

Recruitment of a Second Independent Member to Committee

Date: 23rd September 2024

Report of: Senior Head of Internal Audit, Corporate Governance, and Insurance.

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

In receiving the draft Annual Report in June, the Committee noted the recommendation in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees: Practical Guidance for Local Authorities and Police 2022 that it is best practice for Audit Committee's to have at least two independent members.

This report provides the Committee with details of the guidance and outcome of benchmarking of the composition of audit committees in Leeds, the core cities, and other West Yorkshire Local Authorities, so that the committee can consider their response.

Recommendations

The Corporate Governance and Audit Committee are asked to:

- a) Note the assurances and comparative information provided in this report, and the important role that independent members have on audit committees.
- b) Recommend that Linda Wild is appointed for a second term of four years from 24th February 2025 to 23rd February 2029.
- c) Note the recommendation to delay any proposal to recruit an additional independent member in the immediate future and the proposal to review the position in twelve months.

What is this report about?

1. CIPFA guidance “Audit Committees: Practical Guidance for Local Authorities and the Police”¹ (the Guidance), encourages the appointment of independent members to local authority audit committees.
2. In the 2018 iteration of the Guidance, CIPFA recognised that although combined authorities are required by statute to include at least one independent member in the composition of their audit committees, there are no such statutory requirements for other parts of the local authority sector. However, CIPFA used the Guidance to endorse the approach of mandating the inclusion of an independent member, and recommended that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the Committee.
3. Following consideration of this guidance a recommendation was made, and approved by full Council, amending Article 9 of the Constitution to permit the appointment of one non-voting independent member for a term not exceeding 4 years (renewable once).
4. The 2022 iteration of the Guidance strengthened CIPFA’s position to an expectation that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. Further the Guidance is supported by the Department for Levelling Up, Housing and Communities and the Home Office. In this most recent iteration, the co-option of independent Committee members is included in the position statement (as opposed to just the supporting guidance) as follows:

“The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.”

5. In June, the Committee requested that officers provide further information in relation to the opportunities and implications of recommending the co-option of an additional independent member to Committee.
6. This report provides details as to the role and benefits of the appointment of independent members to audit committees and provides benchmarking information in relation to core cities and West Yorkshire authorities. The report sets out assurance that the arrangements for support of the Committee are effective and robust, and that there are no apparent gaps or challenges impacting Corporate Governance and Audit Committee at the current time.

What impact will this proposal have?

The importance of Independent Members to the Corporate Governance and Audit Committee.

7. In the guidance CIPFA give several reasons for their recommendations in respect of the co-option of independent members. The table below sets out these reasons and the way in which audit committee arrangements at the Council, in addition to the appointment of one independent member, meet the needs identified.

¹ 2022 iteration

| CIPFA reason for co-option of independent members. | Met by Corporate Governance and Audit Committee? |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting. | A knowledge and skills survey of members was undertaken in October 2022, contributing to the review of the Council's development programme, providing targeted sessions to meet identified skills, knowledge, and expertise needs to ensure that the Committee can fulfil its role. In addition, the Committee is supported by a range of officers (shown at appendix A attached) with specialist knowledge and experience to ensure that appropriate advice is available in the moment or can be obtained as soon as possible. |
| To provide continuity outside the political cycle. This is of particular importance where membership of the Committee changes annually or because of elections. | It is acknowledged that the Committee experiences regular changes of membership. The development plan referred to above is designed to provide for both new and existing members of the Committee and to ensure that they have the knowledge and skills they need as the Committee's work programme is delivered over the course of each municipal year. |
| To help achieve a non-political focus on governance, risk, and control matters. | The Chair and Members of the Committee are fully briefed on the role of the Committee and the importance of both independence and political neutrality. The presence of the Governance officers at each Committee provide support to the Chair should political matters arise during discussions in the meetings. |
| Having two independent members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the Committee. | An identified range of officers are available to support the Committee at and between meetings. This ensures continuity of a range of specialist advice and guidance to ensure members are able to discharge the functions of Committee at all times. |
| Having two independent members show a commitment to supporting and investing in the Committee. | The delivery of the Committee development plan, and support by significant cohort of officers shows the importance of Committee to the authority. This is evidenced by the Council's discussion of the annual report of the Committee when received. |

8. While noting that independent members can bring real value to the Committee, care and resources are needed to ensure that the arrangements work well, both so that the independent member can support and enhance the work of the Committee and ensuring that the independent member receives an adequate induction and ongoing support to provide organisational context and to build working relationships within the role.

