



NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 3 MARCH 2017 AT 10.30 AM

CONFERENCE ROOM A - CIVIC OFFICES

Telephone enquiries to 023 9283 4058
Email: Vicki.plytas@portsmouthcc.gov.uk

If any member of the public wishing to attend the meeting has access requirements, please notify the contact named above.

Membership

Councillor Ian Lyon (Chair)
Councillor Scott Harris (Vice-Chair)
Councillor John Ferrett
Councillor Frank Jonas
Councillor Leo Madden
Councillor Hugh Mason

Standing Deputies

Councillor Ken Ellcome
Councillor Paul Godier
Councillor Darren Sanders
Councillor David Tompkins
Councillor Matthew Winnington
Councillor Rob Wood

(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

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 recommendation/s). Email requests are accepted.

AGENDA

- 1 Apologies for Absence

2 Declarations of Members' Interests

3 Minutes of the Meeting held on 3 February 2017 (Pages 5 - 14)

RECOMMENDED that the minutes of the meeting held on 3 February 2017 be confirmed and signed by the chair as a correct record.

4 Updates on actions identified in the minutes

Opportunity to ask about actions identified in the minutes from the last Meeting.

5 Audit Plan for 2016-17 External Auditors (Pages 15 - 34)

Presentation of the Audit Plan from the External Auditors for noting.

6 Treasury Management Policy 2017/18 (Pages 35 - 98)

The purpose of this report is to obtain the Council's approval for 2017/18 to the Treasury Management Policy Statement (attached) which includes:

- Annual Minimum Revenue Provision for Debt Repayment Statement
- Annual Investment Strategy

RECOMMENDED that the recommendations set out in paragraphs 3.1a) to e) and 3.2(i) to (iv) be noted.

7 Audit Performance Status Report for Audit Plan to 6 February 2017 (Pages 99 - 118)

The purpose of the report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2016/17 to 6th February 2017 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

RECOMMENDED that Members note

- (1) the Audit Performance for 2016/17 to 6th February 2017**
- (2) the highlighted areas of control weakness for the 2016/17 Audit Plan**

8 Quarterly Performance Management Update (Pages 119 - 232)

The purpose of the report is to report significant performance issues, arising from Q3 performance monitoring, to Governance and Audit and Standards Committee and highlight areas for further action or analysis.

RECOMMENDED that the Committee is asked to

- 1) note the report;
- 2) note the overall improvement in quality of reports, and the commentary from the Deputy Chief Executive at section 5
- 3) comment on the performance issues highlighted in section 3, including agreeing if any further action is required
- 4) Agree the actions proposed in section 4.

9 Member Training - Information Report (Pages 233 - 236)

(Report for information only)

The purpose of the report is to update members on the 2016/17 training programme for councillors.

10 Independent Remuneration Panel

The Independent Remuneration Panel (IRP) met on 23 February 2017 and decided to adopt a two stage approach to the review of Members' Allowances.

The first stage was to make a recommendation to Council (via Governance & Audit & Standards Committee) to continue to apply to Members' Allowances the index linked arrangement with Portsmouth City Council staff pay awards.

The Panel also decided to review generally the Members' Allowances scheme over the Spring and Summer of 2017 with a view to making further recommendations (via Governance & Audit & Standards Committee) to a future Council meeting.

RECOMMENDED that Governance & Audit & Standards Committee

- (1) Note the Independent Remuneration Panel's decision to adopt a two stage approach in their review of the Members' Allowances Scheme**
- (2) Recommend to full Council that the first stage (to continue to apply to Members' Allowances the index linked arrangement with Portsmouth City Council staff pay awards) be adopted at the next Council meeting.**

Information

Members of the public are now permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting or records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the Council's website and posters on the wall of the meeting's venue.

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Agenda Item 3

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 3 February 2017 at 11.30 am at the Conference Room B - Civic Offices

(NB These minutes should be read in conjunction with the agenda for the meeting which can be found at www.portsmouth.gov.uk.)

Present

Councillor Ian Lyon (in the chair)
Councillor Scott Harris (Vice-Chair)
Councillor John Ferrett
Councillor Frank Jonas
Councillor Leo Madden
Councillor Hugh Mason

Officers

Michael Lawther, Deputy Chief Executive, City Solicitor
and Monitoring Officer
Jon Bell, Director of HR, Legal and Performance
Julian Pike, Deputy Section 151 Officer
Michael Lloyd, Directorate Finance Manager
Elizabeth Goodwin, Chief Internal Auditor
Paul Somerset, Audit Manager
Greg Povey, Assistant Director of Contracts,
Procurement and Commercial and Finance and
Information Service
David Moorman, Contract Management Business
Partner

External Auditors

Helen Thompson, Executive Director
Jo Taylor, Manager

1. Apologies for Absence (AI 1)

There were no apologies for absence.

2. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

3. Minutes of the Meeting held on 4 November 2016 (AI 3)

RESOLVED that the minutes of the meeting held on 4 November 2016 be confirmed and signed by the Chair as a correct record.

4. Updates from previous meeting (AI 4)

The City Solicitor said that a briefing paper on cyber security will be brought to the next briefing meeting.

The City Solicitor said that compliance regarding the gifts and hospitality register needs to be improved. He said that he would make arrangements to remind staff of their obligations to report such offers through internal communications.

With regard to the emergency conditions survey the City Solicitor said that he had not yet circulated this information but would do so.

The Chair asked whether the contract procedure rules had been amended following the last meeting (page 70 of the documents pack refers) and the City Solicitor confirmed that this is a work in progress.

5. Reports from External Auditors - Annual Certification Report 2015/16 and Progress Report Jan 2017 (AI 5)

(TAKE IN REPORTS)

The Chair welcomed the external auditors to the meeting and Helen Thompson introduced Jo Taylor who would be attending G&A&S meetings in future.

With regard to the Certification of Claims and Returns annual report, 2015-16, Ms Thompson said there had only been a very low number of errors and said these were outlined under paragraph 1 - Housing benefits subsidy claim. She said the authority should take this as a positive result as benefits are becoming more complex and the scope for error is greater.

In response to a query, Ms Thompson said the procedure follows a programme set out by the Department of Work and Pensions. An initial sample of 20 was checked in each benefit case. If any errors were found, the sample was increased by another 40 cases.

Members asked that a response from the relevant Director should be included in future so as to put the findings into context.

Members noted that the external audit fee was lower than that for the previous year.

Ms Thompson then introduced the External Audit Progress report stating that the overall work programme relating to the 2015/16 financial year would be complete once the outstanding objection from a member of the public regarding PCC's use of a lender option borrower option loan had been concluded. The conclusions would be shared with PCC and the objector once the work was completed.

With regard to a query about MMD Shipping Services Ltd, mentioned in the report, Michael Lawther agreed to prepare a briefing note.* The External

Auditors said this had to appear in their Plan and the matter would be looked at again at the end of the year.

Members noted the reports from the External Auditors.

*Since the meeting, it was agreed that a briefing session would be arranged about this matter.

6. External Audit Arrangements after 2017 - 18 (AI 6)

(TAKE IN REPORT)

Michael Lloyd introduced the report explaining that the Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management and accounting practices meet the relevant statutory and professional requirements.

The Public Sector Audit Appointments (PSAA) was originally established to operate the transitional arrangements following the closure of the Audit Commission and is an appointing person. Local authorities will need to opt in to the appointing person arrangements by 9 March 2017. An alternative to this is set out in paragraph 4 of the report. The advantages of using a PSAA are also set out in that paragraph.

Mr Lloyd explained that the decision had to be taken by full Council following a recommendation from this Committee.

In response to queries the following matters were clarified

- Mr Lloyd was not aware of any council pursuing alternative options as set out in paragraph 4 of the report
- More than 200 authorities had already opted in to the appointing persons arrangements made by PSAA
- Confirmation was given that the s151 officer was content that proper procedures and consideration had been given to this matter prior to the recommendation set out in the report being made.

RESOLVED That Governance and Audit and Standards Committee considered the report and recommended to Council that it opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

7. Treasury Management Monitoring Report (AI 7)

(TAKE IN REPORT)

Michael Lloyd introduced the report which informs members and the wider community of the Council's treasury management position at 31 December 2016 and of the risks attached to that position. Paragraph 4 of the report outlines the key risks associated with the council's treasury management operations.

Mr Lloyd drew members' attention to paragraph 3 of Appendix A which set out that the Council rescheduled a £10.5m loan in September 2016. The effect of the rescheduling was to replace a 15 year equal instalment of principal loan

with a 50 year maturity loan and to reduce the interest rate from 4.52% to 2.09% in return for the payment of a premium of £3.2m. This has generated an annual saving of £47,000 per annum after taking account of the cost of financing the premium and in overall terms resulted in a total saving (in net present value terms) of £1.1m.

In response to a query about how much the interest rate had been effectively reduced after taking account of the penalty premium, Mr Lloyd said it was a fairly small reduction. The Chair asked that future reports should include the effect of any penalties.

Paragraph 4 of the Appendix set out the Council's investment activity. The average return on the Council's investments for the first nine months of 2016/17 was 1.12%. This compares with 1.09% for the first four months of 2016/17. Mr Lloyd advised that there were some instances where the Council inadvertently contravened its Treasury Management Policy as set out in paragraph 4.

In response to questions, it was confirmed that as the contraventions were not pre-planned, there was no decision by anyone to agree in advance to the investments that were not in accordance with the Policy. The responsibility for managing the consequences of these investments rested with the S151 Officer. There followed a discussion about whether or not it was possible to withdraw from the contracts by virtue of a break clause. The Chair said that the Leader of the Council should be consulted when there are departures from the Treasury Management Policy.

A query was raised with regard to the investment in a single AAA rated fund at variance with the Treasury Management Policy and it was confirmed that this had not been appreciated at the time the investment was made.

