



GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
Monday 6 March 2023 at
10.30am.

Present:

Mr M Knowles in the Chair

Councillors Bell, Flynn, Keegan and Ord together with Miss G Goodwill.

In Attendance:

Joanne Greener (Mazars)

Apologies for Absence

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

Declarations of Interest

Councillors Flynn and Keegan declared an interest in item 9 '2022/2023 Corporate Risk Management Review' as the Hebburn Tri Station was sited in their local authority area.

Minutes

14. RESOLVED that the minutes of the meeting of the Governance Committee held on 31 October 2022 were agreed as a correct record subject to the inclusion of Miss Goodwill's apologies.

Internal Audit Plan Report 2023/2024

The Head of Internal Audit submitted a report presenting the proposed Internal Audit Plan for 2023/2024 for the Committee's consideration.

The Head of Internal Audit advised that the Plan covered the key risk areas of the business over a period of years and the scope of the work was driven by an assessment of risk in consultation with the Chief Fire Officer and Finance Director. There was also contingency time built in for any unplanned work and follow up.

The planned audits for 2023/2024 were: -

- Contract management arrangements for the new fire station at Hebburn
- Health and Safety Arrangements
- Financial transaction testing
- Inspectorate report actions
- Compliance with the General Data Protection Regulation
- Cyber Security Arrangements

In addition to this there would be some audit work on the Lead Authority's key financial systems and a draft report and, if necessary, a proposed action plan would be forwarded to the appropriate manager at the conclusion of each audit. The Chief Fire Officer and the Governance Committee would be updated on progress against the audit plan approximately halfway through the year.

The Key Performance Indicators which would be used to measure the performance of the service throughout the year were attached at Appendix 2 of the report.

Councillor Bell queried if the time allowed for each audit was realistic and whether any time remaining once an audit was completed would be transferred to another area.

The Head of Internal Audit explained that the time allowed for each audit was discussed with the Chief Fire Officer and Finance Director and there was a high level of confidence in this due to the efficient management of work areas. He went on to say that the time allowed for the Contract Management audit was related to the fact it was a key project and had been rated Amber at the last audit; if the audit took less time than planned then the additional days would not necessarily be transferred to another audit if that could be covered in the scheduled period. Over time it evened out as some audits could take, and had taken, longer than planned but these had been accommodated and managed by the Internal Audit Service.

DCFO Heath commented that in addition to Internal Audit, the Service was coming to the end of the first year of the internal Service Assurance programme which would provide a framework to judge to what degree the Service was doing what it should be.

The Chair summarised that the Committee had considered the plan and were assured by the continued improvement work being carried out.

15. RESOLVED that the proposed Internal Audit Plan be noted.

New Member Code of Conduct and Ethics

The Chief Fire Officer/Chief Executive (the Clerk to the Authority) and the Personnel Advisor to the Authority submitted a joint report setting out the new proposed Member Code of Conduct and Ethics (“the Code”).

The new Code would replace and expand upon the Tyne and Wear Fire and Rescue Authority’s existing Member Code of Conduct and would encompass the ethical principles set out in the new Core Code of Ethics for Fire and Rescue Services. The Ethics Code sets out five ethical principles: -

- Putting our communities first
- Integrity
- Dignity and respect
- Leadership
- Equality, diversity and inclusion (EDI)

The principles were designed to help improve the organisational culture and workforce diversity of the Service. The new Member Code of Conduct and Ethics would form part of the Authority’s Standing Orders and would complement the Employee Code of Conduct and Ethics.

Miss Goodwill asked if the new Code made many changes from the previous version and who would be responsible for checking behaviour.

ACFO McVay advised that firefighters were bound by the Core Code of Conduct and it was down to employees to monitor each other. There were also forms to report Member behaviour.

Councillor Flynn noted that he was not aware of any issues and as an institution, relationships seemed to work. All local authorities had their own code of conduct and that did help to concentrate and focus the mind of Members. ACFO McVay said that historically, the Fire Authority Members’ Code of Conduct reflected the local authority model but this now included the Core Code from the Fire and Rescue Service perspective.

Councillor Ord suggested that it could be useful for Members to have some guidance on what to do if they found themselves in a difficult situation with a member of staff. DCFO Heath noted that this was something that could happen and he would take that forward as one of the inputs for Member training.

