

Minutes of the meeting of the  
GOVERNANCE COMMITTEE held  
in the Fire and Rescue Service  
Headquarters, Barmston Mere on  
MONDAY 27 JUNE 2016 at 10.30  
am.

**Present:**

Mr G. N. Cook in the Chair.

Councillors Pickard, Turton and also Ms Goodwill and Mr Knowles.

**In Attendance:**

Gavin Barker (Mazars)

**Apologies for Absence:**

An apology for absence was submitted to the meeting on behalf of Councillor Burdis and also Mark Kirkham (Mazars).

**Declarations of Interest**

There were no declarations of interest.

**Minutes**

1. RESOLVED that the minutes of the meeting of the Governance Committee held on 14 March, 2016 be confirmed and signed as a correct record.

**Internal Audit Annual Report 2015/2016**

The Head of Internal Audit submitted a report to consider the performance of Internal Audit for 2015/2016, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority. Tracy Davis (Assistant Head of Assurance) referred members to Appendix 1 of the report and advised that all of the KPI targets had been achieved.

Audits scheduled for 2015-16 were completed within the financial year, with the exception of the planned review of compliance with the Authority's revised Standing Orders (which were to be completed in 2016-17).

The findings of the 2015-16 audits had been taken together with the findings of the audits from the previous two years and these were detailed at Appendix 2 of the report. As a result of the audits carried out, a number of recommendations had been made to improve internal control (0 high, 0 significant, 19 medium and 7 low). The work undertaken did not identify any matters material to the overall internal control environment of the Authority.

Mr Knowles queried the medium and low risks, specifically the progress made to date. Tracy advised that 91% progress had been made, which was extremely positive.

In response to a question from Ms. Goodwill asking why the information governance arrangements were categorised as moderate, Tracy explained that a lot of work was still ongoing therefore this would be moved to the 'substantial' category in the near future.

The Assistant Head of Assurance advised the committee that sufficient work was completed within the year to enable an opinion on the Authority's internal control environment, with no significant or high risks being identified. It was therefore considered that overall throughout the Authority there continued to be a good internal control environment.

2. RESOLVED that the Internal Audit Annual Report be noted and endorsed.

### **Annual Governance Review 2015/2016**

The Chief Fire Officer and Chief Executive (Clerk to the Authority), the Finance Officer and the Personnel Advisor to the Authority submitted a joint report to provide the findings of the 2015/16 Annual Governance Review and to seek approval of the Annual Governance Statement, prior to its incorporation into the Statement of Accounts.

ACFO Griffiths advised the committee that the review was undertaken by the Corporate Governance Steering Group and included the following:-

- Functional Self Assessments
- Area Manager Controls Assurance Statements
- Evaluation of Internal Control Arrangements
- Views of Elected Members

- Annual Review

Members were referred to section 4 of the report which detailed the findings of the Corporate Governance Steering Group.

With regards to functional self-assessments, future plans for improvement were identified many of which were already included in existing service plans and the Corporate Governance Action Plan (detailed at Appendix C of the report).

The group also considered the Annual Internal Audit report and it was considered that overall throughout the Authority there was substantial assurance regarding the internal control environment.

The Corporate Risk Register was a live document and regularly updated, monitored and managed by the Corporate Risk Management Group (CRMG).

A survey of the views of employees was undertaken in relation to a range of issues on a six monthly basis and members were advised that the levels of satisfaction were extremely high. An on-going 'After the Incident Survey' was also carried out, the latest results of which recorded a score of 98% overall user satisfaction with regards to the services provided.

ACFO Griffiths went on to say that a questionnaire was also issued to Members. Of those Members who responded, they were in agreement that the Authority clearly communicated its purpose and vision, and its intended outcomes for the community and service users and that the Authority conducted business in an open and transparent manner all/most of the time.

Taking all of the above into account, Members were advised that based on the evidence examined, the Authority had robust and effective governance and internal control arrangements in place. The views elicited during the review from Members and all senior managers across the Authority demonstrated that the principles of good governance were embedded, and independent assurance had been provided on all areas required, as well as some areas not specifically required. 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, as detailed in the action plan attached at Appendix C of the report.

3. RESOLVED that:

- (i) The revised Code of Corporate Governance be noted and endorsed;
- (ii) The Annual Governance Statement be noted and endorsed;
- (iii) The Corporate Governance Action Plan be noted and endorsed; and
- (iv) Further reports be received as appropriate.

## **Statement of Accounts 2015/2016 (Subject to Audit)**

The Finance Officer submitted a report to provide members with an unsigned draft copy of the Authority's Statement of Accounts 2015/2016 (Subject to Audit) – (Appendix A of the report), in line with the changes set out in the Accounts and Audit Regulations 2015.

In addition the report provided members with details of the new requirements of the Accounts and Audit Regulations 2015, which applied from the 2015/2016 financial year and also the Letters of Assurance required by the external auditor as part of the final accounts process.

The Finance Officer explained that from 2017/2018 onwards accounts must be certified no later than 31<sup>st</sup> May and Members were referred to the additional set of requirements that the RFO must observe (as detailed within the report). In addition, whilst the requirement for the accounts, once audited, to be approved by Members of the Committee remained, from 2017/2018 this must be completed by 31<sup>st</sup> July.

