

Item 3

Minutes of the meeting of the  
GOVERNANCE COMMITTEE held  
in the Fire and Rescue Service  
Headquarters, Barmston Mere on  
MONDAY 11 MARCH 2019 at  
10.30 a.m.

**Present:**

Mr G. N. Cook in the Chair

Councillors Bell, Flynn, Kilgour and Woodwark and Mr M Knowles.

**In Attendance:**

Diane Harold (Mazars)

**Apologies for Absence:**

Apologies for absence were submitted to the meeting on behalf of Councillor Dodds and Miss G. Goodwill.

**Declarations of Interest**

There were no declarations of interest.

**Minutes**

13. RESOLVED that the minutes of the meeting of the Governance Committee held on 24 September 2019 were confirmed and signed as a correct record.

**Internal Audit Plan for 2019/2020**

The Head of Internal Audit submitted a report to enable the Governance Committee to consider and comment on the proposed Internal Audit Plan 2019/2020.

The Head of Internal Audit advised Members that the following audits were planned:-

- Human Resource Management
- Service/Business Planning & IRMP
- Corporate Governance
- Information Governance
- Financial Management
- Asset Management
- Business Continuity and Contingency Planning

Appendix 1 of the report showed all of the key risk areas and those audits that contributed towards the opinion on each area.

The 'traffic light' system showed that most areas were scored green, therefore substantial, which was positive and only a few areas had been coded as amber.

The Head of Internal Audit advised Members that at the conclusion of each individual audit a draft report and, if necessary, a proposed action plan would be forwarded to the appropriate manager. Once agreement had been reached, a final report would be forwarded to the Chief Fire Officer.

The key performance indicators which would be used to measure the performance of the service throughout the year was shown in Appendix 2.

Councillor Woodwark asked for clarification as to why 'partnership working arrangements' were deemed to be moderate and was advised that this was largely due to issues which had arisen from the Impeller arrangement. An action plan was however in place, therefore it was likely that this opinion would be revised once a follow up review had been undertaken.

Councillor Woodwark went on to ask for further information in relation to two other moderate risks, namely, IRMP and fuel.

The Head of Internal Audit explained that the IRMP audit focused on for example, what information the Authority took into account, the reliability of data and also the capacity to deliver.

With regards to fuel, the moderate judgement related to the current arrangements in place, particularly the 'foreign key' which was a generic arrangement and not as clear as others. In particular, it was difficult to track when it had been used and what it had been used for.

14. RESOLVED that the Internal Audit Plan for 2019/2020 be noted and endorsed.

### **Treasury Management Policy and Strategy 2019/2020, including Prudential 'Treasury Management' Indicators for 2019/2020 – 2022/2023**

The Strategic Finance Manager submitted a report to inform the Committee on the Treasury Management Policy and Strategy (including both borrowing and investment

strategies) proposed for 2019/2020 and to note the Prudential 'Treasury Management' Indicators for 2019/2020 to 2022/2023 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

Members were reminded that this had been adjusted to a four year period, in line with the MTFS and Capital Programme.

The Strategic Finance Manager advised the Committee of the statutory requirements namely that:-

The Local Government Act 2003 (the Act) required the Authority to:

- 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators including specific Treasury Management Indicators) for a minimum period of three years to ensure that the Authority's capital investment plans were affordable, prudent and sustainable. These were detailed at Appendix 1.
- adopt a Treasury Management Policy Statement (detailed in Appendix 2),
- to set out its Treasury Management Strategy Statement comprising the Authority's strategy for borrowing and the Authority's policies for managing its investments, and giving priority to the security and liquidity of those investments (with more detailed information setting out the basis of the proposed Strategy in Appendix 3).

With regards to the Treasury Management Strategy Statement for 2019/2020 there were no major changes being proposed to the overall Treasury Management Strategy in 2019/2020 which maintained the prudent approach adopted by the Authority in previous years.

