

## Tyne and Wear Fire and Rescue Authority



Minutes of the meeting of the  
GOVERNANCE COMMITTEE held  
in the Fire and Rescue Service  
Headquarters, Barmston Mere on  
Friday 29 September 2023 at  
10.30am.

### **Present:**

Mr M Knowles in the Chair

Councillors Bell, Keegan, Usher and Smith together with Miss G Goodwill.

### **Apologies for Absence**

Apologies for absence were submitted to the meeting on behalf of Mr Cook and Councillor Dodds.

### **Declarations of Interest**

There were no declarations of interest.

### **Minutes**

10. RESOLVED that the minutes of the meeting of the Governance Committee held on 30 June 2023 were agreed as a correct record.

### **Treasury Management – First Quarterly Review 2023/2024**

The Finance Director submitted a report on the Treasury Management Performance for the first quarter of 2023/2024.

The Authority's Treasury Management function continued to look at ways to maximise financial savings and increase investment returns to the revenue budget whilst maintaining a balanced risk position. It was highlighted that Public Works Loan Board (PWLB) rates had gradually risen since the start of the financial year but continued to be extremely volatile. No refinancing of debt had been carried out in 2023/2024 as rates had not been considered favourable. The average interest rate on borrowing was low at 2.71% and this compared favourably with other authorities.

Treasury Management Prudential Indicators were regularly reviewed and the Authority was within the limits set for all its Treasury Management Prudential Indicators for 2023/2024. The statutory limit under section 3(1) of the Local Government Act 2003, which was required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt) was set at £54.607 million for 2023/2024. The Authority's maximum external debt during the financial year to 31 May 2023 was £31.083 million and was well within this limit. Details of all of the Treasury Management Prudential Indicators were set out in Section 2 of Appendix A.

The Committee was advised that the Authority had achieved a rate of return on its investments of 4.26% which was matched to the benchmark rate. It reflected the fact interest rates had risen steadily by the Bank of England over the past year to help combat high inflation. Interest rates were expected to remain high until inflation was back under control which could see rates higher than 2% in the next financial year too. The Finance Director said that it was envisaged that the cost of borrowing would also continue to increase although current projections were that interest rates had peaked at 5.0% in March 2023, and were expected to fall to around 2.5% by September 2025.

The regular updating of the Authority's Authorised Lending List was required to take into account financial institution mergers and changes in institutions' credit ratings since the previous report. The updated Approved Lending List was shown at Appendix C for information.

Councillor Usher queried if the Public Works Loan Board was still the name of the lending body and the Director of Finance explained that the loans were still called that although the body itself had been abolished. Councillor Usher noted that with the rate of return as it stood, this could result in over £1m being earned on assets. The Director of Finance said that this would be the case if rates remained the same over the year; the cost of borrowing was low at the moment and effective treasury management could benefit the Authority significantly.

Councillor Bell thanked the team for their work and commented that he had been on a station visit and noted that crews were really invested in the finance of the Authority and were pleased with how well managed it was.

Miss Goodwill asked if an AA- credit rating was better than an A+ rating and the Director of Finance confirmed that it was.

The Chief Fire Officer stated that it was not good luck but good governance and the taking of tough decisions which meant that the Authority was in such a good position and he thanked Councillor Bell for his comments.

Accordingly it was: -

11. RESOLVED that: -

- (i) the Treasury Management performance during the first quarter of 2023/2024 be noted; and

- (ii) the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C be noted.

### **Audit Strategy Memorandum**

The Finance Director submitted a report presenting the external auditor's audit strategy which notified the Authority of the work which they are proposing to undertake in respect of the audit of the financial statements and their view of whether the Authority had made proper arrangements for securing value for money (economy, efficiency and effectiveness) in its use of resources for the financial year 2022/2023.

The Committee were introduced to James Collins, the new engagement lead from Mazars who had taken over from Cameron Waddell.

James advised Members that the audit of 2021/2022 Accounts was still open as assurance was still awaited on clarifications from the Pensions Auditor; this Audit Strategy Memorandum was for the 2022/2023 financial statements.

The Committee were told that the auditor's responsibilities had not changed with respect to the audit opinion, value for money, fraud and wider reporting and electors' rights. The significant risks identified for the audit were management override of controls, the pension net defined benefit liability valuation and the valuation of plant, property and equipment.

The planning and risk assessment for the value for money work was underway and there had been no significant weaknesses identified at this point. There had been no risks identified in relation to the independence of the audit team.

It was noted that the audit fees were largely set by the Public Sector Audit Appointments Ltd and the scale fees for 2022/2023 were proposed to be £32,675, an increase from the proposed fee for 2021/2022 of £23,590. The threshold for materiality was £1.434m and triviality was £43,000.

The Chair asked if there was any difference of opinion between what the auditors and management considered to be significant risks and James said that the risks identified mirrored those typical areas of uncertainty for any Fire and Rescue Authority. As such Management would hold similar views to the risks identified in the Audit Strategy.

Having considered the report it was: -

12. RESOLVED that the Audit Strategy Memorandum be noted.

### **Treasury Management – Half Yearly Review 2023/2024**

The Finance Director submitted a report on the Treasury Management performance for quarters 1 and 2 of the financial year 2023/2024. The report also included the annual risk analysis of Treasury Management at Appendix D.

