

Item No. 3(ii)

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 29 SEPTEMBER 2014 at
10.30AM.

Present:

Mr G. N. Cook in the Chair.

Councillors M. Forbes, Padgett, Price, Ms Goodwill and Mr Knowles.

In Attendance:

Gavin Barker (Mazars)

Mark Kirkham (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Burdis and Mole.

Declarations of Interest

There were no declarations of interest.

Minutes

7. RESOLVED that the minutes of the meeting of the Governance Committee held on 30 June 2014 be confirmed and signed as a correct record.

Internal Audit Progress Report

The Head of Assurance, Procurement and Projects submitted a report presenting the performance of Internal Audit up to August 2014, the areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

Members were directed to the key performance indicators (KPIs) for the Internal Audit service shown at Appendix 1. All of the KPIs had been achieved, or were on target. The KPI for the cost per £m turnover was a new target, which was also on target.

Seven audits were included in the 2014/2015 plan. Members were advised that much of the audit work for the previous year was concentrated at the year end to enable TWFRS management and staff to prepare for, and deal with the industrial action which took place during 2013/2014. In view of this, the majority of the current year's planned audit work was scheduled for the second half of the year.

The Head of Assurance, Procurement and Projects explained that the current overall opinion was positive against each risk area, based on the last three years' audit work shown in Appendix 2. Members were advised that as the current year's audit work progressed the opinions would be updated and reported in future updates.

An opportunity was offered for Members to ask questions. There were none forthcoming.

8. RESOLVED that the Internal Audit Progress Report be noted.

Treasury Management – Half Yearly Review of Performance 2014/2015

The Finance Officer submitted a report outlining the Treasury Management performance for the Authority for 2014/2015 in line with the requirements of the Treasury Management Policy and Strategy agreed by the Authority. This information was based on the data for Sunderland City Council, which incorporated the investment and borrowing figures for the Authority.

The Authority's Treasury Management function continued to look at ways of maximising financial savings and increase investment return to the revenue budget. Members were advised that there had been a large fall in PWLB borrowing rates in July and August as investors sought lower risk investment options following escalation of the conflict in the Ukraine and separately, expectations of further banking interventions within the Eurozone. As PWLB rates were at a relatively low level, it had been decided to take advantage of the low rates and borrow £20m. It was considered that this would help to keep the Authority's interest rate on borrowing at a low level and benefit the Authority's revenue budget over the longer term.

One option to make savings was through debt re-scheduling, however no rescheduling had been undertaken in 2014/2015 as rates had not been considered sufficiently favourable. Members noted the Authority's interest rate on borrowing was very low, currently 3.42%, and as such the Authority continued to benefit from this low cost of borrowing and from the on-going savings from past debt rescheduling exercises. Temporary planned use of Internal Funds helped to make this an even lower cost in reality. Performance continued to see the Authority's rate of borrowing in the lowest quartile as compared to other Authorities.

More detailed Treasury Management information was included within Appendix A for Members' information.

The Borrowing Strategy for 2014/2015 made provision for debt rescheduling but due to the proactive approach taken by the Authority in recent years, and because of the very low underlying rate of the Authority's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place.

Members were advised that rates had not been sufficiently favourable for rescheduling in 2014/2015 so far and the Treasury Management Team would continue to monitor market conditions and secure early redemption if appropriate opportunities arise. It was confirmed that any rescheduling undertaken would be reported to the Authority in line with the current Treasury Management reporting procedures.

Sunderland City Council successfully applied to access PWLB at a discount of 0.20%. This certainty rate was available for those authorities that provided "improved information and transparency on their local determined long-term borrowing and associated capital spending plans".

Members were advised that the Investment Strategy for 2014/2015 was approved by the Authority on 24 March 2014. The general policy objective for the Authority was the prudent investment of its treasury balances.

It was confirmed that investments placed in 2014/2015 had been made in accordance with the approved Investment Strategy and complied with the Counterparty Criteria in place, which was shown in Appendix B used to identify organisations on the Approved Lending list.

The regular updating of the Authority's authorised lending list was required to take into account all recent financial institution mergers and changes in institutions' credit ratings. The Approved Lending List was shown in Appendix C to reflect this. Upon questioning Members were advised that Cater Allen was part of the Santander Group but provided a better rate than Santander.

Members were advised that a risk analysis of Treasury Management functions had been carried out and included in Appendix D for information. This set out how the Council managed the risks associated with the Treasury Management function on behalf of the Authority.

Mrs Goodwill enquired if there were any arrangement fees for borrowing. The Finance Officer advised that indeed there were arrangement fees for all transactions and penalty fees if the Council repaid early.

