

# NOTICE OF MEETING

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## GOVERNANCE & AUDIT COMMITTEE

FRIDAY 9 MARCH 2012 AT 3 PM

CONFERENCE ROOM A, 2<sup>ND</sup> FLOOR, CIVIC OFFICES, PORTSMOUTH

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### Membership

Councillor Terry Hall (Chair)  
Councillor David Fuller (Vice-Chair)  
Councillor Michael Andrewes  
Councillor John Ireland  
Councillor Donna Jones  
Councillor Robert New

### Standing Deputies

Councillor Jacqui Hancock  
Councillor Margaret Adair  
Councillor Les Stevens  
Councillor Alistair Thompson  
Councillor Steve Wemyss  
Councillor James Williams

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(NB This Agenda should be retained for future reference with the minutes of this meeting.)

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: [www.portsmouth.gov.uk](http://www.portsmouth.gov.uk)

**Deputations by members of the public may be made on any item where a decision is going to be taken. The request should be made in writing to the contact officer (above) by 12 noon of the working day before the meeting, and must include the purpose of the deputation (for example, for or against the recommendations). Email requests are accepted.**

## AGENDA

**1 Apologies for Absence**

**2 Declaration of Members' Interests**

**3 Minutes – 27 January 2012**

...

The minutes of the meeting held on 27 January 2012 are attached.

**RECOMMENDED that the minutes of the meeting held on 27 January 2012 be confirmed and signed by the Chair as a correct record.**

**4 Updates on actions identified in the minutes**

DA **5 Update report from the District Auditor**

...

The purpose of the paper is to provide the committee with the district Auditor's external audit update report as at February 2012.

**RECOMMENDED that the update from the District Auditor be received and that the Chief Executive be requested to take any action required.**

DA **6 Audit Plan 2011/12 from the District Auditor**

...

The purpose of the item is to inform the committee of the work plan for the 2011/12 audit, based on the Audit Commission's risk-based approach to audit planning.

**RECOMMENDED that the Committee note the Audit Plan 2011/12**

DA **7 Certification of Claims and returns – annual report from the District Auditor**

...

The purpose of the item is to summarise for the committee the findings from the Audit Commissioner's certification of 2010/11 claims.

**RECOMMENDED that the Committee note the findings from the Audit Commissioner's certification of 2010/11 claims.**

CIA **8 Internal Audit Performance Status Report to 6 February for Audit Plan 2011/12**

...

The purpose of this item is to update the committee on the internal Audit Performance for 2011/12 to 6 February 2012 against the Annual Audit Plan and to highlight areas of concern and areas where assurance can be given on the internal control framework.

**RECOMMENDED**

**(1) That Members note the Audit Performance for 2011/12 to 6<sup>th</sup> February 2012 and**

**(2) That the highlighted areas of control weakness for the 2011/12 Audit Plan are noted by Members.**

- City Sol     **9     Update on the Council’s Compliance with its Equality Duty and Equality Impact Assessment Process**  
 ...
- The purpose of the report is to update the committee on the compliance of individual services with the Equality Duty and the Equality Impact Assessment process.
- RECOMMENDED**
- (1) That the Committee notes the contents of the report**  
**(2) That the Committee continues to monitor the compliance of the Council services with the Equality Duty and the Equality Impact Assessment process adopted by the Council on a quarterly basis**  
**(3) That the City Solicitor continues to report on such compliance to the Committee on a quarterly basis.**
- City Sol     **10    Information Commissioner's Office Data Protection Report.**  
 ...
- The purpose of the report is to update Members on the progress of the Information Commissioner’s Office audit findings.
- RECOMMENDED that members of the committee**
- (1) Note the completion of the Audit recommendations implemented since August 2011**  
**(2) Note the status and progress of the remaining recommendations**  
**(3) Note that PCC will be responding and providing evidence in March 2012.**
- HAPI       **11    Performance Management Update (Quarter 3 2011-2012) - corporate performance in the transforming organisation.**  
 ...
- The purpose of the report is to outline the areas of concern emerging from the new approach to corporate performance management in Portsmouth City Council, and set out next steps.
- RECOMMENDED that the Committee is asked to note and comment on:**
- 1) Issues raised in section 5**  
**2) Next steps as set out in section 6**  
**3) Proposals regarding the “user voice”**
- HAPI       **12    Annual Governance Statement 2011/12 development update**  
 ...
- This report updates the Governance and Audit Committee on the development of the Annual Governance Statement for 2011/12
- RECOMMENDED that the Committee**
- (1) Endorse the suggested approach to embedding the processes for improving last year’s significant governance issues into the council’s performance management programme (paragraph 5.3).**  
**(2) Note the significant governance issues which have so far been identified for 2012 (section 6).**

