

Public Document Pack



NOTICE OF MEETING

Meeting	Audit Committee
Date and Time	Thursday, 17th December, 2020 at 2.00 pm
Place	Virtual Teams Meeting - Microsoft Teams
Enquiries to	members.services@hants.gov.uk

John Coughlan CBE
Chief Executive
The Castle, Winchester SO23 8UJ

FILMING AND BROADCAST NOTIFICATION

This meeting is being held remotely and will be recorded and broadcast live via the County Council's website.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

All Members who believe they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore all Members with a Personal Interest in a matter being considered at the meeting should consider, having regard to Part 5, Paragraph 4 of the Code, whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, consider whether it is appropriate to leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with the Code.

3. MINUTES OF PREVIOUS MEETING HELD ON 30 SEPTEMBER 2020 (Pages 5 - 10)

To confirm the minutes of the previous meeting.

4. DEPUTATIONS

To receive any deputations notified under Standing Order 12.

5. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6. INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS (Pages 11 - 16)

To receive the quarterly update on the County Council's use of regulated investigatory powers.

7. INTERNAL AUDIT PROGRESS REPORT (Pages 17 - 50)

To consider a report of the Deputy Chief Executive and Director of Corporate Resources with an update on internal audit progress.

8. TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 2020/21 (Pages 51 - 70)

To consider a report of the Deputy Chief Executive and Director of Corporate Resources with an update on the County Council's Treasury Management Strategy.

9. POLICY UPDATES: ANTI-BRIBERY POLICY; ANTI-FRAUD AND CORRUPTION STRATEGY AND WHISTLE-BLOWING POLICY (Pages 71 - 100)

To receive a report of the Deputy Chief Executive and Director of Corporate Resources detailing updates to the Anti-Bribery Policy; Anti-Fraud and Corruption Strategy and Whistle-Blowing Policy.

10. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETINGS - 24 JULY 2020, 25 SEPTEMBER 2020 AND 20 NOVEMBER 2020 (LESS EXEMPT) (Pages 101 - 118)

To receive the non-exempt minutes of the Hampshire Pension Fund Panel and Board meetings held on 24 July 2020, 25 September 2020 and 20 November 2020.

11. EXCLUSION OF THE PRESS AND PUBLIC

To resolve that the public be excluded from the meeting during the following item of business, as it is 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 this item there would be disclosure to them of exempt information within Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the exempt minutes.

12. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETINGS - 24 JULY 2020, 25 SEPTEMBER 2020 AND 20 NOVEMBER 2020 (EXEMPT) (Pages 119 - 138)

To receive the exempt minutes of the Hampshire Pension Fund Panel and Board meetings held on 24 July 2020, 25 September 2020 and 20 November 2020.

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to observe the public sessions of the meeting via the webcast..

This page is intentionally left blank

Public Document Pack Agenda Item 3

AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held virtually on Wednesday, 30th September, 2020

Chairman:

* Councillor Keith Evans

* Councillor Alexis McEvoy	Councillor Rob Mocatta
* Councillor Dominic Hiscock	* Councillor Tom Thacker
* Councillor Keith House	* Councillor Zilliah Brooks
* Councillor Mark Kemp-Gee	Councillor Stephen Philpott
* Councillor Derek Mellor	Councillor Bruce Tennent
* Councillor Floss Mitchell	Councillor David Harrison

*Present

181. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Keith House and Rob Mocatta. Councillor Zilliah Brooks was in attendance as the Conservative substitute, and Councillor Bruce Tennant as the Liberal Democrat substitute.

182. 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.

183. MINUTES OF PREVIOUS MEETING HELD ON 23 JULY 2020

The minutes of the meeting held on 23 July 2020 were agreed as a correct record and signed by the Chairman.

184. DEPUTATIONS

No questions or deputations were received by the Committee on this occasion.

185. CHAIRMAN'S ANNOUNCEMENTS

There were no announcements.

186. INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS

The Committee considered the report of the Director of Transformation and Governance regarding the County Council's use of regulated investigatory powers.

It was heard that surveillance powers had not been used during the previous quarter as, such powers were only used sparingly and no cases had warranted their use.

RESOLVED:

That the Audit Committee receives and notes the data regarding the County Council's use of surveillance powers as attached at Appendix 1 to the report.

187. EXTERNAL AUDIT REPORTS 2019/20 - HAMPSHIRE COUNTY COUNCIL AND HAMPSHIRE PENSION FUND

The Committee received and noted the external auditors draft reports for both Hampshire County Council and the Hampshire Pension Fund for the year ending 31 March 2020.

The auditor highlighted the following:

- In line with changes to national timeframes the audit had not yet been fully completed, however all information required had been presented to the auditors and the final opinion was expected to be given prior to the November deadline.
- The final format of the report was still being considered, including whether an emphasis of matter paragraph would be required. The impact of the Covid-19 pandemic on the valuation of assets around the year end was to be assessed, as well as details of going concern and potential future impact of the Covid-19 pandemic.
- Additionally, resulting from the five-year asset valuation cycle, consideration of any changes to the expected value of the assets not valued in-year was required, in line with national indexing. Subsequently, a variation to the valuation of lands and buildings had been identified, but as this was not material, it was agreed that an adjustment was not required.
- A risk was noted in relation to investment properties. Rental income and valuations were expected to fall as a result of the Covid-19 pandemic and possible defaults on rent payments. As reported to the last meeting of the Audit Committee, valuation expertise were engaged in the preparation of the report and a small misstatement was noted in the potential fall in value in evaluation of one item, just above the nominal amount of £2.1m. As this fell just above nominal amount it was considered not material and it had been agreed that this would remain unadjusted.

- Other areas of risk and audit focus were outlined within the report, however their impact was not regarded to be material to the audit and no significant risks had been identified in relation to value for money.
- The 2018/19 Code of Practice required an additional disclosure note relating to cash-flow financing activity, however this had not been included this year, as it was agreed as not being material to the figures reported.
- Discussion regarding classification of Dedicated Schools Grant (DSG) reserves was ongoing at a national level, and an additional statutory instrument would need to be laid down in order to allow for the accounts to be signed off. There was confidence that this would happen ahead of the 30 November deadline.
- The Private Finance Initiatives report was still outstanding at the time of the meeting, however no changes were anticipated as a result.
- Whilst the report was fully independent, thanks were offered by the auditors to officers of the Council for their assistance.

RESOLVED:

The Audit Committee notes the Hampshire County Council and Hampshire Pension Fund Audit Reports for year ending 31 March 2020.

188. **STATEMENT OF ACCOUNTS 2019/20**

The Committee considered the report of the Deputy Chief Executive and Director of Corporate Resources with the annual Statement of Accounts for 2019-20.

Members heard that the draft Statement of Accounts was published on the County Council's website in early June and were subject to external audit. It was noted that the accounts wouldn't be final until the external audit was concluded, however any changes to the draft accounts were anticipated to be very minor and would predominantly be required wording adjustments, particularly around the concept of going concern. It was suggested that delegated responsibility be granted to the Chief Financial Officer to make any final amendments to the statement accounts before statutory deadline of 30 November.

Once complete, letters of representation to the County Council and Hampshire Pension Fund would need to be signed by senior management, and on behalf of the Committee, with examples presented before members within the papers.

RESOLVED:

That the Statement of Accounts for 2019/20 for Hampshire County Council and the Hampshire Pension Fund are approved subject to the anticipated announcement by CIPFA or the Government regarding the accounting presentation for the deficit on Dedicated Schools Grant (DSG).

That the letters of representation for Hampshire County Council and the Hampshire Pension Fund exemplified in Appendix 1 are signed.

That delegated authority is given to the Deputy Chief Executive and Director of Corporate Resources to approve any minor amendments to the Statement of

Accounts, including any change required to the accounting presentation of DSG, prior to the issue of the final audit opinion and publication of the Statement of Accounts.

189. **INDEPENDENT REVIEW INTO THE OVERSIGHT OF LOCAL AUDIT AND THE TRANSPARENCY OF LOCAL AUTHORITY FINANCIAL REPORTING BY SIR TONY REDMOND**

The Committee received the report of the Deputy Chief Executive and Director of Corporate Resources highlighting key findings of the independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities.

Members heard the report of Sir Redmond had been published in September 2020 and made 23 recommendations. Officers would review the report in detail and bring back any recommendations for consideration to a subsequent meeting of the Audit Committee.

Cllr Tom Thacker joined the meeting at this point

In response to Members questions it was heard that an exact timescale had not been outlined for response to the individual recommendations of the Redmond report, however it was noted that some would require legislative change.

RESOLVED:

That the Audit Committee notes the contents of the review and that officers will bring an update on action required to the next meeting of the Audit Committee.

190. **MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 14 FEBRUARY 2020 (LESS EXEMPT)**

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held on 14 February 2020.

191. **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 Paragraphs 3 and 5 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.

192. **MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 14 FEBRUARY 2020 (EXEMPT)**

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 14 February 2020.

Chairman,

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	17 December 2020
Title:	Information Compliance – Use of Regulated Investigatory Powers
Report From:	Director of Transformation and Governance

Contact name: Peter Andrews

Tel: 0370 779 1365 **Email:** peter.andrews@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to present the data regarding the County Council's use of regulated investigatory powers.

Recommendation

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

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report requests that the Audit Committee receive and note the data and therefore the recommended action will not impact on groups with protected characteristics in any way.

This page is intentionally left blank

Quarterly Reporting of Surveillance

Number of Authorisations by Quarter (1 April 2020 – 30 September 2020)

Direct Surveillance			
	Purpose of Surveillance		
2020-21 Quarter	C'feit Goods	Under Age Sales	Other
1	0	0	0
2	0	0	0
3			
4			
Total -	0	0	0
Covert Human Intelligence Source (CHIS)			
	Purpose of Surveillance		
Quarter	C'feit Goods	Under Age Sales	Other
1	0	0	0
2	0	0	0
3			
4			
Total -	0	0	0
Communications Data			
Quarter	Number of Applications	Number of Specific Notices	Offences related to:
1	0	0	N/A
2	1	18	Doorstep Crime – Rogue Trading
3			
4			
Total -	0	0	

The decision to deploy any of the surveillance techniques defined within RIPA is dependent upon many considerations. Where there are other investigative tools available, which are both overt in nature and more appropriate to be used, they will be deployed instead of reverting to any of the surveillance techniques referenced within RIPA.

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker	Audit Committee
Date:	17 December 2020
Title:	Internal Audit Progress Report (November 2020)
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Neil Pitman

Tel: 01962 845139

Email: Neil.pitman@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to provide an overview of internal audit activity against assurance work completed in accordance with the approved audit plan (2020-21) and to provide an overview of the outstanding management actions.

Recommendation(s)

2. That the Audit Committee notes the Internal Progress Report (November 2020) as attached (Appendix 1).

That the Audit Committee notes the External Quality Assessment Report – September 2020 as attached (Appendix 2).

Contextual Information

3. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
 - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

4. In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:
 - The status of 'live' internal audit reports (outstanding management actions);
 - an update on progress against the annual audit plan;
 - a summary of internal audit performance, planning and resourcing issues; and
 - a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion.

5. Appendix A summarises the activities of internal audit for the period up to November 2020.

6. As part of the Public Sector Internal Audit Standards there is a requirement for internal audit to be externally assessed by an independent assessment team every 5 years to ensure conformance with the International Professional Practices Framework, Public Sector Internal Audit Standards and the Local Government Application Note.

7. Appendix B provides a copy of the external assessor's report and conclusions following their assessment of the Southern Internal Audit Partnership in September 2020

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	no
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because: In accordance with the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards	

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Internal Audit Charter	23 July 2020
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals within this report

Internal Audit Progress Report

November 2020

Hampshire County Council



**Southern Internal
Audit Partnership**

Page 21

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Status of 'live' reports	6
5.	Executive summaries 'Limited' and 'No' assurance opinions	7
6.	Planning and resourcing	7
7.	Rolling work programme	7-14
8.	Adjustments to the plan	15

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review.

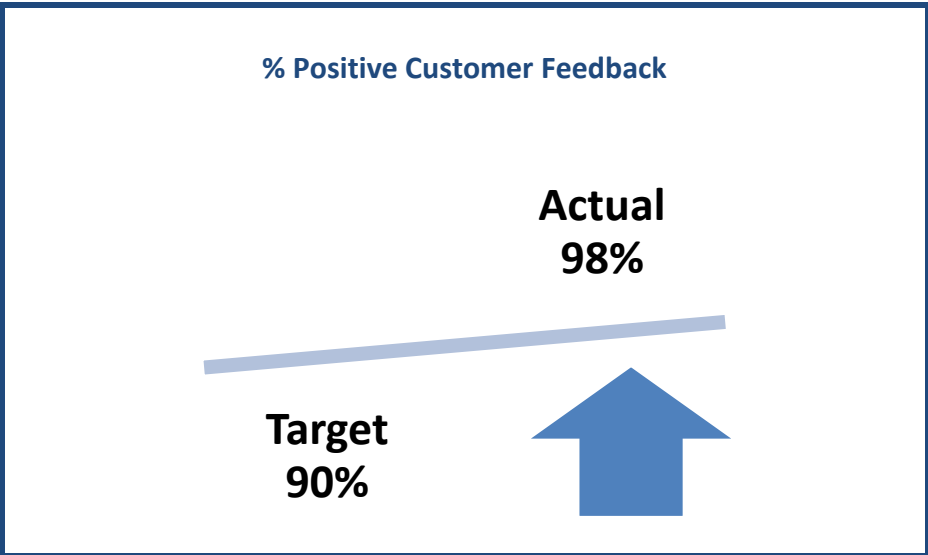
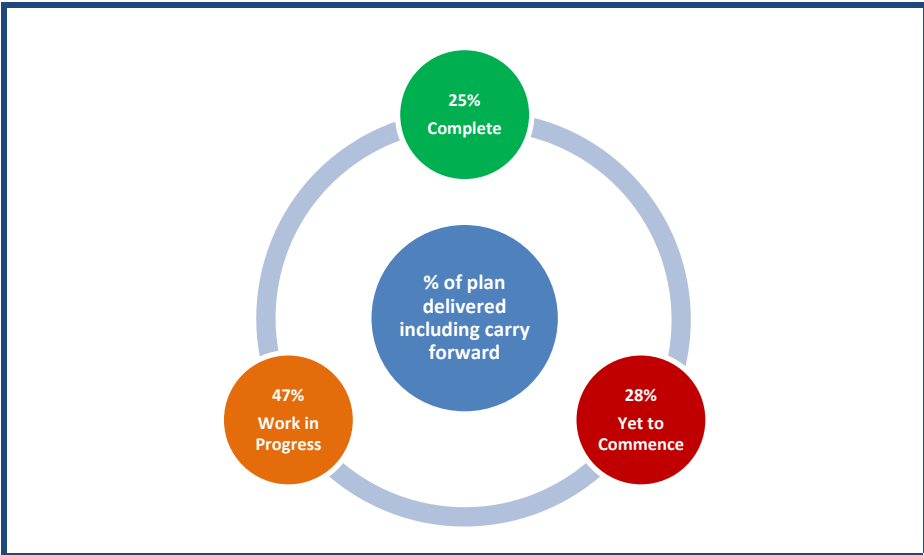
CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use.

