

Minutes of the meeting of the  
GOVERNANCE COMMITTEE held  
in the Fire and Rescue Service  
Headquarters, Barmston Mere on  
MONDAY 26 JUNE 2017 at 10.30  
am.

**Present:**

Mr Knowles in the Chair.

Councillors Dodds, Kilgour and Emerson and also Ms Goodwill.

**In Attendance:**

Gavin Barker (Mazars)

**Apologies for Absence:**

Apologies for absence were submitted to the meeting on behalf of Councillors Burdis and Maughan and also Mr Cook.

**Declarations of Interest**

There were no declarations of interest.

**Minutes**

1. RESOLVED that the minutes of the meeting of the Governance Committee held on 27 March, 2017 be confirmed and signed as a correct record subject to the following amendment 'Page 4, Paragraph 1 to read – Members were then advised that where necessary, reserves were used to reduce the need to borrow and the use of assets was also maximised to keep debt charge costs to a minimum'.

## **Internal Audit Annual Report - 2016/2017**

The Head of Internal Audit submitted a report to consider the performance of Internal Audit for 2016/2017, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Service.

Members were referred to Appendix 1 of the report which detailed performance throughout the year and were advised that all of the KPIs were achieved and all audits scheduled for 2016/17 were completed to at least draft report stage within the financial year.

The findings of the 2016/17 audits had been taken together with the findings of audits from the previous two years to form an opinion on each of the identified key risk areas, and an opinion on the adequacy of the overall system of internal control for the Authority (detailed at Appendix 2 of the report). Members noted that all key risks areas had a substantial level of assurance.

Members were advised that 6 medium and 11 low risks had been identified and that the work undertaken did not identify any matters material to the overall internal control environment of the Service and overall throughout the Service there continued to be a good internal control environment.

The Committee commented that the report was extremely positive and thanked officers for their continued hard work.

2. RESOLVED that the Internal Audit report be noted and endorsed.

## **Annual Governance Review 2016/17**

The Chief Fire Officer/Chief Executive (Clerk to the Authority) and the Strategic Finance Manager submitted a joint report to provide findings of the 2016/17 Annual Governance Statement, that would feature in the Authority's Statement of Accounts for 2016/17.

Members were reminded that the Code of Corporate Governance (the Code) was approved by Members in 2003 and last reviewed in March 2016. There were some changes to the core principles within the Framework which saw the 6 previous principles increased to 7.

The Authority had mapped all of the revised requirements into its existing processes to ensure that all of the new principles fully satisfied the expectations of the Code. The Authority's existing Code of Corporate Governance was to be revised and modified and would be reported back to Members in due course.

ACFO Baines explained that the framework identified four key roles of a local authority as follows:

- To engage in effective partnerships and provide leadership for and with the community
- To ensure the delivery of high quality local services whether directly or in partnership or by commissioning
- To perform a stewardship role which protects the interests of local people and makes the best use of resources
- To develop citizenship and local democracy.

Members were then referred to Section 4 of the report which explained in detail the findings of the Corporate Governance Steering Group and were advised that the Annual Governance Statement had been drafted taking into account the findings of the findings of the Annual Governance Review (attached at Appendix A of the report).

ACFO Baines explained that based on all of the evidence examined, the Authority had robust and effective governance and internal control arrangements in place. The views elicited during the review from Members and all senior managers across the Authority demonstrated that the principles of good governance were embedded, and independent assurance had been provided on all areas required, as well as some areas not specifically required.

The review had not identified any weaknesses that would need to be highlighted in the Annual Governance Statement and a small number of actions had been identified to further enhance governance and control arrangements. These were detailed in Appendix C of the report.

Ms. Goodwill referred to the current information governance arrangements and was advised that Information Sharing Arrangements (ISA's) were in place for some partner agencies however not all. The new General Data Protection Regulations that would come into effect in May 2018 would mean that ISA's would need to be amended to incorporate the necessary changes.

Officers were thanked for undertaking this extensive piece of work on the Annual Governance Review 2016/2017.

### 3. RESOLVED that:-

- (i) It be noted that the revised Code of Corporate Governance would be updated and reported to members in due course;
- (ii) The comments on the Annual Governance Statement be noted and endorsed;

- (iii) The comments in relation to the Corporate Governance Action Plan 2017/18 be noted and endorsed; and
- (iv) The report be submitted to the Authority for approval.

### **Treasury Management – Annual Review of Performance 2016/2017**

The Strategic Finance Manager submitted a report on the Treasury Management performance of the Authority for 2016/17 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).

Members were advised that the average interest rate of the Lead Authority's borrowing at 3.32% compared very favourably when benchmarked against other authorities. In addition, it was pleasing to note that the Authority's Annual Debt Charges for 2016/17 were reduced by £55,000 because of the very low cost of borrowing.

The Strategic Finance Manager went on to say that the Authority had benefited from the fact that its budgeted investment income had been maintained throughout the year at a rate of return in 2016/17 of 0.41% despite the cut in the Bank of England Base Rate from 0.50% to 0.25% in July 2016, which saw the benchmark rate consequently fall from 0.37% to 0.20% as a result.