Mr Knowles emphasised the importance of the culture of the organisation being one of co-operation and trust and was pleased to see this being included as part of the training programme.

16. RESOLVED that new Member Code of Conduct and Ethics be endorsed.

Treasury Management – Third Quarterly Review 2022/2023

The Finance Director submitted a report on the Treasury Management Performance for the third quarter of 2022/2023.

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. The Lead Authority had acquired £50 million of new borrowing during the financial year to support the financing requirements of their Capital Programme. These rates were considered opportune at the time and would benefit the revenue budget of the Fire Authority over the longer term.

It was noted that the Authority's interest rate on borrowing was very low, currently 2.54%, and as such the Authority continued to benefit from this low cost of borrowing and from the ongoing savings from past debt rescheduling exercises.

Treasury Management Prudential Indicators were regularly reviewed and the Authority was within the limits set for all its Treasury Management Prudential Indicators for 2022/2023. 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 £52.816 million for 2022/2023. The Authority's maximum external debt during the financial year to 31 December 2022 was £33.235 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 1.74% which was matched to the benchmark rate. The Bank of England base rate had been increased to 3.50% in December 2022 and had been increased further to 4.0% in February. The Finance Director advised that it was predicted that interest rates would peak at 4.50% in May 2023 before gradually falling back to 2.5% by September 2025. The Authority had almost £28m of investments and £10m of borrowing.

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 Flynn commented that the Committee were aware of the potential pay rises which would be forthcoming in the near future and felt that people would be surprised that the Authority would receive no assistance from the Government to fund this increase.

Having considered the report, it was: -

17. RESOLVED that: -

- (i) the Treasury Management performance for the third quarter of 2022/2023, be noted; and
- (ii) the Lending List Criteria at Appendix B and the changes to the Approved Lending List at Appendix C be noted.

Treasury Management Policy and Strategy Statement 2023/2024, including Prudential 'Treasury Management' Indicators for 2023/2024 to 2026/2027

The Finance Director submitted a report to inform the Committee on the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2023/2024 and to note the Prudential 'Treasury Management' Indicators for 2023/2024 to 2026/2027 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

Members were reminded that the Local Government Act 2003 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); and
- 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 (set out in Appendix 3).

The Finance Director advised that there were no major changes being proposed to the overall Treasury Management Strategy in 2023/2024, which maintained the careful and prudent approach adopted by the Authority in previous years. Areas that informed the strategy included the extent of potential borrowing included in the Authority's capital programme, the availability of borrowing, and the current and forecast world and UK economic positions, in particular forecasts relating to interest rates and security of investments.

The Authority's treasury management practices were subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapted to changing financial markets as appropriate so that the Lead Authority, on behalf of the Authority, could take a view on the optimum time to carry out further borrowing or debt rescheduling.

Members were referred to Page 77 of the agenda and were advised that the Authorised Limit for External Debt for 2023/2024 had been set £54,607,000, therefore the Authority could not exceed this limit. In addition to this, the Operational

Boundary for External Debt had been set at £49,607,000. Members were advised that this limit acted as an early warning but it was not anticipated that levels of debt would reach anywhere near the Operational Boundary.

The Treasury Management Statement was affirmed on an annual basis and there were no proposed changes from the previous year's statement and as this continued to be based on low risk and prioritising the security of investments.

The Finance Director highlighted that interest rates had reached their highest level since November 2008 and the Authority took advice from its treasury advisors and Bank of England predictions but the situation could change quickly depending on the economy.

Miss Goodwill asked about the sharp increase which was seen in the Borrowing element of the Authorised Limit for External Debt. The Finance Director advised that this would not be actual borrowing but rather represented what could be required if the Authority was in a worst-case scenario situation. It was a legal requirement to set this limit and it had to be realistic and based on all possible scenarios.

18. RESOLVED that: -

- (i) The proposed Annual Treasury Management Policy and Strategy for 2023/2024 (including specifically the Annual Borrowing and Investment Strategies) be noted and endorsed; and
- (ii) The draft Prudential 'Treasury Management' Indicators 2023/2024 to 2026/2027 be noted and endorsed.

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

19. 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