

REPORT TO:	ANNUAL COUNCIL 4 MAY 2021
SUBJECT:	INDEPENDENT CHAIR OF THE GENERAL PURPOSES AND AUDIT COMMITTEE
LEAD OFFICER:	Asmat Hussain, Executive Director of Resources and Deputy Monitoring Officer (Interim)
WARDS:	ALL
CORPORATE PRIORITIES 2020-2024	
This recommendations in this report support the Council's commitments to practicing sound financial management and being an honest, open and transparent Council.	
FINANCIAL IMPACT	
While there are no financial implications arising directly from the recommendations in this report, there may be future additional costs in relation to allowance payments to an Independent Chair of the General Purposes and Audit Committee which will be contained within existing revenue budgets.	

1. RECOMMENDATIONS
Council is recommended to consider the detail of this report and
1.1 Agree to delegate authority to the Executive Director of Resources and Deputy Monitoring Officer (Interim), and the Interim Director of Finance, Investment and Risk and Section 151 Officer, to take the necessary actions to commence a recruitment process for an Independent Chair of the General Purposes and Audit Committee;
1.2 In order to commence the recruitment process, agree that the Executive Director of Resources and Deputy Monitoring Officer (Interim), and the Interim Director of Finance, Investment and Risk and Section 151 Officer, be delegated authority to prepare a role profile for the Independent Chair including the proposed level of remuneration, to establish a Member-led recruitment and selection process by which the Chair will be recruited and formally appointed, and to commence that recruitment and selection process; and
1.3 Agree that a further report be presented to Council at its meeting on 5 July 2021, that will update Members on progress and seek approval for the necessary changes required to the Constitution to enable an Independent Chair to be formally appointed to the General Purposes and Audit Committee.

2. EXECUTIVE SUMMARY

- 2.1 The Non-Statutory Rapid Review of the Council undertaken on behalf of the Ministry of Housing, Communities and Local Government (MHCLG) in November 2020, included a recommendation that “the Council should give consideration to appointing a Chair from outside the majority group to its General Purposes and Audit Committee (GPAC)”.
- 2.2 At its Budget Setting meeting on 8 March 2021, Council heard from the Leader, Councillor Hamida Ali, that the potential for an independent Chair of GPAC would be explored.
- 2.3 This report provides initial detail to council on the potential for appointing an Independent Chair of GPAC and the steps that will need to be completed to implement this change.

3. BACKGROUND

- 3.1 Responsibility for the Council’s Audit functions within its formal decision-making process have sat within the General Purposes and Audit Committee (GPAC) since the Annual Council meeting held on 3 June 2014. Membership of GPAC has included two unpaid independent members since its inception, who are involved with the Committee’s audit functions only.
- 3.2 GPAC has been chaired by a member of the majority group since its creation in June 2014. The MHCLG Rapid Review in November 2020 included a recommendation that consideration be given to appointing a Chair from outside the majority group. The full recommendation reads:

“The Council review its Assurance process and produce a more robust Assurance Framework to ensure that the checks and balances that should be in place to anticipate, alert and escalate any significant potential failings are effective. This Assurance Framework should be agreed with the Council’s budget for 2021/22. Within this the Council should give consideration to appointing a Chair from outside the majority group to its General Purpose and Audit Committee”.

4. THE POTENTIAL FOR AN INDEPENDENT CHAIR

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) last undertook a survey on the structure and composition of Local Authority Audit Committees in 2016 and the full results of that survey can be read here - https://www.cipfa.org/-/media/Files/Services/Networks/corporate-gov/Local_Authority_Briefing.pdf
- 4.2 The results of that survey showed that just under 10% of Local Authority Audit Committees were chaired by independent co-opted members.
- 4.3 While the CIPFA survey did not detail the reasons why those local authorities had taken the decision to select an independent Chair of their Audit Committee, factors that local authorities may have taken into consideration include:

- i) A desire to ensure that the Committee is independent of the Council's executive;
 - ii) Ensuring that audit isn't seen to just be a function of opposition members;
 - iii) Ensuring that administration and opposition members are brought together to work in a non-political way;
 - iv) Ensuring that the Chair has the knowledge and professional experience necessary to fulfil the functions of the role as effectively as possible; and
 - v) Ensuring continuity of leadership for the Committee where membership would normally be affected by the electoral cycle
- 4.4 Collectively, the above considerations would all enhance the Council's governance and accountability framework.

