Item 03 (ii)

Minutes of the meeting of the GOVERNANCE COMMITTEE held in the Fire and Rescue Service Headquarters, Barmston Mere on MONDAY 19 MARCH 2012 at 10.30 AM.

Present:

Mr G N Cook in the Chair.

Councillors Gambling, Mole, Padgett, Trueman, Watters and Miss Goodwill.

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillor Ord and Mr Paterson.

Declarations of Interest

There were no declarations of interest.

Minutes

14. RESOLVED that the minutes of the last meeting held on 26 September 2011 be confirmed and signed as a correct record.

Localism Act 2011 – The Amended Standards Regime

The Deputy Clerk to the Authority presented a report outlining the changes to the Standards regime laid out in the Localism Act 2011 and due to come into force on 1 July 2012.

The Authority would still have a duty to promote and maintain high standards of conduct by its members and co-opted members but would adopt its own code of conduct. The code could contain whatever the Authority deemed to be appropriate providing it was consistent with seven principles of public life set out by the Committee on Standards in Public Life. There would be no model code of conduct issued by the Government but it was understood that both the Association of Council Secretaries and Solicitors and the Local Government Association were drafting model codes.

There would now be no legislative requirement to have a standards committee but arrangements would need to be made to consider any complaints which may arise. It was envisaged that most authorities would delegate this to a separate body, whether it be an existing or new committee. Again, the arrangements were not prescribed by the Government but each authority would have to appoint at least one 'Independent Person' to give a view on an alleged breach of the code of conduct. The Independent Person would not, however, be a member of the committee considering the allegation.

The statutory sanctions for a breach of the code were to be abolished and the Authority would be limited to its common law powers, which were: -

(i) formal censure;
(ii) publication of the breach;
(iii) removing a member from a particular committee; and
(iv) asking the member to undergo training.

A Members' Register of Interests would continue to be maintained but it would be for the Authority to decide what had to be registered, apart from those interests included by regulation. The concepts of personal and prejudicial would no longer apply but members would be required to register 'Disclosable Pecuniary Interests' (DPIs) within 28 days of becoming a member. The full guidance on DPIs was not yet available but it was known that the definition of a DPI would also apply to a member's spouse, civil partner or co-habiting partner.

There would be no requirement for members to keep their register entry up to date, although individual authorities may decide to include this within their code, and as long as a DPI was registered, then a member would not need to declare it at a meeting. A member with a DPI in an item of business would not be able to take part in the debate or vote, unless they had a dispensation, but there would be no legal requirement for them to leave the room. The process for the granting of dispensations would be simplified and the power could be delegated by the Authority.

It would be a criminal offence for a member to breach the statutory requirements for registration and disclosure of a DPI.

A meeting was being held on 23 March 2012 for chairs of standards committees and monitoring officers to discuss the way forward. There was general support for consistent arrangements amongst the Tyne and Wear authorities. It was hoped that the draft codes would soon be available for consideration by a special meeting of the Governance Committee.

The Committee was asked to consider progressing arrangements to recruit the Independent Person. It was proposed that two Independent Persons be appointed to cover a situation if one was unable to act for any reason. A shortlisting Panel could comprise the Chair of the Governance Committee and three other committee members. The post of Independent Person would initially be for a two year period, with an option to extend for a further three years if appropriate. Remuneration would be set by the Deputy Clerk of the Authority, in consultation with the Finance Officer.

The Chair highlighted that the existing independent members of standards committees would have to stand down and could not apply to be Independent Persons at the same authority for which they had already served. The Independent Person would no longer be a committee member and it had to be determined how the process could operate comfortably for the Independent Person and sub committee of the Authority. He commented that the lack of guidance was a problem but the principle of being consistent with the neighbouring local authorities was sound.

Councillor Watters asked if the requirement to notify of a spouse or partner's DPIs extended to other relatives residing at the same address. The Deputy Clerk to the Authority advised that the requirement would only apply to a Member and their spouse or partner.

