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AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL  
held at the castle, Winchester on Thursday, 4th March, 2021

Chairman: Councillor Alexis McEvoy

- |                              |                             |
|------------------------------|-----------------------------|
| * Councillor Alexis McEvoy   | * Councillor Rob Mocatta    |
| * Councillor Dominic Hiscock | * Councillor Tom Thacker    |
| * Councillor Keith House     | * Councillor Zilliah Brooks |
| * Councillor Mark Kemp-Gee   |                             |
| * Councillor Derek Mellor    | *Present                    |
| * Councillor Floss Mitchell  |                             |

## 205. APOLOGIES FOR ABSENCE

Members were welcomed to the meeting by Cllr Alexis McEvoy who, in the absence of an appointed Chairman, would be acting as chair for the meeting.

All Members were noted to be present at the meeting. Cllr Zilliah Brooks was in attendance as the Conservative substitute, due to a vacancy on the committee.

## 206. 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.

## 207. MINUTES OF PREVIOUS MEETING HELD ON 17 DECEMBER 2020

The minutes of the meeting held on 17 December 2020 were agreed as a correct record and signed by the Chairman.

Further to item 195 of the minutes, the Deputy Chief Executive and Director of Corporate Resources advised members that the 2019/20 Annual Statement of Accounts had been signed off by the external auditors by the end of January, as expected. This had included an unqualified opinion on both the accounts and value for money position. Members further heard that there had been no adverse commentary regarding the County Council's position as a going concern through to March 2022.

208. **DEPUTATIONS**

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

209. **CHAIRMAN'S ANNOUNCEMENTS**

With sadness the Chairman noted the passing of Councillor Keith Evans, who had served as Chairman of the Audit Committee, from its inception in June 2009 until his death in December 2020.

210. **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 been used twice thus far during 2020/21. Members heard that the use of powers related to 28 specific notices for access to communication data, linked to rogue trading, and had been seeking the identity of the owners of multiple websites and or email accounts.

In response to Members questions it was noted that quarterly reporting of this data to the Audit Committee was a requirement of Home Office Regulations

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.

211. **ANNUAL EXTERNAL AUDIT LETTER FOR THE YEAR ENDING 31 MARCH 2020 - HAMPSHIRE COUNTY COUNCIL AND HAMPSHIRE PENSION FUND**

Cllr House declared a non-pecuniary interest in the following item, as a Member of the Board of Public Sector Audit Appointments (PSAA).

The Committee received the external auditors letter for the year ending 31 March 2020.

The auditor highlighted to Members that:

- As set out within the report, an unqualified opinion was given for the Statement of Accounts for 2020 for both Hampshire County Council and the Hampshire Pension Fund, as well as an unqualified conclusion in respect of the County Council's value for money.
- Section seven of the report set out the fee position for both Hampshire County Council and the Pension Fund. It was noted that the Auditors had made a request for an amendment to the scale fee. In the auditors view it was appropriate to rebase the scale fee as audit fees nationally were considered to be divorced from the level of risk and work required for

public sector audits. Members heard that the fees would be subject to the PSAA's final decision, however both the County Council and Ernst and Young had taken a constructive approach in airing their respective views which had maintained the existing positive working relationship.

In response to Members questions it was heard that:

- The final Statement of Accounts are signed off each year by the external auditors, working where possible to the County Council's preferred deadline, which was set as 30 November for the 2020 accounts. It was noted that there had been a slight delay in signing off the accounts for 2019/20 due to a new requirement, in response to the pandemic, to provide detailed cash flow figures to enable the auditors to assess the going concern. This was a requirement of all organisation across the country and it was noted by the PSAA that circa 60% of local authorities accounts were outstanding sign off as at 30 November. Data needed to be presented in a format not used before and the County Council were able to provide this by mid-December, with the audit resolved quickly thereafter. Members were invited to note that the County Council correctly published its accounts as at 30 November without the audit opinion, in accordance with national requirements, and republished this once the audit opinion was available.
- The approximate cost for Hampshire County Council's audit fees was proposed at just over £200k, which included a £56k non-audit fee for controls for the Integrated Business Centre. The auditors noted that the scale fee of £89k was set four years ago, and in their opinion was not a sustainable fee for an organisation the size of Hampshire County Council. Therefore they had proposed an increase of £40k, subject to PSAA approval. It was heard that the County Councils view was that fees should remain at the level agreed when the contract was tendered and Members heard that a report would be submitted to the PSAA in support of the County's position. Whilst it was recognised that audit firms may have met additional demands resulting from the pandemic, savings should also have been generated during the year from reduced travel cost etc.

RESOLVED:

That the Audit Committee receives and notes the Annual Audit Letter for the year ending 31 March 2020.

## 212. **TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22 TO 2023/24**

The Committee considered a report of the Deputy Chief Executive and Director of Corporate Resources presenting the Treasury Management Strategy Statement for 2021/22 to 2023/24.

Members heard that:

- It was anticipated that the Council would continue to hold significant investment balances, facilitating the use of internal borrowing rather than

any new external borrowing to meet any capital programme needs where necessary.

- County Council had agreed to increase the limit for higher-yielding investment to £250m as part of the Capital and Investment Strategy. Members heard that £194m of this allocation had been invested as at the end of December, with a further £6m invested on behalf of Thames Basin Heath, where the County Council is the administrative body.
- The limit on investment in any single organisation had been set at £70m, which had increased from the previous year as investment balances were anticipated to be higher, as a result of the three year upfront payment made for pension contributions the previous April.
- Arlingclose had recommended removing the upper limit of 50% of total investment balances that the Council could hold in Money Market Funds but that the Council should hold liquid investments across at least four counterparties, reducing the risk of monies not being accessible if required. Whilst this requirement was newly included within the Council's strategy, it was felt to have a limited impact on day to day business as the Council had always sought to hold a diversified investment portfolio to mitigate risks.

In response to Members questions it was heard that:

- The Council managed all treasury management investments in-line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and had a legal responsibility to take account of the security and liquidity of investments ahead of seeking yield. This was alongside considerations as a responsible investor. When recommending pooled funds Arlingclose did so after undertaking due diligence of the funds and also considered how the funds approached Environmental, Social and Governance (ESG) issues. All the pooled funds in which the Council had invested had Responsible Investment policies and were signatories to the UN Principles for Responsible Investment.

RESOLVED:

That the Audit Committee note the following recommendations that have been made to Cabinet:

- That the Treasury Management Strategy for 2021/22 (and the remainder of 2020/21) be approved.
- That an increase to the allocation targeting higher yields from £235m to £250m partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market be approved.
- That authority is delegated to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

**213. POLICY UPDATE - WHISTLE-BLOWING POLICY**

Members received a report of the Deputy Chief Executive and Director of Corporate Resources detailing an update to the Whistle-Blowing Policy, following feedback at the previous meeting of the Audit Committee. Members heard that further detail had been included within the guidance for Members, should they be approached regarding a whistle-blowing matter. It was further heard that Members would be given guidance on the use of the Whistle-Blowing policy, during governance briefings planned following the election.

RESOLVED:

The Committee note the amendment to the Whistleblowing Policy and the inclusion of Whistleblowing within Governance Briefings following the election.

**214. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 4 DECEMBER 2020 (LESS EXEMPT)**

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held on 4 December 2020.

**215. 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.

**216. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 4 DECEMBER 2020 (EXEMPT)**

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 4 December 2020.

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