To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020/21 work and moving forwards. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1*

3. Performance dashboard



Page 25

Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against these principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions (High Priority)			
				Reported	Pending	Cleared	Overdue
Health and Safety – statutory checks	02.11.18	CR	Limited	6(3)	1(0)	5(3)	0(0)
Home to school transport	10.07.19	CS	Limited	12(3)	4(0)	8(3)	0(0)
Business continuity and disaster recovery	03.09.19	CR	Adequate	5(0)	0(0)	1(0)	4(0)
Departmental management of Shared Services Processes	25.02.20	SS	Limited	15(7)	1(0)	14(7)	0(0)
Application Review – GIS	11.03.20	CR	Adequate	6(0)	0(0)	4(0)	2(0)
Road Agreements – Advance Payments Codes (APC)	05.05.20	ETE	Adequate	5(0)	0(0)	4(0)	1(0)
Care Leavers	10.06.20	CS	Adequate	8(5)	0(0)	1(0)	7(5)
Highways Development Planning	08.07.20	ETE	Adequate	15(0)	11(0)	4(0)	0(0)
Sold Services (Legal Services)	27.07.20	CoS	Adequate	1(0)	1(0)	0(0)	0(0)
Trading Standards – Income Generation	28.07.20	CCBS	Adequate	8(0)	3(0)	5(0)	0(0)
Risk Management	05.08.20	DoTG	Limited	16(16)	6(6)	10(10)	0(0)
Equality Impact Assessments	28.08.20	CCBS	Adequate	11(0)	11(0)	0(0)	0(0)
Health Assessments	03.09.20	CS	Limited	3(3)	0(0)	0(0)	3(3)
Data Quality (Covid-19 Provision Coding)	15.09.20	AH&C	Reasonable	2(2)	1(1)	1(1)	0(0)
Data Quality (Care Packages and Cost Coding)	15.09.20	AH&C	Reasonable	2(2)	1(1)	1(1)	0(0)
Recording in AIS – Permission to Share	21.09.20	AH&C	Reasonable	4(0)	3(0)	1(0)	0(0)
Local Bus Subsidy Support	22.09.20	ETE	Reasonable	10(5)	3(1)	7(4)	0(0)
Cyber Security	03.11.20	CR	Reasonable	4(2)	1(0)	3(2)	0(0)
Asset Management System (Re-Procurement)	05.11.20	CCBS	Reasonable	5(0)	2(0)	3(0)	0(0)
Children's Services Complaints Function	09.11.20	CS	Reasonable	6(6)	3(3)	1(1)	2(2)
Individual Placement Agreements – Non-Foster Carer	16.11.20	CS	Reasonable	5(0)	5(0)	0(0)	0(0)
Appointeeship and Client Affairs	20.11.20	AH&C	Reasonable	11(0)	7(0)	4(0)	0(0)
IT Change Management	23.11.20	CR	Reasonable	4(0)	2(0)	2(0)	0(0)

5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no ‘Limited’ or ‘No’ assurance reviews issued since the last progress report

6. Planning & Resourcing

The internal audit plan for 2020/21 was approved by the Council’s Management Team and the Audit Committee in July 2020.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

7. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ↻ Delay)	Comment
2019-20 Carry forward									
GDPR	DPG	✓	✓	✓	✓				
Local management of Shared Services processes	DoCR	✓	✓	✓	✓				
Data centre security	DoCR	✓	✓	✓	✓				
Charging of short-term beds	AH&C	✓	✓	✓	✓				
Governance arrangements	SS	✓	✓	✓	✓				
Payroll – pension admin	SS	✓	✓	✓	✓				

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule R Delay)	Comment
2020/21 Audit Plan									
Health and Safety	DoTG								Q4
Transformation	DoTG	✓							
Debt recovery / write off	DCE & DoCR	✓	✓	✓					
Budget monitoring	DCE & DoCR	✓							
COVID-19	Corporate								Q2 to Q4
Furlough Scheme Administration	DCE & DoCR	✓	✓	✓	✓	24.08.20	Substantial		
Risk Management	DoTG								Q4
Ethical governance	DoTG	✓	✓	✓					
Scheme of delegation	DoTG	✓							
Annual Governance Statement	DoTG	n/a	n/a	✓	n/a	n/a	Advisory		
Performance management	DCE & DoCR	✓	✓	✓					
Annual self-assessment PSIAS	DCE & DoCR	✓	✓	✓	✓	✓	n/a		
Armed forces covenant	ACE								Q4
AHC Financial assessment of benefits appeals	DoAHC	✓	✓	✓	✓	06.11.20	Limited		

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
Database Management & Monitoring	DCE & DoCR	✓	✓	✓					Q1
Server Build Process	DCE & DoCR								Q3
User Access Controls	DCE & DoCR								Q3
Vulnerability Scanning Process	DCE & DoCR								Q3
Virtualisation	DCE & DoCR	✓	✓	✓					Q1
IT Operating Systems	DCE & DoCR								Q4
Cloud	DCE & DoCR	✓	✓	✓					Q2
Application Management	DCE & DoCR	✓							Q3
Disaster Recovery	DCE & DoCR								Q4
Payment Card Industry Data Security Standard	DCE & DoCR	n/a	n/a	n/a	n/a	15.10.20	Compliant		
Safeguarding – Assurance Mapping	DoCS								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule R Delay)	Comment
Schools – COVID-19 Exceptional costs claims	DoCS	✓	✓	✓					
Schools – COVID-19 Vulnerable children	DoCS	✓	✓	✓					
Schools thematic - Recruitment	DoCS								Q4
Schools – Safeguarding annual returns	DoCS	✓	✓	✓					
SFVS	DoCS	n/a	n/a	n/a	n/a	n/a	n/a		
Children's Establishments - Use of agency staff	DoCS								Q4
Music Service	DoCS								Q4
Education Psychology Service	DoCS	✓							
Use of Agency Staff in Children's Social Care	DoCS								Q4
Education provision – Secure/ Hospital units	DoCS								Q4
Hampshire Futures – Careers	DoCS	✓							
Complaints – Children's Services	DoCS	✓	✓	✓	✓	9.11.20	Reasonable		
Regional Adoption Agency	DoCS	✓	✓	✓	✓	24.08.20	Reasonable		
Individual Placement Agreements – non county foster carers	DoCS	✓	✓	✓	✓	16.11.20	Reasonable		
Direct payments for children with disabilities	DoCS	✓	✓						
AHC thematic review – use of agency staff	DoAHC								Q4
Direct payments	AH&C	✓	✓	✓					
LGA health check	DoAHC								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
Data quality – care packages and cost coding	DoAHC	✓	✓	✓	✓	15.09.20	Reasonable		
Data quality – COVID 19 provisions	DoAHC	✓	✓	✓	✓	15.09.20	Reasonable		
Social supervision	DoAHC	✓	✓						
Contracted suppliers	DoAHC	✓	✓	✓					
Medicine control within community teams	DoAHC								Q3
Scheme of delegation and authorising spend	DoAHC	✓	✓	✓					
Business rules	DoAHC								Q4
AHC Debt recovery	DoAHC	✓	✓	✓					
Funded Nursing Care follow-up	DoAHC	✓	✓						
Business change	DoAHC								Q4
M3 Enterprise LEP (Accountable Body)	DoETE	✓	✓	✓	✓	22.10.20	Substantial		
Economic Development (Key Sites Portfolio)	DoETE								Q4
Economic and business intelligence service	DoETE	✓	✓	✓					
Highways incident management	DoETE	✓	✓	✓					
Engineering consultancy	DoETE	✓	✓	✓	✓				
Parking Service (on-street parking income)	DoETE	✓							
Hampshire waste recycling centres – permit scheme	DoETE	✓							
Minerals and waste	DoETE	✓	✓	✓	✓				

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
Governance of Departure from Standards	DoETE	✓	✓	✓					
Public Transport Operators – COVID Financial Support	DoETE	✓	✓	✓	✓	25.08.20	Advisory		
Coroners Service	DoCCBS								Q4
Hampshire Transport Management	DoCCBS	✓	✓	✓					
Building Health and Safety compliance	DoCCBS								Q4
Risk management	DoCCBS	✓	✓	✓					
Scientific Service	DoCCBS	✓							
Marketing	DoCCBS	✓							
Outdoor Centres - business development	DoCCBS								Q4
Contract Management thematic - Adults' Health and Care	DoAHC	✓	✓	✓					
Contract Management thematic – CCBS	DoCCBS								Q4
Highways service contract	DoETE								Q4
Procurement thematic - Adults' Health and Care	DoAHC	✓	✓	✓	✓	15.09.20	Substantial		
Procurement thematic – Corporate Services	DoCR / DoTG	✓	✓	✓					
Procurement thematic – CCBS	DoCCBS	✓	✓	✓	✓				
Consultancy framework procurement	DoCCBS	✓	✓	✓	✓	02.11.20	Substantial		

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
Asset Management System – project management for re procurement	DoCCBS	✓	✓	✓	✓	05.11.20	Reasonable		
Reading & Hampshire Property Partnership		✓	n/a	✓	n/a	✓	n/a		
Academies SLA		✓	n/a	✓					
LTP – integrated transport plan	DoETE	n/a	n/a	✓	n/a	✓	n/a		
LTP – block maintenance	DoETE	n/a	n/a	✓	n/a	✓	n/a		
LTP – incentive element	DoETE	n/a	n/a	✓	n/a	✓	n/a		
Local Bus Subsidy support grant	DoETE	n/a	n/a	✓					
National Productivity Investment Fund (SE rapid transit)	DoETE	n/a	n/a	✓	n/a	✓	n/a		
Air quality management grant	DoETE	n/a	n/a	✓	n/a		n/a		
Project integra	DoETE	n/a	n/a	✓	n/a	✓	n/a		
Growth hub funding to local enterprise partnerships (LEPS)	DoETE	n/a	n/a	✓	n/a	✓	n/a		
EU Exit business readiness engagement project	DoETE	n/a	n/a	✓	n/a	✓	n/a		
Additional growth hub funding to local enterprise partnerships (LEPS)	DoETE	n/a	n/a	✓	n/a	✓	n/a		
COVID-19 Bus Services Support Grant	DoETE	✓	n/a	✓					
PROVIT Project Grant	DoETE	✓	n/a	✓	n/a	✓	n/a		
Emergency Active Travel Fund	DoETE								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
Disabled Facilities Grant	DoAHC	✓	n/a	✓	n/a	✓			
Test & Trace Funding Allocation									Q4
LG Income Compensation* Scheme	DoCR	✓	n/a	✓					
Shared Services									
Governance arrangements		✓	✓	✓					
Casual Staff									Q3
Recruitment (Success Factors)									Q4
Pre-employment checks		✓	✓	✓					
Good work plan		✓							
Occupational Health – info management		✓	✓						
Procurement									Q4
Education Financial Services		✓	✓	✓					
Education Personnel Services		✓							
Hampshire Pension Fund									
Pensions payroll and benefit calculations		✓	✓						
Pension refunds		✓	✓	✓	✓				
Fund management, investments and accounting for assets		✓	✓	✓	✓	03.11.20	Substantial		
UPM application review									Q4

8. Adjustments to the plan

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the County Council. Below are the variations made to the original 2020/21 audit plan approved by the Audit Committee in July 2020.

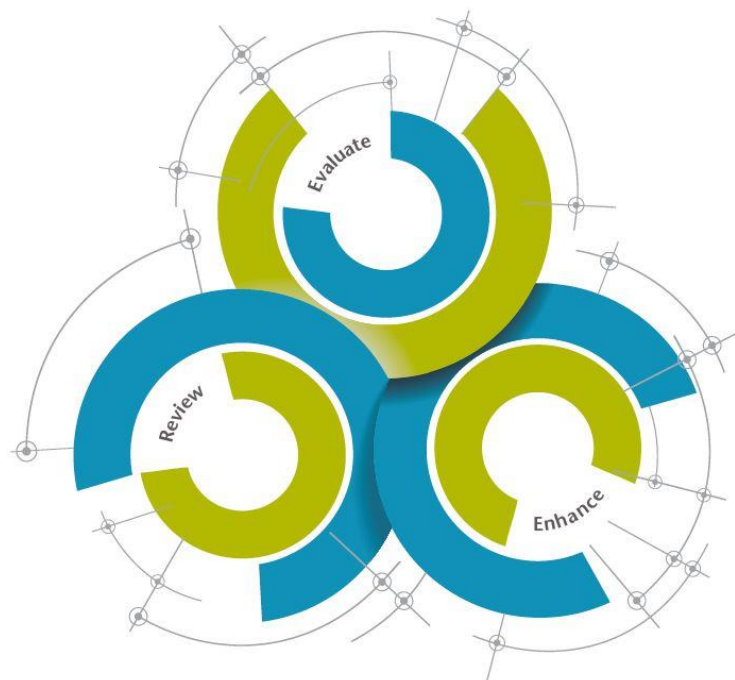
Plan Variations	
Removed from the plan	Reason
Highways Maintenance (New Operating Model)	Request from Assistant Director - HT&E to move this review into 2021/22.
Flood Management	Request from Assistant Director - WPE to move this review into 2021/22.
HPSN2	HPSN2 contract covered in IT Contract Management audit in 2019/20.
Business risk management (property)	Changes currently being implemented, defer audit to 2021/22
Records management centre	Changes being implemented to processes and staff, defer to 2021/22
AHC thematic review – rolling quality assurance	Removed from the plan at the request of the department as it would duplicate the work carried out earlier in the year looking at Data Quality.
Insurance fund	Moved to 2021/22 due to system changes being implemented.
Additions to the plan	Reason
Hampshire Futures – Careers	Request from DoAHC due to change in budgetary position.
Furlough Scheme Administration	Request from Strategic HR Advisor (HoHR) to review HCC Furlough scheme
Local Government Income Compensation Scheme	Request from DoCR for audit to review HCC compensation claim.
PROVIT Project Grant	Request from EC team for review of grant claim.
Emergency Active Travel Fund	Request from ETE for review of grant claim.

This page is intentionally left blank



Proposal

An external quality assessment on the effectiveness of
the internal audit function at Southern Internal Audit Partnership



Chartered Institute of Internal Auditors

13 Abbeville Mews, 88 Clapham Park Road,
London SW4 7BX

tel 020 7498 0101 fax 020 7978 2492

email darren.jones@iaa.org.uk www.iaa.org.uk

Contents

	Page
<u>Introduction</u>	<u>3</u>
<u>Background</u>	<u>4</u>
<u>The IIA approach</u>	<u>5</u>
<u>The EQA process</u>	<u>7</u>
<u>The review panel</u>	<u>9</u>
<u>EQA client list</u>	<u>11</u>
<u>Schedule, cost and deliverables</u>	<u>12</u>
<u>Contact details</u>	<u>13</u>

Introduction

The Chartered Institute of Internal Auditors (IIA) is focused exclusively on internal auditing. We support, promote and train 8,500 members in the UK and Ireland. In 2010 we were granted a Royal Charter in recognition of our pre-eminence and permanence in the profession.

We are the authors of the International Professional Practices Framework (IPPF), which includes the International Standards. As such we believe an external quality assessment (EQA) from the Institute will provide a review of substance and value to you and your stakeholders.

Our ownership, understanding and input into the Standards means:

- We speak with authority on conformance with the Standards.
- We know how internal audit supports effective governance so we will explore how you do that, emphasising the value of your role and the internal audit function.
- We are committed to promoting internal audit as a profession and we will work with you to raise your profile.
- We understand the pressures and demands upon internal auditors so we will offer you ideas and suggestions that will further improve your effectiveness.
- We have experience and expertise in your sector meaning we can offer you an effective and challenging review.

