

Agenda item:

Decision maker: Governance and Audit Committee 27th January 2012

Subject: Annual Governance Statement (AGS): 2010/11 actions and draft statement for 2011/12

Report by: Head of Audit and Performance Improvement

Wards affected: N/A

Key decision (over £250k): No

1. Purpose of report

1.1 This report is to update the members of the Governance and Audit Committee on the actions relating to the 2010/11 Annual Governance Statement, as the precursor to the 2011/12 Statement.

2. Recommendations

2.1 It is recommended that Members:

2.1.1 Note progress made against issues arising from the Annual Governance Statement for 2010/11, as presented in appendix 1.

2.1.2 Note the early draft of the Annual Governance Statement for 2011/12, which is attached as appendix 2 to this report.

3. Background

3.1 On 30th June 2011, the Governance and Audit Committee approved the Council's finalised Annual Governance Statement for 2010/11.

3.2 As part of that meeting, the Committee noted the significant governance issues highlighted in the statement, and agreed that progress on these would be monitored through mechanisms including the Corporate Improvement Plan.

4. Reasons for recommendations

4.1 The Annual Governance Statement is required to demonstrate that systems and processes are in place to ensure that PCC business is conducted lawfully and in accordance with proper standards. It also demonstrates that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

4.2 A full report on progress against the actions identified in the 2010/11 statement is attached as appendix 1 to this report. A number of the significant governance issues are being tackled through changed processes, and it will therefore be important that the tangible outcomes arising from these new processes are monitored throughout 2012 to ensure the processes bring about the desired

effects. These processes will therefore remain part of the corporate performance cycle.

- 4.3 A very early draft of the 2011/12 AGS is attached as appendix 2, and will continue to be presented to every meeting of the Governance and Audit Committee until final agreement in June 2012. The following sources will be reviewed to ensure that significant issues are captured:
- The Annual Audit letter
 - Any other inspectorate reports
 - Collated Governance checklist returns from Heads of Services
- 4.4 A self-assessment of the Governance and Audit Committee will be carried out, as will a review of the system for internal audit.
- 4.5 An analysis of significant governance issues emerging from these sources, and proposed actions, will be presented to the Corporate Governance Group in 2012.

5. Equality impact assessment (EIA)

- 5.1 This report does not require an Equalities Impact Assessment, as there are no proposed changes to PCC’s services, policies, or procedures included within the recommendations.

6. Head of legal services’ comments

- 6.1 The Authority has a duty to produce and publish an annual governance statement in accordance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

7. Head of finance’s comments

- 7.1 There are no direct financial implications arising from the recommendations in this report. Actions relating to the 2010/11 Annual Governance Statement have been met from approved budget provisions. Any outcomes arising from the 2011/12 Annual Governance Statement that have financial implications will be drawn to the attention of Members at the appropriate time

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Signed by: Jon Bell, Head of Audit and Performance Improvement

Appendices:

Appendix 1: Summary of progress against 2010/11 Annual Governance Statement

Appendix 2: Draft Annual Governance Statement 2011/12

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
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Internal Control Questionnaires 2010/11	Strategy Unit
Annual Audit and Inspection Letter 2010/11	Strategy Unit
Quarterly Performance Reports	Strategy Unit
Self-assessment checklist 2010/11	Strategy Unit
Annual Governance Statement 2010/11	Strategy Unit

The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by on

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Signed by:

Key issue from 2010/11 AGS	Progress	Monitoring for 2012
<p>Need to address weaknesses in people management, including planning for future work requirements (succession planning), improving workforce management information to monitor and understand performance, and ensuring a consistent and effective approach to assessing staff performance.</p>	<ol style="list-style-type: none"> 1. A paper on employee engagement was taken to SDB earlier this year, where it was agreed that SDB would lead engagement through active involvement in setting tone and pace; the ownership of this area is with managers whilst the co-ordination and facilitation of this area is centrally held by Employee Engagement 2. HR business partners are attending service management meetings to provide support to Heads of Service and their 3rd Tier on workforce planning and other strategic issues, and HR now has a dedicated half-post to coordinate the work at a corporate level. The Workforce Planning Officer will start bringing together important statistics (for example, sickness absence, staff turnover, age profiles, management layers etc), which will be passed on to managers, therefore allowing them to better manage staff performance. 3. Better Performing Workforce workstream programme, focused on managing the individual (not just the task). 4. The Better Performing Workforce workstream programme also included the development of an IT based HR Self Service tool, which will enable managers to have key employee data at their fingertips which will make employee performance monitoring easier. 5. The integral 360° feedback review element of the Leadership and Management Programme (LaMP) will not only measure performance metrics regarding the managers technical role it will allow for engagement indicators to become a key measure of a manager's performance. If implemented correctly managers will have the skills to bring about behaviour change that will help improve the council's performance. 	<p>Monitor the outcomes of the LaMP programme</p>
<p>Need to ensure comprehensive coverage of core training in areas such as financial rules and risk and to ensure this is kept up to date.</p>	<ul style="list-style-type: none"> • E-learning is available on risk management and insurance training • The Risk Management Handbook is being updated • From April 2012 new policy software called Policyhub will engage all staff in being aware of all policies and rules. Staff will be tested through this software and managers will get a monthly/quarterly report on which staff have or have not undertaken training. 	<p>Ensure all staff have completed core training</p>

