

Item 3

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
Friday 13 MARCH 2020 at
10.30 a.m.

Present:

Mr G. N. Cook in the Chair

Councillors Hunter and Woodward and Mr M Knowles.

In Attendance:

Diane Harold (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Burdis, Dodds, Flynn, Kilgour, Miss G. Goodwill, the CFO and ACFO Baines.

Declarations of Interest

There were no declarations of interest.

Minutes

13. RESOLVED that the minutes of the meeting of the Governance Committee held on 23 September 2019 were confirmed and signed as a correct record.

Internal Audit Plan for 2020/2021

The Head of Internal Audit submitted a report to enable the Governance Committee to consider and comment on the proposed Internal Audit Plan 2020/2021.

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

- Human Resource Management
- Business Planning & Income Generation
- Procurement and Contract Management
- Information Governance
- Fraud and Corruption
- ICT

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

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 were shown in Appendix 2.

The Chair asked if consideration would be given to the use of external software in respect of the scope of the planned audit of the Authority's inhouse software development and development lifecycle arrangements.

The Head of Internal Audit replied that processes would be reviewed and external software would be considered if appropriate. AM Clark added that the audit was timely as the service was looking to bring some ICT maintenance and software work back in-house because of issues with external providers.

Councillor Woodward commented on the liquidation of Impeller and was pleased to note that there was an audit of the replacement arrangements which would provide members with a level of assurance that would be gained by the proposed audit which would also provide an opportunity to identify any areas of specific concern.

Councillor Woodward asked for clarification as to why there was a downward shift in Information Governance assurance yet the overall opinion was good. He was advised that the audit had assured that IRMP actions were valid but there were errors in the data upon which it was based, although these did not impact on the overall conclusions and recommendations made to the Authority. Therefore, the opinion was judged good, and overall the substantial assurance position was still valid. The Head of Internal Audit agreed that the shift was due to minor data quality issues. AM Clark added that the Authority had seen an increasing demand for information requests and freedom of information requests and therefore a review had been undertaken. A report would be prepared for the Information Commissioner and submitted to the HR committee for approval.

In response to a further query from Councillor Woodward, the Strategic Finance Manager confirmed that feedback from Impeller being wound up would be provided to members once the liquidation process had been completed and a report would be made to the full Fire Authority.

14. RESOLVED that the Internal Audit Plan for 2020/21 be noted and endorsed.
Audit Strategy Memorandum 2019/2020

The Strategic Finance Manager submitted a summary report detailing the external auditors Audit Strategy which notified the Authority of the work that they were planning to undertake in respect of the audit of the financial statements and the value for money conclusion for the financial year 2019/2020.

Diane Harold (Mazars) then presented their report and in doing so referred the Committee to the following 3 significant risks which they had identified:-

- Management of override of controls
- Property, Plant and Equipment
- (Pensions) Defined benefit liability valuation.

These risks were typical for most Fire Authority's across the country.

Members were advised that Mazars audit fees would be maintained at £23,590 for the 2019/2020 audit work. This was in accordance with the agreed reduced scale fees guidance provided by Public Sector Audit Appointments Ltd (PSAA). It was also noted that an additional fee of £3,652 had been charged for the audit of the accounts for 2018/19 in respect of the additional pensions audit work that was necessary because of the late changes impacting on the accounts caused by the McCloud and Sargeant pension cases legal judgements.

Diane reported that arrangements were adequate, there were no independence issues to raise and the Audit Strategy Memorandum was straight forward.

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

Treasury Management Policy and Strategy 2020/2021, including Prudential 'Treasury Management' Indicators for 2020/2021 – 2023/2024

The Strategic Finance Manager submitted a report to inform the Committee of the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2020/2021 and to note the Prudential 'Treasury Management' Indicators for 2020/2021 to 2023/2024 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

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 2020/2021 there were no major changes being proposed to the overall Treasury Management Strategy adopted in 2019/2020 which maintained the prudent approach of previous years. The Strategic Finance Manager assured Members that the Prudential 'Treasury Management' Indicators 2020/21 to 2023/2024 would be regularly reviewed for compliance and reported to this Committee for scrutiny.

The Strategic Finance Manager advised that during 2019/2020 the Authority did not employ any external fund managers. The performance of the fund managed by Sunderland City Council's in-house team compared favourably with the relevant benchmarks and performance from the previous year. Performance was significantly above the benchmark rate whilst still adhering to the prudent policy agreed by the Authority in what remained a very challenging market and the Authority's treasury management advisor reported that the rate of return achieved compared well with their other local authority clients.