Members were then referred to Appendix A (Statement of Accounts) and Appendix B (tabled) which detailed the amendments to the Statement of Accounts.

The new Narrative Statement would be included within the Statement of Accounts which replaced the forward included within previous accounts, which provided a helpful summary of the main financial issues and helped put the accounts into context.

The Finance Officer advised that the actions from the 2014-2017 Integrated Risk Management Plan (IRMP) had progressed during 2015/2016 and that additional savings of £0.614m had also been achieved. The Medium Term Financial Strategy over the 4 year period up to the end of 2019/2020, using the government's funding projections, showed that the Authority was facing a budget gap of £2.830m despite taking into account anticipated future IRMP savings of £3.358m. Members were advised that two further actions from the organisational management review would deliver approximately £1.8m of savings.

The Revenue Budget Outturn for 2015/2016 was reported showing a net overall underspend of £0.589m, at £49.217m compared with the original budget of £49.806m.

As part of the accounts process there were a number of adjustments to be made in respect of the final Government funding received (related to business rates), resulting in an additional grant of £61,000. Members were advised that this was now reflected in the accounts and that these funds had been transferred to the General Fund. In addition, £590,000 had been previously allocated to earmarked reserves as part of the out-turn revenue position agreed by members.

A discussion ensued in relation to pensions, in particular the £600m deficit and the Finance Officer explained that there were two pension schemes. The Firefighters' Pension Scheme net cost was fully funded by Central Government, whereas the LGPS was being met by the deficiency payments made by the Authority in line with actuarial advice. The liabilities shown in the accounts thus did not recognise the corrective actions in place and in fact distorted the position as a result.

The committee acknowledged the significant challenges the Authority would face in the forthcoming years and congratulated the service on being well managed in order to mitigate risk.

Councillor Pickard raised the issue of the 4 year settlement and commented that if this was accepted, it could prevent further financial cuts. The Finance Officer advised that work was underway to assess the implications of accepting the 4 year settlement and that a decision was required by 14 October 2016.

4. RESOLVED that:

- (i) The draft and unsigned Statement of Accounts 2015/2016 (Subject to Audit) and the required separate Statements and Notices that the Authority must provide in order to comply with the Accounts and Audit Regulations 2015, be noted;
- (ii) The contents of the Letter of Assurance from those charged with governance (Appendix F) be approved; and
- (iii) The Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix G) be approved.

### **Treasury Management – Review of Performance 2015/2016**

The Finance Officer submitted a report to report on the Treasury Management performance of the Authority for 2015/2016 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).

Members were advised that the performance of the Treasury Management function continued to contribute significant financial savings that were used to provide funding to support future years' capital programmes and help support the Authority's revenue budget. The average rate of the lead authority's borrowing at 3.52% was one of the lowest in the country and was in the top quartile when benchmarked against other authorities.

The Authority had benefited from additional investment income during the year of over £13,500 in cash terms based on a higher rate of return in 2015/16 of 0.41% as compared to the benchmark rate of 0.36%.

The Finance Officer went on to say that the Authority had not exceeded any of its Prudential Indicators during 2015/2016. It was also noted that the Authorised Borrowing Limit for External Debt, which was a statutory limit was also not exceeded. This limit was set at £54.905m for 2015/16 and the highest level reached by the Authority was £36.813m, therefore well below the limit. The Operational Boundary for External Debt was set at £49.905m and again, this had not been exceeded.

With regards to the Borrowing Strategy, Members were advised that the view in February 2015 was that the Bank Base Rate would remain at 0.50% until September 2015 before steadily rising to 2.00% by March 2018 and that PWLB borrowing rates would increase during 2015/2016 across all periods. Overall the interest rate outlook remained uncertain in both the UK and US with economic data not supportive of the Bank of England raising rates this year. Further uncertainty over the outcome of the EU referendum would delay any rise, even if the data was better.

Sunderland City Council successfully applied to access PWLB loans at a discount of 0.20%. This discount came into effect on 1<sup>st</sup> November 2012 and the Council had been successful in extending its certainty rate until 31<sup>st</sup> October 2016, which the Authority had benefited from.

A benchmark financing rate of 4.25% for long term borrowing was set for 2015/2016 and members were asked to note the volatility in the financial markets during this time with particular concerns around low levels of inflation, weak growth in China and the Eurozone and the continuing need to stimulate growth in the UK. PWLB Certainty borrowing rates had reflected this with 50 year maturity loans reaching a high of 3.58% in July 2015 and a low of 2.81% in February 2016.

5. RESOLVED that the Treasury Management Performance of the Authority for 2015/2016 be noted.

## **Audit Progress Report – June 2016**

The Finance Officer submitted a report to enable the Committee to consider and comment upon the external auditors' regular Audit Progress Report covering the period up to June 2016.

Members were advised that the planning and early audit work in respect of both the 2014/15 accounts and Value for Money conclusion had been completed and that no issues, had resulted from this interim work carried out for the Authority.

Gavin advised the committee that the second North East Governance Forum Meeting was to be held on 16<sup>th</sup> June, 2016 (at Durham County Cricket Club) and would cover the areas of Cybercrime and resilience, risk register benchmarking and also a round-up of other topical issues.

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

(Signed) G. N. COOK  
Chairman

