

Minutes of the meeting of the
GOVERNANCE COMMITTEE held in
the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 23rd SEPTEMBER 2013 at
10.30 AM.

Present:

Mr G. N. Cook in the Chair.

Councillors Mole, Padgett and Price and Miss G Goodwill.

In Attendance:

Steve Nicklin (Mazars)
Gavin Barker (Mazars)

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillors
M. Forbes, Ord and Harrison.

Declarations of Interest

There were no declarations of interest.

Minutes

7. RESOLVED that the minutes of the meeting of the Governance
Committee held on 24 June 2013, be confirmed and signed as a correct
record.

Internal Audit Progress Report

The Head of Internal Audit submitted a report setting out the performance of
Internal Audit up to August 2013, areas of work undertaken, and the internal
audit opinion regarding the adequacy of the overall system of internal control
within the Authority.

Members were referred to Appendix 1 of the report which highlighted that all KPIs were on target. The audit opinion for the audits carried out so far during the year was detailed at Appendix 2 of the report along with the current overall opinion based on the current and two previous years' audit work. Seven audits were planned for the current year however audit work would be placed on hold during September/October, to allow management to prepare for the potential industrial action. All audits however would be carried out as planned, within the year.

Members were assured that results of the work undertaken so far during the year had not highlighted any issues which affected the opinion that, overall throughout the Authority, there continued to be an adequate system of internal control.

Assistant Chief Fire Officer (ACFO) Brindle updated the committee on the current situation in relation to industrial action. In doing so she explained that the ballot closed on 28 August and on 29th August 2013, the Clerk to the Authority received written notification from the General Secretary of the FBU notifying the Authority of the outcome of the ballot with a 78% yes vote. The industrial action would take place on Wednesday 25 September 2013 between 12 noon and 4.00pm. This was a national dispute throughout the Country.

Training of new staff continued and to date 74 people had successfully completed a variety of training that was required to enable them to staff fire appliances during any period of the strike. The number of newly trained staff (including former Military staff) combined with the availability of a limited number of experienced firefighting staff would most likely enable the Fire Authority to have ten fire appliances on call during any strike period.

Councillor Mole congratulated the Authority on the way in which this had been handled and in particular, the invaluable communication to Members and Authorities.

8. RESOLVED that the contents of the report be noted.

Treasury Management – Half Yearly Review of Performance 2013/2014

The Finance Officer submitted a report to report on the Treasury Management (TM) performance for 2013/2014.

The Finance Officer advised Members that the Authority's interest rate on borrowing was very low, currently 3.51%, and as such the Authority continued to benefit from this low cost of borrowing which reflected the ongoing savings from past debt rescheduling exercises. CIPFA confirmation had been received that this placed the Authority in the top quartile across the Country for one of lowest average cost of borrowing rates.

Members were then reminded that the Prudential Indicators were regularly reviewed and the Authority was within the limits set for all of its TM Prudential Indicators.

More detailed Treasury Management information was included at Appendix A of the report.

The Authority had benefited from additional investment income of over £60,000 in cash terms based on a higher rate of return in 2013/2014 of 0.80% compared to the benchmark rate of 0.36%, however investment rates had fallen significantly since April as expected and this was trailed in the previous Treasury Management update report. Members were reminded that the Bank of England had kept the bank's base rate low for many years and whilst investments had hopefully now plateaued, they were expected to remain the same until 2016. However, if the economy continued to improve as it had in the last few months an increase to the base rate could be sooner.

Members were then advised that the Approved Lending list was shown at Appendix C of the report and that this had been updated to reflect the recent financial institution mergers and changes in institutions' credit ratings. The Lending List Criteria was detailed at Appendix B.

The Finance Officer went on to say that the Government had recently sold 6% of its shares in Lloyds for £3.2 billion realising a profit of £61m. As some shares still remained with Lloyds however, the Government credit rating could still be applied. However once all shares have been relinquished by the government, then Lloyds would be a stand alone institution again and their individual credit rating would then apply. Whilst there was no impact on the Authority at the moment, this situation would be closely monitored and reported to Members in due course as it could have implications for the Lending List of the Authority at some point in the future.

In accordance with Treasury Management best practice, a risk analysis of the Treasury Management functions had been carried out (Appendix D).

The Authorised Borrowing Limit for External Debt set by the Authority for 2013/2014 was £55.383 m and this limit had not been reached.

In response to a question from the Chairman, the Finance Officer advised that External Debt at the present time was approximately £44m and well within the limit set by the Authority.