**(3) Note the outstanding areas for completion of this year's Annual Governance Statement (section 7).**

**HF 13 Treasury Management Policy for 2012/13 (information only)**

...

The purpose of this report is to seek the Council's approval for the attached Treasury Management Policy Statement.

Please note that members of this committee are invited to make observations on the recommendations which will then be considered at the March full Council meeting.

**RECOMMENDED**

**1a That the prudential indicators contained in appendix A be approved.**

**1b the upper limit for gross debt less investments is set as follows:**

**2011/12 £263,740,000**

**2012/13 £272,053,000**

**2013/14 £287,103,000**

**2014/15 £290,011,000**

**1c the Head of Financial Services and Section 151 Officer and officers nominated by him is given authority to lend surplus funds as necessary in accordance with the Treasury Management Policy;**

**1d the use of all capital resources including supported capital expenditure, usable capital receipts, and grants and contributions be maximised**

**1e the Head of Financial Services and Section 151 Officer is given delegated authority to either replace maturing debt or repay it depending on the outlook for long term interest rates that exists at the time**

**1f the upper limits for fixed interest exposures are set as follows:**

**2011/12 £358m**

**2012/13 £378m**

**2013/14 £378m**

**2014/15 £377m**

**1g the upper limits for variable interest exposure are set as follows:**

2011/12	(£374m) – Investments up to £374m
2012/13	(£378m) – Investments up to £378m
2013/14	(£378m) – Investments up to £378m
2013/14	(£377m) – Investments up to £377m

the following limits be placed on principal sums invested for periods longer than 364 days:

31/3/2012	£129m
31/3/2013	£110m
31/3/2014	£90
31/3/2015	£80

	Upper Limit	Lower Limit
Under 12 Months	6%	0%
12 months & within 24 months	6%	0%
24 months & within 5 years	18%	0%
5 years & within 10 years	30%	0%
10 years & within 20 years	60%	0%
20 years & within 30 years	60%	0%
30 years & within 40 years	60%	0%
40 years & within 50 years	80%	0%

- 1i the City Council set upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

- 1j authority to reschedule debt during the year is delegated to the Head of Financial Services and Section 151 Officer subject to conditions being beneficial to the City Council;
- 1k no restriction be placed on the amount that can be borrowed in sterling from an individual lender provided it is from a reputable source and within the authorised limit for external debt approved by the City Council;
- 1l the principles upon which the apportionment of borrowing costs to the Housing Revenue Account (HRA) should be based are as follows:
- The apportionment is broadly equitable between the HRA and the General Fund, and is detrimental to neither;

- The loans portfolio is managed in the best interests of the whole authority;
  - The benefits of uninvested balance sheet resources which allow borrowing to be below the capital financing requirement (CFR) are equitably shared between the General Fund and the HRA;
- 1m the regulatory method of calculating Minimum Revenue Provision (MRP) be applied to pre 1 April 2008 debt and new government supported debt other than finance leases and service concessions including Private Finance Initiative (PFI) schemes;
  - 1n the asset life (equal instalment) method of calculating MRP is applied to post 1 April 2008 self financed borrowing other than finance leases and service concessions including Private Finance Initiative (PFI) schemes;
  - 1o MRP on finance leases and service concessions including Private Finance Initiative (PFI) arrangements equals the charge that goes to write down the balance sheet liability;
  - 1p The Housing Revenue Account (HRA) provide for the Self Financing Payment over 30 years;
  - 1q the bodies listed in paragraph Appendix E of the Treasury Management Policy be approved as repositories of specified investments;
  - 1r credit ratings be reviewed monthly and that any institution whose credit rating falls below the minimum level stated in paragraphs 16.4 and 16.5 of the Treasury Management Policy be removed from the list of specified investments;
  - 1s institutions in category 3 that are placed on negative watch or negative outlook by the rating agencies be reassigned to category 4 if a subsequent down-grading means that they no longer meet the category 3 criteria;
  - 1t institutions in category 4 that are placed on negative watch or negative outlook by the rating agencies be reassigned to category 5 if a subsequent down-grading means that they no longer meet the category 4 criteria;
  - 1u institutions in category 5 that are placed on negative watch or negative outlook by the rating agencies be removed from the list of specified investments if a subsequent down-grading means that they no longer meet the category 5 criteria
  - 1v that the Head of Financial Services and Section 151 Officer be given delegated authority to add counter parties that meet the City Council's approved investment criteria to the list of specified