The City Solicitor said that he would arrange for a formal response to be provided about the issues that had been raised.

It was confirmed that the Treasury Management Policy would be brought to this Committee after which it would go to Cabinet and full Council.

The Chair thanked officers for bringing these matters to the attention of the Committee.

RESOLVED that the actual treasury management indicators set out in the report in paragraph 3 (a) to (g) for the third quarter of 2016/17 be noted.

8. Local Government Ombudsman Complaints 2015/2016 (AI 8)

(TAKE IN REPORT)

The City Solicitor introduced the report saying that overall there have not been many complaints. However it was never good to be complained about.

Members of the committee

- requested that in future Plymouth should be included as this authority was considered to be the best comparator to Portsmouth.
- requested that in future the percentages should be shown as well as just the figures.

- asked that directorates where the complaints had been upheld be identified in future
- asked that children's services and education be shown separately.

Members were pleased to note that there were proportionately fewer complaints in planning and development as compared with other authorities.

Members were advised that full details of the two complaints that were upheld are shown on the Ombudsman Complaints website.

Members noted the report.

9. Corporate Complaints Received (AI 9)

(TAKE IN REPORT)

The City Solicitor introduced the report which provided the committee with information regarding complaints received by Portsmouth City Council during quarter one 2016/17. He advised that there had been a slight increase in the number of complaints and that these were broken down by service. In response to a query, the City Solicitor confirmed that he considered the processes that were in place were effective and that the complaints were robustly handled.

Members noted the report.

10. Audit Performance Report to 3 January 2017 (AI 10)

(TAKE IN REPORT)

The report updated the committee on the internal audit performance for 2016/17 to 3 January 2017 against the annual audit plan and highlighted areas of concern and areas where assurance can be given on the internal control framework.

The Chair queried the two percentages mentioned in 5.1 of the report and 7.1 of the report as one said 78% and one said 74%. It was confirmed that the correct percentage that should have been used on both occasions was 78% as Staffing Off Contract had been added between the original date of the meeting and the actual date.

The Chair raised concerns about paragraph 5.3.7 as audit work for external clients should not in his opinion be at the expense of audit work inside the council. The CIA explained that PCC's audit coverage was within the agreed s151 tolerance level, i.e. between 20% - 24% of the audit universe.

Jon Bell said that the statutory responsibility for ensuring effective internal audit arrangements were in place falls on the section 151 Officer. The external auditors also need to place reliance on the internal auditors so that provided another check and balance. The Chair said that he was concerned that there are serious matters that fall between internal and external auditors. One consequence of this appears to be that Greg Povey is having to do more of the value for money work which may not be cost effective.

The Chair then circulated a letter that he had been asked to sign which asked him to verify that certain things are being carried out correctly. However he wanted to receive assurances before the next meeting in order that he can sign the letter. The City Solicitor said that internal audit provided a very good service which is why people outside the council are asking for their services. He said that audit is moving into a different marketplace and is generating income for the council. He confirmed that he and Jon Bell would ensure that internal audit were given enough resources to cope successfully with the work.

The Chair said that with regard to paragraph 6.4.2, he was not happy about the housing and property service responses. He asked what the internal auditors could do if they felt the responses received were unacceptable. The chief internal auditor said that if internal audit was in total disagreement with comments made then that would be factored in to the report. The chief internal auditor confirmed that on the very few occasions that she felt that the clients do not accept that there are risks, then she would escalate the matter internally to the Corporate Governance Board and then it would be escalated further to external auditors and would be brought to this committee. With regard to schools, the chief internal auditor asked whether there was any information about schools that should be omitted in future. The Chair said that he was content to leave things as they were.

The Chair said he would like the Assistant Housing Manager to come to the next meeting in order to explain the responses given in the report. With regard to the no assurance rating given on the property and housing resident development, members queried how matters had got to this stage without being noticed before and how much this service cost the Authority.. The chief internal auditor said that this had not been looked at by Internal Audit for a while and that the service had responded positively to the issues raised. The chief internal auditor said that she would bring back information on how much that particular service is costing. She also said that there were higher risk areas than value for money assessments. She said that managers should take the lead in managing their budgets' performance and demonstrate that their services provide value for money, as this was not audit's responsibility, but could be included in some reviews.

Greg Povey said that value for money was checked during the procurement phase. If the contract was for a long duration, then as the contract goes on there is a continuing need to test for value for money to ensure that this is still being maintained as sometimes things change. It was agreed that further discussion about where responsibility for value for money belonged would take place outside the meeting.

Jon Bell confirmed that it was every officer's duty to ensure that value for money was achieved, and also that the Strategy Unit had previously provided value for money analysis to the committee, and could do so again if required. It was confirmed that the internal auditor has 11 officers to carry out the work of that section.

The Chair thanked the officers for their report.

RESOLVED that

- (1) members noted the audit performance for 2016/17 to 3 January 2017**
- (2) members noted the highlighted areas of control weakness for the 2016/17 audit plan**
- (3) members approved the proposed audit and counter fraud strategy for the use of audit resources for 2017/18**

11. Performance Management Update (AI 11)

(TAKE IN REPORT)

Kelly Nash introduced the report which outlined significant performance issues, arising from Q2 performance monitoring, to Governance and Audit and Standards committee and highlighted areas for further action or analysis. The report provided very comprehensive information about most of the directorates.

The Chair and Vice chair of the committee both expressed regret that there was no information provided from the Housing and Property directorate as this was an important area. The Chair said that all officers in the report seem to be saying that all projects had been delivered on time and on budget. He sought assurance from finance that all contracts are being pursued in accordance with the budget and that there were no underspends going forward.

Julian Pike said that finance has made it clear to officers that they do not expect projects to result in underspends going forward. However projects may change. The Chair said that there is a procedure to follow and he would like it to be confirmed in the document that the money that members have agreed should be spent, is being spent. He said that it was not acceptable to make a provision and then to have a massive underspend. This was because it may affect future budget plans.

Julian Pike said that regular budget monitoring took place for this very reason. The Chair asked in that case why was there a 40% underspend during the last financial year? Julian Pike said that this was largely due to changes in the HRA account. The Chair said that the Committee would be looking closely at any underspends going forward as officers needed to realise that they should spend what members asked them to spend and that a 40% underspend was not acceptable.

The following responses were made to queries raised by Members

- With regard to page 177 concerning the Dunsbury Hill Farm project, it was noted the rating is on red and members wanted to know why. The

City Solicitor said that the delay concerned the adoption of the highway by Hampshire County Council as there was a disagreement over the standard to which the road had been finished. Basically the finish should be to the standard agreed in the tender documents. The Chair asked how much any negotiation and subsequent agreement was going to cost and the City Solicitor said that he would find out. Fuller information on the situation would be circulated outside of the meeting, but the issue is not of significant concern.

- Members noted that they had commented on the scant information provided in the past by Adult Social Care and commented that this had not really improved. Kelly Nash said that much more information had been provided for the next quarter that would be brought to the next meeting. The Chair said he was keen that directors took responsibility for these reports. It was agreed that Kelly Nash would circulate the Quarter 3 information after the meeting.
- Members of the Committee said that the information was very useful but asked that comments were provided where the ratings were on amber or red
- The Chair asked that acronyms should not be used - such as RPC.
- The Chair asked whether EBS was competitively priced. The City Solicitor said an exercise had been carried out a year ago and he would provide an update to the Chair.

The Chair thanked Kelly Nash for her very comprehensive report and asked her on behalf of the Committee to thank all those who had contributed to it.

RESOLVED that the Committee

- 1) **noted the report;**
- 2) **noted the overall improvement in quality of reports , and the commentary from the Deputy Chief Executive at section 5**
- 3) **commented on the performance issues highlighted in section 3, including agreeing if any further action is required**
- 4) **Agreed the actions proposed in section 4**

12. Whistleblowing Report (AI 12)

(TAKE IN REPORT)

The City Solicitor introduced the report which updated Members of the Committee on the nature and handling of any whistleblowing concerns which have been raised in the past year.

RESOLVED that the Committee

- (1) **noted the report**
- (2) **considered whether any further action is required by them.**

13. Annual Complaints against Members Report (AI 13)

(TAKE IN REPORT)

The City Solicitor introduced the report which updates Members of the Committee on current progress in relation to complaints which allege that Councillors may have breached the Code of Conduct. He advised that the appendix included as much information as possible in open session.

In response to queries, the City Solicitor

- confirmed that most complaints against Councillors were from members of the public and very few were complaints by one member against another.
- Confirmed that the word "style" as included in the appendix referred to the style of verbal communication.

RESOLVED that the Committee

- (1) Noted the report**
- (2) Considered whether any further action is required by them.**

14. Exclusion of Press and Public (AI 14)

RESOLVED that in view of the contents of the following items on the agenda, the committee adopted the following motion

"That under the provisions of Section 100 A 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 items on the grounds that the appendices contain information defined as exempt in Part 1 of Schedule 12 A to the Local Government Act 1972" exemptions paragraphs 1, 2 and 3."

15. Procurement Management Report - Information (AI 15)

(TAKE IN REPORT - FOR INFORMATION ONLY)

Greg Povey introduced the report that provides evidence to allow the committee to evaluate the extent that Portsmouth City Council is achieving value for money in its contracts for goods, services and works.

He explained the various sections in the report. He said he did not have any particular concerns other than that in section 3, he felt that the increase in percentage of total spend covered by waiver shown in Public Health - going from 36% to 77% - was high. However, there had been staff changes and the situation would be monitored going forward.

The Chair commented that directors spending by waiver should find it uncomfortable to do so.

Matters relating to the information contained in the exempt appendices were discussed but basically it was agreed the matters raised had been satisfactorily dealt with.

Members noted the report which was for information only.

16. Data Security Breaches Report (AI 16)

(TAKE IN REPORT)

Michael Lawther introduced the report which informed the Committee of Data Security Breaches and actions agreed/taken since the last meeting.