We know that every organisation is different in its strategic aims, its business model and the regulatory environment in which it operates and we also know that organisations need to get the best out of their resources. As a result:

- We will provide a flexible tailored review to fit your requirements.
- We will offer a team from our EQA review panel including industry experts with specialist knowledge to suit your needs.
- We will apply the highest standards through our consistent tried and tested methodology.
- We will benchmark your activities against best practice.
- We will offer ideas and suggestions for continuous improvement.

Background

Southern Internal Audit Partnership has expressed their wish to commission an independent internal audit effectiveness review in accordance with best practice and to receive an assessment of their conformance to the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN).

The review is to be performed on the basis of a validation of the internal audit function's own self-assessment and Southern Internal Audit Partnership should complete the self-assessment check list and compile evidence prior to the commencement of the EQA.

Although the partnership works from a variety of locations the on-site part of the review will take place at their offices in Winchester during August/September 2015.

Prior to the standard EQA process, as laid out in this proposal, the IIA will conduct a survey of key personnel from Southern Internal Audit Partnership's client base to ensure adequate feedback and that all stakeholders feel included in the review process. The IIA will consult with the Head of Partnership to draft a list of relevant questions.

Southern Internal Audit Partnership has 2 Strategic Partners (Hampshire County Council and Southampton City Council), 3 Key Stakeholder Partners (Havant Borough Council, East Hampshire District Council and Winchester City Council) and approximately 16 External Clients.

The IIA will place 3 highly qualified members of the review panel on this project. David Finch has considerable experience and was recently involved with an EQA of Research Councils UK and understands the nuances of shared service audit functions. David will lead the review and be assisted by another member of our review panel who will be assigned nearer the time of the review. Biographies of the review panel can be found at www.iiia.org.uk/eqapanel.

Chris Baker, the IIA's technical manager, will also be involved with the review. As the guardian of the IIA's guidance and with his knowledge of the International Standards he will not only act as a sounding board for David and his colleague but will also ensure the quality of the EQA process.

David and Chris's biographies are on page 9 of this proposal.

The IIA approach

Our structured approach will assess how well you are performing against the International Standards. We will review the internal audit methodology, compare it to IIA recognised good practice and make practical recommendations.

We appreciate that many organisations want to know the extent to which their internal audit activity conforms to the International Standards. We will carry out such an assessment and include an opinion in our executive report along with a summary of results similar in style to the table below:

Summary of Conformance to the IPPF	Standards	Does not Conform	Partially Conforms	Generally Conforms	Total
Definition and Code of Ethics	Rules of conduct	0	0	5	5
Purpose	1000 - 1130	0	1	6	7
People	1200 - 1230	0	0	4	4
Performance	1300 - 1322	0	1	6	7
Planning	2000 - 2130	0	0	12	12
Process	2200 - 2600	0	0	21	21
Total		0	2	54	56

Throughout the review our team will carry out one to one interviews with audit committee members and senior executives to invite their views on the performance and impact of internal audit.

On completion we will provide a detailed executive report with recommendations within your defined timescale. This will include our assessment of your conformance to the Standards and our view on the maturity of internal audit using the IIA's EQA Best Practice Report, see table on the following page. We will also include examples and suggestions on how excellence can be achieved.

Assessment	Conformance to the IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally conforms in all areas.	Excellent IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as a 3 rd line of defence. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by whole IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
Good	The IIA Standards are fully integrated into the methodology – mainly generally conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagement are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC
Satisfactory	Most of the IIA Standards are found in the methodology with scope to increase conformance from partially to generally conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change but criteria and role require clarity.	The 3 lines of defence model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness but further consistency is needed. Reports are informative and valued but are considered a little wordy	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is. Wider QA&IP may need formalising
Needs improvement	Gaps in the methodology with a combination of non-conformances and partial conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagement go beyond deadline and a number are deferred	QC not consistently embedded across the function. QA is limited / late or does not address root causes
Poor	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are adhoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

Using the Checklist for Assessing Conformance with the PSIAS and LGAN Southern Internal Audit Partnership will first give their opinion on their conformance to the standards and gather evidence. We will then use the checklist to work with you to systematically review the way you deliver internal audit according to recognised professional practice and identify potential scope for development. This will involve examination and assessment of:

- The internal audit charter: the scope of internal audit activities, policies, reporting lines, independence and objectivity.
- Related governance structures, policies and relationships in action: the terms of reference for the audit committee, the three lines of defence model, key interactions with the senior executive team and other stakeholders.
- The internal audit strategy and annual plans; how risk based plans are designed, resourced and updated to satisfy the organisations expectations.
- The way assurance is coordinated for the audit committee to avoid duplication and gaps in order to optimise the use of assurance resources within the three lines of defence model.
- Quality assurance arrangements: processes and performance measurement.
- Processes: including the use of internal audit technology.
- Engagement files and reports: a cross section from your audit plan.
- Reporting and follow-up arrangements.

The EQA process

Within the EQA process are five interrelated stages of evaluation to ensure full coverage of the Standards, a comprehensive review of internal audit practice and extensive feedback to stakeholders and staff.

Stage 1

Evaluating the effectiveness of the internal audit function within Southern Internal Audit Partnership using our knowledge of professional practice, including a review of the following documents:

- Audit committee Terms of Reference.
- Audit committee papers and minutes.
- Internal audit Charter and strategy.
- Internal audit procedures manual.
- Internal audit planning with links to business strategy, operating model and key risks.
- Resource plans and annual budgets.
- Job descriptions, CPD and training records.
- Assurance mapping and arrangements for co-ordination of assurance.
- Quality assessment - reports and KPIs.
- Annual reporting and opinion.

Stage 2

Evaluating the delivery of Southern Internal Audit Partnership's internal audit function and their approach to audit assignments based upon the definition within your internal audit manual with emphasis upon:

- Assignment scoping, objective setting and resourcing.
- Assignment supervision and management – quality control.
- Reporting writing and review.
- Arrangements in relation to follow-up of internal audit recommendations.

Stage 3

Review a cross section of audit assignments from the audit plan to give an in-depth view of key subject matter and the performance of internal audit staff.

Due to the size and complexity of your internal audit function we would suggest that we assess 8 to 10 assignments, the scope of which to be agreed beforehand, although as a minimum these should cover at least 1 from each of the strategic partners, key stakeholders partners and major external clients.

Stage 4

Meetings to discuss internal audit's performance with key stakeholders and staff during stages 1 to 3 as agreed, including:

- Chair of the Partnership Board and other non-executive members.
- CEO, Director of Corporate Resources, and other senior managers.
- Other service providers and stakeholders.
- The Head of Partnership.
- Members of the internal audit function.

Interviews with members of the audit committee and key stakeholders of internal audit usually take around 30 to 40 minutes and can be conducted in person or via telephone.

Stage 5

Analysis and Report – Aggregating the evaluations and discussing conclusions

- Close out meeting with the Head of Partnership to discuss initial findings and refine proposals.
- Gather and evaluate comments to the draft report.
- Benchmark against the IIA's EQA assessment tool and EQA best practice report.
- Agree draft report with the Head of Partnership.
- Finalise report, with reference to the IIA's EQA checklist and EQA best practice report.
- Produce and circulate the final report as required.

Reviewer profiles

All our reviewers are current or former heads of internal audit, have passed the IIA's stringent assessment process and are members of the IIA, thereby ensuring they abide by our Code of Professional Conduct.

- Mr David Finch, CMIIA

David is a Chartered member of the Chartered Institute of Internal Auditors. He was a legal director and Member of Council for 3 years as well as a member of the Business & Finance Committee. He is also a fellow of the Chartered Institute of Management Accountants.

David has held Heads of Audit and Director of Risk & Assurance roles within 4 businesses (Superdrug plc, Dairy Crest plc, Alders Department Stores Ltd and Travis Perkins plc) during an internal audit career spanning 17 years. He has had specific responsibility for Internal Audit, Group Security, corporate governance, risk management strategy, and business continuity. Prior to this he held various accounting & Financial Controller roles at companies including Myson Group plc, Tesco plc, and Woolworths plc. David has also held the roles of Treasurer, Secretary to the directors, and Finance Director for a private property management company.

David has managed a variety of large and small audit functions, covering both national and global remits with budgets ranging from thousands to millions. Through working with the executive directors in sometimes difficult circumstances, David understands the practical challenges, trials and tribulations that face a Head of Internal Audit.

David will be responsible for interviewing all stakeholders, reviewing Southern Internal Audit Partnership's methodology and audit engagements, collating and benchmarking the results and reporting on the findings of the review.

- Chris Baker, CMIIA

Chris Baker, the IIAs technical manager, will also be involved with the review. As the guardian of the IIA's guidance and with his knowledge of the *International Standards* he will not only act as a sounding board for the review team but will also ensure the quality of the EQA process.

In 2011 Chris created the IIA approach to EQA including creating the self-assessment checklist, designing the process and recruiting the review team. He has been involved the majority of IIA EQA reviews as a coordinator and reviewer enabling him to see a wide range of practice to complement his detailed understanding of the IPPF.

Chris has over 30 years' experience in internal audit at a senior level across a diverse range of sectors, including local government, education, housing and an employee owned partnership that became a publically listed limited company. He managed one of the first consortium arrangements in higher education and was Director of Risk, Internal Audit, Quality and H&S at eaga Partnership leading up to and after their listing on the stock market.

Client list

A J Gallagher International
Alliance Boots
Atomic Weapons Establishment
Barnardo's
BT Group
BUPA
Circle Housing Group
Civil Aviation Authority
Department of Foreign Affairs & Trade
East Thames Group
Enstar Insurance
Guinness Partnership (Housing)
Historic Royal Palaces
Imperial Tobacco Group PLC
Irish Courts Service
Kerry Group (Ireland)
Mid Kent IA local government consortium
Paragon Bank
Progress Housing Group
QinetiQ Group PLC
RPMI pensions
Research Council UK
Rural Payments Agency
Santander - UK
Save The Children International
Scrutton Bland
Students Loan Company
TalkTalk
UNIAC Higher Education IA consortium
Vanquis Bank
West Norfolk Borough Council

References available on request

Schedule, cost and deliverables

Prior to the onsite visit our review panel will evaluate documentation so as to minimise disruption to your employees.

We estimate that David and his colleague will require 4 days onsite to fully review audit engagements and carry out interviews with stakeholders. Dates will need to be agreed beforehand but can be either consecutive or not, again so as to cause minimal disruption to your staff.

As internal auditors we recognise the importance and value of effective communication. We will discuss issues and ideas with the senior managers of the internal audit function as the review proceeds and conclude our site visit with a close out meeting highlighting our key findings and ideas for development.

A draft report will contain our assessment of conformance with the PSIAS and LGAN. The draft report will also include suggestions for improvement and development and we will invite you to provide responses for inclusion within the final report.

We will produce a final executive report that will include

- Our assessment of the effectiveness of your internal audit function, evaluated against PSIAS and LGAN.
- Our view on the maturity of your internal audit function using the EQA Best Practice report.
- Our appraisal of how internal audit is perceived by the board, executive management and other stakeholders
- Suggestions as to how the internal audit function can continue to develop.

Fee: £18,900 including reviewer expenses

VAT @ 20% of total cost

If the extent of the review deviates considerably from the scope of this proposal the IIA reserves the right to renegotiate the fee.

Payment terms: 30 days from date of invoice

Contact details

For any enquiries concerning this proposal please contact

Darren Jones
Professional Services Manager

Chartered Institute of Internal Auditors
13 Abbeville Mews, 88 Clapham Park Road
London SW4 7BX
tel 020 7819 1945 **email** darren.jones@iia.org.uk **web** iia.org.uk

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Audit Committee
Date:	17 December 2020
Title:	Treasury Management Mid-Year Monitoring Report 2020/21
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Rob Sarfas

Tel: 03707 791556

Email: rob.sarfas@hants.gov.uk

Purpose of the report

1. The County Council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2017. The CIPFA Code requires the County Council to approve a treasury management strategy before the start of the year and a semi-annual and annual treasury outturn report.

Recommendation

2. The Audit Committee are asked to note the recommendation being reported to Cabinet to approve the mid-year report on treasury management activity and note the action to be taken should we encounter negative interest rates.

Executive Summary

3. The report fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and provides an update on the performance of the treasury management function during 2020/21.
4. The County Council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2020. The County Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the County Council's treasury management strategy.

5. Treasury management in the context of this report is defined as: “The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
6. Overall responsibility for treasury management remains with the County Council. No treasury management activity is without risk and the effective identification and management of risk are integral to the County Council’s treasury management objectives.
7. All treasury activity has complied with the County Council’s Treasury Management Strategy and Investment Strategy for 2020/21, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the County Council’s treasury advisers, Arlingclose.
8. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The County Council’s Capital and Investment Strategy, complying with CIPFA’s requirement, was approved by full Council on 13 February 2020.

External Context

9. The following sections outline the key economic themes against which investment and borrowing decisions have been made so far in 2020/21.

Economic commentary

10. Coronavirus dominated the news during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus whilst also supporting their economies. A national lockdown in the UK was followed by the gradual easing of restrictions and the introduction of various support packages, including the job retention scheme and the Eat Out to Help Out (EOHO) offer.
11. The Bank of England’s (BoE) Monetary Policy Committee maintained Bank Rate at 0.1% throughout the period and increased its Quantitative Easing programme to £745 billion. It has also not ruled out the use of negative interest rates in future, which has had an impact on interest rates available in the money markets.

12. Gross Domestic Product (GDP) contracted by 19.8% in Quarter 2 according to the Office for National Statistics (ONS), pushing the annual growth rate down to -21.5%. Recent monthly estimates of GDP have shown growth recovering although output is still significantly below pre-coronavirus levels. A potential second wave of the virus and the impending end of the transition period for the UK's exit from the EU may have a further impact on GDP and the economy over the remainder of the year.
13. The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year on year in August, significantly below the BoE's 2% target. Inflation was slightly higher at 0.5% year on year using the CPIH measure, which is preferred by the ONS and includes owner-occupied housing.
14. In the three months to July, the unemployment rate increased from 3.9% to 4.1% while wages fell in both real and nominal terms. The unemployment rate may pick up sharply in the coming months as the furlough scheme ends and the BoE has forecast unemployment could hit a peak of between 8% and 9%.

Financial markets

15. After selling off sharply in March 2020, world equity markets started recovering in April and have continued to regain value during Quarters 2 and 3. Not all sectors and geographies have rebounded to the same extent and the recovery has largely been driven by a small number of US technology stocks, while in the UK the FTSE 100 and 250 have only made up around half of their pre-crisis losses. Central bank and government stimulus packages continue to support asset prices, but volatility and uncertainty remain.
16. Ultra-low interest rates and the flight to quality continued during the period, with the yield on some shorted-dated UK government bonds turning negative and yields on longer-dated bonds remaining low.

Credit review

17. After rising sharply in late March, credit default swap (CDS) spreads slowly eased over Quarters 2 and 3 to slightly above their pre-crisis levels suggesting a relatively high level of confidence in UK banks. That being said, Fitch downgraded the UK sovereign credit rating to AA- in March, which was followed by revising the outlook for all UK banks approved for use by the County Council by Arlingclose either to negative or rating watch negative, although the long term rating for HSBC was increased. Fitch and S&P also downgraded the long-term rating for Transport for London.

