Survey on Local Authority Audit Committees: A Briefing from the CIPFA Better Governance Forum (November 2016).
- TWBC Constitution
- London Borough of Richmond: Role of the Independent Member of the Audit Committee.