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 2020/2021 of £49.250m and the Operational Boundary for External debt in 2020/2021 of £44.250m, which had already been agreed by the Authority as part of the prudential requirements within the Capital Programme 2020/21.

The Strategic Finance Manager advised that policy was unlikely to change. Members noted that the Coronavirus had happened since the report was drafted and that the interest rates had reduced to an all time low of 0.25% as a result of the impact on the economy.

Councillor Woodward acknowledged that there was no control over the external factors that could impact on the Treasury Management function. He then went on to ask about previous overseas investments. He was advised that there had been some overseas investments prior to the credit crunch however all foreign investments were withdrawn and re-invested in UK financial institutions when the government stepped in to avoid the financial system from collapsing at the time. This was considered prudent and investment had remained within the UK ever since the credit crunch as a result. The Strategic Finance Manager confirmed that there were no plans to invest overseas at the current time.

The Chair thanked the Strategic Finance Manager for a reassuring report.

16. RESOLVED that:-

- (i) The proposed Annual Treasury Management Policy and Strategy for 2020/2021 (including specifically the Annual Borrowing and Investment Strategies) be noted and endorsed; and
- (ii) The draft Prudential 'Treasury Management' Indicators 2020/2021 to 2023/2024 be noted and endorsed.

Audit Progress Report – February 2020

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 2020.

Diane Harold brought Members' attention to Section 5. She reported that the Code of Audit Practice would be in force from 1 April 2020, subject to Parliamentary approval. Members noted the implications for Mazars should there be requests for additional audit work following the Brydon review. The Chair suggested a definition of Value for Money would be useful with guidance on the elements that needed to be reviewed.

The Strategic Finance Manager advised Members that HMI had required full access to all documents during the inspection and therefore their report provided robust efficiency assurance. The report was available to External Audit for information. Preparation was underway for the second inspection.

Diane reported that the audit market was not sustainable for the public sector, deadlines could potentially be missed and audits of smaller authorities might not be completed by the deadline in July. However, Members noted that there was nothing to formally report at present.

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

HMICFRS Inspection of Fire and Rescue Services in England 2018/19

The Chief Fire Officer/Chief Executive (the Clerk to the Authority) the Strategic Finance Officer and the Personnel Advisor to the Authority submitted a joint report to inform Members of the 'Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) 'State of Fire and Rescue: Annual Assessment of Fire and Rescue Services in England 2019' report. It also incorporated an overview from the 2018/19 inspection programme.

Members noted that the first cycle of inspections of all 45 FRS in England had been carried out during 2018/19. They were conducted over three tranches and were very thorough. TWFRS was inspected in tranche two and judged as 'Good' across the three pillars of inspection: Effectiveness, Efficiency and People. TWFRS had identified areas to be improved and improvement and action plans had subsequently been produced.

AM Clark drew Members' attention to the State of Fire and Rescue Report as detailed in section 3, which highlighted there was much that Services should be proud of,

acknowledging that the FRS had many strengths and was appreciated by the public. Members noted that the reduction in the number of fire incidents had allowed FRS to diversify into other activities to benefit the wider community which was something that TWFRS had worked hard to do for several years. The report acknowledged the considerable financial disparity regarding the funding position between services and highlighted the need for reform across the sector.

Referring to the recommendations of the State of Fire and Rescue Report, AM Clark questioned achievability within the set timescales due to the Coronavirus and anticipated some slippage to the recommendations and when they would be implemented across the fire service.

Members were pleased to note the positive public perception of TWFRS which was above the national average.

Councillor Woodward referred to the diversity issues raised in the report. He acknowledged the challenges faced by the TWFRS in achieving a fully diverse workforce and felt this needed to be appreciated outside of the FRS. He then made reference to the £140,000 costs incurred in preparation of the inspection which he suggested should be covered by HMI; however acknowledged this was not a decision for the Committee and agreed to raise with TWFRS.

Members' attention was drawn to Sir Thomas Winsor's comparison of CFO with Police Chief Constables and Councillor Woodward questioned the validity of the argument that the models were the same. Overall, he deemed the report an excellent piece of work.

The Chair agreed with Councillor Woodward's concerns regarding the comparison of CFO with Police Chief Constable. He acknowledged the positivity of the report, despite the high costs.

ACFO Heath commented on the benefits of having some quality assurance from an external source.

18. RESOLVED that:-

- a) the contents of the report be noted;
- b) further reports be received as appropriate.

(Signed) G. COOK,
Chairman