<p>The need to strengthen procedures for dealing with failure in service delivery through, for example, business continuity plans, which need to be regularly tested.</p>	<ol style="list-style-type: none"> 1. A consultation session was held with a group of Business Continuity leads across the council to address the changes they felt were required within the existing Service Business Continuity Plans. From this a new Service Business Continuity Plan template was produced and launched in September 2010. All BC leads were asked to review their plans in accordance with the new template - some chose to complete a plan for the whole service some chose to break them down into individual team plans. 2. A guide to completing the template was produced and one to one sessions were offered to assist with the process. Each service owns its own BC Plan(s) and has a nominated lead responsible for producing and maintaining the plan(s). The Head of Service reviews and signs off on the content. A majority of the plans are now complete and effectively 'live'. 3. There is an ongoing schedule of review for the plans and triggers for review are identified within each plan. 4. A tabletop exercise for each plan will be complete within 3 years of publication; again this will be part of a rolling programme. So far one tabletop has been completed - Legal Services. 5. The priorities and resource requirements identified within the services plans will form the basis of a Corporate Business Continuity Plan, the production of which will commence later this year. 	<p>Ensure that the corporate business continuity plan is produced</p>
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<p>There is still a need to more strongly link the budget process to the service planning process and commission what we want to achieve for our priorities.</p>	<p>Whilst the original action was to develop closer links between service planning and financial planning, a more in depth consideration of the issue suggests that in reality the link is already there in the current approach. Most service budgets stay relatively static overall and so services are relatively secure in terms of available resources as they do their planning for the year ahead. Most services are also aware of potential reductions in budgets and are able to plan on how best to deliver their outcomes, with the available resources, through the planning process. Within the budget process members are given the opportunity to understand the implications of proposed reductions and will either accept or reject these proposals. As a result, this governance issue is now focussing on “progress activity on strengthening and linking information to service plans”. To improve on this area, the council is putting processes in place to ensure that decisions are made based on the rationale of evidence, to be in line with PCC’s move to be a commissioning organisation. SDB have recently agreed a commissioning model for the Council and the knowledge management and strategy workstreams of the transformation programme both contribute towards the use of this model. The business planning guidance for this year, that has recently been sent to services, also supports the commissioning approach. It is important that the Council uses its vast quantity of data to create intelligence that can enable better decisions to be made through the planning process.</p>	
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<p>There is still a need to clarify the consistency of Personal Development Reviews across the organisation.</p>	<p>Proposals for a revised PDR system were presented to the Employment Committee, where they were approved in December 2011. The updated policy will come into effect from April 2012, and all Heads of Service will be required to adopt the PDR scheme. The new scheme emphasises the importance of performance managing all staff with a view that all staff should receive feedback and recognition for their performance. There is a wider element of the new scheme which expects managers to ensure that individuals are aware of the overall city council activities and initiatives and those of their service. The process will be further supported by other tools such as 360 degree feedback; action learning sets; and questionnaires.</p> <p>This process is supported by the LaMP programme, where managers will reflect the skills needed to undertake effective conversations within regular performance management and PDR conversations, to enable staff to explore their views and needs with managers and to ensure they understand the policies and decisions made by the city council.</p> <p>All Heads of Service must present their performance details annually to their Strategic Director together with any resulting action plan as part of their normal line management supervision. The overall PCC review will be presented to Employment Committee late autumn on an annual basis.</p>	<p>Ensure that all members of staff complete PDRs by the end of 2012.</p>
<p>We need to address issues regarding information governance, as highlighted in the recent visit from the Information Commissioner’s Office.</p>	<p>Out of the 35 recommendations following the Information Commissioner’ Office (ICO) Data Protection Audit:</p> <ul style="list-style-type: none"> • 13 recommendations have been completed • 19 are Amber where satisfactory progress is being made and the likelihood of implementation is high; 5 of which should be completed by January 2012. • 2 are Red (these are interrelated) and have some reliance on the Knowledge Management work stream within the Transformation programme. <p>Updates on progress against the remainder of the recommendations are being regularly provided to G&A, and it is hoped that all 35 recommendations will have been addressed by December 2012.</p>	<p>Ensure that the 19 Amber and 2 Red recommendations are completed by December 2012.</p>

Annual Governance Statement 2011-2012

1. Scope of responsibility

Portsmouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Portsmouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Portsmouth City Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”.