Members were referred to the table in Section 4.4 of the report which detailed the average borrowing rates in 2016/17 and were advised that Sunderland City Council took out £20m of new borrowing during the year as these rates were considered opportune (2.15%) and as explained above, this helped to realise a saving of £55,000 in relation to lower debt charges.

Members were asked to note that the Authority had not exceeded any of its Treasury Management Indicators during 2016/17 and the Authorised Borrowing Limit for External Debt had also not been exceeded. This limit was set at £56.083m for 2016/17 and the highest level reached by the Authority of £35.294m during the year was well below this limit. The Operational Boundary for External Debt had been set at £51.083m.

4. RESOLVED that the Treasury Management performance of the Authority for 2016/17 be noted and endorsed.

### **Statement of Accounts 2016/2017 (Subject to Audit)**

The Strategic Finance Manager submitted a report to provide members with a formal copy of the Authority's Statement of Accounts 2016/2017 (Subject to Audit) – Appendix A, which were issued on 31<sup>st</sup> May 2017 and satisfied the requirements of

the Accounts and Audit Regulations 2015. The report also gave members the opportunity to question and comment upon the financial statements already issued a month in advance of the statutory date in preparation for the earlier closedown required for 2017/2018 financial statements.

In addition the report provided members with copies of the Letters of Assurance already provided to the external auditor as part of the final accounts process, for information and retrospective approval as required.

Members were advised that the 2016/17 accounts (subject to audit) and supporting statements were issued and published (on the Authority's website) on 31<sup>st</sup> May 2017.

The Strategic Finance Manager explained that the period for the exercise of public rights for 2016/2017 must include the first ten working days in July and for 2017/2018 onwards it must include the first ten working days in June. The RFO must also commence the period for the exercise of public rights and notify the auditor of the date on which the period commences. This period must be a single period of 30 working days.

Members were then referred to the narrative statement (Appendix B) of the report and noted the summary of performance and also the efficiency plans and resultant impact on the Authority. Members were advised that the estimated net revenue expenditure for 2016/2017 to be met from Government Grants and local taxpayers was approved by the Authority at £48.832 million. This meant that the precept, at Band D level of Council Tax was set at £76.11 for 2016/2017, which represented a 1.99% increase. The net overall underspend achieved on the revenue budget for the year of £0.353m would be transferred to the Capital Development Reserve.

The Strategic Finance Manager reminded the Committee of the potential liability the Authority may have in terms of an over-claimed Pensions Top Up Grant, totalling £10.532 million, which had initially been requested to be paid in full, within 30 days by the government.

As a result the Chief Fire Officer had requested to meet Ministers to discuss the matter in detail before any agreement could be reached on the proposed repayment plan and how the Authority could fund this. A long term provision for £8.638m had been created in the accounts for 2016/17 in addition to the £1.893m which had previously been included (2011/2012), however the long term impact for the Authority would be significant, therefore serious attempts to challenge this decision and reach a compromise, with Ministers would be made.

The Committee acknowledged the impact a full repayment option would have on the Authority and the services which could be delivered in future, commenting that jobs, the fleet and prevention work were some of the areas which would naturally be

affected, to name but a few. The Committee would therefore be fully supportive in any lobbying to the Government over this matter.

Members questioned whether any correspondence had been received in relation to this and was advised that the proposed changes to the accounts at the time were extremely complex and that Government incorrectly assumed that the Pension Account would show that the amount claimed was compliant and relied on External Auditors providing a view. The Committee acknowledged that no issues were identified from the External Auditor and that in fact, the Authority was commended on its financial statements.

5. RESOLVED that:

- (i) The Statement of Accounts 2016/2017 (subject to audit) and the separate Statements, be noted, which were set out in more detail in Appendices B to D of the report, in meeting the requirements of the Accounts and Audit Regulations 2015, and it be noted that the Statement of Accounts were also issued a month earlier than the required statutory timescales. This was regarded as a very useful and successful exercise which meant that the Authority was now better prepared to achieve the more demanding earlier statutory timescales applicable for the Statement of Accounts 2017/2018; and
- (ii) Retrospective approval be given to the contents of the Letter of Assurance from those charged with Governance (Appendix E) and the Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix F) be noted.

### **Audit Progress Report – June 2017**

The Strategic Finance Manager submitted a report to enable the Committee to consider and comment upon the external auditor's regular Audit Progress Report covering the period up to June 2017.

Gavin advised Members that Mazars had also agreed to carry out the Audit by 31<sup>st</sup> July 2017. The draft financial statements for 2016/2017 were published on the Authority's website on 31 May 2017 and the audit work therefore commenced the following day, 1 June 2017. Members were advised that Audit work was progressing well to date.

Findings of the national procurement exercise for external audit works had been published on Thursday 22<sup>nd</sup> June and Gavin was proud to report that Mazars had won the contract and now audited 18.1% of the market required to appoint an external auditor.

PSSA had published the work programme and scale of fees for 2017/18 audits of principal local government and police bodies. There were no changes to the overall work programme for 2017/18. The scale fees for 2017/18 had therefore been set at the same level as the fees applicable for 2016/17. This being the final year for which PSSA would set fees under the transitional arrangements made by DCLG.

The Committee congratulated the Strategic Finance Manager on achieving an earlier submission of the financial statements.

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

(Signed) M. KNOWLES  
Chairman for Meeting.

