

AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held at the Castle, Winchester on Thursday, 14th December, 2023

Chairman:

* Councillor Derek Mellor

- * Councillor Tim Davies
- * Councillor Ryan Brent
- * Councillor Steven Broomfield
- Councillor Juliet Henderson
- * Councillor Dominic Hiscock
- * Councillor Keith House
- * Councillor Mark Kemp-Gee

Councillor Michael Thierry

134. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Juliet Henderson and Michael Thierry. The Chairman welcomed Councillor Tom Thacker who was in attendance as the Conservative deputy.

135. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Personal Interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

Councillors Tim Davies and Dominic Hiscock declared a personal interest as Members of the Pension Fund Panel and Board.

136. MINUTES OF PREVIOUS MEETING HELD ON 27 SEPTEMBER 2023

The minutes of the meeting held on 27 September 2023 were agreed as a correct record and signed by the Chairman.

137. DEPUTATIONS

No deputations were received by the Committee on this occasion.

138. CHAIRMAN'S ANNOUNCEMENTS

There were no announcements.

139. **INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS**

The Committee considered a report of the Director of Universal Services, regarding the County Council's use of regulated investigatory powers.

It was heard that during the previous quarter there had been activity in relation to a communications data request, and that the application had consisted of 50 specific notices relating to an active rogue trading case. The case had involved multiple suspects and a significant number of consumers, both within Hampshire and regionally, who had fallen victim to fraud. The Committee were assured that the use of powers was both proportionate and necessary.

RESOLVED:

That the Audit Committee receives and notes the data regarding the County Council's use of surveillance powers.

140. **EXTERNAL AUDIT: HAMPSHIRE COUNTY COUNCIL AND HAMPSHIRE PENSION FUND REPORT 2021/22**

The Committee received the external auditors report for both Hampshire County Council and the Hampshire Pension Fund for the year ending 31 March 2022.

In response to members questions it was heard that:

- The external auditors had not yet received the group audit instructions from the National Audit Office (NAO). These instructions set out the required level of materiality, and if the County Council exceeded this then some additional audit procedures may be required before the audit could be completed. Members heard it was anticipated that these instructions would be received within the coming months, and the auditors had no concerns at this stage, as they expected the Council's accounts to fall below the materiality limit for 2021/22.
- The overall fee for external audit for 2021/22 was slightly in excess of £95K and was based upon the scale fee set 7 years ago. In reflection of growing audit requirements Public Sector Audit Appointments (PSAA) had reset the baseline fees, and from 2023/24 audit fees would be increasing to £299K.
- Guidance from central government had not yet been published in relation to setting a backstop date for the 2022/23 accounts. Without formal guidance, the external auditors continued to work on the expectation that a backstop would be set for March 2024, and therefore had undertaken no work in relation to the audit for 2022/23, as it would not be possible to complete an audit before the backstop date. It was therefore expected that the auditors would issue a qualified opinion for 2022/23 and that this would be accompanied with text explaining that the qualified opinion had not resulted from the actions of Hampshire County Council, but from a national audit issue and central government direction. In the absence of a full audit, the external auditors would still need to provide value for money assurance, including the going concern forecast, and further that the

pension fund audit would continue, as it was not subject to any backstop arrangements. It was heard that the audit fee for 2022/23 would be minimalised, to reflect the reduced level of work being undertaken and that the County Council would see a substantial reduction to the base fee.

- In place of the 2022/23 audit, the auditors were focussing on the 2023/24 audit, with the expectation that this would be delivered on time.

RESOLVED:

That the Audit Committee receives and notes the Hampshire County Council and Hampshire Pension Fund Audit Reports for year ending 31 March 2022.

141. EXTERNAL AUDIT - HAMPSHIRE PENSION FUND INDICATIVE AUDIT RESULTS REPORT 2022/23

The Committee received the external auditors indicative results report for the Hampshire Pension Fund for the year ending 31 March 2023.

Members heard that the results were recorded as indicative, as the external auditors were unable to give a formal opinion on the Pension Fund until the County Council audit guidance, concerning the potential backstop was received from the Department for Levelling Up, Housing and Communities (DLUHC). It was further noted that there were a few ongoing actions to be completed before the audit could be finalised, relating to level 3 private investments with higher inherited risk and significant risk, and information was awaited from an external private equity firm.

There were no further no matters to be reported to the Committee. It was heard that a final report would be brought to the Committee when the audit was concluded.

RESOLVED:

That the Audit Committee receives and notes the Hampshire Pension Fund indicative audit results report for year ending 31 March 2023.

142. TREASURY MANAGEMENT REPORT MID-YEAR REPORT 2023/24

The Committee received a report from the Director of Corporate Operations providing an update on treasury management activity in the first half of 2023/24.