## investments

### 1w non-specified investments are limited to the following:

	£
Financial institutions that are domiciled in the UK & have very limited exposure to the Euro zone periphery & investment banking	29m
Investments in MMD (Shipping Services) Ltd including funds lodged to guarantee the company's banking limits. MMD is a wholly owned subsidiary of the City Council.	2m
Long term investments	110
Investments denominated in foreign currencies to hedge against contracts priced or indexed against foreign currencies	5m
<b>Total</b>	<b>146</b>

### 1x the total amount that can be invested with any organisation at any time should be limited as follows:

	Maximum Investment in Single Organisation
Category 1	Unlimited for up to 1,830 days
Category 2	£20m for up to 1,830 days
Category 3	£20m for up to 732 days
Category 4	£15m for up to 366 days
Category 5	£10 for up to 366 days
Category 6	£6 for up to 366 days
Category 7	£5m overnight or instant access
MMD (Shipping Services) Ltd including sums lodged to guarantee	£2m for up to 366 days years

the company's banking limits	
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- 1y the Head of Financial Services and Section 151 Officer be given delegated authority to revise the total amount that can be directly invested with any organisation at any time
- 1z that the following investment limits be applied to sectors:

<b>Money market funds</b>	<b>£80m</b>
<b>Building societies</b>	<b>£28m</b>

- 1aa that the following investment limits be applied to regions outside the United Kingdom:

<b>Asia &amp; Australia</b>	<b>£40m</b>
<b>Americas</b>	<b>£40m</b>
<b>Continental Europe</b>	<b>£25m</b>

- 1ab the Head of Financial Services and Section 151 Officer be given delegated authority to borrow up to £50m in advance of need from 23 March 2012

- 2 the Head of Financial Services and Section 151 Officer submits the following:

- (i) an annual report on the Treasury Management outturn to the Cabinet by 30 September of the succeeding financial year;
- (ii) A Mid Year Review Report to the Cabinet;
- (iii) the Annual Strategy Report to the Cabinet in March 2013;
- (iv) quarterly Treasury Management monitoring reports to the Cabinet and the Governance and Audit Committee.

HAPI 14 **Procurement Management Information**

...

**(Please note that appendices 2 and 3 are exempt so if the Committee wishes to discuss these, the meeting will need to move into exempt session at that point)**

The purpose of the report is to update Members on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services.



**RECOMMENDED**

**(1) That members note progress in moving towards achieving the target of 95% conformance for the 2011/12 financial year**

**(2) That members note the performance of our suppliers and contractors and action in progress to address poor performance.**

**15 Exclusion of Press and Public**

**That in view of the contents of the following item on the agenda the Committee is RECOMMENDED to adopt the following motion:**

**“That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the press and public be excluded for the consideration of the following item(s) on the grounds that the report(s) contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972”.**

**The public interest in maintaining the exemption must outweigh the public interest in disclosing the information.**

**(NB The exempt/confidential committee papers on the agenda will contain information which is commercially, legally or personally sensitive and should not be divulged to third parties. Members are reminded of standing order restrictions on the disclosure of exempt information and are invited to return their exempt documentation to the Senior Local Democracy Officer at the conclusion of the meeting for shredding.)**

<u>Item</u>	<u>Exemption Para No.*</u>
16.	3

**\*Paragraph Exemption Nos:**

**3.Information relating to the financial or business affairs of any particular person (including the authority holding that information)**

**16. Procurement Management Information ( EXEMPT appendices)**