9. RESOLVED that:

- (i) the Treasury Management (TM) performance during the year to the second quarter of 2013/2014 be noted; and
- (ii) the amendments to the approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D be noted.

Audited Statement of Accounts 2012/2013

- (i) Letter of Representation**
- (ii) Audit Completion Report – Year Ended 31 March 2013**
- (iii) Amended Statement of Accounts**

The Finance Officer submitted a report reminding Members that once the Governance Committee had noted the contents of the External Auditors 'Audit Completion Report (Item 6 ii), approved the Letter of Representation (item 6i), and approved the amended Statement of Accounts (item 6iii), Mazars LLP could then formally provide an opinion on the Statement of Accounts for the year ended 31 March 2013.

Members were advised that the amended Statement of Accounts, noted previously by the Committee on 24 June 2013, did not contain any misstatements and Mazars LLP was to formally provide an unqualified opinion on the audited Statement of Accounts before the end of September 2013 in accordance with regulations.

Members were referred to Appendix A of the report which detailed the presentational changes made to the Accounts resulting from the audit and a fully revised AGS was also provided in light of these minor changes for re-approval, at Appendix B of the report. In addition, a summary guide to the audited Statement of Accounts was at Appendix C of the report was provided to members to help make the accounts easier to understand.

Referring to Section 5.1 of the Annual Governance Statement, where the main change was made, the revised statement included the following amended text 'the Strategic Management Team, the Authority and the Governance Committee had advised the Auditors of the findings of the review of the effectiveness of the governance framework, and an action plan covering some minor issues had been agreed for the continuous improvement of the Authority's Corporate Governance and Internal Control Arrangements'.

Steve Nicklin from Mazars, then took Members through the Audit Completion Report and referred them specifically to the misstatements identified during the audit. These were presentational issues only and did not impact on the Authority. As a result, the external auditors were to issue an unqualified opinion.

With regards to Value for Money (VFM), the external auditors also intended to issue an unqualified conclusion stating the Authority had proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

10. RESOLVED that:-

- (i) the Letter of Representation be noted and approved;
- (ii) the revised Annual Governance Statement 2012/2013 be noted and approved;
- (iii) the contents of the External Auditors Audit Completion Report be noted; and

- (iv) the amended Audited Statement of Accounts for the Financial Year ended 31 March 2013 be approved.

Annual Report 2012/2013

The Chief Fire Officer submitted a report to present the Annual Report 2012/13.

Assistant Chief Fire Officer (ACFO) Brindle advised that the purpose of the Annual Report was to inform stakeholders how the Authority performed during 2012-13, how much was spent and what it was spent on. This was therefore a backward reflection of performance. Whilst it was no longer a statutory duty to prepare an Annual Report, Government did require Authorities to prepare an Annual Statement of Assurance.

Members were then advised that 2012/13 was a good year for performance. Almost 15,000 incidents were attended and the Authority maintained its average response time of just 5 minutes. The Authority also achieved a 35% reduction in deliberate fires and a 12% reduction in primary fires recording the lowest ever figures.

As discussed previously, under the Government's Spending Review the Authority was facing significant reductions in the grant received. This created a huge challenge in continuing to tackle community risk with fewer resources.

ACFO Brindle then referred the committee to the section of the report which summarised how the Authority met the requirements of the national framework and in particular highlighted that the Authority had received BS25999 accreditation.

Comments were welcomed from the Committee.

Miss Goodwill suggested that captions to the pictures within the report would be useful. ACFO Brindle agreed to action this.

Councillor Mole commented that the public needed to both understand and acknowledge how well the workforce were performing in such difficult times.

ACFO Brindle responded by advising that IRMP consultations were a valuable method of communication and a good way of highlighting the extreme difficulties in balancing resources with risk. Reviews were undertaken periodically and future ones would focus on financial constraints. Press releases were also issued at times.

Members were then reminded that last year the Authority was involved heavily in lobbying whereby it was accepted that cuts were necessary but unfair to Tyne and Wear Fire and Rescue Authority.

Referring to the sources of ignition (at page 18 of the report), the committee queried how this was divided into gas and electric. ACFO Brindle agreed to look into this and report back.

11. RESOLVED that:-

- (i) the contents of the report be noted and endorsed; and
- (ii) the documentation for publication, be approved, subject to Authority approval.

The Chairman, on behalf of the committee, thanked Steve Nicklin for all his much valued work over the years and wished him a long and happy retirement.

(Signed) G. N. COOK
Chairman

