

**Cheltenham Borough Council
Council**

21 July 2014

Appointment of Independent Members to the Audit Committee

Accountable member	Cabinet Member Corporate Services, Councillor Jon Walklett
Accountable officer	Mark Sheldon, Director of Resources
Ward(s) affected	N/A
Significant Decision	No
Executive summary	<p>The Audit Committee has 7 elected members and is politically balanced. This report considers the benefits of appointing independent members to Audit Committee and makes recommendations to Council regarding appointment of non-voting co-optees.</p> <p>The report was discussed by Audit Committee on 18 June 2014 and the minutes of that meeting are attached as Appendix 2. They were supportive of the principle of appointing Independent Members but wished for guidance from Council on the criteria for defining an 'independent' member.</p>
Recommendations	<p>The Audit committee recommends to Council that</p> <ul style="list-style-type: none">i) the terms of reference of the Audit Committee be amended to allow it to appoint up to 3 co-optees as non-voting membersii) it agrees the recruitment processes and determines the selection criteria as set out in section 2 of this reportiii) it considers whether to place a restriction on co-optee appointment to both Committee chair and vice-chair as set out in section 3 of this reportiv) it authorises the Borough Solicitor and Monitoring Officer to make any necessary changes to the Constitution to reflect the above
Financial implications	<p>If the co-optee was elected as chair then Council would need to determine whether they are eligible to receive the SRA. There would be no cost implications if the level of the SRA remain unchanged. Co-optees on other committees are currently paid travelling expenses but no allowances.</p> <p>Contact officer: Mark Sheldon, Director of Resources, mark.sheldon@cheltenham.gov.uk, 01242 26 4123</p>

Legal implications	<p>Whilst the principle of appointment of co-optees to Committee must be agreed by Council, the actual appointment of co-optees can be made by Committee. Co-optees are not entitled to vote nor do they have a right to attend Council meetings (save in their capacity as a member of the public). In theory, a co-optee can be elected as chairman but they would not have a second or casting vote. They are bound by the Committee Procedure Rules and also the Code of Members' Conduct.</p> <p>Contact officer: peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>Contact officer: Julie McCarthy, GO Shared Service Human Resources Manager (West), julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	As set out in the report
Corporate and community plan Implications	Strengthening our communities by involving local residents in the democratic process
Environmental and climate change implications	None
Property/Asset Implications	<p>None</p> <p>Contact officer: David Roberts@cheltenham.gov.uk</p>

1. Background

- 1.1** Following the recent borough elections, Council appointed 7 elected members and a Vice Chair of Audit Committee at Selection Council on 2 June 2014. It did not appoint a chair in the expectation that Audit Committee would elect a Chair at its first meeting. It met on the 18 June 2014 and the committee agreed that the Vice Chair, Councillor Nelson, would assume the role of Chairman, until the committee was in a position to consider the matter again.
- 1.2** It has been suggested that Audit Committee may benefit from having some independent members as co-optees.
- 1.3** The report to Council in December 2006 made the following reference to co-optees in paragraph 3.14/3.15:
- “Often the injection of an external view through co-option can be beneficial; these members of the committee may not have voting rights, which allows flexibility in co-option and retains the decision-making function with permanent members of the audit committee...”
- Although not explicit in the *CIPFA guidance Audit Committees: Practical Guidance for Local Authorities*, the implication is that a dedicated Audit Committee can look to appoint members with skills and interests specific to this area. The committee benefits from Members with financial awareness, independence of thinking and a balanced approach to significant issues and from Members recognising and valuing the audit function. All members of the Committee would be given appropriate training to ensure they could build up their knowledge and expertise.”
- 1.4** There is still a prevalent view nationally that there is value in having co-opted members on the Audit Committee and the Head of Audit Cotswolds is supportive of this approach.

- 1.5 The report was discussed by Audit Committee on 18 June 2014 and the minutes of that meeting are attached as Appendix 2. They were supportive of the principle of appointing Independent Members but wished for guidance from Council on the criteria for defining an 'independent' member.
- 1.6 Democratic Services have since carried out some research across other councils and the results are attached as Appendix 3.

2. Recruitment and Selection of Co-optees

- 2.1 The Audit Committee did not consider a process for recruiting and selecting co-optees and wanted guidance from Council on this.
- 2.2 The appointment of the co-optees can be made by the Audit Committee and Council are being asked to approve the arrangements and process for this to be achieved.
- 2.3 The current Audit Committee has no co-optees and the recommendation is that it appoints up to three. Any appointments made by the Committee would, it is suggested, be subject to review by the Committee after one year of operation.
- 2.4 It would be the intention for an advertisement for the co-optees to be placed on the Council's website and supported by media releases. An application form would be available together with a person specification and role description to be produced by officers. It would also be circulated to Elected Members so they could pass it on to anyone who might be interested.
- 2.5 It is for Council to decide whether to set criteria for eligibility. The minimum suggested criterion is:
- i) the applicant shall not be an elected Member or officer of Cheltenham Borough Council
- Council should also consider whether it wishes to apply further criteria, which could include that the applicant shall not be:
- ii) a member of a political party, and/or
 - iii) a Member or officer of another local authority, and/or
 - iv) a Member or officer of Cheltenham Borough Council (or another local authority) within the last x years, and/or
 - v) a close friend or relative of a current Cheltenham Borough Council Member or officer.
- 2.6 It is suggested that co-optees would be eligible to receive travel expenses and if the co-optee was elected as Chair they would receive the Chair's allowance, currently set at £454 per annum.
- 2.7 In terms of arrangements for selecting applicants for consideration by the Audit Committee, it is proposed to set up a small Panel which would make recommendations to the Committee. It is suggested that the Panel comprise the Director Resources and the Democratic Services Manager or their representative.