18. The extent of the losses that banks and building societies will suffer as a result of the coronavirus pandemic remains uncertain but is expected to be substantial. Arlingclose have therefore conducted a stress testing exercise and consequently a number of UK banks and building societies were suspended from the counterparty list for unsecured deposits in June 2020. Arlingclose also continue to recommend a maximum duration of 35 days for investments with the remaining counterparties. Although far better capitalised than during the Great Financial Crisis there remains significant uncertainty about the impact of the pandemic and with the added unknown of what the final Brexit trade deal may look like. Arlingclose are therefore recommending a prudent approach and the institutions on Arlingclose's counterparty list remain under constant review.

Local Context

19. On 31 March 2020, the County Council had net investments of £544m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1.

Table 1: Balance Sheet Summary	31/03/20 Balance £m
CFR	783.48
Less: Other debt liabilities*	(149.43)
Borrowing CFR	634.05
External Borrowing	(307.24)
Internal Borrowing	326.81
Less: Usable Reserves	(643.14)
Less: Working Capital	(227.28)
Net Investments	(543.61)

* PFI liabilities that form part of the County Council's total debt

20. The County Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. The treasury management position as at 30 September 2020 and the movement since 31 March 2020 are shown in Table 2.

Table 2: Treasury Management Summary	31/03/20 Balance £m	Movement £m	30/09/20 Balance £m	30/09/20 Rate %
Long-term borrowing	(261.2)	5.9	(255.3)	4.7
Short-term borrowing	(10.0)	(4.7)	(14.7)	3.7
Total borrowing	(271.2)	1.2	(270.0)	4.6
Long-term investments	274.3	(22.2)	252.1	3.5
Short-term investments	105.5	32.0	137.5	0.6
Cash and cash equivalents	201.7	(142.1)	59.6	0.1
Total investments	581.5	(132.3)	449.2	2.2
Net investments	310.3	(131.1)	179.2	

Note: the figures in the Table 2 at 31 March 2020 are from the balance sheet in the County Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments

21. The reduction in net investments of £131.1m shown in Table 2 reflects reductions in both total borrowing and total investments. The reduction in total borrowing of £1.2m reflects the repayment of debt in line with scheduled timescales. The reduction of £132.3m of investments reflects the early payment of employer's pension contributions of £235m in order to achieve significant savings in the cost of these contributions over a three-year period, offset by an increase in investment balances reflecting the higher balances typically seen at this time of year, due to the difference in timing between income and expenditure.

Borrowing Activity

22. As shown in Table 2, at 30 September 2020 the County Council held £270.0m of loans as part of its strategy for funding previous years' capital programmes. The mid-year treasury management borrowing position and movement since 31 March 2020 are shown in Table 3.

Table 3: Borrowing Position	31/03/20 Balance £m	Net Movement £m	30/09/20 Balance £m	30/09/20 Weighted Average Rate %	30/09/20 Weighted Average Maturity (years)
Public Works Loan Board	(226.5)	1.0	(225.5)	4.7	10.7
Banks (LOBO)	(20.0)	0	(20.0)	4.8	12.8
Other (fixed term)	(24.7)	0.2	(24.5)	3.6	16.7
Total borrowing	(271.2)	1.2	(270.0)	4.6	11.4

Note: the figures in Table 3 at 31 March 2020 are from the balance sheet in the County Council's statement of accounts but adjusted to exclude borrowing taken out on behalf of others, and accrued interest.

23. The County Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with the flexibility to renegotiate loans should the County Council's long-term plans change being a secondary objective.
24. Short-term interest rates have remained much lower than long-term rates and the County Council has therefore considered it to be more cost effective in the near term to use internal resources than to use additional borrowing.
25. With the assistance of Arlingclose, the benefits of this internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing costs may be higher.
26. During the period April to September 2020 the County Council repaid £1m of maturing PWLB debt and made £0.25m of scheduled repayments of loans entered into for energy efficiency projects. The County Council did not replace any of this borrowing. This strategy enabled the County Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
27. The County Council continues to hold £20.0m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. None of the LOBO loan options were exercised by the lender during the period.

Treasury Investment Activity

28. The County Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. The County Council's investment balance was £449.2m at 30 September 2020, which was £130.6m (22.5%) lower than the same time last year.
29. During the six-month period from 1 April to 30 September 2020, the County Council's investment balances ranged between £336m and £521m due to timing differences between income and expenditure.

30. Table 4 shows investment activity for the County Council as at 30 September 2020 in comparison to the reported activity as at 31 March 2020. The reduction in total investments since 31 March 2020 reflects the combination of the early payment of employer's pension contributions of £235m in order to achieve significant savings in the cost of these contributions over a three-year period, offset by an increase in investment balances reflecting the typical higher balances seen at this time of year, due to timing differences between income and expenditure.

Table 4: Treasury Investment Position	31/03/20 Balance	Net Movement	30/09/20 Balance	30/09/20 Income Return	30/09/20 Weighted Average Maturity*
	£m	£m	£m	%	(years)
Short term investments					
Banks and building societies					
- Unsecured	26.3	(2.8)	23.5	0.1	0.1
- Secured	15.0	(15.0)	-	N/A	N/A
Money market funds	175.3	(116.7)	58.6	0.1	0.0
Local authorities	80.5	24.5	105.0	0.7	0.6
Cash plus funds	10.0	-	10.0	1.2	0.0
	307.1	(110.0)	197.1	0.5	0.3
Long term investments					
Banks and building societies					
- Secured	33.2	(2.6)	30.6	0.5	2.0
Local authorities	40.0	(15.0)	25.0	1.5	1.6
	73.2	(17.6)	55.6	0.9	1.8
Long term investments – higher yielding strategy					
Fixed deposits	20.2	1.3	21.5	4.3	13.0
Fixed bonds	10.0	(10.0)	-	N/A	N/A
Pooled funds					
- Pooled property**	77.0	-	77.0	4.1	N/A
- Pooled equity**	52.0	-	52.0	4.5	N/A
- Pooled multi-asset**	42.0	4.0	46.0	4.0	N/A
	201.2	(4.7)	196.5	3.5	13.0
Total investments	581.5	(132.3)	449.2	2.2	1.1

* The weighted average maturity figures exclude pooled funds which have no fixed end date.

** The rates provided for pooled fund investments are reflective of annualised income returns over the year to 30 September 2020.

Note: the figures in Table 4 at 31 March 2020 are from the balance sheet in the County Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

31. The CIPFA Code and government guidance both require the County Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The County Council's objective when investing money is therefore to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults against the risk of receiving unsuitably low investment income.
32. Security of capital has remained the County Council's main investment objective and has been maintained by following the County Council's counterparty policy as set out in the Treasury Management Strategy Statement.
33. Counterparty credit quality has been assessed and monitored with reference to credit ratings, the analysis of funding structures and susceptibility to bail-in of financial institutions, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
34. The County Council also makes use of secured investment products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
35. Over the six month period, the County Council has continued to feel the effects of the Coronavirus pandemic and has experienced uncertainty over income and expenditure in addition to falling money market rates, a lower number of suitable counterparties and a reduction in advised investment durations.
36. Liquid cash has been diversified over several counterparties, including Money Market Funds (MMFs) and bank call accounts to manage both credit and liquidity risks. The return on MMFs net of fees has fallen over the six-month period and for many funds net returns now range between 0% and 0.1%, with the fund management companies in several instances temporarily lowering or waiving fees to maintain a positive net return.

37. The County Council also has the option of using the Debt Management Account Deposit Facility (DMADF), which offers a high level of security as the counterparty is the UK government. On 25 September the overnight, 1- and 2-week deposit rates on DMADF deposits dropped below zero percent to -0.03%, which discourages local authorities from using this facility for short-term cash. The County Council has not needed to use the DMADF during this period and has maintained a positive net return on all of its investments, however it is important for the County Council to maintain the ability to access this facility as part of its suite of treasury management options.
38. The County Council's Treasury Management Strategy Statement for 2020/21 was written prior to the start of the coronavirus pandemic and the ensuing impact on financial markets, however it did identify that in the situation where negative interest rates arose, the security of the County Council's investments would be measured as receiving the contractually agreed amount at maturity, even when this was less than the amount originally invested. The County Council will continue to manage its investment balances proactively to avoid accepting negative interest rates wherever possible, however suitable governance is also in place to ensure that the County Council is able to access appropriate areas of the market paying negative rates should the need arise, including being able to access the Treasury's DMADF accounts.
39. To reduce risk, 69% of the County Council's internally invested cash is invested so that it is not subject to bail-in risk, as it is invested in local authorities and secured bank bonds. Of the remaining balance, the majority is invested in overnight money market funds which are subject to reduced bail in risk.
40. Against this backdrop, the County Council has sought to optimise returns commensurate with the objectives of security and liquidity, achieving an average rate of return of 0.80% on internally managed funds as at 30 September 2020 whilst also maintaining sufficient liquidity through the use of call accounts and money market funds. The County Council has benefited from holding investments where deals were made prior to interest rates falling in March, however as investments mature and are replaced, lower rates will be achieved and the average rate of return is therefore likely to fall over the course of the financial year assuming the low interest rate environment persists.
41. The progression of risk and return metrics for the County Council's investments that are managed in-house (excluding external pooled funds) are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5. This compares the data for the quarter ended 30 September 2020 with data for the quarter ended 31 March 2020.

Table 5: Investment Benchmarking (excluding pooled funds)	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2020	AA	50%	551	0.97%
30.09.2020	AA-	31%	608	0.80%
Similar LAs	AA-	49%	991	0.57%
All LAs	AA-	64%	18	0.27%

42. During the six-month period from 31 March to 30 September 2020, the impact of the two Bank Rate cuts in March was felt across the money markets. This resulted in the investment return on the internally managed investments in the County Council's portfolio reducing, albeit the average return is currently greater than the average for other Arlingclose clients included in the investment benchmarking exercise.
43. The prepayment of employer's LGPS pension contributions in April has meant that the weighted average maturity of the County Council's investments has increased, however the County Council has balanced this by continuing to ensure that suitable levels of liquidity are held to meet its requirements. This has also contributed to a reduction in bail-in exposure and where the County Council is exposed to this risk it is largely through money market funds, which invest in instruments that are liable to bank bail-in but which are highly diversified therefore reducing this risk.
44. The average credit rating of the internally managed investments fell from AA to AA- however this is a strong credit rating. The County Council only invests with banks on Arlingclose's approved list of counterparties and currently only holds unsecured investments with these institutions for short durations to mitigate risk. The AA- rating is also in line with the average achieved by Arlingclose's other local authority clients.
45. In order to minimise the risk of receiving unsuitably low investment income, the County Council has continued to invest a proportion of steady core balances in externally managed pooled funds as part of its higher yield strategy.
46. These pooled fund investments are likely to be more volatile than cash in the short-term but generate regular revenue income whilst also providing diversification and the potential for enhanced returns over the longer term. By holding these investments for the longer term, the County Council is able to ride out periods of volatility that result in falls in value and therefore can manage the security of its original investment. Investing only steady core

balances also means the County Council should not ever need to be a forced seller for liquidity reasons.

47. The County Council's investments in pooled property, equity and multi-asset funds allow diversification into asset classes other than cash without the need to own and manage the underlying investments, with £175m now invested. The County Council also invests a further £10m into an externally managed cash plus pooled fund, which forms part of its short-term cash portfolio.
48. These investments have no defined maturity date but are available for withdrawal after a notice period and their performance and continued suitability in meeting the County Council's investment objectives is monitored regularly and discussed with Arlingclose.
49. The impact of the COVID-19 pandemic on financial markets at the end of the financial year meant that the County Council's investments in these pooled funds suffered a £22.4m fall in capital value (12.84%) over the year to 31 March 2020, however such losses are only realised if the assets are sold before they have the chance to regain value, which is not the County Council's intention.
50. Since March there has been improvement in market sentiment which is reflected in increases in capital values of the multi-asset income funds and one (of two) equity income funds in the County Council's portfolio. The change in capital values of the pooled fund investments is summarised in Table 6.

Table 6: Pooled fund capital values	Principal invested	31/03/20 Capital value	Movement	30/09/20 Capital value
	£m	£m	£m	£m
Pooled property	77.0	78.3	(2.0)	76.3
Pooled equity	52.0	40.1	2.8	42.9
Pooled multi asset	46.0	37.0	6.8	43.8
Total	175.0	155.4	7.6	163.0

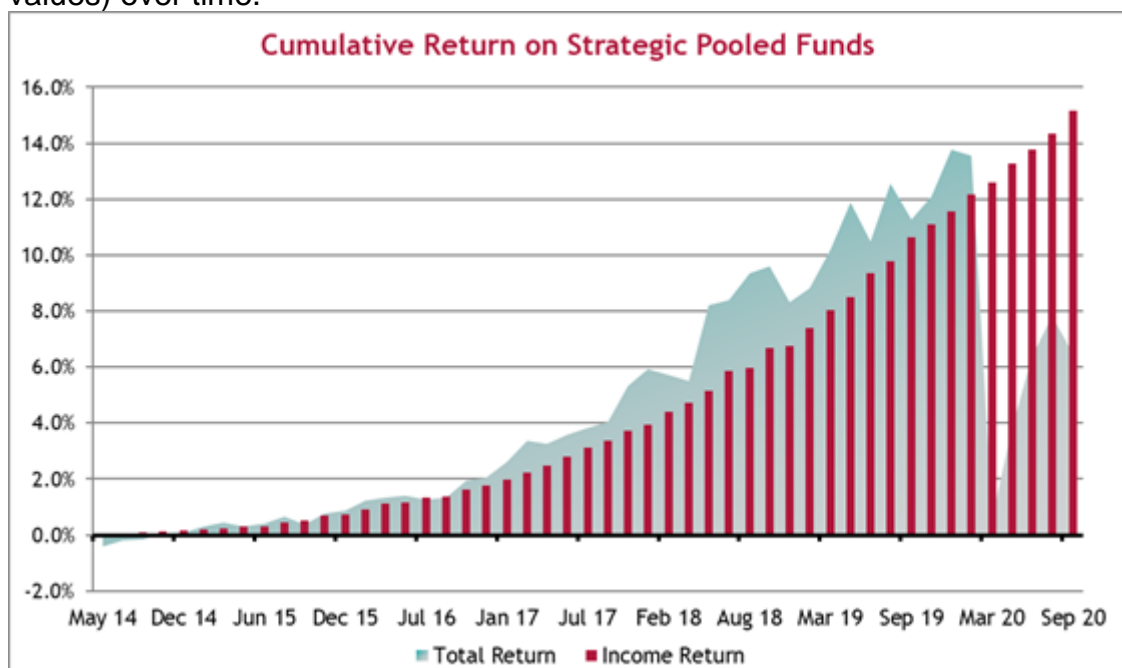
51. Dealing in the CCLA Local Authorities Property Fund was suspended by the fund in March 2020. The relative infrequency of property transactions as the pandemic intensified meant that it was not possible for valuers to be confident that their valuations correctly reflected prevailing conditions. To avoid material risk of disadvantage to buyers, sellers, and holders of units in the property fund, the management company was obliged to suspend

transactions until the required level of certainty was re-established. The dealing suspension was lifted in September 2020. There has also been a change to redemption terms for this property fund; from September 2020 investors are now required to give at least 90 calendar days' notice for redemptions. The Lime Property Fund and the Threadneedle Property Unit Trust, in which the County Council has smaller investments, also suspended dealing for the same reasons and the dealing suspensions were lifted in July and September 2020 respectively. Threadneedle now requires investors to provide four months' notice for withdrawals.

