



HM Treasury

## Financial Reporting Advisory Board

### FRAB Membership update

<b>Issue:</b>	An update on the May meeting of the FRAB Nominations Committee and recommendations following the NAO Effectiveness Review.
<b>Impact on guidance:</b>	N/A
<b>IAS/IFRS adaptation?</b>	N/A
<b>Impact on WGA?</b>	N/A
<b>IPSAS compliant?</b>	N/A
<b>Interpretation for the public sector context?</b>	N/A
<b>Impact on budgetary and Estimates regimes?</b>	N/A
<b>Alignment with National Accounts</b>	N/A
<b>Recommendation:</b>	The Board is invited to note the recommendations from the Nominations Committee, and to approve the updated Terms of Reference. This will then be shared with C&AG for approval.
<b>Timing:</b>	Ongoing.

#### DETAIL

##### Background

1. The FRAB Effectiveness Review undertaken by the NAO and presented to FRAB at the March meeting made several recommendations relating to Board membership.
2. These included:
  - Nomination of a Vice Chair
  - Consideration of succession planning
  - Balance of skills and experience

3. The Nominations Committee (consisting of FRAB Chair, an independent member (Jenny Carter), the C&AG representative (James Osborne), the user/preparer representative (Ian Webber), and the relevant authority representative (Kim Jenkins) met on 22<sup>nd</sup> May to discuss Board Membership and propose updates to the Nominations Committee Terms of Reference. A summary of this discussion is below.

## Summary

4. The Committee discussed the size and composition of the Board and agreed that it would be desirable to reduce the overall size of the Board, whilst recognising the need to retain a broad range of skills and experience.
5. The Committee agreed that members of the Board should act in the general interest and not as representatives of specific bodies.
6. The Committee agreed that it would continue to consider diversity of membership when membership changes take place.
7. The Committee emphasised the importance of using working groups as a mechanism for engaging with relevant stakeholders (e.g. the User and Preparer Advisory Group) and that this should be reflected in the Terms of Reference.

## Membership

8. The Committee recommended asking Shiva Shivakumar (independent member) and Alex Knight (Parliamentary Observer) to remain on the Board when their first term ends in November 2024.
9. Alex Knight has confirmed that he will remain on the Board. Shiva Shivakumar has confirmed he will be unable to remain for a second term, and so a recruitment campaign will be undertaken to identify a replacement.
10. The Committee felt that the two-term membership limit set out in the Terms of Reference was perhaps too restrictive, particularly where a place on the Board might be attached to a particular role in a body. The Committee therefore recommended that the maximum number of terms be increased to three for Relevant Authorities, with the rebuttable assumption that individuals would leave the Board after a maximum tenure of nine years.
11. The Committee agreed that they would recommend reducing the overall size of the Board, and that this could be achieved by:
  - Not filling the Trading Fund representative role when Ian Webber's term comes to an end in March 2025
  - Not appointing a new auditor to replace Karl Havers when his term ends in November 2024
  - Changing the status of the ONS representative from a user/preparer to Observer
12. The ONS were asked for their view, and strongly disagree that they should have their membership status changed to observer. Their view is that it is important for the perspective of statistical producers to be considered by the Board and for that view to be expressed in any vote relevant to the statistics that are ultimately

produced from the source data. This change has therefore not been made to the ToR.

13. The Committee agreed that HMT would approach the Finance Leadership Group (the Government Finance Function's Finance Director leadership group) in government to invite expressions of interest for the vacant preparer position left by Pam Beadman.

#### Chair

14. The Committee agreed that the Board should begin the process to identify a new Chair for the Board, to allow for the potential need for more than one recruitment round.
15. The Committee agreed that an advert should be drafted by HM Treasury and shared with the Nominations Committee for consideration.

#### Vice Chair

16. The Committee agreed with the NAO recommendation that the Board should have a Vice Chair who will be available to deputise when the Chair is unavailable.
17. The Committee agreed it would be desirable for the Vice Chair to be an independent member, and that an appropriate process for appointment would be to invite Expressions of Interest to be considered by the Nominations Committee.
18. The Committee agreed the Terms of Reference should be updated to reflect this change.

#### **Recommendation**

19. The Committee's recommendations above have been incorporated into the Nominations Committee's Terms of Reference. A copy with tracked changes is attached as **Annex A**.
20. The Board is invited to:
  - **Note** the discussion of the Nominations Committee as summarised above
  - **Agree** to the updated Terms of Reference for the Nominations Committee

HM Treasury  
20<sup>th</sup> June 2024

FRAB 153 (05)  
20<sup>th</sup> June 2024

# FRAB NOMINATIONS COMMITTEE

## TERMS OF REFERENCE

### Objective

1. The FRAB Nominations Committee aims to ensure that the FRAB operates with a full complement of members in accordance with its Terms of Reference.

### Nominations Committee members

2. The Nominations Committee will comprise of:
  - The FRAB Chair~~man~~, who will chair the committee;
  - An additional member from the 'independent/external' group of FRAB members;
  - A member from the 'preparers/users' group of FRAB members;
  - A member from the 'relevant authorities' group of FRAB members;and
  - The FRAB member nominated by the Comptroller & Auditor General.
3. The FRAB member Code of Conduct will apply.
4. Length of appointment of members will be as agreed with the Committee Chair~~man~~.

### Role of the Nominations Committee

5. The Nominations Committee will receive nominations for FRAB membership as detailed within the FRAB's Terms of Reference, ratifying nominations based on compliance with the FRAB member role specification.
- 5-6. The Nominations Committee will consider the overall balance of skills and experience on the Board when appointing new members. The Board will also consider diversity of membership.
- 6-7. Vacancies for the two independent member posts and the academic post on FRAB will be subject to open advertisement, with consideration of applications for membership by the Nominations Committee.
8. When considering multiple nominations or applications for FRAB membership, the Nominations Committee will filter applications and conduct interviews as necessary to determine the most suitable candidate.
9. Expressions of Interest in becoming Vice Chair will be invited from independent members and considered by the Nominations Committee. The Nominations Committee will filter applications and conduct interviews as necessary to determine the most suitable candidate.
- 7-10.
- 8-11. The Treasury will consult the Comptroller & Auditor General, as required by the Government Resources and Accounts Act 2000.

### Appointment of FRAB members

~~9.12.~~ FRAB members will receive their letters of appointment from the FRAB Chairman, indicating their term of appointment.

### FRAB membership succession planning

~~10.13.~~ The Nominations Committee will monitor membership end dates to ensure appropriate succession planning is in place to replace members in a timely manner.

### Meetings and correspondence

~~11.14.~~ The FRAB Nominations Committee will meet as necessary, and also conduct its business by telephone and e-mail.

### Secretariat Support

~~12.15.~~ Secretariat support for the FRAB Nominations Committee will be provided by the FRAB Secretary.