Corporate Governance and Audit Committee's Independent Membership

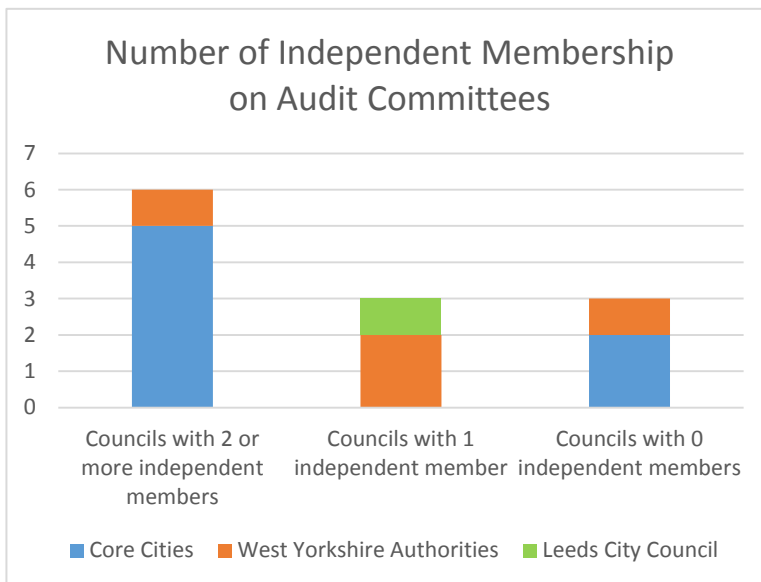
9. On 24th February 2021, Full Council appointed Linda Wild as a non-voting independent member of Corporate Governance and Audit Committee for a term of four years (renewable once). This initial term of office is due to end on 23rd February 2025.

10. Linda is Head of Internal Audit for Kelda Group Ltd and throughout her time on the Committee, she has been able to bring her extensive knowledge and wealth of experience to the meetings. Linda is a respected and supportive critical friend to senior managers in attendance and is a valued Member of the Committee.

11. **Committee are requested to recommend that Linda Wild is appointed for a second term of four years from 24th February 2025 to 23rd February 2029.**

Recruitment of a Second Independent Member.

12. A benchmarking exercise has been undertaken against both the core cities and West Yorkshire local authorities considering the composition of their audit committees and appointment of independent members. The results of this benchmarking are detailed below:



- Five out of eight core cities have two or more independent members. The remaining two core cities have plans in place to recruit one independent member as Leeds have done.

- Only one of five West Yorkshire authorities has two or more independent members on their audit committee, with a further three, including Leeds, having one independent member. One of the five has no independent member.

13. As indicated in the CIPFA guidance, the recruitment of a second independent member would bring another independent perspective to Corporate Governance and Audit Committee and the work it undertakes. However as set out at paragraph 7 above there are significant arrangements in place to ensure that the Committee has the knowledge, skills, and experience available to discharge its functions.

14. It is not questioned that the recruitment of a second independent member would enhance the value to the Committee and result in the Council satisfying the best practice guidance outlined by CIPFA, however we also need to be conscious of the additional expenditure this process requires considering Council-wide budgetary constraints. The recruitment of a second independent member would incur financial and resource pressures as set out in the Resources section of this report.

15. This additional cost, although it could be considered as negligible in terms of the overall Council budget, needs to be considered against the financial challenge that the Council is experiencing and the measures necessary (including a recruitment freeze) to help achieve a balanced budget.