52. In 2020/21, the County Council expects to receive significantly lower income from both its internally managed cash and its higher yielding portfolio than it did in previous years, with an estimated impact of £3.5m included as part of the Medium Term Financial Strategy update during the summer. Dividends and income paid will depend on many factors including the ongoing impact of the pandemic and the individual strategies of each pooled fund, such as their sectoral allocations and investment decisions. Equity income funds will also be affected by enforced or voluntary dividend cuts and deferrals.

53. Given the impact on capital values and income described above the investments in pooled funds have been reviewed with Arlingclose, whose advice remains that these investments continue to be appropriate for the County Council. Capital values should recover over time and in the meantime these investments will continue to generate income returns significantly in excess of what could be achieved on traditional cash investments, to benefit the revenue budget.

54. The chart below shows the positive impact of regular income returns from these pooled funds and the positive cumulative total return (income + capital values) over time.



55. The County Council's investments as part of its higher yielding strategy are made with the intention of holding these investments for at least the medium term, however this does not mean that the County Council does not continue to monitor performance and nor does it mean it will hold these investments indefinitely.
56. As a result of this ongoing review, Arlingclose advised in June 2020 that the County Council should sell the long term bonds tranche of its higher yielding portfolio. The Deputy Chief Executive and Director of Corporate Resources approved this sale under her delegated authority and a gain on disposal was achieved on completion of the sale. The County Council is in the process of reinvesting the sale proceeds as part of its higher yielding strategy, with £4m added to two existing multi-asset pooled fund investments as at the end of September 2020. The remaining balance will be invested in pooled funds in tranches to mitigate risks associated with market timing.

Non-Treasury Investments

57. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the County Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
58. This could include loans made to Hampshire based businesses or the direct purchase of land or property and such loans and investments will be subject to the County Council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.
59. The County Council's existing non-treasury investments are listed in Table 7.

Table 7 – Non-Treasury Investments	30/09/20 Asset value £m	30/09/20 Rate %
Loans to Hampshire based business	9.5	4.00
Joint venture recruitment agency	0.2	5.00
Total	9.7	4.02

Compliance Report

60. The County Council confirms compliance of all treasury management activities undertaken during the period with the CIPFA Code of Practice and the County Council's approved Treasury Management Strategy.

61. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 8.

Table 8 – Debt Limits	2020/21 Maximum	30/09/20 Actual	2020/21 Operational Boundary	2020/21 Authorised Limit	Complied?
Borrowing	271	270	730	780	✓
PFI and Finance Leases	149	149	150	180	✓
Total debt	420	419	880	960	✓

62. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this would not be counted as a compliance failure.

Treasury Management Indicators

63. The County Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures

64. The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates.

Table 9 – Interest Rate Risk Indicator	30/09/20 Actual	Impact of +/-1% interest rate change
Sums subject to variable interest rates		
Investment	£218m	+/- £2.2m
Borrowing	£23m	+/- £0.2m

65. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing

66. This indicator is set to control the County Council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement.

Table 10 – Refinancing Rate Risk Indicator	30/09/20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	5.4%	50%	0%	✓
12 months and within 24 months	3.7%	50%	0%	✓
24 months and within 5 years	9.0%	50%	0%	✓
5 years and within 10 years	20.0%	75%	0%	✓
10 years and within 20 years	53.0%	75%	0%	✓
20 years and within 30 years	8.9%	75%	0%	✓
30 years and above	0.0%	100%	0%	✓

67. The County Council holds £20m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. If not repaid before maturity, these loans have an average maturity date of 13 years (minimum 7 years; maximum 25 years).

Principal Sums Invested for Periods Longer than a year

68. The purpose of this indicator is to control the County Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 11 – Price Risk Indicator	2020/21	2021/22	2022/23
Actual principal invested beyond year end	£262m	£216m	£196m
Limit on principal invested beyond year end	£340m	£330m	£330m
Complied?	✓	✓	✓

69. The table includes investments in strategic pooled funds of £175m as although these can usually be redeemed at short notice, the County Council intends to hold these investments for at least the medium-term.

Other

70. IFRS 16: The implementation of the new IFRS 16 Leases accounting standard has been delayed until 2021/22.

Arlingclose’s outlook for the remainder of 2020/21

71. The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, the coronavirus has not been suppressed

and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

72. The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in Quarter 3.
73. However, the scale of the economic shock to demand, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data, even before the latest restrictions.
74. This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have already priced in a chance of a negative Bank Rate.
75. Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.
76. Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the future most likely through further financial asset purchases (QE). While Arlingclose's central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.
77. Gilt yields are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.
78. Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because it relates to the effective management of the County Council's cash balances.

NB: If the 'Other significant links' section below is not applicable, please delete it.

Other Significant Links

Links to previous Member decisions:

<u>Title</u>	<u>Date</u>

Direct links to specific legislation or Government Directives

<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equalities objectives are not expected to be adversely impacted by the proposals in this report.

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	17 December 2020
Title:	Policy Updates: Anti-Bribery policy; Anti-Fraud and Corruption strategy and Whistle-blowing policy
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Jonathan Hurford-Potter

Tel: 0370 779 8649

Email: Jonathan.hurford.potter@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to inform the Audit Committee that the following policies have been updated and are appended for information:
 - Anti-Bribery policy
 - Anti-Fraud and Corruption Strategy
 - Whistle-blowing policy
2. Ownership of the first two policies has been transferred from Southern Internal Audit Partnership (SIAP) to the Head of Finance, Corporate Resources.
3. Ownership of the Whistle-blowing policy remains with Human Resources (HR) and the updated policy document was discussed with recognised unions at the Joint Consultative Group on 11th November 2020. The new policy will come into effect on later than 31st December 2020.

Recommendation

4. That the Audit Committee note the refreshed policy documents, which will be subject to a two-year review cycle.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	no
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

The recommended action will not impact on groups with protected characteristics in any way.

This page is intentionally left blank

Anti- Bribery Policy



1. Introduction

- 1.1 This policy is introduced to ensure compliance with the Bribery Act 2010. The Bribery Act became law on 1 July 2011. It explains the process through which the County Council intends to maintain high standards and to protect the organisation, its Members (including independent and co-opted Members), employees at all levels and grades, temporary and agency staff, volunteers, contractors, agents, consultants and persons or partners acting on the Council's behalf, (hereafter referred to as 'staff') against allegations of bribery and corruption.
- 1.2 Before 1 July 2011, organisations were only likely to be guilty of a bribery offence if senior management were involved. The Bribery Act applies to all staff in the organisation and now an organisation may be guilty of bribery if only the individual offender knew of the bribery taking place.
- 1.3 Organisations will have a defence against prosecution if they can demonstrate that they had "adequate procedures in place to prevent bribery".
- 1.4 The County Council is committed to the highest possible standards of openness probity and accountability and to conducting its business in an honest and open way, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. The County Council attaches the utmost importance to this policy and will apply a "zero tolerance" approach to acts of bribery and corruption by any of its staff acting on its behalf. Any breach of this policy will be regarded as a serious matter and be likely to result in disciplinary action and possibly criminal prosecution.

2. Policy Statement

- 2.1. Bribery and the use of a third party to channel bribes is a criminal offence. The County Council does not, and will not, pay bribes, or offer improper inducements to anyone for any purpose, nor will the County Council accept bribes or improper inducements. The use of a third party to channel bribes is also a criminal offence. The County Council does not and will not engage indirectly in or otherwise encourage bribery.
- 2.2. The County Council is committed to ensuring compliance with the highest legal and ethical standards. The County Council through its managers and staff commits to policies and procedures to prevent, deter, and detect acts of bribery. The County Council commits to ensuring that anti-bribery compliance is an essential aspect of its governance process and at the core of its business principles. It is an on-going process and not a one-off exercise.

3. Objective

- 3.1. This policy presents a clear and precise framework to understand and implement the arrangements required to comply with the Bribery Act 2010. It provides the context for the detailed rules, procedures and controls in place within the County Council. It is intended to provide no room for misinterpretation and to ensure that staff know what is expected of them in preventing bribery.
- 3.2. This policy should be read in conjunction with, and reinforce, other related Council policies and documents (see paragraph 13) the provisions of which should be reflected in every aspect of the way the County Council operates. The requirement to act honestly and with integrity at all times is made clear and is fundamental and non-negotiable.

3.3. This policy explains the methods established to prevent acts of bribery and allows any breach to be identified and reported.

4. Scope

4.1. This policy applies to all of the County Council's activities including its work with strategic partners, third parties, suppliers, contractors, schools and others.

4.2. The responsibility to mitigate the risk of bribery resides at all levels of the County Council and includes all departments. It does not rely solely on the County Council's assurance functions.

5. Policy Commitment

5.1. The County Council commits to ensuring that through Departmental Management responsibility, all staff:

- are made aware of this policy and their responsibilities as defined within it;
- receive induction and training as applicable and relevant to their role to allow them to recognise and avoid the use of bribery by themselves or others;
- understand the local processes and procedures that need to be followed to comply with the County Council's Anti- Bribery Policy;
- are encouraged to be vigilant and to report any suspicions of bribery by providing them with suitable channels of communication (e.g. Whistleblowing Procedure) and ensuring that sensitive information is handled appropriately;

In addition the County Council commits to:

- investigating instances of alleged bribery and assisting the police and other authorities in any prosecution;
- taking action against any person or organisation acting for or on behalf of the County Council who or which is involved in bribery;
- reporting breaches and suspected breaches of this policy in an open and transparent way;
- including appropriate clauses in contracts with suppliers setting out the County Council's right to terminate and secure losses in circumstances where an offence under the Bribery Act 2010 has been committed by the Supplier or the Supplier's agent

6. The Bribery Act 2010

6.1. The Bribery Act 2010 was introduced to update and enhance United Kingdom law on bribery. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. The Bribery Act creates a strict liability corporate criminal offence of failing to prevent bribery. The only defence against this corporate offence is for organisations to have adequate procedures in place to prevent bribery. Whether procedures are adequate is for the courts to decide on a case by case basis. The procedures need to be applied proportionately, based on the level of risk of risk of bribery to the County Council.

6.2. There are four key offences under the Act:

- Bribing a person to induce or reward them to perform a relevant function improperly;
 - Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly;
 - Using a bribe to influence a foreign official to gain a business advantage; and
 - In relation to a commercial organisation committing bribery to gain or retain a business advantage, there being no adequate procedures in place to prevent such actions.
- 6.3. Acts of bribery are intended to influence an individual or organisation in the performance of their duty and for them to act illegally.
- 6.4. The penalties under the Bribery Act have been raised significantly. An individual guilty of an offence under sections 1, 2 or 6 is liable on conviction in a magistrates court to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both and on conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both. The County Council, if convicted under sections 1, 2 or 6 will also face the same level of fines and, if guilty of an offence under section 7, is liable to an unlimited fine.
- 6.5. The County Council accepts that public bodies may be classed as a “commercial organisation” in relation to the corporate offence of failing to prevent bribery (section 7). In any event, it represents good governance and practice to have adequate procedures in place to protect the County Council and its staff from reputational and legal damage. It is in the interests of everybody connected with the County Council to act with propriety at all times.

7. Council Procedures on the Bribery Act

- 7.1. The County Council’s procedures cover six principles:
- **Proportionality** – The County Council’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks faced by the County Council and to the nature, scale and complexity of the County Council’s activities.
 - **Top Level Commitment** – The Chief Executive and Corporate Management Team are committed to preventing bribery by staff associated with the Council. They endorse a culture within the Council in which bribery is not accepted or tolerated. The Anti-Bribery Policy is clearly communicated to all managers, staff and partners of the County Council.
 - **Risk Assessment** – The nature and extent of the County Council’s exposure to external and internal risks of bribery has been assessed and documented as part of the County Council’s risk management process. Any risk assessment is intended to be an on-going process based on regular communication and review. The County Council should know who it is doing business with and whether this has risk implications;
 - **Due Diligence** – A proportionate and risk-based approach will be taken in respect of staff and other organisations that perform services for or on behalf of the County Council. Due diligence will include an evaluation of the background, experience and reputation of business partners. The transactions will be properly monitored and written agreements and contracts will provide references to the Bribery Act 2010 and this policy. Reciprocal arrangements may be required for business partners to have their own policies in place. They will be advised of the County Council’s policy and be expected to operate at all times in accordance with such policy;

- **Communication** – The County Council will ensure that this policy and other related policies and procedures are embedded in the County Council's working arrangements through appropriate communication, including training, which is proportionate to the risks the County Council faces.
- **Monitoring and Review** – This policy, control arrangements, risk management processes and other related policies and procedures designed to prevent bribery and corruption will be monitored, reviewed and improved where necessary on a regular basis. All incidents of bribery or suspected bribery will be reported to the Audit Committee. An assurance of compliance will be included in the Annual Governance Statement.

7.2. In the context of this policy it is unacceptable for staff acting for or on behalf of the Council to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure;
- accept payment from a third party that is known to be, or suspected to have been, offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if it is known to be, or suspected to have been, offered with an expectation that a business advantage will be provided by the Council in return;
- retaliate against or threaten a person who has refused to commit an act of bribery or who has raised concerns under this policy; and
- engage in any activity in breach of this policy.

7.3. **Facilitation Payments**

Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. These type of payments are not tolerated and are illegal.

8. **Gifts and Hospitality**

- 8.1. This policy does not change the requirements of the County Council's Officers' Code of Conduct.
- 8.2. The above code clearly set out the restrictions on accepting gifts and hospitality, the need to inform the manager and the need to register any approved gifts that are retained.
- 8.3. The procedures for Members' registers of interest are set out in the Members' Code of Conduct.

9. **Public Contracts**

- 9.1. Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK) a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. It is understood that there are no plans to amend the 2006 regulations for these to include the crime of failure to prevent bribery.

9.2. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. The Council will use its discretion as to whether to exclude organisations convicted of this offence and any instances where this is the case will be reported to the Corporate Management Team for a decision.

10. Responsibilities

10.1. The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the County Council or acting for or on its behalf. All Members, staff, volunteers and partners are required to avoid activity that breaches this policy. Adherence to the policy is mandatory.

10.2. Staff must:

- ensure that they have read, understood and comply with the Anti- Bribery Act Policy; and
- use the appropriate mechanisms within the County Council to raise concerns as soon as possible if they believe or suspect that an offence under this policy has occurred, or may occur in the future.

10.3. In addition to the possibility of criminal prosecution, staff who breach the Policy will be subject to the relevant disciplinary procedure.

11. Raising a concern

11.1. Staff are encouraged to raise any concerns with their manager and make use of the County Council's Whistleblowing Procedure. This provides information on the courses of action available to report serious concerns (including bribery) in confidence. The County Council is aware that staff who refuse to accept the offer of a bribe and who wish to report the incident may worry about the repercussions for themselves and their employment. Therefore, the County Council in encouraging openness will support anyone who raises a genuine concern under this policy, even if the alleged act of bribery is established, upon investigation, to be unfounded.

11.2. The County Council is committed to ensuring that staff do not suffer any detrimental treatment through refusing to take part in any form of bribery.

12. Review of the Anti-Bribery Policy

12.1. It is the responsibility of the Head of Finance to routinely refresh, review, reinforce and disseminate any changes to this policy and its underlying principles and guidelines. All members of staff are responsible for reading and understanding this policy which will also be included within the induction programme in future.

12.2. For questions about this Policy or its related corporate policies and procedures, please contact:

Rob Carr, Head of Finance on 0370 779 2647: rob.carr@hants.gov.uk

**Alison Chard, Operational Finance Manager on 0370 779 1524;
alison.chard@hants.gov.uk**

Questions about local related policies and procedures, should be directed to your manager in the first instance.