He said that large fines could be imposed by the Information Commissioner's Office (ICO) if errors occurred so continued monitoring was essential.

Members raised no queries in relation to the exempt appendix.

RESOLVED that Members of the Governance & Audit & Standards Committee noted the breaches (by reference to Exempt Appendix A) that have arisen and the action determined by the Corporate Information Governance Panel (CIGP).

The meeting concluded at 1.45 pm.

Councillor Ian Lyon
Chair

Agenda Item 5

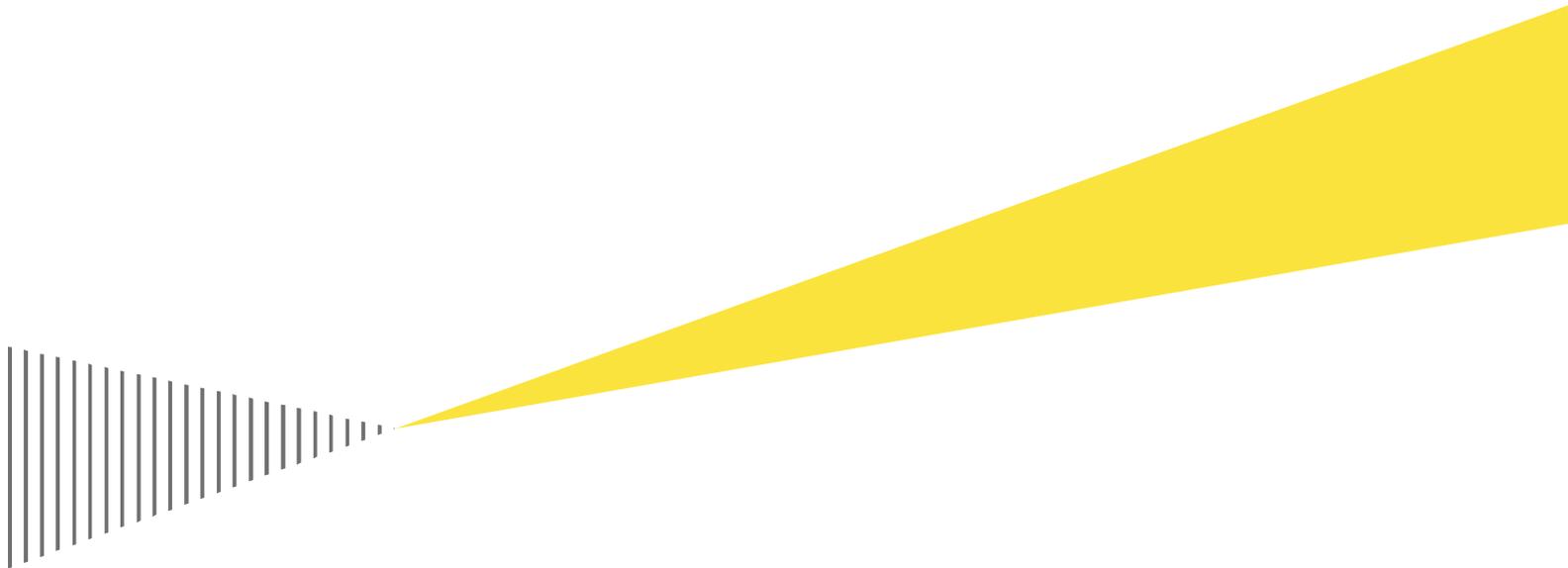
Portsmouth City Council

Year ending 31 March 2017

Audit Plan

February 2017

Ernst & Young LLP



Building a better
working world

Governance and Audit and Standards Committee
Portsmouth City Council
Civic Offices
Guildhall Square
Portsmouth
PO1 2BG

9 February 2017

Dear Committee Members

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its' purpose is to provide the Governance and Audit and Standards Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Governance and Audit and Standards Committee service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 3 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and behalf of Ernst & Young LLP
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16". It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psaa.co.uk\)](http://www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements of Portsmouth City Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

1.1 Financial statements audit

We have identified one significant risk which is a standard risk on all audit engagements – the risk that management is able to override controls which otherwise appear to be operating effectively.

We have also identified a number of other risks which require audit focus during 2016/17, including:

- ▶ changes to the presentation of the Comprehensive Income and Expenditure Statement;
- ▶ review of the models which provide the accounting entries for the Highways and Waste PFI schemes;
- ▶ the ongoing EU investigation into transactions between the Council and MMD (Shipping Services) Ltd; and
- ▶ the Council's judgement that harbour accounts for the Commercial Port are not required.

More detail on each of these risks is contained within Section 2 of our Plan.

1.2 Value for money audit

We have identified one significant risk which is focussed around the Council's arrangements to ensure decision making is properly informed. There are a number of strategic and operational changes occurring within Portsmouth City Council which are set against a

backdrop of changes to the wider environment, including continued and increasing financial pressures.

More detail on this risk is contained within Section 3 of our Plan.

1.3 Our audit approach, independence and fees

Section 4 of our Plan sets out our audit approach, which is largely unchanged from the previous year.

There are no independence issues that we need to bring to the Committee's attention (Section 5).

Our fee of £149,438 is set in accordance with the PSAA scale fee. If any changes to this are required, for example if we receive correspondence from members of the public, we will discuss the need for additional fees in the first instance with the Director of Finance & Information Services.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing Portsmouth City Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers. From our procedures to date, we have identified one significant financial statement risk: risk of management override.

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition. From our knowledge of Portsmouth City Council's current financial position and of processes in place at the Council, at this stage we consider that presumption to be rebuttable. We note also that the area most typically at risk for local authorities, incorrect classification of revenue spend as capital, is addressed as part of our approach towards the risk of management override.

Significant risk	Our audit approach
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its' ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement. For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Reviewing accounting estimates for evidence of management bias. ▶ Evaluating the business rationale for significant unusual transactions. ▶ Substantively testing additions to property, plant and equipment, considering whether the items have been capitalised appropriately.

Other issues that we will monitor as the audit progresses are noted below. At our meeting, we will seek to validate these issues and our assessment of risk with you.

Other financial statement issues	Our audit approach
<p>Format of comprehensive income and expenditure statement</p> <p>Amendments have been made to the Code of Practice on Local Authority Accounting for 2016/17 and it now requires that the service analysis is based on the organisational structure under which the authority operates.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Confirming that the Income Statement for 2016/17 is compliant with the new requirements. At this stage, we expect this to show the Council's segmental analysis. ▶ Confirming that prior year balances are correctly presented in line with the new requirements.
<p>PFI and similar agreements</p> <p>Portsmouth City Council has two relatively high value PFI and similar agreements (highways and waste) which have been in place for a number of years. The models are understood to be stable and working well. Both have at least ten years left to run. Neither model has been reviewed in detail since inception.</p>	<p>Our audit approach will focus on:</p> <ul style="list-style-type: none"> ▶ Updating our detailed knowledge and understanding of the models and assumptions made around them as part of cyclical detailed coverage over the lives of the agreements. ▶ The two other PFI agreements (Milton Cross and Learning Disability Facilities) may be selected for detailed cyclical examination in 2017/18.

EU investigation

As noted in our External Audit Progress Report issued to the Committee in January 2017, an EU investigation is currently underway into whether transactions between Portsmouth City Council and MMD (Shipping Services) Ltd have breached state aid regulations.

Our audit approach will focus on:

- ▶ Monitoring progress and developments in this case; management responses; and disclosure in the Council's 2016/17 Governance Statement and Accounts.

Harbour accounts

The Department for Transport has indicated that the Council should submit Harbour Accounts for the Commercial Port within nine months of the balance sheet date. To date the Council has not received official communication of the requirement, and therefore has not produced accounts. If the requirement is confirmed, accounts covering the financial years 2012/13 to 2015/16 will need to be prepared and subject to external audit.

We will remain alert to this possibility.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources. For 2016/17 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant risk which we view as relevant to our value for money conclusion:

Significant value for money risk

Our audit approach

Informed Decision Making

Portsmouth City Council's strategic priorities are evolving. At the same time, the Council is actively seeking more commercial ways of working, to reduce its dependency on central government grants and to help deliver a significant savings plan.

We recognise that risk management processes are already under review by the Council but we note that Portsmouth's senior management team took on additional responsibilities in relation to two other councils this year. This could impact on management's capacity for effective oversight at Portsmouth City Council. We note that in 2015/16, Internal Audit's Annual Opinion gave limited assurance on internal control and noted that internal control has declined/ not improved in recent years.

There is a risk that as the nature of the Council's work changes, associated required changes may not be made in a timely fashion to financial and performance information and internal control systems. This could undermine the Council's ability to demonstrate sound governance and informed decision making.

We note that the strategic and operational changes occurring within Portsmouth City Council are set against a backdrop of changes to the wider environment. These include continued and increasing pressure on the costs of providing children's and adult social care and consultations within the Solent area to join three Councils into one Mayoral Authority.

- ▶ Obtain and review Portsmouth City Council's newly formatted Corporate Risk Directory. Document and assess the effectiveness of risk escalation procedures.
- ▶ Document and assess Cabinet and Audit Committee and senior management reporting procedures for capital projects; treasury management; and investment portfolio performance. The timing and quality of data feeding in to reports to Cabinet/ Committee/ senior management will be considered. The mechanisms for Cabinet/ Committee/ senior management discussion and response will also be considered.
- ▶ Monitor role changes and evolving responsibilities within the senior management team and decision-making by the Corporate Governance Group.
- ▶ Track reported service performance levels in performance reports to the Governance and Audit and Standards Committee in Quarters 2 to 4.
- ▶ Review Portsmouth City Council's performance against savings plans for 2016/17 and assess the robustness of planned savings for 2017/18 and beyond.
- ▶ Compare Internal Audit's 2016/17 programme of work with the risk profile of the organisation and monitor internal audit findings.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ financial statements; and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ housing benefit;
- ▶ accounts payable;
- ▶ accounts receivable; and
- ▶ payroll.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ give greater likelihood of identifying errors than random sampling techniques.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our reporting where there are issues that could have an impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, Plant and Equipment	Council's internal valuer
Pensions	Pension fund's actuary and EY's pensions team
PFI Liabilities	EY PFI specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ assess the reasonableness of the assumptions and methods used;
- ▶ consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ assess the reasonableness of the assumptions and methods used;
- ▶ consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 **Mandatory audit procedures required by auditing standards and the Code**

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 **Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £10.8 million based on approximately 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £538,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 **Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by

auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Portsmouth City Council is £149,438.