16. **It is therefore recommended that Corporate Governance and Audit Committee delay any proposal to recruit an additional independent member in the immediate future.**

17. Although not fully in line with CIPFA's best practice guidance, the Council does have one independent member and other arrangements already in place to meet the identified needs of the Committee.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

18. The work of the Committee provides check and challenge to the Council's governance arrangements, ensuring that best value is made of all resources to support the delivery of the Council's strategic ambitions.

What consultation and engagement has taken place?

Wards affected: N/A

Have ward members been consulted?

Yes

No

19. The Chair of the Committee has been consulted and is of the view that it would be appropriate to reappoint the existing independent member to a second 4-year term of office.

20. Linda Wild, as the current independent member, has been invited to indicate whether she would be open to reappointment for a second 4-year term of office as an independent member and she is content to continue in the role.

What are the resource implications?

21. In 2019, pending appointment of the first independent person, the Independent Remuneration Panel (IRP) were invited to advise as to the level of special responsibility allowance to be attracted by the role.

22. In coming to a view on the level of allowance, the IRP considered payments made by other local authorities, the frequency of formal meetings of the Committee and the depth of preparation required. The formal advice of the IRP is set out in paragraphs 8 to 13 of their report of June 2019².

23. The Members Allowances Scheme therefore allows for a special responsibility allowance to be paid to The independent member of Corporate Governance and Audit Committee at 2% of the Leader's SRA. This is currently £890.80.

24. To pay an additional independent member, it would be necessary not only to identify the ongoing revenue funding for a second independent member, but also to amend the scheme to allow for this. Before amending the scheme, it would be necessary to convene the IRP to consider an amendment to the scheme, and to advertise any amendment recommended. Because of this, in the first year alone the cost to the authority is likely to be in the region of £3,000 and would put a strain on the budget for the scheme at a time when the authority is taking every measure to reduce expenditure and to meet the financial challenge.

25. In addition, the appointment process would require:

- An appropriate amendment to Article 9 the Constitution, considered by General Purposes Committee and approved by Full Council;
- A recruitment process including advertisement, shortlisting, interview before recommending appointment to Council.
- The provision of an induction and training packages essential for any successful candidate.

All of which incur additional resources and costs that may not be as apparent at first consideration of the recruitment process.

² [IRP Report Leeds June 2019.pdf](#)

What are the key risks and how are they being managed?

26. With only one independent member, the Council risks losing the benefits identified by CIPFA. The Council has alternative arrangements in place to meet these needs as set out above, particularly in relation to resilience and continuity.
27. It is proposed that a further survey will be undertaken to evaluate the knowledge, skills, and training needs of the Committee. The development plan can then be adjusted to meet any gaps identified.
28. In addition, succession planning will be carefully considered as the existing independent member nears the end of their second term.

What are the legal implications?

29. As reflected by the Guidance, there is no current statutory requirement for the co-option of independent members to the Council's Audit Committee. However, CIPFA set best practice for corporate governance in local authorities and the guidance should therefore be given a good deal of weight, and only departed from with good reason.

Options, timescales and measuring success.

What other options were considered?

30. Council could decide not to extend the appointment of the existing independent member for a further four-year term of office, however doing so would leave the Committee with no independent member and would be an unacceptable step in view of the strengthening of the guidance.
31. Appointment of a second independent member could be achieved, however there are robust arrangements in place to achieve effective monitoring and constructive challenge of the Council's arrangements by a politically neutral Committee it is not considered necessary at this time. Furthermore, this would add further to the financial pressures experienced by the Council at the current time and would not be appropriate in the circumstances.
32. It is proposed that the situation be reviewed in twelve months.

How will success be measured?

33. The performance of the Committee will continue to be measured against the CIPFA position statement on an annual basis as the annual report of Committee is prepared.

What is the timetable and who will be responsible for implementation?

34. See above.

Appendices

- A – Officer Support to Corporate Governance and Audit Committee

Background papers

- None