Members heard that all activity had been undertaken in compliance with the Treasury Management Strategy. It was noted that since 31 March 2023 net investments had reduced by £251m, due to the combination of the pre-payment of three years of pension fund contributions and the repayment of £20m of PWLB loans at maturity. No further borrowing had been taken during the period. Divestment from pooled equity and pooled multi-asset funds had resulted in a £3.9m capital gain, which was assigned to the investment risk reserve, which as a result increased to £10.15m.

In response to Members questions it was heard that:

- It was hoped that the £9.8m unrealised loss in pooled funds resulting from the fall in property values, would start to recover. When the statutory override expired, from 2025/26, any unrealised loss would be reflected in profit and loss account.
- Current figures suggested that additional borrowing may needed by 2027 to meet capital financing requirements.

RESOLVED:

That the Audit Committee note the review of treasury management activities in the first half of 2023/24.

143. DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25 - 2026/27

The Committee received a report of the Director of Corporate Operations presenting the Treasury Management Strategy Statement for 2024/25 to 2026/27, which included the Annual Investment Strategy for 2024/25.

It was noted that the draft version of the Treasury Management strategy was brought for scrutiny by the Committee prior to final approval by Cabinet in February. The final version of the report would be brought back to Audit Committee at the next meeting in March. Members heard that the strategy had been drafted with advice from Arlingclose and that a key variation from the previous strategy was the reduction in the investment counterparty limit to £80m, from £90m.

RESOLVED:

That the Audit Committee notes the following recommendations that will be made to Cabinet:

- That the Treasury Management Strategy for 2024/25 (and the remainder of 2023/24) be approved
- That authority is delegated to the Director of Corporate Operations to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

144. CODE OF CORPORATE GOVERNANCE

The Committee received a report of the Director of People and Organisation outlining a review of the County Council's Code of Corporate Governance.

Members heard that CIPFA guidance set out high level principles for good governance and the Code of Governance evidenced the County's commitment to work to these principles, promoting transparency for the benefit of all.

It was noted that it had been some time since the Code of Corporate Governance was last brought before the Committee and, there were a number of proposed changes made to the Appendix to the Code.

It was heard that the recommendation to delegate authority to the Monitoring Officer would allow for any administrative changes to be made to the Appendix to the Code to reflect any updates made to the corporate systems, processes and documentation referenced within it. It was understood that any non-administrative changes to the Code would come back to the Committee for review. It was further anticipated that the Committee would undertake a regular bi-annual review of the Code going forward.

RESOLVED:

- That the Audit Committee consider and approve the revised Code of Corporate Governance as set out in Annex 1 to this Report.
- That the Audit Committee delegate authority to the Monitoring Officer to approve future amendments to the Appendix to the Code of Corporate Governance to reflect any updates made to the corporate systems, processes and documentation referenced within it.

145. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 28 JULY 2023 (PUBLIC)

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held 28 July 2023.

146. CORPORATE RISK MANAGEMENT REPORT

The Committee received an update report from the Chief Executive and the Director of People and Organisation on the County Council's Corporate risk management framework.

Members heard that the County Council had a Risk Management Steering Group which reviewed progress against the risk management strategy and provided regular reports to the Corporate Management Team.

It was reported that there had been good progress over the course of the year in developing a more open and risk aware culture in the organisation. It was noted that the adoption of new corporate risk management system had been a key improvement, which had enabled the organisation to gain a clearer understanding and assurance, across both directorates and the organisation as a whole, of how controls were being effectively managed.

RESOLVED:

That the Committee notes the risk profile of the organisation and the risk management arrangements in place across the County Council.

147. EXCLUSION OF THE PRESS AND PUBLIC

The press and public were excluded from the meeting during the following items of business, as it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would have been disclosure to them of exempt information within Paragraph 3 of Part I Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, for the reasons set out in the minutes.

148. CORPORATE RISK MANAGEMENT - EXEMPT APPENDIX

The Committee received and noted an exempt appendix to the Corporate Risk Management Report.

149. INTERNAL AUDIT 2023/24 - LIMITED ASSURANCE REPORTS UPDATE

The Committee received a report from the Director of Corporate Operations and Deputy Chief Executive providing an update on progress with completing the agreed management actions for the one 'No Assurance' and the 16 'Limited Assurance' internal audit reviews which were reported to the Audit Committee in September 2023, as part of the Internal Audit Annual report and Opinion 2022/23. (SUMMARY OF AN EXEMPT MINUTE)

150. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 28 JULY 2023 (EXEMPT)

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 28 July 2023.

Chairman, 7 March 2024