4.6 Your audit team

The engagement team is led by Helen Thompson, who has significant experience of auditing unitary authorities. Helen Thompson is supported by Jo Taylor who is responsible for the day-to-day direction of audit work and is the key point of contact for the Director of Finance & IS and for the Director of HR, Legal & Performance.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Governance and Audit and Standards Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Governance and Audit and Standards Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	December 2016- January 2017	November 2016 February 2017	Audit Fee Letter Progress Report
Risk assessment; and setting of scopes	January 2017 – February 2017]	March 2017	Audit Plan
Testing routine processes and controls	February 2017	March 2017	Progress Update
Year-end audit	July 2017	To be confirmed	Audit Results Report
Completion of audit	September 2017	To be confirmed	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2017	To be confirmed	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us. ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review. ▶ The overall assessment of threats and safeguards. ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed. ▶ Details of non-audit services provided and the fees charged in relation thereto. ▶ Written confirmation that we are independent. ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy. ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed; analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, we have not undertaken any non-audit services.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, the audit engagement director, and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £
Opinion Audit and VFM Conclusion	149,438	149,438	149,438
2015/16 Objection	-	-	TBC*
Total Audit Fee – Code work	149,438	149,438	TBC
Certification of claims and returns ¹	17,196	17,196	17,797
Non-audit work	0	0	0

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ officers meet the agreed timetable of deliverables;
- ▶ the internal controls operate effectively for the key processes outlined in section 4.2 above;
- ▶ we can rely on the work of internal audit where planned;
- ▶ our accounts opinion and value for money conclusion are unqualified;
- ▶ appropriate quality of documentation is provided by the Council; and
- ▶ the Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

* A fee for our 2015/16 consideration of a formal objection will be charged in addition to the scale fee set. Work on the objection is not yet complete. The additional fee will be agreed with officers and reported to the Committee after our work has been completed.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Governance and Audit and Standards Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Governance and Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report

<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Governance and Audit and Standards Committee as to whether they are aware of possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements 	▶ Audit Results Report
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	▶ Audit Plan ▶ Audit Results Report ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	▶ Annual Report to those charged with governance summarising grant certification ▶ Annual Audit Letter if considered necessary

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Agenda Item 6



Title of meeting:	Governance and Audit and Standards Committee Cabinet City Council
Date of meeting:	3 March 2017 (Governance and Audit and Standards Committee) 9 March 2017 (Cabinet) 21 March (City Council)
Subject:	Treasury Management Policy 2017/18
Report by:	Chris Ward, Director of Finance and Information Services (Section 151 Officer)
Wards affected:	All
Key decision:	Yes
Full Council decision:	Yes

1. Executive Summary

Treasury Management Policy

The attached Treasury Management Policy sets out the Council's policies on borrowing, providing for the repayment of debt and investing for 2017/18. The Treasury Management Policy also sets a number of treasury management indicators that will establish the boundaries within which treasury management activities will be undertaken.

The Treasury Management Policy Statement contains a risk appetite statement similar to that adopted in 2016/17 that permits investments to be made in instruments that do not guarantee that the capital sum will not be diminished through movements in prices. In approving the Treasury Management Policy Statement members will be approving the risk appetite statement contained in paragraph 4.2 of the Treasury Management Policy Statement.

Policy For Providing For the Repayment of Debt

The Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2012 require the Council to adopt an Annual Minimum Revenue Provision (MRP) for Debt Repayment Statement. The recommended methodologies for calculating MRP are summarised in paragraph 8.3 of the Treasury Management Policy. It is proposed to change the methodology for calculating MRP for Government supported borrowing other than finance leases and service concessions including private finance Initiative schemes (see paragraph 8.4). It is also recommended that the over provision of MRP in previous years be released back to the General Fund by reducing MRP in future years (see paragraph 8.5).

Annual Investment Strategy

The Treasury Management Policy includes the Annual Investment Strategy which establishes the types of investment, investment counter parties and investment durations that the Council will operate within. The 2017/18 Annual Investment Strategy is similar to the 2016/17 Annual Investment Strategy as amended by the City Council on 11 October 2016 in most respects although there are some changes proposed for 2017/18.

The previous policy required all investments (apart from registered social landlords and building societies) to have two credit ratings. It is recommended that investments be permitted in enhanced money market funds with a single credit rating of at least AA. Industry practice is for enhanced money market funds to have a single credit rating, but such funds are well diversified. The previous policy required registered social landlords (RSLs) to have a single credit rating from one of the three main credit rating agencies. The Homes and Communities Agency (HCA) also issues financial viability ratings for all major RSLs. It is recommended that investments only be placed with RSLs that have a financial viability rating of at least V1.

It is recommended that investments be permitted in universities. Universities were not previously included in the Annual Investment Strategy. It is recommended that investments in universities have the same investment and duration limits as banks and corporate bonds.

The maximum investment in a single organisation in category 7 (building societies A- credit rating, other institutions A credit rating) in paragraph 11.16 has been increased by £2m from £13m in 2016/17 to £15m in 2017/18. The Council is currently finding it difficult to find institutions that meet its credit criteria and pay a good return. Increasing the maximum investments in a single organisation in category 7 will help to alleviate this. By way of comparison the maximum investment in a single institution in category 6 (building societies A credit rating, other institutions A+ credit rating) is £20m and the maximum investment in a single institution in category 8 (A- credit rating) is £10m. Increasing the maximum investment in a single organisation in category 7 from £13m to £15m would also be appropriate in terms of evening out the gap between categories 6 and 8.

When the City Council considered the Treasury Management Mid-Year Review it resolved that investments be permitted in counter parties that do not meet the Council's credit criteria if the investment is secured against assets that do meet the Council's investment criteria. Recommendations 3.1a(vii) and 3.1a(viii) specify the form of this type of lending and the acceptable types of collateral.

Banks and building societies currently meeting the Council's credit criteria are listed in Appendix G. There are too many corporate bond, RSLs and universities to include in the appendix.

2. Purpose of report

The purpose of this report is to obtain the Council's approval for 2017/18 to the Treasury Management Policy Statement (attached) which includes:

- Annual Minimum Revenue Provision for Debt Repayment Statement
- Annual Investment Strategy

3. Recommendations

3.1a that the following changes to the 2016/17 Treasury Management Policy Statement as amended by the Mid-Year Review be approved:

- (i) that the minimum revenue provision for the repayment of government supported borrowing other than finance leases and service concessions (including private finance initiative schemes) is changed from a straight 2% annual provision to a 50 year annuity provision with effect from 2016/17 (paragraph 8.4 of Treasury Management Policy Statement);**

- (ii) that the Director of Finance and Information Services (Section 151 Officer) be given delegated authority to release the over provision of MRP into the General Fund over a prudent period (paragraph 8.5 of Treasury Management Policy Statement);**
 - (iii) that investments be permitted in enhanced money market funds with a single credit rating of at least AA and that these funds be treated as category 6 (A+) investments to reflect the increased risk of relying on a single credit rating (as opposed to category 4 if two ratings had been obtained - paragraph 11.4 of Treasury Management Policy Statement)**
 - (iv) that investments are only placed with registered social landlords that have a financial viability rating of V1 from the Homes and Communities Agency (paragraph 11.5 of Treasury Management Policy Statement);**
 - (v) that investments in universities be permitted (paragraph 11.13 of Treasury Management Policy Statement);**
 - (vi) that the maximum investment in a single institution in category 7 be increased by £2m from £13m to £15m (paragraph 11.16 of the Treasury Management Policy Statement);**
 - (vii) that investments be permitted in covered bonds that are secured against local authority debt or covered bonds that have a credit rating that meets the Council's investment criteria even if the counter party itself does not meet the Council's credit criteria (paragraph 11.19 of Treasury Management Policy Statement);**
 - (viii) that investments in repos / reverse repos collateralised against index linked gilts, conventional gilts and UK treasury bills be permitted, and that should the counter party not meet our senior unsecured rating then a 102% collateralisation would be required (paragraph 11.20 of Treasury Management Policy Statement);**
- 3.1b that the treasury management indicators contained in Appendix D be approved;**

- 3.1c that the attached Treasury Management Policy Statement including the Treasury Management Strategy, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy for 2017/18, and encompassing the amendments contained in recommendation 3.1a and the treasury management indicators contained in Appendix D be approved;**
- 3.1d that the Director of Finance and Information Services (Section 151 Officer) and officers nominated by him be given delegated authority to (paragraph 3.2 of Treasury Management Policy Statement):**
- (i) invest surplus funds in accordance with the approved Annual Investment Strategy;**
 - (ii) borrow to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt of £607m approved by the City Council on 14 February 2017;**
 - (iii) reschedule debt in order to even the maturity profile or to achieve revenue savings;**
 - (iv) to buy and sell foreign currency, and to purchase hedging instruments including forward purchases, forward options and foreign exchange rate swaps to mitigate the foreign exchange risks associated with some contracts that are either priced in foreign currencies or where the price is indexed against foreign currency exchange rates.**
- 3.1e that the Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee be informed of any variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (paragraph 17.1 of Treasury Management Policy Statement)**

