

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
Friday 30 JULY 2021 at
10.30 a.m.

Item 3 (iii)

Present:

Councillor Dodds in the Chair

Councillors Flynn and Ord.

Appointment of Chair

In the absence of the Chair and the Vice-Chair of the Committee, it was:-

25. RESOLVED that Councillor Dodds be appointed as the Chair for this meeting.

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Bell, Burdis and Dick together with Mr Cook, Knowles, Davies, Waddell, CFO Lowther, ACFO McVay, Area Manager Clark and Ms. Davis and Greener

Declarations of Interest

There were no declarations of interest.

Minutes

26. RESOLVED that the minutes of the meeting of the Governance Committee held on 28 June 2021 were agreed as a correct record.

Treasury Management – Annual Review of Performance 2020/2021

The Finance Director submitted a report setting out the annual borrowing and investment performance for the financial year 2020/2021 in accordance with the requirements of the Treasury Management Policy Statement and Treasury Management Strategy approved by the Authority on 13 March 2020.

Members were advised that the average rate of the lead authority's borrowing at 2.83% compared favourably when benchmarked against other authorities and had helped to keep the revenue cost of the Authority's borrowing low in comparison. This being one of the lowest in the Country.

The Covid-19 pandemic continued to have a significant impact on financial markets and economic forecasting. The Bank of England (BoE) Base Rate was lowered to 0.10%, a historic low announced on 19 March 2020 to help stimulate the economy and remained in place. Recovery would take time and considerable challenges to the economy remained.

The Finance Director advised the Committee that the Authority had benefited from the fact that its budgeted investment income had been maintained throughout the year at a rate of return of 0.73% in 2019/2020 compared to the benchmark rate of 0.53%, which was a positive outcome for the financial year.

The Authority had benefited from the fact that its budgeted investment income had been maintained throughout the year at a rate of return of 0.13% in 2020/2021 compared to the benchmark rate of -0.07%. The investment policy continued to reflect the priority to 'protect' the funds of the Authority first and foremost.

The positive position of performance against the benchmark however needed to be taken into context as the budget for 2020/21 was set before the pandemic struck the UK. The Authority in reality saw its interest receivable budget fall significantly because of the lowering of the Base Rate by £228,000 (from £264,000 to only £36,000) in the financial year although this reduction was cushioned by the additional Covid grant funding provided in year from the Government.

Members were then advised that the Authority had not exceeded any of its Treasury Management (TM) Prudential Indicators during 2020/2021. This limit was set at £49.250 million for 2020/2021 and the highest level reached by the Authority of £37.543 million during the year was below this limit. Had the Government not granted additional funding, this could have occurred. The Lead Authority and the Fire Authority were both within the limits set for all of the TM Prudential Indicators and continued to be monitored on a daily basis.

Councillor Ord having enquired if the surplus interest was moved into reserves, was advised by the Finance Director that the interest went to help fund the revenue budget. He reported that the budget had been set on the basis of certain assumptions on what the rates would be and on this occasion had been off-set by the reduction in debt charges.

In conclusion, the Finance Director reported that Treasury Management and issues with the capital programme and the financial position of the Fire Authority all featured in the Statement of Accounts for review by the External Auditor.

Consideration having been given to the report, it was:-

27. RESOLVED that the report and the Treasury Management performance of the Authority for 2020/2021 be noted.

Statement of Accounts 2020-2021 (Subject to Audit)

The Finance Director submitted a report to provide members with:-

- An opportunity to scrutinise and question the draft Authority's Statement of Accounts for 2020/2021 (Subject to Audit) – (Appendix B), the Finance Officer's Narrative Statement and the Annual Governance Statement that were required to be published separately alongside the Accounts in accordance with the requirements of both the Accounts and Audit Regulations 2015 as amended by the requirements of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020;
- To provide members with details of the Statement of Accounts process and the key dates that electors had to challenge the accounts as revised statutory timescales had been affected by the government in light of the coronavirus pandemic; and
- To provide members with the Letters of Assurance required by the external auditor as part of the final accounts process.

Members were advised that the revised requirements introduced by the Accounts and Audit (Amendment) Regulations 2021 issued in March 2021 meant that local authorities must commence the public inspection period on or before the first working day of August 2021. Therefore, the draft unaudited accounts must be published by 31 July 2021 at the latest. The requirement for the accounts, once audited, to be approved by the Committee would normally have been by 31 July 2021 however the amended timescale was that the audited accounts must be approved by 30 September 2021.

Members were referred to Section 3 of the report and advised that the certified Accounts and the required Statements and Notices would be published on the Authority's web site on Friday 30 July 2021 in accordance with the revised regulations

The draft financial statements for 2020/2021 subject to audit (Appendix B) were to be certified by the Finance Officer in accordance with the regulations. The narrative statement also provided a helpful summary (Appendix C). In accordance with the requirements, the Annual Governance Statement (AGS) had to be published whether it had been approved or not by the Authority. A copy was attached at Appendix D to the report and replicated the AGS scrutinized by the Committee in June and approved by the July Authority meeting.

