

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 14 MARCH 2016 at 10.30
am.

Present:

Mr G. N. Cook in the Chair.

Councillors Burdis, Lauchlan, Mole and Pickard and also Ms Goodwill and Mr Knowles.

In Attendance:

Gavin Barker (Mazars)
Mark Kirkham (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Maughan and Price.

Declarations of Interest

There were no declarations of interest.

Minutes

13. RESOLVED that the minutes of the meeting of the Governance Committee held on 28 September, 2015 be confirmed and signed as a correct record.

Internal Audit Plan for 2016/17

The Head of Internal Audit submitted a report to enable the committee to consider and comment on the proposed Internal Audit Plan for 2016/17.

The Head of Internal Audit advised the committee that the following audits were planned for the year:

- Corporate Governance
- Risk Management
- Financial Management/ Fraud and Corruption
- Performance Management; and
- Capital Programme.

Members were referred to Appendix 1 of the report which showed the key risk areas and the audits which contributed towards the opinion on each area.

The Key Performance Indicators which were used to measure the performance of the service throughout the year were detailed in Appendix 2 of the report. The residual risk assigned to each risk area remained low ranging from 5% - 25%.

Councillor Pickard referred to information governance (Key Risk Area) with a residual risk of 25% and asked whether this figure was likely to reduce once the audit was complete? The Head of Internal Audit advised that yes, this figure would reduce once the outstanding issues from the previous audit had been resolved.

14. RESOLVED that the contents of the report be noted and endorsed.

Treasury Management Policy and Strategy 2016/2017, including Prudential 'Treasury Management' Indicators for 2016/2017 to 2018/2019

The Finance Officer submitted a report to inform the Committee on the proposed Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2016/2017 and to note the Prudential 'Treasury Management' Indicators for 2016/2017 to 2018/2019 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

Members were advised that there were no major changes proposed to the overall Treasury Management Strategy in 2016/2017 which maintained the prudent approach adopted in previous years.

The Authority's performance for 2015/2016 showed that the current average rate of borrowing at 3.51% was low in comparison with other local authorities whilst the

current rate earned on investments at 0.41% was higher than the benchmark figure of 0.36%. Market conditions were also under constant review (i.e. on a daily basis) in order that the Authority could take a view on the optimum time to carry out further borrowing or debt rescheduling, should the need or opportunity arise. This prudent approach had been well received by the Authority in the past.

The Finance Officer referred members to Appendix 1 of the report and in particular, to the Authorised Limit for External Debt (2016/17) which totalled £56,083,000 and confirmed that these were consistent with the Authority's current commitments, existing plans and proposals on the Capital Programme for capital expenditure and financing, and with its approved treasury management policy statement and practices.

The Committee was also asked to note the operational boundary for external debt which totalled £51,083,000. Members were assured that this would be closely monitored and a report made to the Authority should the limit ever be exceeded at any point.

The Finance Officer then referred the Committee to Appendix 2 of the report (Treasury Management Policy Statement) and explained the basis of the agreed Borrowing Strategy making reference to the benchmark financing rate of 4.00% for long term borrowing and commented that this was a reasonable but challenging target.

A discussion ensued in relation to reserves and the Finance Officer explained that whilst this was currently used to help fund the capital programme and eliminate the need to borrow, monies may need to be replaced in future in order to sustain some level of financial security for the Authority during times of austerity.

Mark Kirkham commented that an exit from the EU may have a significant impact on the Borrowing Strategy for the future. The Finance Officer agreed and explained that the market rates were assessed and monitored on a daily basis and that the impact would be reported to the authority in due course, as this may impact upon the Treasury Management policy of the Authority depending on the decision of the referendum..

The Chairman, on behalf of the Committee, thanked the Finance Officer for a comprehensive report and well informed presentation of the information. The Committee acknowledged that when benchmarked against comparative information, Tyne and Wear Fire and Rescue Authority was performing extremely well.

15. RESOLVED that:

- (i) The Annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies) for 2016/2017 be noted and endorsed; and
- (ii) The Prudential 'Treasury Management' Indicators for 2016/2017 to 2018/2019 be noted and endorsed.

Audit Strategy Memorandum 2015/2016

The Finance Officer 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 2015/2016.

Members were advised that the audit fees for 2015/16 amounted to £30,363, which was a 25% reduction from the previous year (£40,848).

The Audit Strategy identified the specific areas for the planned audit work based upon a risk assessment process. The key risk areas were as follows:

- Management override of controls; and
- Pension Estimates (IAS 19)

With regards to the Value for Money Conclusion, the Committee was advised that the criteria had changed. The Auditors had identified one VFM risk which was 'responding to financial pressures', in that as the Authority faced financial pressures from reduced funding, and that without a robust budgetary control and delivery of its action plans, the Authority's financial resilience and service performance could deteriorate.

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

Value for Money Risk Assessment 2015/2016

The Finance Officer submitted a report to enable the Committee to consider and comment upon the external auditors' Value for Money Risk Assessment which covered the financial year 2015/2016 and which would help inform the external auditors Value for Money conclusion which would be reported to the Committee later in the year.

Gavin explained that this report reflected the external auditors aim of providing both members and officers of the Authority with an initial risk assessment which would be used to inform the work undertaken in respect of the Value for Money Conclusion which would be fully reported to the Authority in September. It also gave members

the opportunity to question the auditor about the initial risks they had identified for the Authority in their report.

Gavin referred members to the overall assessment and explained that the overall financial environment in which the Authority was operating represented a significant risk to the value for money conclusion. This audit risk was directly linked to the on-going austerity programme and the need to reduce costs and transform services to address the funding gap identified in the current medium term financial plan.

A number of areas where further work was required to provide sufficient assurance to inform the VFM conclusion, and address the significant risk which had been identified were as follows:

- review of the 2015/16 financial outturn to gain audit assurance about the robustness of the savings planning processes and assess the latest financial standing of the Authority;
- review of the 2015/16 performance outturn to assess the impact of financial constraints on overall performance;
- analysis of benchmarking data in VFM Profiles to assess the Authority's comparative position on key measures; and
- review the plans that were being put in place to address the funding gap for future years.

The Chairman commented that it was unfortunate that the 'sustainable resource deployment' risk had been categorised as red (i.e. significant risk). The auditors explained that similar comments had also been received from officers however it was prudent to identify this as significant given the future challenges the Authority would face, and also to link this to future plans.

Councillor Pickard questioned what information was available in relation to the 4 year financial settlement and was advised that further information was still awaited. As further information was still needed for example in relation to Business Rates, a further update would be given to members in due course.

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

Audit Progress Report – March 2016

The Finance Officer submitted a report to enable the Committee to consider and comment upon the external auditors' regular Audit Progress Report covering the period up to March 2016.

Gavin Barker provided an update on the following:

- North East Governance Forum – January 2016. This meeting had been extremely well received and a further meeting had been convened for June. It was agreed from feedback from attendees, that two meetings a year should be put in place in future;
- The recent changes made by the government (Local Audit and Accountability Act 2014) and the Accounts and Audit Regulations 2015 in relation to the public inspection of the accounts process and also the revised requirements for the Authority to observe for the reporting of the 2015/2016 Statement of Accounts and in future years; and
- The revised guidance received from the National Audit Office associated with the revised criteria that must be observed in respect of assessing the Value for Money conclusion which applies to all Authorities for the 2015/2016 financial year. This had already been covered in the previous item (Value for Money Risk Assessment 2015/2016 report).

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

(Signed) G. N. COOK
Chairman