3. Election as Chairman or Vice Chairman

- 3.1 The legal position is that a co-optee could in theory be elected as chair but, as they are non-voting, they would not have a second or casting vote. They could also be elected as a vice-chair. Council may wish to consider placing a restriction in the Constitution that both the chair and vice-chair shall not be co-optees.

4. Reasons for recommendations

- 4.1 The report has been brought to Council as a result of a suggestion from a Group Leader and a subsequent recommendation from the Audit Committee. The advantages are set out in paragraph

5. Alternative options considered

5.1 Continue with the current make up of the committee.

6. Consultation and feedback

6.1 The Chief Executive has consulted with Group Leaders as part of this process and they felt it was a matter that should be considered by the committee. The importance of a co-opted chair being independent was highlighted and the need for an open appointment process.

6.2 The feedback from the Audit Committee is set out in Appendix 2.

7. Performance management –monitoring and review

7.1 Not applicable

Report author	Contact officer: Rosalind Reeves, Democratic Services Manager Rosalind.reeves@cheltenham.gov.uk , 01242 77 4937
Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Extract of the minutes of Audit Committee 18 June 20143. Research from other Councils
Background information	None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If no applicants come forward for the position of co-optee then the Audit Committee will remain without independent members	Director of Resources	06//07/2014	2	4	8	Reduce	Issue press release and Local Advertisement (website). Ensure that job description and person specification are as comprehensive as possible.	30/10/2014	Director of Resources	

Extract from the Minutes of the Audit Committee 18 June 2014

The Director of Resources explained that the committee had been discussing, for some time, the benefits of independent representation, which was increasingly considered as good practice. There was however, no provision within the current terms of reference to allow the committee to appoint independent members. If members were minded to appoint independent members it would need to make onward recommendations to Council, as set out in the report. He acknowledged that no chairman had been elected at Selection Council and felt that it was necessary for the committee to first decide whether it accepted the benefits of independent representation and then make a decision regarding chairmanship separately.

Members accepted that independent representation on the Audit Committee was widely deemed as good practice. There was consensus that benefits would include additional and specific skills and expertise and that this would assist the public perception of the committees independence.

There was some debate regarding the definition of an independent member. Members agreed that existing officers or Members of Cheltenham Borough Council, or close friends or relatives of those persons, should not be considered eligible to apply.

A member felt strongly that in the interest of independence and the perception of independence, this should include those persons that had been an Officer or Member in the last five years. He was aware that the former Chair of the committee who had not stood in the recent elections, had indicated that he would be interested in co-opting onto the committee and Chairman. The member felt strongly that any co-opted member should not be a member of a political party, especially one that held the position of chair. In his opinion the chair, by the very nature of the role, would be able to influence the direction discussion and that this would undermine the committee. Other members of the committee felt that it would be difficult enough to find interested representatives with the relevant skills and expertise without limiting eligibility any further than existing officers and Councillors or their friends and family.

The committee were reminded that at this stage they were simply being asked to agree, in principle, for the provision of co-opted members on the committee. Council would decide the selection and appointment procedure and the Monitoring Officer, having been authorised to make the relevant changes, could well invite the constitution working group to take a view on this.

The Vice Chair was happy that the comments from this discussion would be included within the report that was taken to Council.

Upon a vote it was unanimously

RESOLVED that the committee recommends to Council that

- i. The terms of reference of the Audit Committee be amended to allow it to appoint up to 3 co-optees as non-voting members;**
- ii. It authorises the Borough Solicitor and Monitoring Officer to make any necessary changes to the constitution;**
- iii. It agrees a selection/appointment procedure for appointment of the co-optees.**

What other authorities have done

A number of authorities have independent representation on Audit Committee.

1. The voting rights of co-opted members of the Audit Committees;

(our legal officer has queried how voting rights are achieved in some of the councils listed and is awaiting a response)

Bristol City – voting

Bath and North East Somerset – voting

Plymouth City – voting

Epping Forest DC – voting

Forest of Dean – non-voting

2. How many co-opted members do other authorities have;

Bristol City – tbc

Bath and North East Somerset – one

Plymouth City – two

Epping Forest DC – tbc

Forest of Dean - one

3. The recruitment/appointment processes

Bath and North Somerset – advertisement in Council magazine and local press and interview. Had originally targeted major employers but this did not prove successful.

Epping Forest DC – public advertisement and interviews conducted in accordance with arrangements agreed by Council.

4. How did they define an independent member;

Bath and North East Somerset – ‘Not currently a Councillor or employee with North Somerset and able to consider matters without regard for personal political views’ was essential and ‘not currently a councillor with any local authority and not previously a Councillor with North Somerset council in the last 5 years. Not currently a director or employee with the council’s principle partner organisations’ was desirable.

5. Other interesting facts;

Bath and North East Somerset -

Epping Forest DC – the terms of reference for the committee states that both Councillors and co-opted members shall be eligible for appointment of Chairman and Vice-Chairman. Where the Chairman of the committee is a Councillor, the Vice Chairman shall be a co-optee and where the Chairman is a co-opted member the Vice Chairman shall be a Councillor.

Council’s in Wales are required to have at least one independent member.