3.2 that the Director of Finance and Information Services (Section 151 Officer) submits the following (paragraph 19.1 of Treasury Management Policy Statement):

- (i) an annual report on the Treasury Management outturn to the Cabinet and Council by 30 October of the succeeding financial year;**
- (ii) a Mid-Year Review Report to the Cabinet and Council;**
- (iii) the Annual Strategy Report to the Cabinet and Council in March 2018;**
- (iv) a quarter 3 treasury management monitoring report to the Governance and Audit and Standards Committee.**

4. Background

The Council's treasury management operations cover the following:

- Cash flow forecasting (both daily balances and longer term forecasting)
- Investing surplus funds in approved investments
- Borrowing to finance short term cash deficits and capital payments
- Management of debt (including rescheduling and ensuring an even maturity profile)
- Interest rate exposure management
- Hedging foreign exchange rate risks

The key risks associated with the Council's treasury management operations are:

- Credit risk - ie. that the Council is not repaid, with due interest in full, on the day repayment is due
- Liquidity risk - ie. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs
- Interest rate risk - that the Council fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are in excess of those for which the Council has budgeted
- Exchange rate risk - the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

- Maturity (or refinancing risk) - this relates to the Council's borrowing or capital financing activities, and is the risk that the Council is unable to repay or replace its maturing funding arrangements on appropriate terms
- Procedures (or systems) risk - ie. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud, error or corruption

The total borrowings of the Council at 1 April 2017 are estimated to be £576m. The Council's investments at 1 April 2017 are estimated to be £323m. The cost of the Council's borrowings and the income derived from the Council's investments are included within the Council's treasury management budget of £21.8m per annum. The Council's treasury management activities account for a significant proportion of the Council's overall budget. As a consequence the Council's Treasury Management Policy aims to manage risk while optimizing costs and returns. The Council will monitor and measure its treasury management position against the indicators contained in the Treasury Management Policy.

The City Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice. The Code of Practice requires the City Council to approve a Treasury Management Strategy before the start of the financial year.

In addition the Government has issued statutory guidance that requires the Council to approve an Annual Minimum Revenue Provision for Debt Repayment Statement and an Annual Investment Strategy before the start of the financial year.

The Treasury Management Strategy, the Annual Minimum Revenue Provision for Debt Repayment Statement and the Annual Investment Strategy are all contained within the attached Treasury Management Policy Statement.

5. Reasons for recommendations

The recommendations within the attached Treasury Management Policy Statement reflect the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice and have regard to statutory guidance issued by the Government. These are designed to:

- Enable the Council to borrow funds as part of managing its cash flow or to fund capital expenditure in a way that minimises risk and costs
- Provide for the repayment of borrowing

- Ensure that the Council's investments are secure
- Ensure that the Council maintains sufficient liquidity
- Maximise the yield on investments in a way that is commensurate with maintaining the security and liquidity of the investment portfolio

6. Equality impact assessment (EIA)

The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

7. Legal Implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

8. Director of Finance and Information Services (Section 151 Officer)'s comments

All financial considerations are contained within the body of the report and the attached appendices

.....
Signed by Director of Finance and Information Services (Section 151 Officer)

Appendix: Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy 2017/18

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
1 Information pertaining to the Treasury Management Strategy	Financial Services

TREASURY MANAGEMENT POLICY STATEMENT INCLUDING:

- **TREASURY MANAGEMENT STRATEGY**
- **ANNUAL MINIMUM REVENUE PROVISION FOR DEBT REPAYMENT STATEMENT**
- **ANNUAL INVESTMENT STRATEGY 2017/18**

**Portsmouth City Council
Director of Finance and Information Services (Section 151
Officer)**

TREASURY MANAGEMENT POLICY STATEMENT 2016/17

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1 BACKGROUND

- 1.1 This Council defines its Treasury Management activities 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.”
- 1.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- 1.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.
- 1.4 The City Council’s treasury management activities are governed by various codes of practice and guidance that the Council must have regard to under the Local Government Act 2003. The main codes and guidance that the Council must have regard to are:
 - Treasury Management in the Public Services Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA) which sets out the key principles and practices to be followed.
 - The Prudential Code for Capital Finance in Local Authorities published by CIPFA which governs borrowing by local authorities.
 - The Guidance on Local Government Investments published by the Department for Communities and Local Government which governs local authorities investment activities and stipulates that investment priorities should be security (protecting the capital sum from loss) and liquidity (keeping money readily available for expenditure when needed), rather than yield.

2 BORROWING LIMITS AND THE PRUDENTIAL CODE

2.1 The Prudential Code requires the City Council to approve an authorised limit and an operational boundary for external debt together with other prudential indicators designed to ensure that the capital investment plans are affordable, prudent and sustainable. These were approved by the City Council on 14th February 2017.

i) Authorised Limit

The authorised limit for external debt is the maximum amount of debt which the authority may legally have outstanding at any time. The Authorised Limit includes headroom to enable the Council to take advantage of unexpected movements in interest rates and to accommodate any short-term debt or unusual cash movements that could arise during the year

	£m
Borrowing	530
Other Long Term Credit Liabilities	<u>77</u>
	<u>607</u>

ii) Operational Boundary

The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit, but acts as a warning mechanism to prevent the authorised limit (above) being breached.

	£m
Borrowing	512
Other Long Term Credit Liabilities	<u>77</u>
	<u>589</u>

iii) Other Prudential Indicators contained in the Prudential Code

The following indicators are also included in the Prudential Code:

- Capital expenditure
- Ratio of financing costs to net revenue stream
- Capital financing requirement
- Housing Revenue Account (HRA) limit on indebtedness
- Incremental effect of capital investment decisions on council tax at band D
- Incremental effect of capital investment decisions on housing rents

These are contained in Appendix A.

The Prudential Code also requires local authorities to adopt the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. These are guides to good practice that the City Council has adopted and followed for several years.

3 TREASURY MANAGEMENT POLICY STATEMENT

3.1 The prime objective of the Treasury Management function is the effective management and control of risk associated with the activities described in paragraph 1.1. The key risks associated with the Council's treasury management operations are:

- Credit risk – ie. that the local authority is not repaid, with due interest in full, on the day repayment is due.
- Liquidity risk – ie. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs.
- Interest rate risk – ie. that the authority fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are in excess of those for which the authority has budgeted.
- Exchange rate risk - the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.
- Maturity (or refinancing risk) – This relates to the authority's borrowing or capital financing activities, and is the risk that the authority is unable to repay or replace its maturing funding arrangements on appropriate terms.
- Procedures (or systems) risk – ie. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud, error or corruption.

3.2 It is recommended that the Director of Finance and Information Services (Section 151 Officer) and officers nominated by him be given delegated authority to **(recommendation 3.1d)**:

- (i) invest surplus funds in accordance with the approved Annual Investment Strategy;
- (ii) to revise the total amount that can be invested with any organisation at any time in consultation with the Leader of the Council;
- (iii) borrow to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt of £607m approved by the City Council on 14 February 2017;
- (iv) to reschedule debt in order to even the maturity profile or to achieve revenue savings;
- (v) to buy and sell foreign currency, and to purchase hedging instruments including forward purchases, forward options and foreign exchange rate swaps to mitigate the foreign exchange risks associated with some contracts that are either priced in foreign currencies or where the price is indexed against foreign currency exchange rates.

4 **TREASURY MANAGEMENT STRATEGY FOR 2017/18**

4.1 Objectives

The budget for net interest and debt repayment costs for 2017/18 is £21.8m. The Treasury Management policy will therefore form a cornerstone of the Medium Term Resource Strategy. Specific objectives to be achieved in 2017/18 are:

(a) Borrowing

- To minimise the revenue costs of debt
- To manage the City Council's debt maturity profile to ensure that no single financial year exposes the authority to a substantial borrowing requirement when interest rates may be relatively high
- To match the City Council's debt maturity profile to the provision of funds to repay debt if this can be achieved without significant cost
- To effect funding in any one year at the cheapest long term cost commensurate with future risk
- To forecast future interest rates and borrow accordingly (i.e. short term and/or variable when rates are 'high', long term and fixed when rates are 'low').

- To monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements
- To reschedule debt in order to take advantage of potential savings as interest rates change or to even the maturity profile.

(b) Lending

- To ensure the security of lending (the maximisation of returns remains a secondary consideration) by investing in:
 - the United Kingdom Government and institutions or projects guaranteed by the United Kingdom Government;
 - Other local authorities in England, Scotland and Wales
 - Aa rated pooled funds including money market funds and enhanced money market funds;
 - British institutions including commercial companies, registered social landlords (RSLs) and universities that meet the City Council's investment criteria
 - Foreign institutions including commercial companies and universities that meet the City Council's investment criteria within the jurisdiction of a Aa government
- To maintain £10m in instant access accounts
- To make funds available to Council's subsidiaries
- To make funds available for the regeneration of Hampshire
- To optimise the return on surplus funds
- To manage the Council's investment maturity profile to ensure that no single month exposes the authority to a substantial re-investment requirement when interest rates may be relatively low to the extent that this can be managed without compromising the security of lending

4.2 Risk Appetite Statement

The Council attaches a high priority to a stable and predictable revenue cost from treasury management activities in the long term. This reflects the fact that debt servicing represents a significant cost to the Council's net revenue budget. The Council's objectives in relation to debt and investment can accordingly be stated as follows:

To assist the achievement of the Council's service objectives by obtaining funding and managing the debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of long term interest cost stability. Sums are invested with a diversified range of counter parties using the maximum range of instruments consistent with a low risk of the capital sum being diminished through movements in prices.

This means that the Council is not totally risk averse. Treasury management staff have the capability to actively manage treasury risks within the scope of the Council's treasury management policy and strategy.

