

Minutes of the meeting of the  
GOVERNANCE COMMITTEE held in  
the Fire and Rescue Service  
Headquarters, Barmston Mere on  
MONDAY, 28 JUNE 2010 at  
10.30 a.m.

**Present:**

Mr. G.N. Cook in the Chair

Councillors Bell, Charlton, Clark, M. Forbes and Miss G. Goodwill and  
Mr. J. Paterson.

**Apologies for Absence**

Apologies for absence were submitted to the meeting on behalf of Councillors Haley  
and Woodwark.

**Declarations of Interest**

There were no declarations of interest.

**Minutes**

1. RESOLVED that the minutes of the last meeting held on 22 March 2010 be  
confirmed and signed as a correct record.

In response to a question from Miss Goodwill asking whether explanatory notes were  
to be issued, the Finance Officer advised that the covering report did outline changes  
to the Accounts, together with explanations of what they meant. In addition to this a  
training event had been organised to explain the Statement of Accounts in greater  
detail, to which members had been invited. Miss Goodwill stated she had not  
received this and the Chair suggested a further opportunity could be provided.

## **Internal Audit Annual Report for 2009/10**

The Finance Officer submitted a report providing details of the Performance of Internal Audit Services during 2009/10 and an opinion of the overall system of internal control in place within the Fire and Rescue Authority.

Nine Audits were completed within the year. The actual time taken to complete the audits was 123 days against a planned budget of 113 days. Councillor Clark questioned why the audits had over-ran and was advised that four audits were new, therefore estimating the time to complete these was difficult. Of the recommendations made, 52 were of medium risk and 25 low risk. Action plans had been drawn up for the implementation of these recommendations. For the recommendations followed up the implementation rate for significant recommendations was 100% and for medium risk recommendations 83%.

Within the year, 12 post audit questionnaires were issued to managers, of which 6 were returned. The scores in all areas were marked as 1 or 2 and the 'overall rating for the work of Internal Audit' was 1 i.e. Good.

Councillor M. Forbes referred to Appendix 2 of the report and asked why Business Continuity Planning was 'satisfactory'. Tracy Davis, Audit and Counter Fraud Manager advised that at the time of this audit, these plans were under revision and therefore in a period of transition.

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

2. RESOLVED that the report be noted.

## **Annual Review of the Effectiveness of Internal Audit**

The Finance Officer and the Clerk to the Authority submitted a joint report setting out the findings of the annual review of the effectiveness of internal audit, as required by the Accounts and Audit Regulations 2003 (as amended 2006).

Members of the Committee were advised that the self assessment concluded that the internal audit arrangements continued to comply with the CIPFA Code.

The Audit Commission had separately reviewed the effectiveness of the internal audit arrangements by reference to the CIPFA Code, the self assessment and a review of a sample of audit files. The Audit Commission's conclusion was:-

"we found that there continue to be robust arrangements in place to comply with the Code's Standards. Our detailed review of files did not highlight any significant non-compliance with IAS' Quality System of the Code."

It was:-

3. RESOLVED that the outcome of the review of the effectiveness of the internal audit arrangements be noted.

### **Annual Governance Review 2009/2010**

The Chief Fire Officer, the Clerk to the Authority, the Finance Officer and the Personnel Advisor submitted a joint report providing details of the findings of the 2009/10 Annual Governance Review and seeking approval to the Annual Governance Statement, prior to its incorporation in the Statement of Accounts.

Deputy Chief Fire Officer Hindmarch outlined the report and highlighted the small number of improvement areas which had been identified, namely:-

- the cost and quality of back office functions had not yet been subject to review;
- the Authority provided little information to stakeholders and the public in relation to policies on sustainability and its environmental footprint; and
- although there was a strong commitment to equality and diversity, with much improved female representation in the workforce, the Authority employs a very low proportion of minority staff.

Councillor M. Forbes asked how many ethnic minority staff were employed. The Deputy Chief Fire Officer agreed to confirm this in writing, to all Members of the Committee.

Overall the Authority had robust and effective governance and internal control arrangements in place. The survey and Members and senior managers undertaken as part of the review also demonstrated that the principles of good governance were embedded.

The review had not identified any weaknesses that would need to be highlighted in the Authority's Annual Governance Statement. A small number of actions had been identified to further develop Governance and Control arrangements.

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

4. RESOLVED that:-

- (i) the revised Code of Corporate Governance be noted;
- (ii) the Annual Governance Statement and Improvement Plan be noted;  
and
- (iii) further reports be received as appropriate.

## **Statement of Accounts 2009/2010 (Subject to Audit)**

The Chief Fire Officer and the Finance Officer submitted a joint report seeking approval of the Authority's Statement of Accounts for 2009/2010 (Subject to Audit).

Members received tabled copies of the changes to the Statement of Accounts and were reminded that the accounts for 2009/10 had been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) 2008'.

Changes that would affect the Authority's Statement of Accounts included Council Tax, Private Finance Initiative (PFI) Removal of Several Notes to the Statement of Accounts and Officer Emoluments.

Referring to Appendix Two, the Finance Officer highlighted the Increase in General Fund Balances of £0.002 million, which was less than the £0.222 million increase projected at the revised estimate stage. The General Fund Balance as at 21<sup>st</sup> March, 2010 had increased from £2.299 million to £2.301 million. The principal reasons for the net reduction in balances of £0.2220 million was the net changes in appropriations to and from various earmarked reserves, totalling £0.541 million and net overspendings totalling £0.761 million.

After taking Members through each element of the report, questions were invited.

Councillor Bell referred to the Estates Development Plan and asked about the future of Hebburn Fire Station. The Chief Fire Officer responded by advising that this was to remain included within the plan.

Councillor Clark then went on to ask how likely future cuts would impact on pensions. The Finance Officer commented that this was unknown at the current time, however the Hutton Review would be published in September and it was anticipated that this would be addressed then.

It was:-

5. RESOLVED that the Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2010 (Subject to Audit) be approved.

## **Treasury Management – Review of Performance 2009/2010**

The Finance Officer submitted a report detailing borrowing and Investment Performance for 2009/2010.

Members were advised that, as expected, the Base Rate did fall to 0.50% in March 2009 where it has remained to the present day. However, the longer term rates have been higher than the levels forecast.

The total borrowing requirement for 2009/2010 for the Authority and the lead Authority was assessed at around £35.0 million. This borrowing was deferred from 2008/2009 as interest rates were forecast to fall.

To date, £33.0 million of these loans have been replaced with new loans from the PWLB. All loans were below the 4.00% target rate set for long term borrowing and represent a lower cost of borrowing to the Council going forward.

In January 2010, however, advantage was taken of market conditions which enabled a debt rescheduling exercise to be undertaken. As a result £24.0 million of PWLB loans with an average rate of 4.20% were prematurely repaid. The cost of this rescheduling (£288) was almost cost neutral, however this action would result in an annual total net saving of interest of £817,000, until such time as the debt is replaced.

The Authority had nine marked Lender's Option/Borrower's Option (LOBO) loans totalling £39.5 million, of which £34.5 million are now flat rate vanilla LOBO's which have three year roll-over periods. This essentially meant that these loans had become flat rate loans which were reviewed every 3 years.

At this juncture, the Chairman, on behalf of the Committee, thanked the Finance Team for their much valued work.

It was:-

6. RESOLVED that the Performance for 2009/10 be noted.

(Signed) G.N. COOK,  
Chairman.

