



## **COUNCIL - 16<sup>TH</sup> NOVEMBER 2021**

**SUBJECT: MEMBERSHIP AND CHAIRING ARRANGEMENTS OF THE GOVERNANCE AND AUDIT COMMITTEE TO TAKE EFFECT FROM MAY 2022**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to ask Council to determine the size and composition of the Governance and Audit Committee to meet the requirements of the Local Government and Elections (Wales) Act 2021, and thus ensure that the correct number of lay member appointments to the Committee can be made. Council is also asked to note that in accordance with the Act, the Chair of the Committee must be a lay member. Both changes will be implemented following the elections in May 2022 and the Council's Constitution will be updated accordingly at that time.
- 1.2 To ensure expediency, Council is also asked to agree that the recruitment of the lay members will not be undertaken in accordance with current arrangements set out in the Terms of Reference of the Governance and Audit Committee. Instead, it is proposed that the appointments be made directly by a panel consisting of three members of the Governance & Audit Committee, without a requirement to seek subsequent approval at meetings of the Governance & Audit Committee and Council.

### **2. SUMMARY**

- 2.1 The Local Government and Elections (Wales) Act 2021 has introduced requirements in relation to the make-up of the Governance and Audit Committee. From May 2022 the Act requires an increase in the number of lay members to one third of the total membership of the Committee.
- 2.2 As a result of the Act the total numbers of members including lay members will need to be divisible by three.
- 2.3 A recruitment process will be required in the period leading up to May 2022 to appoint suitable individuals to the co-opted lay member positions. However, it will not be possible to conclude the process without a decision of Council on the number of members who will sit on the Committee.

- 2.4 In addition, members are asked to note that the Act also requires changes to the Chairing arrangements for the Committee in that it is now required that the Chair must be a lay member.

### **3. RECOMMENDATIONS**

- 3.1 Council is asked: -
- 3.1.1 To agree that following the elections in May 2022 the revised composition and size of the Governance and Audit Committee will be 12, comprising 8 elected members and 4 co-opted lay members (currently 13 with 1 lay member and 12 elected members).
- 3.1.2 To note that the Governance and Audit Committee chair will be one of the co-opted lay members.
- 3.2 To agree that a Panel of the Governance and Audit Committee comprising of 3 members will undertake the entire recruitment process of the lay members including shortlisting, interviewing and appointment (with support from relevant officers).

### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that the Council's Constitution complies with Sections 116 – 118 of the Local Government and Elections (Wales) Act 2021 in relation to the composition and chairing of the Governance and Audit Committee from 5<sup>th</sup> May 2022.
- 4.2 To ensure that the recruitment of the additional co-opted lay members can be concluded as soon as possible.

### **5. THE REPORT**

- 5.1 The Local Government and Elections (Wales) Act 2021 brought in some changes to the Audit Committee which were reported to the Committee at its meeting on the 26<sup>th</sup> January 2021.
- 5.2 Audit Committees (now renamed Governance and Audit Committees in line with the Act) provide important checks and balances to a principal council's governance arrangements. Councils have a statutory duty to establish an Audit Committee to review and scrutinise its financial affairs, risk management, internal control and corporate governance arrangements.
- 5.3 While Governance and Audit Committees are Committees of a principal council, they must be independent from the executive, and this is achieved by requiring the Committee to have several "lay members". Prior to the new Act at least one lay member was required with a maximum of one third lay members on the Committee. Caerphilly CBC currently has one lay member out of a total Committee of 13 (12 elected members plus the one lay member).
- 5.4 The new Act requires an increase in the number of lay members of the Governance & Audit Committee to one third of the total membership. In addition, the Chair of the Committee will, under the provisions of the legislation, be required to be a lay member.

5.5 These changes affect Caerphilly CBC in the following ways: -

- Size of committee. The total number on the Committee must be divisible by 3. Council will need to agree a preferred size of the Committee and a change will therefore be needed to the Council's constitution, once agreed.
- Chairing arrangements. The Council's constitution will need to reflect the requirement that from May 2022 the Chair of this Committee will be one of the lay members
- Caerphilly CBC will need to undertake a recruitment process to appoint the additional lay members. Officers have been working with the WLGA and this is in hand. The current terms of reference for the Governance and Audit Committee state that: -

"As and when necessary the appointment of a lay member to the Committee shall be undertaken by an appointment panel consisting of three Audit Committee members, to include the Chairperson. The panel will be responsible for considering all applications for the vacancy, short listing and interviewing prospective candidates. The panel will report their recommendations to the Audit Committee for confirmation/agreement prior to approval by Council".

For expediency, Council is asked to delegate the entire appointment process of the lay members to the panel (with support from relevant officers), without the need to report its recommendations to the Governance and Audit Committee or seek approval from Council. Nominations to the panel will be sought from the Governance and Audit Committee with the proviso that it must include the Chair and demonstrates political balance.

## 5.6 **Conclusion**

Approval of the changes outlined in this report will ensure that the Council complies with its statutory requirements in relation to the Governance and Audit Committee.

## 6. **ASSUMPTIONS**

6.1 There are no assumptions in this report.

## 7. **SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 An IIA is not required as the recommendations in this report have been made to ensure that the Council fulfils its statutory duties in relation to the Governance and Audit Committee and the Council's Constitution.

## 8. **FINANCIAL IMPLICATIONS**

8.1 There will be some minor financial implications as an increased number of co-opted lay members will lead to an increase in allowances paid to these individuals, but this is an unavoidable consequence of the legislation.

8.2 All co-opted lay members are entitled to a sessional allowance that is set by the Independent Remuneration Panel. This will include adequate time for reading all reports and attendance at Committee, any officer meetings particularly with the chair, and any meetings with external regulators.

## **9. PERSONNEL IMPLICATIONS**

9.1 There are no direct personnel implications as a result of this report.

## **10. CONSULTATIONS**

10.1 One response has been received from an elected member suggesting that consideration be given to increasing the size of the member appointment panel to 5 from 3.

## **11. STATUTORY POWER**

11.1 Local Government and Elections Act 2021

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Background Papers: -

Audit Committee (26/01/21) – Local Government and Elections (Wales) Bill  
[Local Government and Elections Wales Bill.pdf \(caerphilly.gov.uk\)](#)