In particular when investing surplus cash, the Council will not necessarily limit itself to making deposits with the UK Government and local authorities, but may invest in other bodies including unrated building societies, RSLs, universities and corporate bonds. The Council may invest surplus funds through tradable instruments such as treasury bills, gilts, certificates of deposit, corporate bonds, covered bonds and repos / reverse repos. The duration of such investments will be limited so that they do not have to be sold (although they may be) prior to maturity thus avoiding the risk of the capital sum being diminished through movements in prices.

The Council may invest in low risk structured investment products that follow the developed equity markets where movements in prices may diminish the capital sum invested. These investments, and indeed any other investment, could also be diminished if the counter party defaults. Although the Council only invests in counter parties offering good credit quality, the credit quality of an investment counter party can decline during the life of the investment. This is particularly the case with long term investments.

4.3 Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term, debt will only be for a capital purpose, CIPFA's Prudential Code which the City Council is legally obliged to have regard to requires the City Council to ensure that debt does not, except in the short term, exceed the total of capital financing requirement (CFR). The CFR measures the Council's underlying need to borrow. If in any year there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for the comparison with gross external debt. The Council's forecast gross debt is shown in the table below.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Borrowing	495,239	488,827	482,416	476,005
Finance leases	1,528	877	871	869
Service Concessions (including Private Finance Initiative schemes)	79,639	76,456	73,769	70,264
Total Gross debt	576,406	566,160	557,056	547,138
Capital Financing Requirement (CFR):				
Opening CFR in 2016/17	435,250			
Change in CFR in 2016/17				
Closing CFR in 2016/17	494,948	494,948	494,948	494,948
Cumulative increase in CFR in future years		77,478	80,986	80,986
Closing CFR	494,948	572,426	575,934	575,934
Borrowing Under / (Over) the CFR	(81,458)	6,266	18,878	28,796

The Council's gross debt exceeds its estimated CFR, ie. it is over borrowed, in 2016/17 because £94m was borrowed from the Public Works Loans Board (PWLB) at an average rate of 2.37% to take advantage of the particularly low borrowing rates in the summer of 2016. The Council is currently earning 1.12% on its investments. Therefore in the short term there is a cost of carry of 1.25% until the money that was borrowed is used to fund capital expenditure.

The capital programme approved by the City Council on 14th February 2017 includes £84.6m of capital expenditure financed by borrowing in 2017/18. This includes £45.4m of expenditure on the acquisition of investment properties to provide an income stream to support the Council's services. This is expected to cause the Council's CFR to rise above its gross debt, ie. it is expected to become under borrowed in 2017/18.

4.4 Gross and Net Debt

4.4.1 The borrowing and investment projections for the Council are as follows:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Gross Debt at 31 March	576,406	566,160	557,056	547,138
Investments at 31 March	(323,000)	(232,000)	(213,000)	(193,000)
Estimated Net Debt	253,406	334,160	344,056	354,138

4.4.2 The current high level of investments has arisen from the Council's earmarked reserves and borrowing in advance of need to take advantage of low borrowing rates thus securing cheap funding for the Council's capital programme. The current high level of investments does increase the Council's exposure to credit risk, ie. the risk that an approved borrower defaults on the Council's investment. In the interim period when investments are high in advance of capital expenditure being incurred, there is also a short term risk that the rates (and therefore the cost) at which money has been borrowed will be greater than the rates at which those loans can be invested. However the Council's treasury management investments are expected to decline in 2017/18 as funds are used to invest in commercial properties.

4.5 Interest Rates

4.5.1 Interest Rate Forecasts for 2017/18

No treasury consultants are currently employed by the City Council to advise on the borrowing strategy. However, the City Council does employ Capita Asset Services to provide an economic and interest rate forecasting service and maintains daily contact with the London Money Market.

4.5.2 Long Term Borrowing Interest Rates

The following table gives Capital Asset Services central view.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

Background information relating to these forecasts and the risks to these interest rate forecasts is contained in Appendix B.

Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations.

There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost, ie. the difference between borrowing costs and investment returns.

4.5.3 Short Term Investment Interest Rates

Investment returns are likely to remain relatively low during 2017/18 and beyond.

4.6 Volatility of Budgets

The budget for interest payments and receipts is based on both the level of cash balances available and the interest rate forecasts contained in paragraph 4.5. Any deviation of interest rates from these forecasts will give rise to budget variances.

The Council is exposed to interest rate fluctuations through the need to invest up to £359m of surplus cash in the short term.

The Council currently has substantial sums of cash invested in the short term, and if interest rates fall below the budget forecast, investment income will be less than that budgeted. For example, if short-term interest rates fall to 0.5% below the budget forecast, the income from the Council's investments will be £1,795k below budget in 2017/18. Conversely, if short-term interest rates rise to 0.5% above the budget forecast, income from the Council's investments will exceed the budget by £1,795k in 2017/18.

4.7 Upper limits for fixed interest rate exposures

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes require local authorities to set upper limits for fixed interest rate exposures.

The City Council's maximum fixed interest rate exposure throughout each year is anticipated to be as follows:

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Maximum Projected Gross Borrowing – Fixed Rate	495	495	501	505
Minimum Projected Gross Investments – Fixed Rate	(184)	(106)	(18)	(18)

The upper limits for fixed interest rate exposures will be set as follows:

2016/17	£311m
2017/18	£389m
2018/19	£483m
2019/20	£487m

The upper limits for fixed interest rate exposure are set to provide sufficient flexibility for the Director of Finance and Information Services (Section 151 Officer) to take out fixed rate loans to finance capital expenditure if interest rates fall or are expected to rise significantly.

4.8 Upper limits for variable interest rate exposures

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes require local authorities to set upper limits for variable interest rate exposures.

The City Council's maximum variable interest rate exposure throughout each year is anticipated to be as follows:

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Minimum Projected Gross Borrowing – Variable Rate	-	-	-	-
Maximum Projected Gross Investments – Variable Rate	(311)	(389)	(483)	(487)

The Council's variable interest rate exposure is negative because it has no variable rate loans and a high proportion of its investments are either variable rate or will need to be reinvested within a year. The Council's requirement for cash varies considerably through the year. Therefore the Council needs to invest a proportion of its surplus cash either in instant access accounts or short term investments to avoid becoming overdrawn. The Council is exposed to an interest rate risk in that its investment income will fall if interest rates fall, whilst its borrowing costs will remain the same as all its loans are fixed at rates that will not fall with investment rates. Investment rates are currently very low and the scope for further reductions is very limited. The Council's maximum projected gross variable interest rate investments increases as existing long term fixed interest rate investments mature. Some of this risk may be mitigated through making further long term fixed rate investments. However, this will increase credit risk. It would also be prudent to maintain an even maturity profile so that the Council can benefit from rising interest rates in the future.

The upper limits for variable interest rate exposures will be set as follows:

2016/17	(£311m) – Investments up to £311m
2017/18	(£389m) – Investments up to £389m
2018/19	(£483m) – Investments up to £483m
2019/20	(£487m) – Investments up to £487m

4.9 Limits on total principal sums invested for periods longer than 364 days

Under the Treasury Management Code it is necessary to specify limits on the amount of long term investments, ie. investments exceeding 364 days that have maturities beyond year end.

Investing long term at fixed rates provides certainty of income and reduces the risk of interest rates falling. However this benefit is significantly reduced at the moment as the interest rates on new investments are low, typically less than 1% which restricts how much further returns can fall. At the current time, investing long term allows higher yields to be obtained, although it would be prudent to maintain opportunities to invest when interest rates are higher. There are regular fluctuations in the Council's cash balances which can amount to £45m. In addition cash balances are expected to be at their lowest at the end of the financial year as tax receipts are lower in March. On this basis the following limits will be placed on total principal sums invested for periods longer than 364 days):

31/3/2017 = £200m
31/3/2018 = £168m
31/3/2019 = £148m
31/3/2020 = £144m

4.10 Limits for the maturity structure of borrowing

The Government has issued guidance on making provision for the repayment of General Fund debt (see paragraph 8) which the Council is legally obliged to have regard to. The City Council is required to begin to make provision for the repayment of debt in advance of most of the Council's debt falling due for repayment. Therefore the City Council is required to provide for the repayment of debt well in advance of it becoming due. This is illustrated in the table below. This means that it is necessary to invest the funds set aside for the repayment of debt with its attendant credit and interest rate risks (see paragraph 3.1). The City Council could reschedule its debt, but unless certain market conditions exist at the time, premium payments have to be made to lenders (see paragraph 4.11).

CIPFA's Treasury Management in the Public Services Code of Practice which the City Council is legally obliged to have regard to requires local authorities to set upper and lower limits for the maturity structure of their borrowing.

It is recommended that the upper limit should be set high enough to allow for debt to be rescheduled into earlier years and for any new borrowing to mature over a shorter period than that taken out in the past. The high upper limit for debt maturing in over 40 years time reflects existing borrowing as the upper limit cannot be set lower than the existing maturity profile and is also necessary because no provision is being made for the repayment of debt incurred by the Housing Revenue Account apart from the Self Financing payment.

It is recommended that the lower limit be set at 0%.

In order to ensure a reasonably even maturity profile (paragraph 4.1(a)), it is recommended that the council will set upper and lower limits for the maturity structure of its borrowings as follows.

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

	Loan Debt Maturity	Underlying Loans Minimum Revenue Provision (MRP)	% Over / (Under) Loans MRP	Lower limit	Upper limit
Under 12 months	1%	2%	(1%)	0%	10%
12 months and within 24 months	4%	2%	2%	0%	10%
24 months and within 5 years	4%	7%	(3%)	0%	10%
5 years and within 10 years	6%	12%	(6%)	0%	20%
10 years and within 20 years	22%	25%	(3%)	0%	30%
20 years and within 30 years	11%	24%	(13%)	0%	30%
30 years and within 40 years	21%	24%	(3%)	0%	30%
40 years and within 50 years	31%	3%	28%	0%	40%

The current maturity pattern contained in Appendix C is well within these limits.