The Finance Director drew the attention of the Committee to the document tabled which detailed adjustments to the 2020/2021 Statement of Accounts (subject to audit) and reported that these adjustments had also been reflected in revised Letters of Assurance brought today for the Chair of the meeting to sign at the conclusion of the meeting to give assurance on all activities and processes followed. He explained that the External Auditor would then give an opinion when auditing the accounts.

The Committee was advised that the required adjustments had been in relation to asset valuations and resulted in a net increase of £0.487 million. The Finance Director assured that the Statement of Accounts to be published on the website would include these adjustments and that Members and electors had the right of challenge in accordance with the inspection periods detailed in the report.

The Finance Director explained that the narrative contained in the Statement of Accounts tried to draw out the main issues of the financial year, for example, how Covid-19 had impacted and how effective the service had been in responding. He reported that there had been no accidental fire deaths recorded during the year despite residents being at home during lockdowns and the service had maintained having the fastest response times in the country.

The Committee was advised that there had been slippage in the Capital Programme of £11.2 million and works totalling £3.6 million had been completed. A notable completion had been the purchase of 14 fire appliances which had been delivered in April 2021 and the next 10 appliances had been delayed into 2021/2022 by which time the entire fleet would have been replaced. The slippage of £7.6 million of Capital Programme rolls forward to the next financial year.

The Revenue Budget Outturn position for 2020/2021 was reported to the Fire Authority on 12 July 2021 and showed a net overall underspend of £0.965 million, at £48.996 million compared with an original budget of £49.961 million. The Authority had made a huge positive drive during the year to achieve this level of saving with a number of significant initiatives as well as savings accrued due to the ongoing Covid-19 pandemic arrangements. There had been strong and robust financial management in 2020/2021, continuing the Authority's sound track record in this regard.

The Finance Director reported that despite austerity and the pandemic, the Authority was in a reassuring financial position having managed to reinvest in the service this was reflected in the IRMP.

The Finance Director reminded Members that at the last meeting Ms Greener from Mazars had advised that potentially the audit would not be completed until the end of November 2021 and a Committee meeting would be scheduled. He advised that the delay was due to dramatic change to the amount of audit work required for public services and major resource implications of a shortage of auditors in the work market. The Government had recognised the increase in work and fees and had made additional funding available but at this stage the share to the Authority was unknown.

28. RESOLVED that:

- (i) both the draft and unsigned Statement of Accounts 2020/2021 as adjusted (subject to audit) and the separate Statements, set out in detail in Appendices B to D of the report, in compliance with the requirements of the Accounts and Audit Regulations 2015 and the amendments set out in the Accounts and Audit (Amendment) Regulations 2021 be noted;

- (ii) the contents of the Letter of Assurance from those charged with Governance (Appendix F), as revised, be approved; and,
- (iii) the Letter of Assurance, as revised, from those charged with discharging management processes and responsibilities (Appendix G) be noted.

Treasury Management – First Quarterly Review 2021/2022

The Finance Director submitted a report on the Treasury Management Performance for the first quarter of 2021/2022.

Members were advised that Public Works Loan Board (PWLB) rates had continued to be volatile, primarily in response to the economic impact of Covid-19. In respect of borrowing, due to the temporary use of reserves to fund the Capital Programme no new borrowing has been taken out to date during 2021/2022.

It was noted that the Authority's interest rate on borrowing was very low, currently 2.78%, 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 2021/2022. 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 £50.272 million for 2021/2022. The Authority's maximum external debt during the financial year to 30 June 2021 was £35.423 million and was within this limit. Details of all of the Treasury Management Prudential Indicators were set out in Section 2 of Appendix A. The finance Director assured the Committee that the indicators were monitored on a daily basis.

The Committee was advised that the Authority had achieved a rate of return on its investments of 0.01% in the first quarter of 2021/2022 compared with the benchmark rate of -0.08%. Performance remained above the benchmark rate, whilst still adhering to the prudent policy agreed by the Authority, in what remained a very challenging market.

The Finance Director highlighted that whilst the interest rates on debt had been low, the returns on investments had also been negligible. He assured that the Authority's investment policy would continue to be regularly monitored and reviewed to ensure it had flexibility to take full advantage of any changes in market conditions which would benefit the Authority.

In conclusion, the Finance Director having reiterated that there had been no cashflow issues during the year as a result of additional Covid grant funding provided in year by the Government, it was:-

29. RESOLVED that:-

- (i) the Treasury Management performance for the first quarter of 2021/2022, be noted; and
- (ii) the Lending List Criteria at Appendix B and the changes to the Approved Lending List at Appendix C, be noted.

(Signed) K. DODDS,
Vice-Chairman