



GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
Monday 31 October 2022 at
10.30am.

Present:

Mr G N Cook in the Chair

Councillors Dodds, Flynn, Keegan and Ord together with Mr M Knowles.

In Attendance:

Joanne Greener (Mazars)

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillor Bell.

Declarations of Interest

There were no declarations of interest.

Minutes

7. RESOLVED that the minutes of the meeting of the Governance Committee held on 29 July 2022 were agreed as a correct record.

Internal Audit Progress Report 2022-2023

The Head of Internal Audit submitted a report setting out the performance of Internal Audit up to October 2022, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

The Head of Internal Audit advised that all Key Performance Indicators (KPIs) were on target and that six audit areas had been included within the 2022/2023 plan. One audit had been completed in relation to Business Continuity Arrangements and audits in relation to Partnership Arrangements and Financial Management (counter fraud/transaction testing) were currently underway.

The remaining planned audits for the rest of the year were for: Service/Business Planning – Use of Emergency Vehicles; IRMP – Fire Safety; and Information Governance. It was expected that these would be completed by the end of the financial year.

The overall opinion on each risk area, based on the last three years' audit work remained very positive and there was nothing of concern to be highlighted to the Authority.

Mr Knowles commented that the positive position was credit to all of the operational and financial teams involved and it was assuring to see that the end of year completion targets would be met.

The Head of Internal Audit said that, with regard to meeting targets, the Authority had a good level of resilience as it used Sunderland City Council's audit team.

8. RESOLVED that the report be noted.

Treasury Management – Annual Review of Performance 2021/2022

The Finance Director submitted a report setting out the annual borrowing and investment performance for the financial year 2021/2022 in line with best practice as prescribed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and in accordance with the Treasury Management Policy Statement and Treasury Management Strategy approved by the Authority on 15 March 2021.

The performance of the Authority's Treasury Management function continued to contribute financial savings which were used to provide funding to support future years' capital programmes and help to support the Authority's Revenue Budget. Members were advised that the average rate of the lead authority's borrowing at 2.55% compared favourably when benchmarked against other authorities and had helped to keep the revenue cost of the Authority's borrowing low in comparison.

There had continued to be a great deal of uncertainty in financial markets during the period and there were unprecedented pressures on household incomes which showed little sign of abating in 2022. The report referenced inflation reaching a record high of 7.0% in March 2022 and inflation now sat at around 10.0%.

The Finance Director advised the Committee that the Authority had been matched to the benchmark rate of return on investments of 0.14% and the investment policy continued to reflect the priority to 'protect' the funds of the Authority first and foremost. The Authority had £27.514 million of investments and the changes to interest rates over recent months would improve the income position of the Authority.

It was highlighted that there were enough funds and reserves available to fund the capital programme for four years.

Members were then advised that the Authority had not exceeded any of its Treasury Management (TM) Prudential Indicators during 2021/2022. This limit was set at £50.272 million for 2021/2022 and the highest level reached by the Authority of £35.423 million during the year was below this limit.

There had been high levels of volatility in financial markets during 2021/2022 and PWLB rates had started the year at 2.03%, dropping to 1.49% in August 2021 before reaching a peak of 2.17% in October 2021. From then rates gradually fell to a low of 1.25% during December 2021 before steadily rising to end the financial year at 2.39%. Sunderland City Council as lead authority had taken advantage of low borrowing rates to take out £100million of new borrowing during the financial year at a rate of 1.4%.

The Chair commented that the Committee should remark on the lead authority making intelligent treasury management choices which in turn benefitted the finances of the Fire Authority.

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

9. RESOLVED that the report and the Treasury Management performance of the Authority for 2021/2022 be noted.

Treasury Management – Half Yearly Review 2022/2023

The Finance Director submitted a report on the Treasury Management Performance for the half year 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 2.52%, 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 30 September 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 1.22% which was matched to the benchmark rate. It was expected that there would be a steady increase in this rate during the year and the Finance Director said that it was envisaged that the cost of borrowing would continue to increase for a few years. Current projections were for interest rates to reach 5.0% in March 2023, subsiding to 2.5% in September 2025. This would depend on Government decisions and the 'mini-budget' was due to be delivered on 17 November 2022.

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.

10. RESOLVED that:-

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

Audit Letter 2021/2022

The Chief Fire Officer/Chief Executive (Clerk to the Authority) and the Finance Director submitted a joint report detailing the recent notification from the external auditor regarding a delay to the audit of the 2021/2022 accounts.

Government regulations required that the auditors issued their Annual Report on the Authority's 2021/2022 accounts within three months of issuing their opinion on the financial statements, and before 30 September 2022.

Members were aware that Mazars had provided an early notification that audit work would be delayed and had given a revised completion date of 30 November 2022. The auditor's formal Audit Letter notifying the Authority of this position was attached as an appendix to the report and this stated that the Annual Report would be issued no later than three months after the date of the opinion on the financial statements.

11. RESOLVED that the report and letter attached as Appendix A be noted.

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

12. 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) G N COOK
Chair