4.11 Debt Rescheduling

4.11.1 At the present time, the Council's average cost of borrowing is 3.80%. All the City Council's long term external debt has been borrowed at fixed interest rates ranging from 2.09% to 5.01%. 52% of the Council's debt matures in over 30 years' time. Appendix C shows the long term loans maturity pattern. Therefore debt rescheduling could be beneficial in evening out the debt maturity profile.

4.11.2 In the event that it were decided to further reschedule debt, account will need to be taken of premium payments to the Public Works Loans Board (PWLB). These are payments to compensate the PWLB for any losses that they may incur.

4.11.3 The Housing Revenue Account (HRA) will be responsible for its proportion of the premium due for early redemption of debt, based on the percentage of debt attributable to the HRA at the start of the financial year. The premiums would be charged to the General Fund and the HRA. Regulations allow the City Council to spread the cost of the premiums over a number of years, during which the accounts would benefit from reduced external interest rates.

4.11.4 The Director of Finance and Information Services (Section 151 Officer) will continue to monitor the Council’s debt and will undertake further rescheduling if it would be beneficial.

4.12 Treasury Management Indicators

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice requires the Council to approve a number of treasury management indicators which set the limits within which the Council's treasury management activities will be undertaken. These are contained in the Treasury Management Strategy above and are summarised in Appendix D (**recommendation 3.1b**).

5 APPROVED METHODS OF RAISING CAPITAL FINANCE

5.1 The following list specifies the various types of borrowing instruments which are available: -

	Variable	Fixed
PWLB	Y	Y
Market Long-term	Y	Y
Municipal Bonds Agency		Y
Market Temporary	Y	Y
Overdraft	Y	
Negotiable Bonds	Y	
Internal (capital receipts & revenue balances)	Y	Y
Commercial Paper	Y	Y
Medium Term Notes	Y	Y
Leasing	Y	Y
Bills & Local Bonds	Y	Y

5.2 The main methods of raising capital finance used by the City Council are discussed in greater detail within Section 6 of this policy. Other methods are not generally used because of the perceived risk or because administrative costs are high, such as in the case of Local Bonds.

- 5.3 Local authorities are not required to conform to the Money Laundering Regulations stipulated in the Financial Services Acts. However, these principles where practical will be applied when arranging future money market borrowing to ensure that funds are not obtained from potentially unscrupulous sources.

6 APPROVED SOURCES OF BORROWING

- 6.1 Further information on some of the main borrowing instruments used by the City Council is set out below: -

(a) Public Works Loans Board (PWLB)

The main source of longer term borrowing for the City Council for many years has been from the Government through the Public Works Loans Board. The PWLB offers fixed rate loans from 1 year to 50 years at varying rates with different methods of repayment.

Alternatively the PWLB offers variable rate loans for 1 to 10 years, where the interest rate varies at 1, 3 or 6 month intervals. These loans can be replaced by fixed rate loans before maturity at an opportune time to the authority.

(b) Money Market Loans – Long Term

Loans for 1 to 70 years are available through the London Money Market although, depending of the type of loan being arranged, the rates of interest offered may not match those available from the PWLB, especially for Equal Instalment of Principal loans (E.I.P. loans). Any loans to be taken are evaluated to ensure that the interest rate is the lowest the City Council could obtain.

Loans offered by the money market are often LOBO (Lenders Option, Borrowers Option) loans. This enables the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force. At the time when the interest rate becomes variable, the lender has the option to increase the rate charged every 6 months (or any other agreed review period). The borrower has the option to repay the loan with no penalties if the interest rate is increased on any of the review dates.

(c) Bonds

Bonds may be suitable for raising sums in excess of around £150m. The interest payable on bonds may be less than that charged by the PWLB, but considerable upfront fees would be incurred. To obtain the best interest rate, the Council would need to obtain a credit rating which would need to be maintained. This would incur a further upfront fee and an annual maintenance fee.

Because such a large amount needs to be borrowed to attract investors and also to reduce the upfront fees and negate the need for an individual credit rating a pooled issuance with other local authorities may be more viable.

(d) Municipal Bonds Agency (MBA)

A municipal bonds agency has been established by the Local Government Association (LGA) to enable local authorities to undertake long term borrowing at lower rates than those offered by the PWLB. The MBA is expected to issue its first bond and advance its first loans to local authorities. The MBA has yet to issue its first bond. Loans will be advanced on fixed dates determined by the municipal bonds agency. Loans will be repayable at maturity with the duration of the loan being fixed by the MBA.

(e) Money Market Loans – Temporary (Loans up to 364 days)

The use of temporary borrowing through the London Money Market forms an important part of the strategy. The authorised limit for external debt in 2017/18 of £607m set by the City Council on 14 February 2017 must not be exceeded. It is not anticipated that the City Council will need to use the temporary borrowing facility in 2017/18.

(f) Overdraft

An overdraft limit of £2m has been agreed with the Barclays Bank plc. Interest on the overdraft is charged at 1% above base rate. The City Council does not anticipate that short-term borrowing will generally be necessary during 2017/18 as it currently holds sufficient funds to enable the authority's cash flow to be managed without the need to borrow. However, the overdraft facility may be used when there are unforeseen payments and funds placed on temporary deposit cannot be called back in time.

(g) Internal Funds

Internal funds include all revenue reserves and other specific reserves maintained by the City Council, including the minimum revenue provision which is available to either repay debt or to be used instead of new borrowing. The cash held in internal funds such as earmarked reserves can be borrowed in the short term to finance capital expenditure or the repayment of debt, thus delaying the need to borrow externally.

7. APPORTIONMENT OF BORROWING COSTS TO THE HOUSING REVENUE ACCOUNT (HRA)

7.1 The Council will continue to operate with a single loans pool and apportion costs according to locally established principles. The principles upon which the apportionment of borrowing costs 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 costs and benefits of over and under borrowing above or below the capital financing requirement (CFR) are equitably shared between the General Fund and the HRA.

8 ANNUAL MINIMUM REVENUE PROVISION FOR DEBT REPAYMENT STATEMENT

8.1 The Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2012 require the Council to make “prudent provision” for the repayment of General Fund debt from 2008/09 onwards. There is no requirement to make “prudent provision” for the repayment of Housing Revenue Account (Council Housing) debt. The Government has provided a definition of “prudent provision” which the Council is legally obliged to “have regard” to. The guidance aims to ensure that the provision for the repayment of borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service.

8.2 The guidance also requires the Council to adopt an Annual Minimum Revenue Provision (MRP) for Debt Repayment Statement. This is contained within paragraphs 8.3 to 8.5 below.

8.3 The following methodologies will be applied to calculating the MRP:

Borrowing	MRP Methodology
<u>General Fund Borrowing:</u>	
Government supported borrowing other than finance leases and service concessions including private finance initiative schemes	50 year annuity (this differs from the previously approved methodology based on a straight 2%)
Finance leases and service concessions including private finance initiative schemes	MRP equals the principal repayments made to lessors and PFI operators
Self - financed borrowing excluding borrowing to fund long term debtors (including finance leases), investment properties and equity shares purchased in pursuit of policy objectives	50 year annuity
Self - financed borrowing to fund long term debtors	The repayments of principal are set aside to repay the borrowing that financed the original advance
Self - financed borrowing to fund finance leases	The principal element of the rent receivable be set aside to repay the borrowing that financed these assets
Self - financed borrowing to fund investment properties	The repayment of unsupported borrowing will be provided for by setting aside the capital receipt when the property is disposed of
Self - financed borrowing to fund equity shares purchased in pursuit of policy objectives	No MRP is made unless the shares are sold in which case the capital receipt is set aside to repay debt
<u>Housing Revenue Account (HRA)</u>	MRP is provided for the HRA Self Financing Payment in equal instalments over 30 years. MRP is not provided for other HRA debt.

8.4 Government Supported Borrowing Other than Finance Leases and Service Concessions Including Private Finance Initiative Schemes

On 9 February 2016 the Council adopted an MRP policy for supported borrowing based on a straight 2% for 2016 /17, ie. the Council would provide for its supported borrowing in equal instalments over 50 years.

However, 52% of the Council's borrowings mature in over 30 years' time. All but £11m of the Council's borrowing is PWLB debt. The PWLB introduced new lower discount rates to calculate premiums on the early repayment of debt in 2010. Most of the existing debt is unlikely to be repaid early or rescheduled due to the increased premiums resulting from this. In the meantime providing MRP on the basis of a straight 2% is contributing to the Council's high cash balances. The need to invest such high cash balances exposes the Council to credit risk in the event that one of the Council's investment counterparties gets into financial difficulties.

Authorities must always have regard to the guidance, but are free to determine their own MRP policy provided it can be shown to be prudent. It is therefore recommended that the Council adopts a MRP policy for supported borrowing based on a 50 year annuity with effect from 2016/17 (**recommendation 3.1a(i)**). This will mean that the Council will make a lower MRP for the repayment of debt in earlier years and a higher MRP for the repayment of debt in later years. This will ensure that provision is made for the repayment of all supported borrowing in a way that better reflects the maturity pattern of the Council's borrowing and avoids the credit risk associated with providing for the repayment of debt long before there is any realistic chance of the debt actually being repaid. The graph in Appendix E illustrates these points. It should also be borne in mind that the real value of the Council's long term borrowing will be considerably eroded by inflation prior to it becoming due for repayment which is a further argument for not providing for its repayment excessively early.

8.5 Over Provision of Minimum Revenue Provision (MRP)

The Council has reviewed how it provides for the repayment of its debt. It is felt that the previous methods used in the past have resulted in over provisions of MRP from 2008/09 to 2015/16 amounting to £31.3m. It is recommended that the Director of Finance and Information Services (Section 151 Officer) be given delegated authority to release the over provision of MRP back into General Fund balances over a prudent period by reducing the MRP in future years (**recommendation 3.1a(ii)**). It would not be considered prudent to release the over provision directly to the General Fund balances in a single year.