This Statement explains how Portsmouth City Council has complied with the Local Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values used by the Council to direct and control its activities, enabling it to engage, lead and be accountable to the community. It allows the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

A significant part of the framework is the Council’s system of internal control, which is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure in achieving policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Portsmouth City Council’s policies, aims and objectives; to evaluate the likelihood of those risks and the impact they could have should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Portsmouth City Council for the year ended 31st March 2012 and up to the date of approval of the annual report.

3. The governance framework

In 2009, Portsmouth City Council adopted a Local Code of Governance, which holds the organisation to six core principles, and these are:

1. We focus on the purpose of the authority and on outcomes for the community
2. Members and officers work together to achieve a common purpose with clearly defined functions and roles
3. Values for the authority on good governance are promoted and upheld through high standards of conduct and behaviour
4. We take informed and transparent decisions, which are subject to effective scrutiny and managing risk
5. We develop the capability and capacity of members to be effective
6. We engage with local people and other stakeholders to ensure robust accountability

The following sections look at how we are held to account for these six principles.

We focus on the purpose of the authority and on outcomes for the community

The overall vision for the city was agreed in 2008, following a range of consultative exercises with residents, council officers and other partners. The Vision for Portsmouth (the Sustainable Community Strategy) is a ten year vision from 2008-2018. The vision is for Portsmouth to be “the premier waterfront city with an unrivalled maritime heritage – a great place to live, work and visit”.

To complement this over-arching vision for the city, the city council has 8 clearly defined priorities. These are:

- Reduce crime and the fear of crime
- Increase availability, affordability and quality of housing
- Regenerate the city
- Improve public transport
- Increase efficiency and encourage involvement
- Improve standards of English and Maths
- Protect and support our most vulnerable residents
- Cleaner and greener city

These priorities were chosen using the results of the MORI residents’ survey, alongside Members’ political priorities, and were approved by Members in 2008. The resident’s survey, which until 2010 was undertaken regularly by MORI, asked a wide variety of questions, including what residents thought the Council’s priorities should be and how they wanted our services to improve.

The service business plans are the bedrock on which the performance management arrangements for the organisation are built, as they set out what it is that services are seeking to achieve, and how success should be judged. The plans are designed to be medium term documents which are updated each year. For 2012-15, guidance has been issued asking services to think of their business plans in line with moves to be a commissioning organisation. Services are also asked to think about how they need to address key corporate transformation and governance issues. Plans are to be formally agreed by the relevant portfolio holders.

Portsmouth City Council uses a variety of mechanisms within its overall approach to performance management and service improvement to measure quality of service and the value for money provided by services. Our performance management arrangements have needed to change to keep pace with national developments, but also to reflect our own changed ways of working and organisational objectives. We are now working to arrangements with a stronger focus on accountability at Head of Service level for service performance, and concentration on cross-cutting issues at the level of corporate management, with quarterly reporting to relevant member bodies.

Members and officers work together to achieve a common purpose with clearly defined functions and roles

The roles and responsibilities of the Executive, non-Executive, Scrutiny and officer functions are defined and documented in the City Constitution¹, with clear delegations and protocols for effective communication. Portsmouth City Council has Codes of Conduct for members and officers, and officers are required to declare any interests, gifts and hospitality on a public register. Members are required to declare any interests at the start of every meeting that they attend in accordance with our Standing Orders. The recording of interests is kept under review and there are no current issues with the declaration or recording of such interests.

Values for the authority on good governance are promoted and upheld through high standards of conduct and behaviour

The council's Governance and Audit Committee undertakes the core functions of an audit committee as identified in CIPFA's "Audit Committees - Practical Guidance for Local Authorities". The group has an agreed set of terms of reference², which sets out their role and responsibilities.

The Monitoring Officer reviews every report to the Committee to ensure compliance with laws and regulations, as well as internal policies and procedures. The s151 Officer together with finance staff ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully financed and identifies the key assumptions and financial risks that face the Council.

¹ More information available at: <http://www.portsmouth.gov.uk/yourcouncil/8955.html>

² The Governance and Audit Committee Terms of Reference can be found at: www.portsmouth.gov.uk/media/Constitution_P2.pdf

The Council has a Whistleblowing policy, and procedures are in place for receiving and investigating internal complaints, as well as investigating complaints from the public. This policy is kept under review by the Monitoring Officer, and performance reports (which include concerns raised and their outcomes) are submitted to the Standards Committee.