The Strategic Finance Manager advised that the Authority's performance for 2018/2019 using the prudent treasury management strategy adopted showed that the current average rate of borrowing at 3.13% was low in comparison with other local authorities whilst the current rate earned on investments at 0.62% was higher than the benchmark rate of 0.49%. Market conditions were under constant review so that the Lead Authority on behalf of this Authority could take a view on the optimum time to carry out borrowing and / or debt rescheduling. As the rates were currently so low, there was no prospect of any debt rescheduling taking place at the current time.

The Committee was advised that as the Authority had outperformed the rate of return on investments, this had produced additional income of approximately £36,000 which had a positive impact on the revenue budget.

Members were then referred to Appendix 1 of the report which detailed the Prudential 'Treasury Management' Indicators and were asked to note the Authorised Limit for External Debt in 2019/2020 of £48.352m and the Operational Boundary for External debt in 2019/2020 of £43.352m, which had already been agreed by the Authority as part of the prudential requirements within the Capital Programme 2019/20.

Councillor Woodwark expressed his concerns about brexit and the unpredictability over the forthcoming weeks.

The Strategic Finance Manager agreed and commented that treasury management was constantly unpredictable hence why the Authority had provided a flexible Treasury Management Strategy for the ahead to help withstand any financial variations and that it would also undertake regular reviews, to ensure the Treasury Management Strategy was fit for purpose.

Martin Knowles commented that whilst brexit would have a resultant impact, the strong report and the assurances given from the proposed Strategy were welcomed, and commented that the Authority was currently in a strong position.

The Chief Fire Officer reminded Members that it was proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies would be considered for inclusion on the Approved Lending List.

In addition, it was also proposed to set a total limit of £50m which could be invested in other countries provided they met the above criteria. A separate limit of £250m would be applied to the United Kingdom and was based on the fact that the government had done and was willing to take action to protect the UK banking system.

Councillor Woodwark referred to the Approved Lending List detailed at Appendix 6 of the report and asked for clarification that 20 of the banks were non UK.

The Strategic Finance Manager confirmed that yes this was the case, however these banks had headquarters based within the UK

15. RESOLVED that:-

- (i) The proposed Annual Treasury Management Policy and Strategy for 2019/2020 (including specifically the Annual Borrowing and Investment Strategies) be noted and endorsed; and
- (ii) The draft Prudential 'Treasury Management' Indicators 2019/2020 to 2022/2023 be noted and endorsed.

### **Audit Strategy Memorandum 2018/2019**

The Strategic Finance Manager 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 2018/2019.

Diane Harold presented the report and in doing so referred the Committee to the following significant risks which had been identified:-

- Management of override of controls
- Property, Plant and Equipment
- Defined benefit liability valuation

Members were advised that brexit had not been identified as a specific risk due to the number of uncertainties and the fact that it was too generic, to be meaningful.

With regards to materiality, Mazars had set a threshold at 2% of the benchmark based on the 2017/2018 audited financial statements.

Mazars anticipated the overall materiality for the year ending 31 March 2019 to be £1.194m for the Authority's financial statements (£0.708m for the prior year).

In relation to value for money, Mazars had not identified any significant risks. This would be kept under review throughout the year.

Members were advised that Mazars audit fees would be £23,590 for the 2018/2019 audit work which was in accordance with the agreed reduced scale fees guidance provided by Public Sector Audit Appointments Ltd (PSAA). This meant the cost of the external audit had reduced by £7,046 compared to the previous tender arrangements.

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

### **Audit Progress Report – February 2019**

The Strategic Finance Manager submitted a report to enable the Committee to consider and comment upon the external auditors' regular Audit Progress Report covering the period up to February 2019.

Diane Harold referred the Committee to section 2 of the report, National Publications, and explained that the publication 'Fire and Rescue Authority 2018 Reserves as a Share of Core Spending Power' was an interesting read, however Members should be cautious about interpretation.

Of additional interest to Members of the Committee would be the findings of the recent HMICFRS regime, which would be published and available in June.

The Strategic Finance Manager referred Members to the CIPFA publication 'Scrutinising Public Accounts: A Guide to Government Accounts' and suggested that he circulate a copy of the suggested questions, for Members' information. The Committee welcomed this approach.

Councillor Flynn commended the Authority on an excellent report.

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

(Signed) G. COOK,  
Chairman