The Chair also indicated his concern with regard to Members who had a DPI relating to an item of business not having to leaving a meeting when it was considered. Although a Member could not speak, their actual presence may impact on the consideration of the item. This needed to be looked at further.

Having considered the report, it was: -

15. RESOLVED that a copy of the report be referred to the full Authority and it be recommended to the Authority: -

(i) that two independent persons be appointed;

(ii) that appointments be for three years, with a provision to extend for a further three years without re-advertisement;

(iii) that a Panel comprising the Chair and three other members of the Governance Committee be set up to shortlist and interview candidates and to make recommendations to the full Authority for appointment; and

(iv) the Deputy Clerk, in consultation with the Finance Officer, be authorised to set the initial allowances and expenses for the Independent Persons and to take all necessary steps to progress their recruitment.

Internal Audit Operational Plan 2012/2013

The head of internal audit presented a report which outlined the proposed Internal Audit Operational Plan 2012/2013 for the consideration of the Committee.

Members' attention was drawn to the specific areas of work to be covered in 2012/2013 which were: -

- Local Financial Systems
- Training Centre
- Purchasing Cards
- Catering
- Fire Safety Inspections
- Payroll
- Accounts payable
- Cash transactions.

In addition to this, audit work would also be undertaken on the Lead Authority's key financial systems. The outlined programme of audit work would enable the internal audit service to continue to provide an opinion on the Key Risk Areas listed at Appendix 1. Members were also directed to Appendix 2 which detailed the Key Performance Indicators which would be used to measure the performance of the service throughout the year.

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

Local Public Audit

The Chief Finance Officer submitted a report providing a summary of the Government's response to the recent consultation on the future arrangements for local public audit.

The head of internal audit highlighted the proposed arrangements for the appointment of external auditors. Local public bodies would be required to appoint an external auditor after taking advice from an Independent Auditor Appointment Panel. However, the Fire Authority, as an appointed rather than elected body, would have its external auditor appointed directly by the Independent Auditor Appointment Panel.

The Independent Auditor Appointment Panel would be chaired by an independent member and the majority of panel members would also need to be independents. The selection of external auditors would be carried out as a formal procurement exercise.

The Government intends to hold further discussions with local authorities, other local public bodies and the audit sector to develop the underlying detail of the new local public audit framework and will publish a draft Bill for pre-legislative scrutiny in Spring 2012.

The head of internal audit advised that the Audit Commission had completed the procurement process for out sourcing its audit work and the successful bidder for the North East region was the DA Partnership. The body would be a subsidiary of Mazars and would be known as Mazars DA. The existing Audit Commission staff covering this work would be TUPE transferred to the new organisation.

Councillor Mole expressed concern that there was little detail about the recruitment of the Independent Auditor Appointment Panel and felt it would be useful to have more information on this, given the number of changes which were happening in the next few years.

The head of internal audit explained that with regard to the Governance Committee, its role as an audit committee had not changed and the membership would remain as it was for the current time. The Independent Auditor Appointment Panel for external auditors would not need to be established until the contract with Mazars DA was drawing to an end. It was the Standards Committee element of the Governance Committee's work which would now be carried out under separate arrangements.

The Chair suggested that a summary paper be prepared to outline all the forthcoming changes and the resulting implications for the Committee.

17. RESOLVED that the report be noted and a further report on future changes with regard to the audit and standards regimes be brought back to the Committee for information.

Treasury Management – Third Quarterly Review of Performance 2011/2012

The Finance Officer submitted a report advising of the Treasury Management performance for the third quarter of 2011/2012.

Dennis Napier reported that the report illustrated a positive performance and there were no issues of concern for the Authority. The rate of interest on borrowing of 3.42% was very low and the Authority continued to benefit from past rescheduling exercises.

