

29TH MARCH, 2021

REPORT NO. DC2109

**FUTURE ARRANGEMENTS FOR THE LICENSING, AUDIT AND GENERAL
PURPOSES COMMITTEE**

1. INTRODUCTION

- 1.1 The Licensing, Audit and General Purposes Committee has a key role in the corporate governance of the Council, with an important responsibility to act as a source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial performance.
- 1.2 The local government landscape is becoming ever more challenging, and there is an increasingly complex picture for financial and governance arrangements linked to the delivery of major projects at the Council. It is therefore timely to review arrangements to ensure that the Committee's primary focus and emphasis is directed to meeting these demands.

2. BACKGROUND

- 2.1 In recent years the Council, along with many other authorities within the sector, has been diversifying its range of activities to both mitigate the risk of financial restructuring as a result of Central Government funding changes, and to facilitate the Council to take a much stronger role in place shaping and to influence the regeneration of the area.
- 2.2 In order to deliver against this more diversified agenda the Council has sought to establish key delivery vehicles such as the Rushmoor Development Partnership (RDP) to pursue regeneration and Rushmoor Homes Ltd (RHL) to deliver local housing solutions. The Council has also sought to become more commercially focussed in seeking out income generating sources and has considered a wide range of commercial income investment opportunities. All of these areas of activity require good governance, careful oversight and risk management, supported with transparent arrangements to provide the public oversight, protection and confidence necessary. High quality Elected Member oversight is a pivotal lynchpin to providing that public confidence.

- 2.3 The volatile and risky landscape that local government is working within has been highlighted in recent years by some high-profile local authority failures. These failures have seen an entire financial failure in the case of one local authority, instances of failed housing companies, inadvertent losses resulting from joint-ventures or failed investments or through the failure of local authority trading companies such as local authority run energy companies. The publicly available reports published in respect of these examples often highlight unique circumstances. However, a number of common lessons do emerge. The recommendations in this report build on those published lessons learnt especially in respect of the role of corporate governance, use of expertise and independence and approach to risk management and transparent decision making.
- 2.4 In seeking to prepare this report the Council's Monitoring Officer has discussed the background and context for the proposals with The Leader and Deputy Leader of the Council, the Leader of the main Opposition Group, the Chair and Vice Chair of Licensing, Audit and General Purposes Committee as well as the Council's Chief Executive and other key internal officers via the Council's internal Governance Group. All consulted to date are supportive of the changes proposed within this report.

3. **PROPOSALS**

- 3.1 Further to the context described above, it is proposed to implement the following arrangements for the Licensing, Audit and General Purposes Committee to help ensure and support the Committee's effectiveness in the future.

Change of Committee Name

- 3.2 It is proposed that the Committee's name be changed to 'Corporate Governance, Audit and Standards Committee' as a more accurate reflection of the committee's work and focus. It is proposed that this takes effect from the first meeting of the municipal year in May 2021.

Terms of Reference and Statement of Purpose

- 3.3 The Committee's terms of reference, which were reviewed as part of the Constitution Review in 2019/20, incorporate the corporate governance, risk management, audit, and financial reporting responsibilities of the Committee and do not need to be updated at this time. However, it is proposed to add a new Statement of Purpose as an introduction to the Committee's terms of reference to bring greater focus to the committee's corporate governance and audit role. A copy of the Statement of Purpose and the Committee's terms of reference is attached at **Appendix 1**.

Membership

- 3.4 The Membership of the Committee shall continue as 11 Members (non-executive and politically balanced), and with a new provision to appoint up to three additional non-voting co-opted Independent Members.

The Independent Member(s) would be invited to join meetings for discussion on all corporate governance and audit matters.

Independent Members

- 3.5 Good practice shows that for committees with audit responsibilities, the co-option of independent members with technical knowledge and expertise can be beneficial, as the injection of an external and independent view can help the process of in-depth questioning and committee discussion. A copy of the Person Specification for Independent Members is attached in **Appendix 3**.
- 3.6 While provisions are proposed to allow for up to three Independent Members, it is likely that one co-opted independent member will be appointed in 2021/22.
- 3.7 Subject to the Committee's approval, a public advertisement to recruit Independent Members will be published during April 2021. Following this, the Chairman and Vice-Chairman of the Committee (or nominated substitutes) will be invited to participate in an interview process to recommend an appointment for confirmation at the Annual Council Meeting in May 2021.
- 3.8 It is suggested that the following terms will apply to the appointment of Independent Member(s):
- A fixed term of three years, with provision for early termination or extension of the appointment.
 - The Independent Member will be eligible to be paid an allowance equal to the statutory co-optee allowance (currently £514 per year).
 - The Independent Member will be expected to follow the same code of conduct as elected Members and with a register of interests.

4. ROLE DESCRIPTIONS

- 4.1 To assist the process of appointments to the Committee for 2021/22, new role descriptions have been prepared for the Chairman and Members of the Committee as set out in **Appendix 2**. The role descriptions reference the apolitical and independent nature of the committee and a requirement for committee members to have an interest in corporate governance matters. It also emphasises a commitment to participate in training events to ensure knowledge and understanding of the committee's key areas of responsibility.

4.2 It is proposed that the updated role descriptions are incorporated in Part 3 of the Council's Constitution – Section 10 (Councillor Role Descriptions).

5. **TRAINING PROGRAMME**

5.1 During 2021/22, it is proposed to deliver an enhanced programme of learning and development support for Members on the Committee based on the training modules set out in **Appendix 4**.

5.2 The programme will include a mix of internal and externally delivered training sessions covering the key topics which will include corporate governance, risk management, financial management, and audit. Members who wish to participate in licensing hearings will also need to ensure they have attended training to fulfil this role.

6. **MONITORING AND REVIEW**

6.1 It is proposed to review the new arrangements in a year when the Committee will have had some experience of the changes. In these circumstances, it is not at this stage intended to recommend that the Standing Orders for the Regulation of Business are changed but to seek the Council to suspend Standing Orders at the Annual Council Meeting so that the new arrangements can be introduced for 2021/22. Once the review has taken place, the proposed changes to Standing Orders can be formalised in the early part of 2022.

7. **CONCLUSIONS AND RECOMMENDATION**

7.1 Changes are proposed to ensure the future effectiveness of the Committee, with a strong focus on its corporate governance role providing oversight, protection and public confidence in Council activities.

7.2 The Committee is requested to recommend to the Council that:

- (1) the Committee's name be changed to 'Corporate Governance, Audit and Standards Committee' from the Annual Council Meeting in May 2021;
- (2) updates be made to the Council's Constitution to incorporate a new Statement of Purpose to precede the Committee's terms of reference as set out in Appendix 1, and the updated Role Descriptions as set out in Appendices 2 and 3; and
- (3) at the Annual Meeting, Standing Orders for the Regulation of Business be suspended to enable the proposals set out in this Report to be implemented for 2021/22.

The Committee is recommended to:

- (4) agree arrangements to recruit Independent Member(s) based on the approach and terms set out in paragraphs 3.7 and 3.8 above; and
- (5) approve the implementation of a Members' training programme for the Committee in 2021/22 based on the modules set out at Appendix 4.

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