

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 16 MARCH 2015 at
10.30AM.

Present:

Mr G. N. Cook in the Chair.

Councillors Burdis, M. Forbes, Mole, Price and also Mr Knowles.

In Attendance:

Mark Kirkham (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Ord and Laughlan and also Ms. Goodwill.

Declarations of Interest

There were no declarations of interest.

Minutes

12. RESOLVED that the minutes of the meeting of the Governance Committee held on 29th September 2015 be confirmed and signed as a correct record.

Treasury Management Policy and Strategy 2015/2016, including Prudential 'Treasury Management' Indicators for 2015/2016 to 2017/2018

The Finance Officer submitted a report to inform the Authority on the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2015/2016 and to note the Prudential 'Treasury

Management' Indicators for 2015/2016 to 2017/2018 and to provide comments to the Authority on the proposed policy and indicators where appropriate. These being set out at Appendices 1,2 and 3 of the report.

Members were advised that there were no major changes being proposed to the overall Treasury Management Strategy in 2015/2016, which maintained the prudent approach adopted by the Authority in previous years.

The Council's performance for 2014/15 showed that the current average rate of borrowing at 3.11% was low in comparison with other local authorities (one of the lowest in the Country) whilst the current rate earned on investments at 0.41%, was higher than the benchmark figure of 0.35%. Market conditions were also under constant review to ensure that the Authority could take a view on the optimum time to carry out further borrowing or debt rescheduling. As the Authority had out-performed the rate of return, no changes to the strategy were proposed at the current time, however this would be monitored in line with changes to base rates, to take further advantage of the successes in relation to borrowing, which the Authority had realised in previous years.

The Finance Officer reminded the committee of the Authority's investment objectives which were: a) the security of capital, and b) the liquidity of its investments. This ensuring that the Authority minimised the risk of losing any capital sum invested, whilst also ensuring that there was sufficient liquidity to maintain cash flow within the Authority to pay its operational costs throughout the year.

Referring to Appendix 1 of the report, the Finance Officer explained that the Authorised Limit for External Debt totalling £54.905m for 2015/2016 was consistent with the Authority's current commitments and existing plans. Any variances to these would be reported to the committee as soon as practicably possible, and prior to the limits being reached, together with a detailed explanation. Detailed within the Treasury Management Policy Statement was a benchmark rate of 4.25% for long term borrowing, and members acknowledged that this had reduced from 5% within the previous financial year. In response to a question from Mr Knowles, the Finance Officer confirmed that these borrowing rates were reviewed annually to reflect projected market conditions.

Members were advised that as there was a large fall in PWLB borrowing rates, as investors sought safer haven (lower risk) investment options following the continuing conflict in Ukraine, and more recently the expectations of low inflation and economic growth, it was decided to take advantage of these very low rates by the lead authority. New borrowing of £50 million had been taken out over the financial year when various troughs in the interest rates had occurred. Most of this debt exceeding a 40 year borrowing duration period, with the lowest interest rate being a notable 2.84%.

This was the lowest ever long term borrowing rate achieved by the Lead Authority which would help to reduce further the average rate of borrowing which in turn would help reduce interest charges in the revenue budget. Members were also advised that the main rating agencies had through much of the financial crisis, provided most UK based financial institutions with a ratings 'uplift' because of the Government's financial guarantee support scheme however with the introduction of new 'bail in' arrangements, whereby the banks are required to make arrangements to meet their own liabilities should they ever fail in the future, then many of these will be downgraded by at least one grading notch as government intervention is effectively removed. However, on the flip side, very challenging bank stress tests had been carried out recently by the Bank of England which had assessed major UK Financial institution's ability to withstand another financial crisis and only one UK Institution (the Co-op) had actually failed these tests. This re-assurance coupled with the likelihood of the Government removing it's guarantee support scheme meant that the Authority's Lending List Criteria had, as previously trailed, been updated to reflect this changing position in order to manage TM risk in 2015/16 onwards. This would be reviewed during the year to ensure it remained up to date and appropriate.

13. It was RESOLVED that:

- (i) The annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies) for 2015/2016 be noted and endorsed; and
- (ii) The Prudential 'Treasury Management' Indicators for 2015/2016 to 2017/2018 be noted and endorsed.

Audit Strategy Memorandum 2014/2015

The Finance Officer submitted a report detailing the external auditors Audit Plan which notified the Authority of the work that they were proposing to undertake in respect of the audit of the financial statements and the value for money conclusion for the financial year 2014/2015.

It was noted that Mazars were to hold their audit fees of £40,848 at last year's level for its audit services for the 2014/2015 audit work and that this continued, the lower costs of the external audit process under the revised arrangements introduced from 2012/2-13.

Mark Kirkham referred the committee to the following identified risks namely:-

- Management override of controls;
- Revenue recognition; and

- Pension Estimates.

With regards to Appendix B of the report, the concept of materiality was explained, and members were advised that at the planning stage, this had been set at £964,000 with a trivial threshold of £29,000 below which identified errors would not usually be reported.

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

Audit Progress Report – March 2015

The Finance Officer submitted a report to enable the Committee to consider and comment upon the external auditors' regular Audit Progress Report covering the period up to March 2015.

Mark Kirkham referred the committee to section 3 of the report (emerging issues and developments) and explained the new proposals to bring forward the accounts and audit timetable from 2017/2018 and the other proposals relating to local audit. The committee acknowledged these challenging requirements.

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

Internal Audit Plan for 2015/16

As it was a key role for the Governance Committee to approve the Internal Audit Plan for the Authority for each year, it was deemed important that this report be considered at the meeting of the Committee in March 2015, as the internal audit work will commence from April 2015.

The Head of Internal Audit circulated a report to enable the Governance Committee to consider and comment on the proposed Internal Audit Plan for 2015/16.

Members were referred to Appendix 1 of the report and noted that the residual risk level for each of the audits was very low.

Planned audits for 2015/2016 included:-

- Corporate Governance
- Planning
- Financial Management/Fraud and Corruption
- Information Governance
- Business Continuity; and

- Partnerships

With regards to reporting arrangements, a draft report was forwarded to the appropriate manager and then once agreed, a final report was then forwarded to the Chief Fire Officer and also the Assistant Chief Fire Officer (Strategy and Performance).

The Chief Fire Officer explained that the business continuity audit would review the response to the recent and on-going strike action. Members acknowledged that this was an extremely difficult area.

16. RESOLVED that the proposed Internal Audit Plan be noted and endorsed.

(Signed) G. N. COOK
Chairman