13. Related policies

- Anti Fraud and Corruption Strategy/Policy Statement
- Anti-Money Laundering Policy
- Prosecution and Recovery Policy
- Whistleblowing Procedure
- Officers Code of Conduct
- Code of Conduct for Members
- Contract Standing Orders
- Financial Procedure Rules
- Protocol for Member/Officer Relations

14. Useful links

The Bribery Act - [Bribery Act 2010](#)

Bribery Act final guidance

<http://www.cipfanetworks.net/fileupload/upload/briberyact2010guidance142011261754.pdf>

Bribery Act quick start guide

http://www.cipfanetworks.net/governance/documentation/download_open.asp?sref=TV4PXC437&filename=http://www.cipfanetworks.net/fileupload/upload/briberyact2010quickstartguide142011271739.pdf

ANTI-FRAUD AND CORRUPTION STRATEGY

Managing the Risk of Fraud

Index

1	Foreword	1
2	Introduction	1
3	Key Principles and Culture	2
4	Prevention	3
5	Detection and Investigation	8
6	Deterrence	9
7	Conclusion	10
8	Review	10
	Appendix A – The Seven Principles of Public Life	11

1 Foreword

- 1.1 The public sector in the United Kingdom maintains high standards of ethics and has a good reputation for protecting the public purse. Sound systems of public accountability are vital to effective management and in maintaining public confidence.
- 1.2 Hampshire County Council (hereafter referred to as the Council) is determined to discharge its responsibilities to safeguard public funds and is committed to fighting fraud and corruption whether attempted from inside or outside of the Council. The Council is committed to the highest ethical standards and requires Members, Officers and all other staff to comply with the seven principles of public life (Appendix A), the Council's Anti-fraud and corruption policy statement; codes of conduct, internal policies, procedures and relevant legislation.
- 1.3 The Council believes strongly in the honesty and integrity of its Members and employees and has achieved a reputation for maintaining effective systems of control. The Council also expects that all outside individuals and organisations, including suppliers, contractors and clients will act towards the Council with honesty and integrity. The Council will not tolerate fraud, corruption, or other irregularities, regardless of the perpetrator. The Council is therefore determined to prevent, deter and detect all forms of fraud and corruption committed against it and take appropriate action where fraud or corruption is detected.
- 1.4 The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness and to demand the highest standards of conduct from those working for the Council. This Anti-Fraud and Corruption Strategy forms part of the governance arrangements of the Council and outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.
- 1.5 The Council's commitment to protecting public funds is set out in the Anti-Fraud and Corruption Policy Statement which has been endorsed by the Chief Executive and Leader of the Council and in its Prosecution and Recovery Policy.

2 Introduction

- 2.1 The purpose of the Anti-Fraud and Corruption Strategy is to put into place mechanisms that will prevent, deter, and detect fraud and corruption. The strategy summarises the responsibilities of Members, Chief Officers and employees and outlines the process to be followed where there is suspicion of financial irregularity.
- 2.2 The strategy is designed to:
- promote the prevention of fraud and corruption;

- help people detect fraud and corruption; and
- explain what we will do if we identify cases of fraud and corruption.

2.3 Irregularities include theft, fraud, corruption and bribery.

Definitions

Theft is “the dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it” (Theft Act 1968).

Fraud is “the intention to make gain or cause loss under 3 main headings; by false representation; failing to disclose information; or abuse of position. (Fraud Act 2006)”

Corruption is “the offering, giving, soliciting or acceptance of an inducement or rewards which may influence the action of another person” (CIPFA).

Bribery is “giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so” (Bribery Act 2010).

Irregularity may also include failure to comply with Financial Regulations, Standing Orders, national and local codes of conduct, Health and Safety Regulations and all other relevant laws and legislation that result in an avoidable loss to the Authority.

3 Key Principles and Culture

3.1 Honesty, openness, and integrity are at the core of the Council’s ethos, which positively encourages a culture that will not tolerate fraud and corruption. Staff are expected, and are positively encouraged, to raise any concerns relating to fraud and corruption of which they become aware.

3.2 These can be raised in any way as set out in the guidance provided in the Council’s Whistleblowing Procedure. This sets out how Members and employees may raise any concerns that they have on issues associated with the Council’s activities. Whichever route is chosen, individuals can be assured that concerns raised will be fully investigated and, wherever possible, be dealt with in confidence.

- 3.3 The Council believes that a culture of honesty and openness is a key element in tackling fraud. The codes of conduct for members and employees are based on the seven principles of public life (Appendix A).
- 3.4 We also expect that people and organisations we deal with will act with honesty towards us.
- 3.5 We would expect and encourage any person, whether or not they work for us, to tell us about any fraud or corruption relating to the Council that they are aware of.
- 3.6 We will take all relevant and necessary action against any member, employee, individual or organisation falling short of these standards in their dealings with or on behalf of the Council.

4 Prevention

- 4.1 The Council has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements and professional best practice, and include:

- Codes of Conduct for members and officers
- Standing Orders and Financial Regulations
- Accounting procedures and records
- Sound internal control systems, including specific service area legislative requirements
- Effective internal audit
- Effective recruitment and selection procedures
- Disciplinary Procedure
- Complaints Procedure
- Fraud and Corruption Response Plan
- Whistleblowing Procedure
- Training
- Anti Money Laundering Policy
- The Bribery Act Policy
- Prosecution & Recovery Policy

- 4.2 In addition, the Council is subject to external scrutiny from a variety of bodies. These include the Local Government Ombudsman, External Audit, Central Government Departments and Parliamentary Committees, HMRC and external inspectorates. Internal overview is overseen by those charged with governance.

Recruitment

- 4.3 The Council recognises that employees are often the first line of defence in preventing fraud. A key preventative measure is therefore the effective recruitment of employees.
- 4.4 Employee recruitment is undertaken in accordance with the Council's policies for Recruitment and Selection. Written references must be obtained before formal employment offers are made, wherever possible regarding the known honesty and integrity of potential employees. In this regard temporary employees should be treated in the same manner as permanent employees.
- 4.5 Recruitment and selection also covers the checking of identity and right to work in the UK of all potential employees. Some posts, due to the nature of the work also require a Disclosure and Barring Service (DBS) check to identify whether any potential employee has a criminal record and if this would conflict with the post applied for.
- 4.6 All management and employees must abide by the Officer's Code of Conduct, which sets out requirements on personal conduct. Where applicable, employees are also expected to follow the codes of conduct laid down by their respective professional institutes.

Employee responsibilities

- 4.7 Employees should always be aware of the possibility that fraud, corruption and theft may exist in the workplace and have a duty and a right to share any concerns that they may have with management or through the Whistleblowing Procedure.
- 4.8 The Council has in place disciplinary procedures for all employees. Those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity within the workplace is suspected or found, the matter will be referred to the police for investigation and possible prosecution. In addition, recompense will be sought from those who are found to have carried out fraudulent acts.
- 4.9 Under the Council's Officer's Code of Conduct, employees must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of financial interests in contracts relating to the Council, or the non-acceptance of any fees, gifts, hospitality or any other rewards, other than their proper remuneration. The Bribery Act 2010 makes it an offence to request, agree to receive, or accept a bribe. It is also an offence to offer, promise or give a bribe.

- 4.10 Council policies and procedures support compliance with the Bribery Act. Member and Officer Codes of Conduct set out the acceptable conduct for both members and employees. Through the codes' strong ethical framework, along with transparency and scrutiny in decision making, clear procurement rules and committees, the Council aims to ensure that employees and members comply with anti-bribery legislation. Non-compliance by an employee or member may be perceived as bringing the Council into disrepute or using their office for personal gain and may result in disciplinary action being taken.

Responsibilities of Managers

- 4.11 Managers at all levels within the Council have a responsibility to ensure that there are sound systems of internal control.
- 4.12 As a general control measure, Managers should implement agreed management actions arising from internal audit work within appropriate timescales.
- 4.13 Managers must report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor immediately.
- 4.14 Managers are responsible for ensuring that staff are aware of Financial Regulations and Procedures, the Officer's Code of Conduct and Contract Standing Orders and that these are being followed. Managers should ensure that staff know how to deal with concerns at work and that staff are aware of the Whistleblowing Procedure.
- 4.15 For contracted out services and partnership arrangements, managers should determine the risk of fraud and corruption and incorporate appropriate controls and safeguards within tender documentation, contracts and partnership agreements.

Responsibilities of the Monitoring Officer

- 4.16 The Monitoring Officer is appointed by the Council under Section 5 of the Local Government Act 1989. The Monitoring Officer is responsible for ensuring lawful and fair decision making.
- 4.17 If the Monitoring Officer is of the opinion that any decision or omission would give rise to either unlawfulness or maladministration, the Monitoring Officer has a duty to either ensure that the situation is rectified or after consulting with the Head of Paid Service and the s151 Officer report on the matter to Full Council. In the event of the latter, the effect of the Monitoring Officer's report will be to stop the act or omission until Full Council has considered the matter.

The Head of Legal Services (or equivalent) is authorised by the Council to commence, defend or participate in, any legal proceedings in any case, where necessary, to give effect to the decisions of the Council, or

in any case where the Head of Legal Services considers it necessary to protect the Council's interests.

Responsibilities of Members

- 4.18 The elected Members of the Council have a duty to protect the funds and assets of the Council from all forms of abuse. This is achieved through the issue of the Anti- Fraud and Corruption Policy Statement and implementation of this strategy, the effectiveness of which shall be monitored by those charged with governance.
- 4.19 Members must maintain the highest standards of accountability and probity and therefore must comply, at all times, with the Members' Code of Conduct.
- 4.20 The Members' Code of Conduct sets out what is required of Members when acting in their official capacity or giving the impression that they are conducting the business of the Council. Because of their potentially influential position Members should not use, or be perceived to use, their office for personal gain, and should ensure that their actions are not perceived to bring the Council into disrepute.
- 4.21 These matters and other guidance are specifically brought to the attention of Members as part of their Induction process following election to the County Council, which includes training and briefings on Governance protocols covering rules on the declaration of potential areas of conflict between Members' council duties and responsibilities, and any other areas of their personal or professional lives. Briefing and training materials are published on the Members' Portal for ongoing reference

Responsibilities of contractors, suppliers, customers and members of the public

- 4.22 The Council shall expect that contractors are able to demonstrate, through the tendering process, that they have adequate systems of control to ensure the prevention and detection of fraud and corruption in relation to services provided on behalf of the Council.
- 4.23 Suppliers, customers and members of the public are also encouraged to report concerns.

Responsibilities of partnerships and voluntary organisations

- 4.24 All partnerships and joint working arrangements that are in receipt of Council funding or resources shall be expected to demonstrate appropriate mechanisms for control. Partnership agreements should refer to the adopted Financial Regulations and Codes of Conduct, which govern the partners and to the internal audit arrangements.
- 4.25 Voluntary organisations should be encouraged to follow the standards set by the Council and the Council's Anti-Fraud and Corruption

Strategy should be made available where the voluntary organisation is in receipt of grant funding.

Internal Control Systems

- 4.26 The Council has Financial Regulations & Standing Orders, Accounting Procedures, and various rules and Codes of Conduct in place. Employees are obliged to comply with these requirements when dealing with Council matters.
- 4.27 The Deputy Chief Executive and Director of Corporate Resources has a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure proper arrangements are made for the Council's financial affairs. In addition, under the Accounts and Audit (England) Regulations 2011, the Council is required to maintain an adequate and effective internal audit of its financial records and systems of internal control.
- 4.28 The Council has sound financial systems and procedures, which incorporate efficient and effective internal controls. Managers are responsible for maintaining effective internal controls within their areas of responsibility including the prevention and detection of fraud and other illegal acts. Internal Audit will monitor and report upon these controls.

Responsibilities of Internal Audit

- 4.29 In accordance with 'proper practices' (Public Sector Internal Audit Standards) internal audit are responsible for developing a risk-based plan. The audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements which should be approved by senior management and the Audit Committee.
- 4.30 In accordance with the annual plan, Internal Audit will review the Council's systems and where necessary, will agree with the appropriate level of management actions to mitigate identified risk and enhance the control environment. Whilst internal audit is not responsible for the identification of fraud, when conducting their reviews, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Internal Audit shall be responsible for assessing whether agreed actions arising from significant risks identified have been implemented.
- 4.31 The Chief Internal Auditor shall provide an annual audit opinion on the adequacy of the Council's internal controls and provide an annual assurance statement to the relevant Member Committee on the overall effectiveness of the Council's framework of internal control, highlighting

any serious weaknesses. The Chief Internal Auditor or representative will be in attendance to present these findings.

5 Detection and Investigation

5.1 It is the responsibility of management to maintain good control systems and procedures, and to ensure that all employees comply with the instructions contained therein.

5.2 Investigations are carried out in response to referrals of potential fraud. The scope of fraud and irregularity that should be referred to Internal Audit for investigation should not be limited to that which has a direct financial impact, but anything that could have a damaging or undermining effect on the Council.

5.3 In addition, proactive exercises target areas identified as being at a high risk from fraud.

5.4 All suspected irregularities which could be instances of fraud should be reported to Internal Audit. This is essential to our approach to fraud and corruption and ensures:

- consistent treatment of information regarding fraud and corruption
- proper investigation by an independent and experienced audit team
- the optimum protection of the Council's interests

5.5 Where appropriate managers must report allegations swiftly to senior management, and where appropriate, support the Council's disciplinary procedures.

5.6 When information relating to potential fraud or corruption is obtained, it is reviewed and subject to a risk assessment. Some referrals do not warrant further investigation whilst others may be better dealt with as management issues; or a full investigation may be needed.

5.7 Depending on the nature and extent of the information obtained, Internal Audit will work closely with:

- appropriate levels of management
- Human Resources
- Legal Services
- Other agencies, such as the police, and other local Authorities

This is to ensure that all allegations and evidence supplied are properly investigated and reported upon, and that where possible, losses are

recovered for the Council. Where appropriate this will include the use of Proceeds of Crime legislation.

- 5.8 The Council's Whistleblowing Procedure provides clear guidance for individuals to raise any concerns of malpractice within the Council, without the fear of being penalised or victimised. The Council will take appropriate action to protect anyone who has raised a concern.
- 5.9 The Procedure deals with the reporting of fraud or alleged fraud through formal channels. It also includes making disclosures to external bodies if there is an unsatisfactory outcome to a disclosure made internally. All Council maintained schools are required to have their own Whistleblowing Policies.
- 5.10 Where it is found that a Council employee has been involved in fraudulent activity, they will be subject to disciplinary procedures.
- 5.11 Where financial non-compliance and wrongdoing is discovered relating to employees, members, or grant aided external organisations, the matter may be referred to the police. Such decisions will be made by the Chief Internal Audit in conjunction with the Council's Monitoring Officer or their nominated deputy. Referral to the police will not prevent action under the disciplinary procedure.
- 5.12 The Council's External Auditor also has powers to independently investigate fraud and corruption.

6 Deterrence

- 6.1 There are several ways in which we deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside or outside of the Council. These include:
 - Publicising the fact that the Council will not tolerate fraud and corruption by promoting this at every appropriate opportunity, e.g. statements in contracts, forms and in publicity literature.
 - Acting quickly, efficiently, and decisively when fraud and corruption is suspected and proven, e.g. the termination of contracts, the dismissal and prosecution of offenders.
 - Taking action to recoup the maximum recoveries (including losses and costs) e.g. through agreement, court action, penalties, insurance, superannuation etc. Where appropriate the Proceeds of Crime Act 2002 will be used to maximise the penalty suffered by the fraudster, and the level of recovery by the Council.
 - Having sound internal control systems, that still allow for innovation and calculated risk, to create maximum opportunities for the Council whilst minimising the potential for fraud and corruption.