Mr Knowles congratulated the Authority and enquired what the benchmark rate was. The Finance Officer responded advising that the Libor Rates published by the Bank of England were used as a benchmark and advised that there was a seven day money rate for the Authority.

Upon consideration of the report the Committee: -

9. RESOLVED to: -

- i) Note the Treasury Management performance during the year to the second quarter of 2014/2015; and
- ii) Note the amendments to the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D.

Audited Statement of Accounts 2013/2014

- (i) Letter of Representation**
- (ii) Audit Completion Report – Year Ended 31 March 2014**
- (iii) Statement of Accounts – Presentational Adjustments**

The Finance Officer submitted a report reminding Members that Mazars LLP were required to report on the final accounts and report certain matters to Members prior to an opinion being provided on the Authority's accounts.

Members noted that the Authority maintained an Internal Audit Service, provided by Sunderland City Council and that an independent annual review of its effectiveness was undertaken which concluded that it operated in accordance with professional standards.

The external auditor, Mazars, had carried out an independent review of the effectiveness of Internal Audit by reference to the new standards for internal audit. This concluded that the service continued to comply with the relevant standards. Members were aware 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 2014.

The Finance Officer advised that the Statement of Accounts, noted previously by the Authority on 30 June 2014 did not contain any material misstatements and Mazars LLP was to formally provide an unqualified opinion on the audited Statement of Accounts before the end of September 2014 in accordance with the regulations.

Members referred to Appendix A which detailed the presentational changes that had been made to the Statement of Accounts following the audit. A summary guide to the audited Statement of Accounts was also attached at Appendix B which focused on the key points contained within the detailed financial statements.

Mark Kirkham, from Mazars explained to Members that the Audit Completion Report detailed the findings of the work undertaken and intended conclusions. He stated that they included an unqualified opinion of the accounts which were found to be very good. He added that the level of co-operation of staff at the Tyne and Wear Fire Rescue Authority was very good and that the response to their queries was excellent.

Members were advised that significant risks had been identified and that a contingent liability had been added to the notes as a late judgement which Mark sought an independent review of, which was accepted.

Gavin Barker from Mazars took Members through the findings of the audit work undertaken. Gavin outlined the significant risks which were identified within the report, and explained how these had been investigated and the findings that had been reached.

Members were advised that detailed work had been undertaken on PFI and some corrections had taken place where necessary. It was confirmed that all amendments did not affect the underlying financial situation of the Authority.

In terms of value for money, it was acknowledged that the Authority was facing a challenging situation and that it had been tasked with making some difficult and challenging judgements.

10. RESOLVED that:-

- (i) the Letter of Representation be noted and approved;
- (ii) the revised Annual Governance Statement 2013/2014 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 2014 be approved.

Annual Report and Statement of Assurance 2013/2014

The Chief Fire Officer, the Clerk to the Authority, the Finance Officer and Personnel Advisor submitted a joint report which presented the Annual Report and Statement of Assurance 2013/2014.

Assistant Chief Fire Officer (ACFO) Brindle explained that the purpose of the Annual Report and Statement of Assurance was to inform stakeholders how the Authority had performed during 2013/2014, how much had been spent and what it was spent on. The document also met a new requirement which was placed on the Authority by Government as part of the Fire and Rescue National Framework 2012, to prepare an annual Statement of Assurance.

Attention was drawn to the document which outlined the Authority's vision and provided an overview of how it had performed over the last year, together with plans for future improvement.

Members were advised that 15,525 incidents were attended during 2013/2014. The number of primary fires had reduced by 6%, which was the lowest ever figure recorded by the Authority. Similarly, the number of injuries from accidental dwelling fires had also seen the Authority's lowest ever figure.

Members were also advised that 2013/2014 had seen an increase of 26% in deliberate fires, when compared to the previous year. This increase had been experienced throughout the entire Country, therefore was considered to be due to weather conditions at the time. It was confirmed that investigations into the incidents were very closely correlated with the Police and that the incidents were on a small scale.

ACFO Brindle then drew Members' attention to the update on the The Integrated Risk Management Plan, which it was confirmed had been referred to the auditors. An update on the review of diversionary activities was contained within the report and Members were informed that the review on the feasibility of a Trading Company was reaching completion and that a report would be submitted to the Authority in due course.

The Chairman, on behalf of the Committee thanked the Authority for the report.

The Committee having reviewed the report, it was: -

11. RESOLVED that the report be noted and the document be published.

(Signed) G. N. COOK
Chairman