5. ISSUES TO BE CONSIDERED AND NEXT STEPS

- 5.1 There are a number of issues that the Council will need to consider and reach agreement upon in order to be able to formally appoint an independent Chair of GPAC.
- 5.2 Those issues include but are not limited to the following:
- i) Agreeing a role profile for an independent chair, including a clear definition of 'Independent' for these purposes, the term of the role and capturing existing good practice from elsewhere;
 - ii) Agreeing the level of remuneration for an independent chair and ensuring that there is sufficient budget available to fund this growth;
- 5.3 The Council will also need to review and agree changes to a number of aspects of its Constitution, which will include the following:
- i) Amending the scheme of Members' allowances (Part 6A) to enable an independent co-opted Member to receive remuneration as this is currently expressly excluded in the scheme;
 - ii) Amending the Scheme of Co-option (Part 6D) to allow an Independent Chair to be appointed to GPAC and to agree the ongoing role of existing co-opted independent members on the Committee;
 - iii) Reviewing the Council's Non-Executive Committee Procedure Rules (Part 4F), and to agree any impact on the role of the Vice-Chair and limitations on their power to act in the absence of an independent chair;
 - iv) Reviewing the Council's Financial Regulations (Part 4H) to make any necessary changes to reflect the role of the Independent Chair of GPAC;

- v) Update the Responsibility for Functions (Part 3) to reflect the revised membership of the Committee and to establish the decision-making pathway for formally appointing an Independent Chair of GPAC; and
 - vi) To end the current arrangements for the two independent, non-voting co-opted Members of GPAC.
- 5.4 In order to implement an independent chair of GPAC in a timely and efficient manner, it is recommended that Council agrees to delegate authority to the Executive Director of Resources and Deputy Monitoring Officer (Interim) and the Interim Director of Finance, Investment and Risk and Section 151 Officer, to
- i) prepare a role profile for the independent chair, including the proposed level of remuneration;
 - ii) establish a Member-led recruitment and selection process by which the independent chair will be recruited and formally appointed; and
 - iii) commence the recruitment and selection process.
- 5.5 The Member-led recruitment and selection process to be developed to recruit the independent chair will be politically balanced and as far as practical, reflect the practices of the Appointments Committee in recruiting senior staff.
- 5.6 In tandem, officers will begin undertaking the necessary work to draft the Constitutional changes that are required in order for them to be presented, alongside with an update on progress on the actions in paragraph 5.4 above, to Council for agreement at its meeting on 5 July 2021.

6. CONSULTATION

- 6.1 The final proposals for an independent chair of GPAC will be consulted on with the relevant professional trade bodies and the Council's external auditor and the associated constitutional changes required will be brought back to Council for agreement.

7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 7.1 There are no immediate financial implications arising directly from the recommendations in this report. However, there may be future additional costs in relation to allowance payments to an Independent Chair of the General Purposes and Audit Committee and if specialist recruitment support is required. Any costs associated with this appointment either with regard to allowances or recruitment will need to be contained within existing budget provisions.

Approved by Chris Buss -Interim Director of Finance, Investment & Risk.

8. LEGAL CONSIDERATIONS

- 8.1 The recommendations and the content of the report are in line with the Council powers set out in the Local Government Act 1972. Further provisions are set out in the Scheme of Co-option in Part 6D of the Council's Constitution which will require further consideration as the process is underway.

Approved by: Asmat Hussain, Executive Director of Resources and Deputy Monitoring Officer (Interim)

9. HUMAN RESOURCES IMPACT

- 9.1 There are no human resources impacts arising directly from the content of this report.

Approved by: Sue Moorman, Director of Human Resources

10. DATA PROTECTION IMPLICATIONS

- 10.1 There are no data protection implications arising from the content of this report.

Approved by: Asmat Hussain, Executive Director Resources and Deputy Monitoring Officer (Interim)

CONTACT OFFICER: Stephen Rowan, Head of Democratic Services and Scrutiny

APPENDICES TO THIS REPORT: None

BACKGROUND DOCUMENTS: None