- 6.2 It is the responsibility of senior management to communicate the Anti-Fraud and Corruption Strategy and Policy Statement to management and employees and to promote a greater awareness of fraud within their respective areas.

7 Conclusion

- 7.1 The Council sets and maintains high standards and a culture of honesty, openness and integrity. This strategy fully supports the Council's desire to maintain an authority free from fraud and corruption.
- 7.2 The Council has in place a network of systems and procedures to assist in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.
- 7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit.

8 Review and monitoring effectiveness

- 8.1 The current version of this strategy can be found on the Council's website. The strategy will be reviewed annually by the Head of Finance, with any significant changes being reported for approval by the Audit Committee.
- 8.2 Reporting on significant issues arising from fraud and corruption investigative work will be incorporated within the Internal Audit reports presented to the relevant Member Committee.

Appendix A – The Seven Principles of Public Life

The Principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services. Non-departmental Public Body, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

- *Selflessness* – Holders of public office should act solely in terms of the public interest.
- *Integrity* - Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- *Objectivity* - Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- *Accountability* - Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- *Openness* - Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- *Honesty* – Holders of public office should be truthful.
- *Leadership* - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

This page is intentionally left blank



Whistleblowing Policy

Policy statement	Hampshire County Council is committed to the highest standards of openness and accountability and takes malpractice seriously. All workers have a right and a duty to report concerns of malpractice that are in the public interest. The policy defines the framework for reporting and investigating whistleblowing concerns.
Scope	All employees employed by a Hampshire County Council department (excluding staff in schools) This policy also applies to all volunteers and workers including agency staff, contractors and suppliers of services, but see 'key definitions'.
Policy outcomes	The aims of this policy are to: <ul style="list-style-type: none">• provide a mechanism for raising concerns believed to be in the public interest• ensure that concerns are investigated promptly, thoroughly and effectively• enable critical information to be shared appropriately• ensure that a worker who raises a genuine concern is not victimised• ensure that concerns raised are taken seriously and dealt with proportionally• minimise external disclosures by encouraging a worker to report malpractice concerns internally• ensure compliance with legal obligations• improve trust and confidence and create a culture of honesty and openness• maintain the Council's reputation

Check which policy to use

Concerns relating to an employee's own working situation should be addressed using the Resolving Workplace Issues Policy.

Complaints about the quality of service delivery should be addressed using the Corporate Complaints procedure.

It should be emphasised that this policy is to ensure individuals who believe they have discovered malpractice or impropriety know how to raise their concerns. It is not designed to enable individuals to question legitimate financial or organisational decisions taken by the Council. Nor should it be used to reconsider any matters which have already been addressed under the Council's Resolving Work Place Issues, Disciplinary, Complaint Policies and procedures, or appeal procedures.

Concerns raised through this policy will be assessed to decide if they meet the criteria for a protected disclosure. If they do not, the employee will be informed which procedure to use.

Key definitions

Whistleblowing is 'making a disclosure in the public interest' and occurs when a worker raises a concern about a danger, illegality or malpractice that affects others, for example members of the public.

For the purposes of this policy a **worker** is defined as an employee, temporary member of staff, agency staff. Volunteers, contractors and suppliers of services are not workers, but may make a disclosure in accordance with this policy.

'Protected Disclosure' means the worker has made a disclosure that meets two criteria

a) it is in the public interest which means it must affect others, for example the general public. and

b) the worker reasonably believes that the disclosure tends to show past, present or likely future wrongdoing falling into one or more of the following categories:

- criminal offences (this may include, for example, types of financial impropriety such as fraud)
- failure to comply with an obligation set out in law
- miscarriages of justice
- endangering of someone's health and safety
- damage to the environment
- covering up wrongdoing in the above categories

Where the above two criteria are met, the worker is protected from victimisation as a result of making their disclosure. In order to ensure that they qualify for protection, the worker should follow a certain procedure, as detailed in the Employee How to Guide.

Volunteers, contractors and suppliers of services are not workers and as such are not covered by the relevant legislation and so whilst in scope of this policy any disclosure would not legally be defined as a protected disclosure.

For the purposes of this policy document the term worker is used to encompass everyone in scope of the policy but should not be read as meaning that other individuals or groups can make a protected disclosure.

Expected standards

The standards expected of all employees are set out in the Local Government Code of Conduct, corporate policies and local procedures and guidance.

Safeguarding

Where there are concerns of ill treatment of children or adults at risk you must inform [Children's Services](#) or [Adults' Health & Care](#) immediately.

Making a disclosure

A worker who has a whistleblowing concern should report it to their line manager or senior manager verbally or in writing in the first instance and at the earliest opportunity.

The following principles apply:

- all employees have a duty of confidentiality to the Council
- the confidentiality of a worker who raises a concern is respected as far as possible
- the worker is encouraged to give their name as anonymous concerns are much less powerful and are more difficult to investigate
- there will be no adverse consequences for a worker who raises a genuinely-held concern
- victimisation and/or deterring a worker from raising legitimate concerns constitutes serious misconduct and will be addressed using the Managing Misconduct policy
- concerns raised frivolously, maliciously, for personal gain, or where they are known to be untrue, constitute serious misconduct and will be addressed using the Managing Misconduct policy and may result in disciplinary action, or for agency staff, termination of the agency contract.

Responding to a disclosure

The manager must contact HR Operations if they have received a complaint under this policy.

The manager must assess the nature of the concern, to decide it meets the definition of a protected disclosure and if so, the seriousness of the concern and respond appropriately and proportionately.

If a concern is raised anonymously, and not all the relevant information has been provided to take the complaint further. The manager must decide, based on the nature and seriousness of the issue, whether to investigate it further. The manager should record the reasons for reaching their decision.

Investigation

If a complaint is in the 'public interest', an investigation which is proportionate to the concern that is raised is undertaken and completed. A senior manager will be appointed to undertake the investigation, which may be a manager or a member of a specialist team, such as internal audit.

If urgent action is required, such as a referral to the Police, this takes place before an investigation starts.

The investigation is completed as promptly as possible, however it is not always possible to provide an exact timescale at the start of an investigation due to the varied nature of whistleblowing concerns.

The worker who raised the concern is kept informed during the investigation as appropriate and subject to legal and confidentiality constraints. The worker should treat any information about the investigation as confidential.

Outcome of the investigation

The outcome(s) of the investigation is:

- shared with the worker who raised the concern (subject to legal and confidentiality constraints)
- referred to the appropriate manager or department to progress any actions that may be required
- reviewed to ensure that the actions taken have resolved the original concern.

Making a disclosure externally

A worker should only raise a concern externally in the following situations:

- the concern has been raised internally but the worker

- believes the issue remains unresolved
- the worker believes that they have been or will be placed in a vulnerable position by raising the concern internally.

In these situations, the worker may wish to raise the concern externally to contacts such as:

- an elected Member of the Council
- Protect (formerly known as Public Concern at Work)
- those listed on the Department for Business Innovation & Skills list of prescribed persons and bodies
<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>
- the Police [for criminal matters]
- the whistleblowing helplines of external bodies, e.g. OFSTED.

Record keeping

Details of all whistleblowing concerns and investigations are retained for 6 years plus the current year from the close of the case, except where separate retention rules apply, e.g. child protection records.

Examples of illegality or malpractice

Examples of the types of malpractice that could be disclosed under the policy are:

- fraud or corruption
- financial irregularities
- unauthorised use of public funds
- the physical, emotional or sexual abuse of clients
- deficiencies in the care of vulnerable people
- serious breaches of professional codes of conduct/ practice
-
- failure to follow financial and contractual procedure rules
- showing undue favour to a contractor or a job applicant
- other dangers or illegalities which may affect clients, members of the public or the Council.

Related documents

To help with the application of this policy it may be useful to read the following:

- Employees' How to Guide - Whistleblowing
- Managers' How to Guide - Whistleblowing
- Local Government Code of Conduct
- Managing Misconduct policy.

Support

Employees:

Further information is available in the Employees' How to Guide – Whistleblowing.

Queries relating to this policy should be directed to your manager.

Your Trade Union can be contacted for advice.

Access to free, confidential and impartial Employee Support is available to all employees. Please visit the webpages for further information <https://extra.hants.gov.uk/employee/policy-guidance/occupational-health/employee-support>

Protect are a registered charity whose services are free and confidential. Their website is <https://protect-advice.org.uk/>

Managers:

Further information is available in the Managers' How to Guide – Whistleblowing.

Advice on remaining queries can be directed to HR Operations at hradvice@hants.gov.uk or on 01962 813915.

Policy Governance

SharePoint ID	TBC
Date of publication:	April 2014 v2 - June 2014 v2.1 – October 2014 v2.2 – May 2015 v2.3 – July 2015 v2.4 – July 2018 v2.5 – May 2019 v2.6 – 04 September 2019 v2.7 – 1 January 2021
Owner:	HR Operations
Related EHCC 2007 section:	N/A

Employees of non Hampshire County Council customers are excluded from this policy and should refer to their own employer's policies and procedures.

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	17 December 2020
Title:	Minutes of the Hampshire Pension Fund Panel and Board – 24 July 2020, 25 September 2020 and 20 November 2020 (less exempt)
Report From:	Director of Transformation and Governance

Contact name: Caroline Roser

Tel: 0370 779 5280

Email: caroline.rosier@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to present the non-exempt minutes from the meetings of the Hampshire Pension Fund Panel and Board which took place on 24 July 2020, 25 September 2020 and 20 November 2020.
2. That the Audit Committee receives and notes the minutes as attached to this report.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report requests that the Audit Committee receive and note the minutes of the Hampshire Pension Fund Panel and therefore the recommended action will not impact on groups with protected characteristics in any way.

This page is intentionally left blank

AT A MEETING of the Hampshire Pension Fund Panel and Board of
HAMPSHIRE COUNTY COUNCIL held virtually via Microsoft Teams on Friday
24th July, 2020

Chairman:

* Councillor Mark Kemp-Gee

- | | |
|---------------------------------|----------------------------|
| * Councillor Tom Thacker | * Councillor Jonathan Glen |
| * Councillor Christopher Carter | * Councillor Andrew Joy |
| * Councillor Alan Dowden | * Councillor Peter Latham |
| * Councillor Andrew Gibson | * Councillor Bruce Tennent |

Employer Representatives (Co-opted members):

- * Councillor C. Corkery (Portsmouth City Council)
- * Councillor P. Taylor (District Councils - Rushmoor Borough Council)
- * Dr L Bartle (University of Portsmouth)
- Councillor S. Barnes-Andrews (Southampton City Council, substitute employer representative)

Scheme Member Representatives (Co-opted members):

- * Dr C. Allen (pensioners' representative)
- * Mr N. Wood (scheme members representative)
- * Ms L. Gowland (deferred members' representative)
- * Mrs S. Manchester (substitute scheme member representative)

Independent Adviser:

- * C. Dobson

* Present

246. APOLOGIES FOR ABSENCE

Cllr Barnes-Andrews sent his apologies.

247. 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 4 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.

248. CONFIRMATION OF MINUTES (NON-EXEMPT)

The minutes of the Pension Fund Panel and Board held on 14 February 2020 were confirmed.

249. DEPUTATIONS

In accordance with Standing Order 12, the Panel and Board received a deputation from Chris Holloway who reiterated her points from her delegation to the Panel and Board on 12 July 2019 on the risk of investment in fossil fuels, including:

- The urgency of the climate crisis and that Hampshire County Council's declaration of a Climate Emergency should commit the Pension Fund to disinvest from fossil fuel companies.
- That taking money out of fossil fuels is not only a moral issue but just as much a financial issue.
- Asking the Panel and Board to agree to explore what Pension Fund members actually think. The leaflet on Responsible Investment (RI) for pensioners was difficult to understand, but did at least ask for views, and there should be a report to the RI sub-committee on the feedback that was received.
- Asking that the Pension Fund reports back on the points raised today and previously by Winchester Action on Climate Change.

Ms Holloway concluded by stating that the Pension Fund was not taking Climate Change seriously enough.

250. CHAIRMAN'S ANNOUNCEMENTS

The Chairman informed members that representation from unitary authorities had switched back to Portsmouth City Council, and he welcomed Cllr Corkery.

The Chairman invited members to update the committee on any training they had attended:

- Cllr Glen highlighted a number of online seminars he had attended and the prominence of Environmental, Social and Governance (ESG) issues in the agenda.
- Ms Gowland reported back on Schroders online seminars which were very accessible.
- Cllr Gibson had also attended Schroders and ESG events.

251. GOVERNANCE - ANNUAL INTERNAL AUDIT REPORT & OPINION 2019/20

The Panel and Board received and noted a report of the Director of Corporate Resources (item 6 in the Minute Book) providing the Pension Fund Panel and Board with the Chief Internal Auditor's opinion on the adequacy and effectiveness of internal control of the Pension Fund. 'Substantial Assurance' can be placed on Pension Services' framework of governance, risk management and management control and audit testing has demonstrated controls to be

working in practice.

252. GOVERNANCE - INTERNAL AUDIT PLAN 2020/21 - 2022/23

The Panel and Board received a report of the Director of Corporate Resources (item 7 in the Minute Book) providing the Pension Fund Panel and Board with the Internal Audit Plan 2020/21 – 2022/23 for Pension Services. The plan for 2020/21 includes five audits taking 100 staff days to complete. The plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council.

RESOLVED:

- (a) That the Internal Audit Plan 2020/21 – 2022/23 for Pension Services was approved.

253. GOVERNANCE: RESPONSIBLE INVESTMENT SUB-COMMITTEE APPOINTMENTS

The Panel and Board considered a report of the Director of Corporate Resources (item 8 in the Minute Book) for appointments to be made to the Pension Fund's Responsible Investment sub-committee.

RESOLVED:

- (a) That Cllrs Corkery, Joy, Kemp-Gee, Tennent, Thacker and Mr Wood were appointed to the Responsible Investment sub-committee.

254. GOVERNANCE: ADMINISTRATION PERFORMANCE UPDATE

The Panel and Board received and noted a report from the Director of Corporate Resources (Item 9 in the Minute Book) on the administration of the Pension Fund in 2019/20. Pensions Services have performed well against the four key measures for good administration in 2019/20. The team has been able to maintain its service despite the Covid-19 situation. Pensions Services retained the Customer Service Excellence award following an interim assessment in April 2020, with compliance plus passes in nine areas. The Chairman thanked the Administration and the Investments & Borrowing teams for all their hard work undertaken throughout 2019/20.

Employers are required to provide an annual return by 30 April containing details of all employees who contributed during the year. Whilst the majority of employers provide their returns on time, there were 11 returns received in June, covering 103 members. The main cause of these delays was the effect of Covid-19. Of more significant concern is Southampton City Council (SCC), which failed to provide a return by either the 30 April deadline, or its own anticipated deadline of 30 June. These matters have been escalated to the Chief Executive at SCC, with SCC formally now in special measure with Pensions Services.

The Director reported that there are currently 6,162 members with deferred benefits and 2,016 members who have a frozen refund for whom no current address is held. With the improvements to the Member Portal, a one-off project to trace them and request them to register is now viable as members now have the tools to update their address easily online. The tracing exercise would be carried out by a professional tracing service. The costs of the exercise will depend on how easily members can be traced. The Panel and Board are asked to approve this additional spend of up to £60,000, and delegate authority to the Director of Corporate Resources for approval of any variation.

