

REPORT OF AUDIT COMMITTEE

[\(Meeting held on 28 January 2022\)](#)

1. TREASURY MANAGEMENT STRATEGY 2022/23 (MINUTE NO 41)

The Committee has considered the Council's Treasury Management Strategy Statement 2022/23 to 2024/25, including the Annual Treasury Management Investment Strategy (and the remainder for 2021/22) and Treasury Indicators for the same period.

Following detailed consideration by the Committee, the policies and approvals sought are:

Treasury Management Strategy Statement

The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three year period from 2022/23 to 2024/25. The day to day treasury management function and the limitations on activity through treasury indicators are also set out in the statement.

The report had been prepared prior to the adoption of the Capital Programme for 2022/23 and subsequent years. Therefore, the target indicators may be subject to minor variation. These indicators are targets only and minor adjustments will not be reported.

Any adjustments to the treasury management limits will be reported.

Treasury Management Investment Strategy

Treasury risk management at the Council is conducted within the framework of the CIPFA Treasury Management in Public Services: Code of Practice 2017 Edition (the CIPFA Code). The report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The Treasury Management Investment Strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

This Strategy is shown in section 5 of Annex A to Committee Report 13.

The above policies and parameters provide an approved framework within which officers undertake the day to day treasury activities.

This Strategy aims to strike a balance between allowing for current investment levels to continue, whilst also considering the Council's intention to directly invest in both commercial and residential property.

RECOMMENDED:

- (a) ***That the Treasury Management Strategy 2022/23 to 2024/25 including the Annual Treasury Management Investment Strategy for 2022/23 (and the remainder for 2021/22) and the Treasury Indicators contained within Annex A to Report 13, be approved.***

- (b) ***That authority be delegated to the Section 151 Officer, who in turn delegates to Hampshire County Council's Director of Corporate Operations, as agreed in the Service Level Agreement, to manage all Council investments (other than the high yield investment portfolio) and borrowing according to the Treasury Management Strategy Statement as appropriate.***

2. INVESTMENT STRATEGY 2022/23 (Minute No 42)

The Committee also considered the Investment Strategy for 2022/23, which the Council must produce to comply with statutory guidance.

The Investment Strategy incorporates all of the Council's investment activities, which consist of:

- **Treasury Management Investments** (see Item 1 above)
- **Commercial Investments**

The Commercial investments section of the strategy combines properties which have been in NFDC ownership for several years, as well as the accumulation of property investment strategies that have been adopted more recently by this Council.

Although the primary purpose of these adopted strategies is to support the economic sustainability and regeneration within the District and provide additional housing to support New Forest residents and communities, the strategies also generate a revenue return, hence being prevalent to this investment strategy. The strategy considers the contribution made by these investments, the security, the risk assessment process and liquidity.

The strategy sets out various performance indicators, designed to assist readers understand the implications of the Council's investing activities on the general fund, and the forecast yields expected from the differing investment categories.

RECOMMENDED:

That the Investment Strategy for 2022/23, as set out in Appendix 1 of Audit Committee Report 14 of the Audit Committee agenda, be approved.

3. AUDITOR APPOINTMENT 2023/24 – 2027/28 (Minute No 43)

The Committee has considered proposals for appointing an external auditor to the Council for the accounts for the five-year period from 2023/24.

Under the Local Government Audit & Accountability Act 2014 ("the Act"), the council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options;

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

The Committee noted the PSAA conclusion that its the sector-wide procurement will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract; page 295 of agenda Item 15
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of to ensuring there is a continuing and sustainable public audit market into the medium and long term.

If the Council wishes to utilise the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt in period has started and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

The Committee noted that in recent years, 98% of councils used the PSAA process, and if this national procurement method was not used, the Council may have to adopt an onerous range of new processes and arrangements, which was not felt desirable.

It also noted the fundamental changes expected to emerge from recent reviews, which it was hoped would address national concerns over delays in issuing opinions, and on the level of fees.

RECOMMENDED:

- That the Council accepts Public Sector Audit Appointment's invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.***
- That following Council approval, the Council's Section 151 Officer return the necessary invitation acceptance forms in line with the deadline of the 11 March 2022.***

**CLLR A ALVEY
CHAIRMAN**