

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
remotely using **Microsoft Teams**
and **livestreamed on YouTube** on
Monday 8 MARCH 2021 at
10.30 a.m.

Item 3

Present:

Mr M. Knowles in the Chair

Councillors Burdis, Dodds, Flynn, Hunter, Woodwark and Miss G. Goodwill.

In Attendance:

Diane Harold (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Mr G. Cook, Councillor Kilgour and CFO Lowther.

Declarations of Interest

There were no declarations of interest.

Miss Goodwill left the meeting due to technical issues.

Minutes

12. RESOLVED that the minutes of the meeting of the Governance Committee held on 30 November 2020 were confirmed and signed as a correct record.

Corporate Governance Action Plan 2020/2021 Update

The Chief Fire Officer/Chief Executive (the Clerk to the Authority) and the Finance Director submitted a joint report to present Members with a 2020/21 progress update against the actions detailed in the corporate governance action plan.

ACFO McVay reminded the Committee of the statutory duty to conduct a review of its governance activities as stipulated under regulation 6(1)(a) of the *Accounts and Audit Regulations 2015* which stated that an Authority must at least once a year conduct a review of the effectiveness of their systems of internal control and prepare an annual governance statement (AGS).

Following the annual governance review, where areas of improvement were identified within the remit of corporate governance, they were then added to the corporate governance action plan.

Members were advised that the annual governance review for 2019/20 saw five new actions identified which brought the total actions for completion to 11, with six of those actions being advanced from previous years.

ACFO McVay explained that the COVID 19 pandemic had impacted on the schedule and sequence of committee meetings and as such, the annual governance review which should have initially been presented to Governance Committee was presented to the Fire Authority on 13 July 2020. It was agreed that a 2020/21 progress update against the Action Plan would be presented to the Governance Committee at a future meeting.

Members were asked to note that some actions were from 2016/17, therefore a review would be undertaken to see if these could not be progressed, if they were able to be removed. Members views in relation to this were welcomed.

Full details of the progress made during 2020/21 against each of the 11 actions was detailed at Appendix B of the report.

Councillor Burdis referred to action 50 (Project Management Principals and Processes) and questioned whether a timetable was in place.

DCFO Heath advised that a programme of works had been established under TWFRS 2025, which considered all strategic projects which were either anticipated or ongoing, and also detailed the inputs/outputs and benefits for each of them. DCFO Heath agreed to share further information in relation to each of the projects, with Members of the Committee following the meeting.

Councillor Hunter commented that she welcomed the appointment of the Corporate Governance Adviser and referred to action 31 which had been around since 2016, and questioned whether this could be delivered in 2021/22. If not, a review would be beneficial, for areas which had been ongoing for a long time to understand why these works may no longer be undertaken.

ACFO McVay explained that some progress had been made within the last year for example a mentoring policy had been written and also a full review of recruitment and selection process (including promotions) was being undertaken with a view of this being approved within the next 12 months. A revised action plan would therefore be available in due course.

Councillor Woodwark referred to the Emergency Services Mobile Communication Programme (ESMCP) (Action 28) and the difficult position the Authority was faced with, commenting that this was a significant risk to the Authority through no fault of its own.

ACFO McVay agreed, and confirmed that a letter had been written to the Home Office outlining the concerns raised at the recent meeting of the Authority.

Councillor Burdis then referred to COVID-19 Pandemic, in particular the lessons which had been learned and some good practices which had been established and suggested that these be reflected in future reviews of the Authority and ways of working.

DCFO Heath advised that this important piece of work was currently underway and the way the Service had operated had put Authority at the forefront both locally and nationally and valuable lessons had been learned, which would be shared with the Authority.

Councillor Flynn welcomed this and added that partnership working had also been strengthened and that this had opened doors, for future working arrangements which should be considered throughout the review.

13. RESOLVED that:-

- (i) the contents of the report be noted; and
- (ii) Further updates be received as required.

Annual Audit Letter 2019/2020

The Chief Fire Officer/Chief Executive (the Clerk to the Authority) and the Finance Director submitted a joint report detailing the Annual Audit Letter for 2019/2020 issued by the External Auditors, Mazars LLP. A copy of the Letter was attached to this report at Appendix A of the report.

Members were advised that the AAL was very positive, providing a strong endorsement of the financial management and governance arrangements that were in place across the Authority.

The External Auditor issued an unqualified opinion on the Authority's Financial Statements and an unqualified Value for Money Conclusion, details of which were included in their finalised Audit Completion Report issued on 2nd December 2020.

The Annual Audit Letter confirmed that the Authority:

- Produced unqualified Financial Statements for 2019/20 that gave a true and fair view of the Authority's financial position and its financial performance as at 31st March 2020 and that no objections to the published Financial Statements had been received;

- Published its Narrative Report with the Financial Statements, as statutorily required, and that the details were found to be consistent with those Financial Statements;
- Had provided an Annual Governance Statement that was found to accurately reflect the Authority's governance arrangements and that these followed the requirements of the 'Delivering Good Governance in Local Government Framework 2016';
- Had no matters identified that required a report in the public interest or from other powers available to the auditor under the 2014 Act;
- Had proper arrangements in place to secure economy, efficiency and effectiveness in its use of Resources and received an unqualified Value for Money Conclusion.

Diane Harold advised Members that around 55% of Local Government Bodies did not meet the 30th November deadline due to the COVID-19 Pandemic which was important for the Committee to be mindful of, in respect of the knock-on impact for the 2020/21 audit timescales.

The Committee was advised that for the financial year 2019/2020, the fees were £23,590, however additional fees were proposed to meet additional work required in relation to the additional regulatory requirements in respect of land and building valuations, additional regulatory requirements in respect of pensions, additional work due to revised floor plans and also as a result of the Authority's revised GAD report.