The authority's financial management arrangements conform to the government requirements of the CIPFA Statement on "The role of the chief financial officer in local government" (2010). The Chief Finance Officer is a key member of the Strategic Director's Board, helping to develop and implement strategy and resource and deliver the strategic objectives. The Chief Finance Officer is actively involved in ensuring all immediate and longer term risks and opportunities are considered, and ensure the strategic objectives are aligned to the longer-term finance strategy. The Chief Finance Officer has an input into all major decisions, and advises on financial matters to the Executive. He is responsible for ensuring that budgets are agreed in advance and that the agreed budget is robust, to ensure value for money is provided by our services, and is responsible for ensuring the finance function is fit for purpose.

We develop the capability and capacity of members to be effective

The development needs of members and senior officers in relation to their strategic roles are identified by democratic services and learning and development, and supported by appropriate training.

We take informed and transparent decisions, which are subject to effective scrutiny and managing risk

Following a formal process, Standing Orders and Financial Rules were revised and updated in 2009, and it is an accepted principle of PCC that they are constantly under review to meet the requirements of the organisation. Together they clearly define how decisions are taken, as well as the processes and controls required to manage risks. Training on financial rules is embedded as part of the induction process, and all staff are expected to undertake financial rules training.

We engage with local people and other stakeholders to ensure robust accountability

Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

There are a range of publications delivered free to different parts of our community and all residents receive our Flagship magazine which has been widely applauded in recent MORI panels for keeping our customers well informed. These are further supported by our website, which provides information, advice and opportunities to 'have your say'. In addition to this, there are a wide range of access channels and opportunities for all parts of our community and other key stakeholders to engage in dialogue and consultation.

This ranges from tenant and youth participation groups and neighbourhood forums, to consultation events and surveys, web forums and social media, and a wide range of resident and partner panels.

The governance arrangements in respect of partnerships and other groups working as identified by the Audit Commission's report "Governing Partnerships: Bridging the Accountability Gap" (2005), are defined in our financial rules. The council has agreed appropriate partnership agreements and terms of reference with significant partnerships, where they contribute to the council's objectives.

4. Review of Effectiveness

Portsmouth City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of:

- The Corporate Governance Group, made up of the Chief Executive, s151 and Monitoring Officers, the Chief Internal Auditor and the Head of Audit & Performance Improvement, with input from others as relevant. This group meets regularly to discuss governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to council improvement
- The Strategic Directors and Heads of Services within the Authority who have responsibility for the development and maintenance of the governance environment
- The Chief Internal Auditor's annual report
- Any comments made by the external auditors and other review agencies and inspectorates

To support the governance framework, there is an agreed formal process to review the effectiveness of internal control:

- Services that are required to complete an annual self-assessment checklist on internal controls (linked to the Local Code) are sample tested by Internal Audit. Any breaches to rules and procedures are also reported, with remedying actions identified
- The annual self-assessment review of the Governance and Audit Committee
- The annual effectiveness review of the system of internal audit, including a peer review of internal audit itself
- Business risks as part of the business planning process

The Standards Committee review any complaints regarding Members. These can be reported by Members themselves or any member of the public. These are reviewed by the Standards Committee on a regular basis along with any recommendations made to the Council on any learning points arising and any recommendations to improve compliance with the Code.

Internal and External Audit as well as the Risk Manager report to the Governance and Audit Committee who review their effectiveness and are empowered to escalate any matters to the full Council. The Committee also receives the external auditor's annual letter, relevant reports, and the reports to those charged with governance.

The Governance and Audit Committee have given advice on the results of the governance framework effectiveness review, and a plan to address weakness and ensure continuous improvement of the system has been put in place.

5. Significant governance issues

Reporting back on issues from 2010/11

Last year, a number of key governance issues emerged from analysis of various documents, including the Comprehensive Area Assessment and the External Audit Management Letter. These issues were incorporated within the Corporate Improvement Plan for 2010/11 and progress against these was reported to Strategic Directors, the Cabinet and Governance and Audit Committee on a regular basis. Attached as appendix one is an outline of these issues, along with actions taken to address them.

ISSUES TO BE ROLLED FORWARD – TO BE ANALYSED AND INCLUDED AT A LATER DATE

Significant governance issues for 2011/12

KEY SOURCES TO BE ANALYSED AND ADDED AT A LATER DATE

6. Effectiveness of the System of Internal Audit

KEY SOURCES TO BE ANALYSED AND ADDED AT A LATER DATE

7. Internal Audit opinion and issues

KEY SOURCES TO BE ANALYSED AND ADDED AT A LATER DATE

Signed on behalf of Portsmouth City Council

Appendix two – early draft of the Annual Governance Statement 2010/11

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David Williams
Chief Executive

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Date

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Gerald Vernon Jackson,
Leader of the Council

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Date