RESOLVED:

- (a) That the additional expenditure to carry out an address tracing exercise, and delegation to the Director of Corporate Resources to agree any variation to the Pension Fund's budget was approved.
- (b) That a letter is written on behalf of the Pension Fund Panel and Board to Southampton City Council expressing their concern about the delay in members' data being sent to Pensions Services.
- (c) That the remainder of the report including the strong performance of Pension Services in 2019/20 and the concerns raised over employers who have not provided returns was noted.

255. GOVERNANCE: EXIT CREDITS

The Panel and Board received a report from the Director of Corporate Resources (Item 10 in the Minute Book) on the Pension Fund's policy on the payment of exit credits, which has been updated following regulation changes. The LGPS regulations were amended in May 2018 to require the Fund to repay any surplus on exit to the employer leaving the Fund, however following responses to a further government consultation the regulations on exit credits have recently been changed again. The new regulations mean that each exit will have to be considered on its own merits, but in the interests of transparency, it is recommended that a default approach is set out in the Funding Strategy Statement and Employer Policy following discussions with the Fund Actuary and consultation with employers.

RESOLVED:

- (a) That the new policy on exit credits and the consequential changes made to the Funding Strategy Statement, Employer Policy and Administration Strategy were approved.

256. GOVERNANCE - ANNUAL REPORT, RISK REGISTER, PENSION FUND COSTS AND CASH MANAGEMENT 2019/20

The Panel and Board received a report from the Director of Corporate Resources (Item 11 in the Minute Book) introducing the 2019/20 draft Pension Fund Annual Report, including the Fund's updated Risk Register, analysis of the

Fund's costs and management of the Fund's cash balance. The Annual Report includes the latest updates to the Pension Fund's Risk Register, including amendments to operational, investment, and administrative risks. The Pension Fund's accounts are included in the Annual Report. The accounts are subject to audit and it may therefore be necessary to make minor changes to the Annual Report at the conclusion of the audit.

The Director reported the total cost of managing the Pension Fund in 2019/20 which was presented based on CIPFA's guidance, which includes additional requirements for the Fund's Annual Report to report on investment management costs for pooled and non-pooled investments. The investment management costs of pooled investments are disproportionately lower than the non-pooled investments because of the different assets in each category. During 2019/20, Hampshire's involvement in ACCESS moved from a net cumulative cost to a net cumulative saving.

The Pension Fund receives cash each month from contributions made by employees and employers, and from investment income. The Pension Fund requires a cash balance to be able to pay pensions and other costs. There are rigorous procedures in place to ensure the security of all cash deposits which are managed by the County Council in separate investment accounts for the Pension Fund. These include criteria for the quality of counterparties and limits on the amount that can be placed with any one counterparty as set out in the Pension Fund's Annual Investment Strategy for 2020/21 for cash, which was approved by the Pension Fund Panel and Board on 13 December 2019, and has been complied with.

RESOLVED:

- (a) That the contents of the draft Annual Report for 2019/20, including the amendments to the Risk Register, was noted and it was approved for publication.
- (b) That authority was delegated to the Director of Corporate Resources to make any necessary minor amendments to the Annual Report prior to publication.
- (c) That the outturn report on the Pension Fund's cash management in 2019/20 was approved.
- (d) That the remainder of the report, including the total cost of managing the Fund, was noted.

257. **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is 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 be disclosure to them of exempt information within Paragraphs 3 of Part 1 of 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 outweighs the public interest in disclosing the information, for the reasons set out in the reports.

258. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 14 February 2020 were confirmed.

259. GOVERNANCE: PENSION FUND INVESTMENT MANAGEMENT COSTS 2019-20 AND PENSION FUND CASH MANAGEMENT 2019-20 APPENDIX

The Panel and Board considered and noted the exempt appendix from the Director of Corporate Resources (Item 14 in the Minute Book) supporting the Pension Fund's Annual Report and Annual Cash Investment Strategy.

260. INVESTMENT - INVESTMENT UPDATE

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 15 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

AT A MEETING of the Hampshire Pension Fund Panel and Board of
HAMPSHIRE COUNTY COUNCIL held at Virtual Teams Meeting - Microsoft
Teams on Friday, 25th September, 2020

PRESENT

Chairman:
Councillor Mark Kemp-Gee

Vice-Chairman:
* Councillor Tom Thacker

Councillor Christopher Carter	* Councillor Andrew Joy
* Councillor Alan Dowden	* Councillor Peter Latham
* Councillor Andrew Gibson	* Councillor Bruce Tennent
* Councillor Jonathan Glen	

*Present

Co-opted members

- * Councillor Stephen Barnes-Andrews, Employer Representative - Southampton City Council
- * Cllr Cal Corkery, Employer Representative - Portsmouth City Council
- Cllr Paul Taylor, Employer Representative - HLOWLGA
- * Liz Bartle, Employer Representative - Other Employer
- * Dr Clifford Allen, Scheme Member Representative - Pensioner Member
- * Sarah Manchester, Scheme Member Representative Substitute
- * Neil Wood, Scheme Member Representative - Active Member
- * Lindsay Gowland, Scheme Member Representative - Deferred Member

261. APOLOGIES FOR ABSENCE

Cllrs Kemp-Gee, Carter and Taylor sent their apologies

262. 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.

No declarations were made at this point in the meeting.

263. CONFIRMATION OF MINUTES (NON-EXEMPT)

The minutes of the previous meeting on 24 July 2020 were confirmed as an accurate record.

264. DEPUTATIONS

There were no deputations.

265. CHAIRMAN'S ANNOUNCEMENTS

The Chairman reminded members that there was the opportunity to participate in hearing presentations from investment managers that were bidding for the Pension Fund's contract for UK property investment manager contract as part of the evaluation of bids.

The Chairman provided an update for members on the progress of investment pooling with ACCESS. ACCESS' Inter-Authority Agreement (IAA) has had some minor amendments agreed which will need to be approved by each of the 11 partner authorities. This approval can be given by the Director of Corporate Resources and Deputy Chief Executive under the original delegation from County Council to finalise the IAA.

266. ACCESS MINUTES - 17 JULY 2020

The Panel and Board received and noted the minutes of the ACCESS Joint Committee held on 17 July 2020 (item 6 in the Minute Book).

267. GOVERNANCE: PENSION FUND PANEL AND BOARD TRAINING IN 2020/21

The Panel and Board considered a report of the Deputy Chief Executive and Director of Corporate Resources (item 7 in the Minute Book) setting out the proposed training arrangements for members of the Pension Fund Panel and Board in 2020/21. In particular members noted the importance of training for Panel and Board members in their role in the governance of the Pension Fund and their regulatory responsibilities as Pension Committee and Board members. The Director presented a draft training plan which had been produced following the analysis of the committee members' completed Training Needs Analyses.

The Director highlighted to members that the Pension Fund Panel and Board's internal training would comply with whatever the County Council's virtual meeting protocols are at the time. This includes the Pension Fund's Annual Employers' Meeting on 9 November, which is being planned as a virtual meeting. Due to the lack of in-person training events so far in 2020/21 there is currently capacity in the Fund's training budget.

RESOLVED:

That the 2020/21 training programme was approved, noting that it may be adapted based on changing circumstances, and the remainder of the report was noted.

268. EXCLUSION OF THE PRESS AND PUBLIC

Cllr Corkery questioned the number of papers that were part of the committee's proposed confidential session. The Deputy Head of Legal Services confirmed that the exemptions for publication had all been approved individually by the Monitoring Officer as meeting the criteria not to be published.

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is 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 be disclosure to them of exempt information within Paragraphs 3 and 5 of Part 1 of 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 outweighs the public interest in disclosing the information, for the reasons set out in the reports.

Following the resolution the Chairman asked for the broadcasting of the meeting to end.

269. CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 24 July 2020 were confirmed.

270. GOVERNANCE: ACTUARY CONTRACT EXTENSION

The Panel and Board considered the exempt report from the report of the Deputy Chief Executive and Director of Corporate Resources (Item 10 in the Minute Book) on the Pension Fund's contract for Actuarial Services.

271. INVESTMENT - INVESTMENT UPDATE

The Panel and Board received an exempt report from the report of the Deputy Chief Executive and Director of Corporate Resources (Item 11 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

272. INVESTMENTS - ALTERNATIVE INVESTMENTS PORTFOLIO UPDATE

The Panel and Board received an exempt report from the report of the Deputy Chief Executive and Director of Corporate Resources (Item 12 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

273. INVESTMENTS: ENVIRONMENTAL, SOCIAL AND GOVERNANCE ASSESSMENT

The Panel and Board received an exempt report from the report of the Deputy Chief Executive and Director of Corporate Resources (Item 13 in the Minute Book) assessing how Environmental, Social and Governance (ESG) issues are

being managed in the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

AT A MEETING of the Hampshire Pension Fund Panel and Board of HAMPSHIRE COUNTY COUNCIL held at Wellington Room, EII South Winchester on Friday, 20th November, 2020

PRESENT

Chairman:

* Councillor Mark Kemp-Gee

Vice-Chairman:

* Councillor Tom Thacker

* Councillor Christopher Carter
Councillor Alan Dowden
* Councillor Andrew Gibson
* Councillor Jonathan Glen

Councillor Andrew Joy
* Councillor Peter Latham
* Councillor Bruce Tennent
* Councillor Derek Mellor

*Present

Co-opted members

Councillor Stephen Barnes-Andrews, Employer Representative - Southampton City Council

* Cllr Cal Corkery, Employer Representative - Portsmouth City Council

Cllr Paul Taylor, Employer Representative - HLOWLGA

* Liz Bartle, Employer Representative - Other Employer

* Dr Clifford Allen, Scheme Member Representative - Pensioner Member

* Sarah Manchester, Scheme Member Representative Substitute

* Neil Wood, Scheme Member Representative - Active Member

* Lindsay Gowland, Scheme Member Representative - Deferred Member

BROADCASTING ANNOUNCEMENT

The Chairman asked for the broadcast of the meeting to begin. Those remaining at the meeting were consenting to being filmed and recorded.

274. APOLOGIES FOR ABSENCE

Cllrs Barnes-Andrews, Dowden, Joy and Taylor sent their apologies

275. 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 4 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.

276. CONFIRMATION OF MINUTES (NON-EXEMPT)

The minutes of the Pension Fund Panel and Board held on 25 September 2020 were confirmed.

277. DEPUTATIONS

The Panel and Board received a deputation from Mr James Miller the group co-ordinator of Winchester Extinction Rebellion and representing the Dirty Money Campaign Group, which includes Hampshire pension scheme members. Mr Miller said he expected the Hampshire Pension Fund to use the power of pension assets to cut the global carbon footprint and secure against stranded assets.

Mr Miller noted that the Pension Fund Annual Report shows that the Hampshire Pension Fund has begun to make progress in moving its global passive equities to a Climate Aware fund, and the subsequent use of a consultant to report on the Fund's investment managers' management of Environmental Social and Governance issues; but it is unacceptable that this report has not been made available to pension scheme members or the public. The Pension Fund's Annual Report should include a clear climate position statement and should develop its reporting in line with the Taskforce for Climate Related Financial Disclosures.

Mr Miller stated that there is no reason to believe that excluding fossil fuel investments damages financial performance. There are numerous examples of pension funds transitioning towards sustainable investments, such as the Net Zero Asset Owners Alliance.

Mr Miller highlighted that in 2019 Mark Carney warned that the global financial system is financing industries that could generate a 4 degree climate increase. This would leave vast reserves of fossil fuels unburnable, therefore disinvestment is not only financially prudent but a moral imperative.

Mr Miller stated that Hampshire Pension has a duty to play its role in the Climate Change crisis. The Dirty Money Campaign calls on the Hampshire Pension Fund to;

Produce a position statement on managing its portfolios in line with the Paris Agreement and a maximum 1.5 degree climate increase.

Create a strategy and timeline to achieve this.

Report in plain English with scheme members, and consult with and be advised by scheme members on the Pension Fund's Statement of Investment Principles.

Call on all members of the ACCESS pool to become members of the Net Zero Asset Owners Alliance.

Finally Mr Miller warned that in Australia, a pension scheme member had brought a lawsuit against their pension fund for failing to act on climate related

financial risks. Hampshire Pension Fund and the wider ACCESS pool would do well to anticipate a similar case.

Cllr Kemp-Gee thanked Mr Miller for his deputation.

278. CHAIRMAN'S ANNOUNCEMENTS

The Chairman congratulated the Deputy Chief Executive on the smooth running of the Pension Fund's first virtual annual employers meeting and reminded the members that they have been sent a link to watch the recording if they wish.

The Chairman reminded members that the Panel and Board's first virtual internal training session will be held on 9 December 2020. The Chairmen invited the committee members to highlight any virtual training sessions that they had attended.

Cllr Gibson commented on the quality of SPS's virtual conferences.

Cllr Tennent had attended the monthly LGPS Live events.

Cllr Glen had attended a number of virtual events, of which he was particularly impressed with those provided by JP Morgan.

279. PENSION FUND RESPONSIBLE INVESTMENT SUB-COMMITTEE - MINUTES OF THE MEETING ON 20 OCTOBER 2020

The minutes of the Responsible Investment Sub-Committee held on 20 October 2020 were noted.

280. GOVERNANCE - EXIT PAYMENT REFORMS

The Panel and Board noted a report of the Deputy Chief Executive and Director of Corporate Resources (item 7 in the Minute Book) updating the Pension Fund Panel and Board on the impact of the new Restriction of Public Sector Exit Payments Regulations 2020 on administrative processes for Pension Services and Scheme Employers. The new regulations came into force on 4 November 2020 and limit the total amount payable by the employer for the exit of an employee on redundancy or business efficiency grounds to £95,000. Until such time as the amended LGPS regulations are in force, there is a potential conflict between the exit payment regulations which limit the total amount an employer can pay for an exit and the LGPS regulations which entitle members to an unreduced pension for which the employer must pay a strain charge.

There has been different advice received from the government minister, Luke Hall, and the Scheme Advisory Board (SAB) about how LGPS funds should administer redundancy and efficiency retirements in this interim period.

Therefore Hampshire has joined the other administering authorities in the Access Pool to directly commission advice from Squire Patton Boggs (SPG) as to how to proceed in this interim period. On receipt of the legal advice from SPG, the Director of Corporate Resources will implement the least risk approach for the interim period for the Fund. A further update will be provided to the Panel and Board at their meeting in December 2020.

281. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is 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 be disclosure to them of exempt information within Paragraphs 3 and 5 of Part 1 of 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 outweighs the public interest in disclosing the information, for the reasons set out in the reports.

Following the resolution the Chairman asked for the broadcasting of the meeting to end.

282. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 25 September 2020 were confirmed.

283. PENSION FUND RESPONSIBLE INVESTMENT SUB-COMMITTEE - EXEMPT MINUTES - 20 OCTOBER 2020

The exempt minutes of the Responsible Investment Sub-Committee held on 20 October 2020 were noted.

284. INVESTMENT: BAILLIE GIFFORD GLOBAL ALPHA PORTFOLIO

The Panel and Board received an exempt report from the report of the Deputy Chief Executive and Director of Corporate Resources (Item 11 in the Minute Book) on Baillie Gifford's Global Alpha portfolio. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

285. INVESTMENT - INVESTMENT UPDATE

The Panel and Board received an exempt report from the report of the Deputy Chief Executive and Director of Corporate Resources (Item 12 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank