

Minutes of the meeting of the
GOVERNANCE COMMITTEE held in
the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 24th JUNE 2013 at 10.30
AM.

Present:

Mr Paterson in the Chair.

Councillors Mole and M. Forbes and Miss Goodwill.

In Attendance:

Steve Nicklin (Mazars)

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Mr Cook and Councillors Harrison, Ord, Padgett, and Price.

Declarations of Interest

There were no declarations of interest.

Minutes

1. RESOLVED that the minutes of the meeting of the Governance Committee held on 18 March 2013, be confirmed and signed as a correct record.

Internal Audit Annual Report for 2012/2013

The Head of Internal Audit submitted a report to consider the performance of Internal Audit for 2012/2013, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

The Head of Internal Audit explained that performance during the year was shown at Appendix 1 of the report. All KPI's were achieved. The detailed analysis of opinions was provided at Appendix 2 and these set out the level of assurance that could be provided for each piece of work and for the risk area overall.

Members were asked to note that there were no high or significant recommendations made. 26 recommendations made were deemed to be medium risk, and 8 low risk.

The External Auditors had carried out an independent review of the effectiveness of Internal Audit and concluded that the service continued to comply with the relevant standards.

In response to a question from Mr Paterson, the Head of Internal Audit advised it was not applicable to follow up the objective to ensure recommendations made by the service were agreed and implemented, as this target had been met.

2. RESOLVED that the Internal Audit Annual Report be noted and endorsed.

Annual Governance Review 2012/2013

The Chief Fire Officer, Clerk to the Authority, the Finance Officer and Personnel Advisor submitted a joint report to provide details of the findings of the 2012/2013 Annual Governance Review and seeking approval to the Annual Governance Statement, prior to its incorporation in the Statement of Accounts.

Assistant Chief Fire Officer (ACFO) Brindle spoke to the report and in doing so outlined that a major action which would affect the Authority's future performance was the implementation of the new command and control system.

With regards to internal audit, the Corporate Governance Steering Group noted that overall throughout the Authority there continued to be an adequate internal control environment.

During consideration of the Corporate Risk Profile the group identified 6 risks which were deemed to be high. One of the medium risks was the risk that the Authority did not realise the savings detailed within the IRMP, resulting in reduced financial resilience and potential impact on service delivery. The group however did note that it was the opinion of the Audit Commission that there was a good track record of managing to budget and delivering agreed savings plans.

ACFO Brindle then highlighted the opinion of the External Auditor and asked Members to note that they had issued an unqualified conclusion on both financial arrangements and Value for Money, and identified no significant weaknesses in the Authority's arrangements for internal control.

A discussion then ensued in relation to the views of employees and the Member and Officer questionnaires and the Chair raised an issue with the number of employees who did not feel that the Authority minimised bureaucracy. ACFO Brindle explained that this was an area where improvements could be made. Whilst the Authority was governed by many policies and procedures, work had been undertaken to review processes and make these as lenient as possible to follow. Staff had also been involved in this piece of work.

3. RESOLVED that:-

- (i) the revised Code of Corporate Governance be approved;
- (ii) the Annual Governance Statement be approved; and
- (iii) further reports be received as appropriate.

External Auditor – Audit Progress Report up to June 2013-07-02

The Finance Officer submitted a report to enable the Committee to consider and comment upon the external auditors' (Mazars) regular Audit Progress Report covering the period up to June 2013.

Steve Nicklin presented the report and reported to members that the preliminary audit work carried out to date on both the Authority's key financial systems and the substantive testing on financial data that formed the basis of the accounts for 2012/2013 and the work completed in respect of the Value for Money opinion had both revealed no significant issues at this stage. There were therefore no areas of concern to highlight to the Committee.

Councillor M Forbes commented upon Tyne and Wear Fire and Rescue being referred to as expensive, according to CIPFA statistics and explained that the comparisons which had been made were unfair.

The External Auditor acknowledged this and commented he had undertaken his own analysis using accounting information published on the internet and that this had produced a very different picture.