There had been no new borrowing taken out in the period and it was noted that the Authority's interest rate on borrowing continued to be very low at 2.74%. and as such the Authority continued to benefit from this low cost of borrowing and from the ongoing savings from past debt rescheduling exercises.

The Authorised Borrowing Limit for External Debt remained unchanged at £54.607 million for 2023/2024. The Authority's maximum external debt during the financial year to 31 August 2023 was £31.083 million and was well within this limit. Details of all of the Treasury Management Prudential Indicators were set out in Section 2 of Appendix A.

The Authority had achieved a rate of return on its investments of 4.64% matched to the benchmark rate to 31 August 2023. The Finance Director noted that the figures were quite healthy at the present time and this financial year had seen a significant uplift in receipts from interest and that any revenue saving was welcome.

The regular updating of the Authority's Authorised Lending List was required to take into account financial institution mergers and changes in institutions' credit ratings since the previous report. The updated Approved Lending List was shown at Appendix C for information.

The Chief Fire Officer commented that all additional income would be welcomed and was necessary as the Service had some large investment projects coming forward in future months.

13. RESOLVED that: -

- (i) the Treasury Management performance for the year to date for 2023/2024, be noted; and
- (ii) the Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D be noted.

### **Statement of Assurance 2022/2023**

The Chief Fire Officer/Chief Executive (Clerk to the Authority) and the Finance Director submitted a joint report presenting the Statement of Assurance 2022/2023 to the Committee for consideration, endorsement and progression to the full Fire Authority for agreement to publish.

The Tyne and Wear Fire and Rescue Authority was required to prepare an annual Statement of Assurance in accordance with the Fire and Rescue National Framework for England 2018. The Statement of Assurance was attached at Appendix A to the report and set out how the Authority maintained high standards and fulfilled its statutory duties.

The Statement of Assurance was a source of information used by the Secretary of State in their biennial report to Parliament and provided information to the

communities of Tyne and Wear, the Government, local authorities and partners which would allow them to make a valid assessment of the Authority's performance during 2022/2023.

Miss Goodwill referred to the 90-day period given to watch officers to address areas for improvement and queried what would happen if the watch officer was part of the problem.

The Chief Fire Officer advised that there was a process to resolve issues with members of staff and the watch officer would take responsibility for their team. There was confidence that the Service had a capable and competent workforce and could work to resolve any issues.

The Chair commented that the report was comprehensive, thorough and provided excellent assurance for the Committee. He said that there was an assumption that the assurance process was embedded in the organisation and the Chief Fire Officer confirmed that there was a dedicated role with the responsibility for compiling this information and a team who carried out a 'reality check'. This information would come to the executive leadership team who would then discuss governance and accountability matters. Good governance was achieved through management and meeting arrangements and the Service proactively looked at, and reality checked performance.

The Chair noted that it demonstrated the quality of management of the Service and audit would pick up any significant issues. The Chief Fire Officer highlighted that the Service was inspected to an extremely high level on a frequent basis and no adverse matters were being raised.

Accordingly the Committee: -

14. RESOLVED that: -

- (i) the contents of the Statement of Assurance be noted; and
- (ii) the Statement of Assurance be endorsed for presentation to the full Fire Authority for approval on 16 October 2023.

#### **Internal Audit Progress Report 2023/2024**

The Head of Internal Audit submitted a report to consider the performance of Internal Audit up to September 2023, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

Performance against the agreed Key Performance Indicators was currently on target and to date, on audit in relation to contract management arrangements for the new fire station had been completed and a further audit relating to health and safety arrangements was currently underway. The remaining audits, to be completed by the end of the financial year were: -

- Financial Management – Financial transaction testing
- Human Resource Management – Inspectorate report actions
- ICT – Cyber security arrangements
- Information Governance – Compliance with General Data Protection Regulation

Members were directed to Appendix 2 to the report which showed the overall risk opinion against each audit area and outlined a very positive position.

Miss Goodwill asked about the difference between green and yellow colouring on the document and the Audit Manager said that yellow indicated moderate assurance had been found when the audit work had been done and green was substantial. There may be outstanding recommendations in relation to areas of moderate assurance. The audit system operated with four levels; substantial, moderate, limited or no assurance. Limited or no assurance would show as red on the plan.

The Finance Director highlighted that moderate was still good assurance and there were no significant risks identified. An action plan was developed after every audit and then internal audit would review that plan as part of a constant cycle. The Chief Fire Officer added that each internal audit action was pulled together for each service area and tracked by a Board chaired by himself or the Assistant Chief Fire Officer.

James Collins commented that the external auditors would use internal audit work to gain comfort on the Authority's control environment and yellow and green sections indicated strong internal control and also helped direct their testing approach during the audit.

15. RESOLVED that the contents of the Internal Audit Annual Report be noted.

#### **Local Government (Access to Information) (Variation Order) 2006**

16. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during consideration of the remaining business as it contains information relating to the financial or business affairs of any particular person (including the Authority holding that information). (Local Government Act 1972, Schedule 12A, Part I, Paragraph 3).

(Signed) M KNOWLES  
In the Chair