Members were assured this was common across the whole sector, and that a very rigorous process was undertaken for applying additional fees which must be approved by Public Sector Audit Appointments Ltd.

Referring to the Forward Look detailed at section 6, the Committee was advised that from 2020/21 Mazars were still required to satisfy themselves that the Authority had made proper arrangements for securing the economy, efficiency and effectiveness in its use of resources, however, they would no longer report in the form of a conclusion on arrangements.

The work on value for money would focus on three criteria, as follows:

- financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Members were then referred to the information in relation to the Redmond Review, and were advised that MHCLG had since responded. Diane explained that there had been some critique regarding the value of audit, and also criticism as to whether the focus was right.

In addition to this, there was also recognition that following the procurement of the external audit market, this was not considered sustainable and therefore the most recent Finance settlement, had indicated a contribution from Central Government to cover a small amount of the increased fees anticipated.

The Finance Director confirmed that within the Autumn Statement, the Chancellor had announced a Government Grant of £15m nationally to meet the likely additional audit costs from 2020/21, however the Authority to date, had not been advised of its allocation. Members were reminded that given that costs may be significant, and that funding was only available for 1 year, additional funding may also be required in future years.

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

Internal Audit Annual Plan 2021/22

The Head of Internal Audit submitted a report to enable the Governance Committee to consider and comment on the proposed Internal Audit Plan for 2021/22.

Members were referred to Section 3 of the report which outlined the following planned audits for 2021/22:

- Project Management
- Performance Management
- Financial Management
- Information Governance
- Fraud and Corruption
- Corporate Governance

Members were advised that each audit was linked to the appropriate key risk area(s) to identify the audit work that would inform the opinion in relation to each key risk area. Appendix 1 to this report showed all of the key risk areas and those audits that contributed towards the opinion on each area.

In addition to the above, audit work was also undertaken on the Lead Authority's key financial systems. Systems planned to be audited included:

- Accounts Payable;
- Accounts Receivable / Periodic Income; and
- Payroll.

Members were then advised that the Key Performance Indicators which would be used to measure the performance of the service throughout the year, were detailed at Appendix 2 of the report.

15. RESOLVED that the Internal Audit Plan be noted and endorsed.

Treasury Management Strategy and Policy Statement 2021/22 Including Treasury Management Indicators 2021/22 to 2024/25

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 2021/2022 and to note the Prudential 'Treasury Management' Indicators for 2021/2022 to 2024/2025 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 2021/2022, 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 54 of the agenda and were advised that the Authorised Limit for External Debt for 2021/2022 had been set £50,272,000, therefore the Authority could not exceed this limit.

In addition to this, the Operational Boundary for External Debt had been set at £45,272, 000. Members were advised that these limits acted as an early warning, and that no issues were anticipated with the levels which were being proposed.

The Finance Director highlighted to Members that the economy was struggling to recover, and that the Chancellor had set out that Government was having to borrow £354bn to cover the impact of the Pandemic and that as a result, interest rates would remain low for rest of the financial year and into the medium term.

Members were advised that low interest rates, meant that there was no rush to borrow and that this situation was regularly being monitored. Given that interest rates were so low, reserves were being utilised as there was no advantage in holding balances that failed to attract adequate interest rate returns which was reflected in the negative benchmark position reported. Whilst the drop in interest receipts was significant, this budget pressure was covered within the revenue budget.

Councillor Woodward questioned whether the Authority had ever nearly reached the borrowing limits and was advised that no, this had never been the case, as this was effectively managed by the Authority on a continuous basis. The Authority through its prudent approach, had also built up it's reserves, it could use if necessary and this approach to Treasury Management had stood the test of time throughout both the credit crunch and also the COVID-19 Pandemic.

16. RESOLVED that:-

- (i) The proposed Annual Treasury Management Policy and Strategy for 2021/2022 (including specifically the Annual Borrowing and Investment Strategies) be noted and endorsed; and
- (ii) The draft Prudential 'Treasury Management' Indicators 2021/2022 to 2024/2025 be noted and endorsed.

Revised Value for Money Assessment Requirements

Diane Harold delivered a presentation (agreed to be circulated to all Members) which advised the Committee of the new Value for Money Approach for 2021, in particular that:-

- This was a refreshed and refocused approach. Every five years there was a new Code of Audit Practice which governed audit work and in addition to this, the National Audit Office had taken the opportunity to refresh guidance notes in relation to Value for Money;
- It would be a more pragmatic approach, whereby there would be separate reporting on Value for Money with the intention that it was reported on a more timely basis throughout the year, should there be any significant weaknesses;
- Auditor's would still review whether Authority had arrangements in place for economy, efficiency and effectiveness and would still consider whether there were significant risks;
- The criteria had therefore been refreshed to governance, financial sustainability and improving economy, efficiency and effectiveness;

- The new guidance was clear in that it required enhanced commentary, whereby it was not a description of arrangements in place, but an assessment of effectiveness;
- COVID-19 would be more of a consideration for 2020-21, whereby Auditor's would be looking at where targets had not been met as a direct result of pandemic. As guidance was setting out a more pragmatic approach, failure to achieve, did not necessarily mean a significant weakness;
- In relation to the 3 criteria, there was still an overlap between old and new, therefore it was refreshed and refocused. New Informed governance decision making was still relevant, as with sustainable resource deployment and working with partners;
- With regards to next steps, Auditor's would carry out a risk assessment, and report back with an audit plan to the next committee, highlighting any significant risks; and
- There was now an expectation that there was a stronger liaison between auditors and the inspectorates. Given that this had recently been diluted, it was now a priority to proactively liaise.

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

The Vice Chairman confirmed that the livestream of the meeting had ended.

(Signed) M. KNOWLES,
Vice-Chairman