The Chief Fire Officer agreed and explained the massive debate which surrounded the new audit Standard. He added that it was the Outturn which should be used to make fair comparisons.

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

Treasury Management – Review of Performance 2012/2013

The Finance Officer submitted a report to outline the Treasury Management performance of the Authority for 2012/2013 in line with best practice as prescribed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011).

The Finance Officer spoke to the report and in doing so explained that the average rate of the lead authority's borrowing at 3.49% was one of the lowest in the country and was in the top quartile when benchmarked against other authorities.

In addition, the Authority had benefited from additional investment income during the year of £112,800 in cash terms based on a higher rate of return in 2012/2013 of 0.80% as compared to the benchmarked rate of 0.39%.

With regards to Prudential Indicators, Members were assured that the Authority had not exceeded these during 2012/2013. Members were also asked to note that the Authorised Borrowing Limit for External Debt was not exceeded. This limit was set at £52.557m for 2012/2013 and the highest level reached by the Authority of £41.303m was well below this limit.

Reference was then made to the Bank Base Rate and the Finance Officer explained that conditions were predicted to remain the same for the forthcoming years with no change to the current rate of 0.5% until March 2015 at the earliest.

Detailed at Appendix 1 and 2 of the report was the Lending List Criteria and the Approved Lending List. Given that the Chancellor had recently spoken about selling Lloyds TSB Bank PLC, Members were advised that this would mean credit ratings would transfer to the bank as opposed to being government backed. The Treasury Management function was therefore closely monitoring this, on behalf of the Authority, as this would affect shareholding and have a resultant impact on policies. Any changes would therefore be reported to Members.

5. RESOLVED that the Treasury Management performance for 2012/2013 be noted.

Statement of Accounts 2012/2013 (Subject to Audit)

The Finance Officer submitted a report to provide Members with the certified copy of the Authority's Statement of Accounts 2012/2013 (Subject to Audit), on or before 30 June 2013 and to provide members with the draft Letters of Assurance required by the external auditor as part of the final accounts process.

Members were reminded that the accounts, once audited, still needed to be approved by the Committee in September. The accounts did comply with International Financial Reporting Standards (IFRS) and in an attempt to make them more meaningful to members, a Summary paper (Appendix D) and Handout (Appendix E) was circulated.

The Finance Officer reported that the Authority had performed well during the year and not only managed its budget for 2012/2013 on less government funding, but also achieved a very positive outturn position with a contribution

of £0.643m to the general reserve compared to the planned usage of £1.700m.

In addition, service reviews carried out during 2012/2013 generated efficiency savings of £4.166m for inclusion in the 2013/2014 budget to meet some of the reduced level of government funding. Further savings would be made in future years to meet the expected funding reduction of £2.102m in 2014/2015.

As a result of rigorous financial management the Authority had also bolstered a number of Reserves to the tune of £1.576m during the year. These include an Organisational Change Reserve of £1.100m and a Carbon Management Plan Reserve of £0.476m.

Members were advised of the variation in spending of £0.878m together with the main reasons for the slippage into 2013/2014.

Consideration was then given to future years, in particular the indicated cuts continuing into 2016/2017 and a further 1% reduction in 2014/2015 to the indicative settlement. Members therefore acknowledged that the financial outlook for the Authority remained challenging for the next few years. The Authority would therefore need to move forward with the proposed IRMP proposals to create further efficiencies to assist in addressing the anticipated funding shortfalls.

Members were advised that the accounts would be published on the website the following day.

6. RESOLVED that:-

- (i) the Statement of Accounts 2012/2013 (Subject to Audit), (Appendix A), be noted;
- (ii) the contents of the Letter of Assurance from those charged with governance (Appendix B) be approved; and
- (iii) the Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix C) be noted.

The Chief Fire Officer advised the Committee that Mr Paterson was retiring from the Authority and that this was his last meeting. The Committee thanked him for his much valued time and effort over the years.

(Signed) J PATERSON
Chairman