The investment policy was also regularly monitored and reviewed to ensure full advantage could be taken of any changes in market conditions. The rate of return for the Authority on its investments was currently 0.8%, compared with the benchmark rate of 0.37%. This had generated interest of £84,000 above the predicted return for the benchmark rate.

The Treasury Management team was required to monitor the rates and credit ratings of all financial institutions and if a credit rating was to fall, the lowest risk investment rating would be selected. Members' attention was drawn to the counterparty criteria and approved lending list and the amendments to these tables which were highlighted in bold print.

In response to a query from Ms Goodwill, Dennis Napier advised that where there was no rating in a column, this was because the relevant agency had not yet carried out a rating for that institution. He also confirmed that any new investments were short term, mostly for three months, and only Government backed institutions would be considered for 364 day investments.

Ms Goodwill enquired if there was a particular reason why debts would not be paid off, rather than money invested. Dennis Napier explained that all cash reserves would have to be used to pay off debts and this money had already been earmarked for particular purposes and was required. There would also be financial penalties if fixed term loans were paid off early.

Following discussion, it was: -

18. RESOLVED that: - (i) the Treasury Management performance for Quarter 3 of 2011/2012 be noted; and

(ii) the amendments to the Lending List Criteria and Lending List be approved.

Treasury Management Policy and Strategy 2012/2013, including Prudential 'Treasury Management' Indicators for 2012/2013 to 2014/2015

The Finance Officer submitted a report informing the Governance Committee of the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2012/2013 and to note the Prudential 'Treasury Management' Indicators for 2012/2013 to 2014/2015.

The Treasury Management Policy and Strategy was submitted to the Authority on an annual basis. There were no major changes proposed to the overall strategy which maintains the prudent approach adopted by the Authority in previous years. Particular areas which inform the strategy include the extent of potential borrowing included in the Authority's capital programme, the availability of borrowing, the current and forecast world and UK economic position, particularly forecasts relating to interest rates and security of investments.

The Strategy and Policy sets out the working limits for the Treasury Management team but remains flexible. Members are required to approve both the authorised external borrowing limit of £55.640 million and the operational boundary for external debt of £50.640 million.

Dennis Napier made reference to the Treasury Management Policy Statement and highlighted that the basis of the agreed Borrowing Strategy was to:

- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Authority’s future borrowing requirement when market conditions are favourable;
- use a benchmark financing rate of 4.50% for long term borrowing (i.e. borrowing for a period of one year or more);
- take advantage of debt rescheduling, as appropriate.

The priorities for investment by the Authority were the security of capital, the liquidity of investments and the aim to achieve the optimum yield on its investments.

Ms Goodwill queried the difference between the limit and the boundary for external debt from 2011/2012 to 2012/2013 and Dennis Napier advised that this was to take into account a PFI scheme coming on line during 2012/2013.

19. RESOLVED that: - (i) the Annual Treasury Management Policy and Strategy for 2012/2013 be noted and referred to the full Authority for approval; and

(ii) the Prudential ‘Treasury Management’ Indicators for 2012/2013 to 2014/2015 be noted.

Audit Commission – Audit Plan 2011/2012

The Chief Fire Officer and Finance Officer submitted a joint report presenting the Audit Commission’s Audit Plan which notifies the Authority of the work which the Audit Commission is proposing to undertake in respect of the audit of financial statements and value for money conclusion in 2011/2012.

The plan identified the main risks associated with the compilation of the financial statements and also the value for money conclusion. These risks were generic for a Fire Authority of this size and as such, officers had no concerns with the areas identified.

The Committee were informed that the audit fees were to be reduced by 8% to £68,080 for the 2011/2012 and it was highlighted that further reductions would be expected in the future as a result of the implementation of the new audit arrangements.

Having considered the report, it was: -

20 RESOLVED that: - (i) the contents of the report be noted; and

(ii) the reduced audit fees for work in 2011/2012, based on the Audit Commission's risk-based approach to audit planning, be noted.

(Signed) G N COOK
Chairman