9 ANNUAL INVESTMENT STRATEGY

- 9.1 The Government has also issued guidance on investments. The guidance requires the City Council to adopt an Annual Investment Strategy. This is contained within paragraphs 10 to 16 below. The requirements of the Department for Communities and Local Government are in addition to the requirements of the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice.
- 9.2 During the year the Council may be asked to approve a revised strategy if there are investment issues which the full Council might wish to have brought to their attention.

- 9.3 The guidance defines a prudent policy as having two objectives:
- achieving first of all security (protecting the capital sum from loss);
 - liquidity (keeping the money readily available for expenditure when needed).

Only when proper levels of security and liquidity have been secured should yield be taken into account.

- 9.4 Investment strategies usually rely on credit ratings and both the current and recommended Investment Strategies are based on credit ratings. Although the recommended Investment Strategy is based on credit ratings other sources of information will be taken into account prior to placing deposits such as information in the quality financial press and credit default swaps (CDS) prices.

- 9.5 CDS are a financial instrument for swapping the risk of debt default. The buyer of a credit default swap pays a premium for effectively insuring against a debt default. He receives a lump sum payment if the debt instrument is defaulted. The seller of a credit default swap receives monthly payments from the buyer. If the debt instrument defaults they have to pay an agreed amount to the buyer of the credit default swap.

10. INVESTMENT CONSULTANTS

- 10.1 The City Council currently employs consultants to provide the following information:

- Interest rate forecasts
- Credit ratings
- CDS prices

10.2

11. SPECIFIED INVESTMENTS

- 11.1 The Government requires the Council to identify investments offering high security and high liquidity. These are known as specified investments. Specified investments will be made with the minimum of procedural formalities. They must be made in sterling with a maturity of no more than one year and must not involve the acquisition of share capital in any corporate body.

- 11.2 Credit rating information is available to the financial market through three main credit rating bodies ie. Moody's, Fitch, and Standard and Poor. Short and long term credit ratings are provided by all three agencies. Long term credit ratings are explained in Appendix F.
- 11.3 The grades of short and long term credit rating are as follows with the best credit ratings at the top. The credit ratings that meet the City Council's investment criteria for specified investments are shaded.

Fitch		Moody's		Standard & Poor's	
Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
F1+	AAA	P-1	Aaa	A-1+	AAA
	AA+		Aa1		AA+
	AA		Aa2		AA
	AA-		Aa3		AA-
F1	A+		A1	A-1	A+
	A	P-2	A2		A
	A-		A3	A-2	A-
F2	BBB+	P-3	Baa1	A3	BBB+
	BBB		Baa2		BBB
F3	BBB-		Baa3		BBB-

- 11.4 It is recommended that specified investments should only be placed with institutions that have a long term credit rating of at least A- from at least two rating agencies except enhanced money market funds and registered social landlords for which a single credit rating will be required. Industry practice is for enhanced money market funds to have a single credit rating, but such funds are well diversified. It is recommended that these funds be treated as category 6 (A+) investments to reflect the increased risk of relying on a single credit rating (as opposed to category 4 if two ratings had been obtained) **(Recommendation 3.1a(iii))**.
- 11.5 Most registered social landlords (RSLs) are only rated by a single agency. However RSLs are regulated by the Homes and Communities Agency (HCA) which rates the financial viability of RSLs. It is recommended that investments are only placed with RSLs that have a financial viability rating of V1 from the HCA **(Recommendation 3.1a(iv))**.
- 11.6 In addition to rating financial institutions the rating agencies also rate governments. These are known as sovereign credit ratings. The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process with the new regulatory environment attempting to break the link between sovereign support and domestic financial institutions. However sovereign credit ratings are also dependent on a government's ability to raise taxes and thus also give an indication of the state of a nation's general economy. Investments will only be placed with institutions based in either the United Kingdom or states with an AA credit rating.

- 11.7 When an institution or state has differing ratings from different agencies, the average rating will be used to assess its suitability. Those institutions that have not been rated by a particular agency will not be discarded because of the lack of ratings.
- 11.8 It is proposed that investments be allowed in government bodies, banks including supranational banks, building societies, money market funds, enhanced money market funds, RSLs, universities and corporate bonds that meet the Council's investment criteria.
- 11.9 Money market funds are well diversified funds that invest in high quality very short term instruments enabling investors to have instant access to their funds. Enhanced money market funds, also known as short dated investment funds, are also well diversified funds investing in high quality counter parties, but for longer periods, and require a few days' notice of withdrawals. Industry practice is for enhanced money market funds to have a single credit rating.
- 11.10 Corporate bonds are tradable loan instruments issued by commercial companies. Credit ratings measure the risk of default, ie. the risk of not receiving principal and interest when it is due, across these institutions in a way that allows them to be compared. However, other measures of credit risk such as CDS prices are not available for all institutions including most building societies, RSLs, universities and commercial companies.
- 11.11 There are over 30 registered social landlords (RSLs) with a single or double A credit rating. RSLs often have a single credit rating from one agency, but are subject to Government regulation. The Homes and Communities Agency (HCA) assigns a viability rating to larger RSLs with in excess of 1,000 dwellings as follows:

V1 - the RSL meets the HCA's financial viability standard and has the capacity to mitigate its exposures effectively

V2 - the RSL meets the HCA's viability requirements but need to manage material financial exposures to support continued compliance

V3 - the RSL does not meet the HCA's viability requirements. There are issues of serious regulatory concern and in agreement with the HCA; the RSL is working to improve its position

V4 - the RSL does not meet the HCA's viability requirements. There are issues of serious regulatory concern and the RSL is subject to regulatory intervention or enforcement action

However an RSL's debts are not guaranteed by the Government.

- 11.12 Building societies also operate under a separate legal regime to banks, which limits the amount of lending not secured on residential property and limits the amount of wholesale funding. When a building society has got into financial difficulties in the past it has always been taken over by another building society without its creditors losing any of their money. For these reasons building societies are placed in a category one notch above other institutions with the same credit rating.
- 11.13 Lending to universities will be permitted **(Recommendation 3.1a(v))**. A number of universities have credit ratings and are as secure as a commercial company with a similar credit rating.
- 11.14 The Council's direct investments will be limited to senior debt. Subordinated corporate bonds are sometimes issued by financial institutions and commercial companies. Subordinated corporate bonds offer higher yields, but in the event of an institution defaulting, senior debtors are repaid before subordinated debtors. Because of this, subordinated bonds often have a lower credit rating than senior debt issued by the same institution.
- 11.15 There are structured investment products available that pay returns in excess of 5% per annum provided that neither the FTSE 100, S&P 500 or Eurostoxx 50 decline by more than 40% over 5 years and repay the capital invested if the worst performing index and the Eurostoxx 50 do not fall by more than 65%. There are also similar structured investment products available that will pay in excess of 6% per annum provided that none of the indices decline by more than 50% over 6 years. The Director of Finance and Information Services (Section 151 Officer) may invest the Council's funds in structured investment products which follow the developed stock markets that do not fully protect the Council's capital invested. These products are effectively bank deposits where the return is determined by stock market performance. As such they are subject to credit risk if the issuer defaults.

11.16 It is proposed to divide the approved counter parties for specified investments into eight categories as follows:

	Maximum Investment in a Single Organisation
<u>Category 1</u> United Kingdom Government including the Debt Management Office Deposit Facility	Unlimited investments for up to 6 years
<u>Category 2</u> Local authorities in England, Scotland and Wales	£30m for up to 6 years
<u>Category 3</u> RSLs with a single long term credit rating of Aa-	£30m for up to 10 years
<u>Category 4</u> Banks, corporate bonds and universities with a short term credit rating of F1+ and a long term rating of Aa-. Aaa rated money market funds	£26m for up to 6 years
<u>Category 5</u> RSLs with a single long term credit rating of A-	£20m for up 10 years
<u>Category 6</u> Banks, corporate bonds and universities with a short term credit rating of F1 and a long term rating of A+. Building societies with a short term credit rating of F1 and a long term rating of A. Enhanced money market funds with a single AA credit rating	£20m for up to 6 years.
<u>Category 7</u> Banks, corporate bonds and universities with a short term credit rating of F1 and a long term rating of A. Building societies with a short term credit rating of F1 and a long term rating of A-.	£15m for up to 6 years
<u>Category 8</u> Banks, corporate bonds and universities with a short term credit rating of F1 and a long term rating of A-.	£10m for up to 6 years

11.17 A list of financial institutions currently meeting the Councils investment criteria is contained in Appendix G. There are too many RSLs, universities and companies issuing corporate bonds to include in the list.

11.18 Investing in counter parties that do not meet the Council's credit criteria if the investment is secured against assets that do meet the Council's investment criteria will increase the number of counter parties the Council can invest in and may increase investment returns. Although this will increase the risk of defaults, it should not increase the risk of investment losses provided that the contracts are properly drawn up and the assets offered as security pass to the Council.

11.19 Sometimes institutions issue covered bonds which are secured against assets held by that institution. It is recommended that investments be permitted in covered bonds that are secured against local authority debt or covered bonds that have a credit rating that meets the Council's investment criteria even if the counter party itself does not meet the Council's credit criteria (**recommendation 3.1a(vii)**).

11.20 Repo / reverse repo is accepted as a form of collateralised lending and should be based on the GMRA 2000 (Global Master Repo Agreement). A repo is a form of secured borrowing where readily saleable collateral, normally gilts or treasury bills are placed with the lender. If the borrower fails to repay the loan the lender keeps the collateral that has been deposited. A reverse repo is the equivalent form of secured lending. Therefore whilst the borrower would have a repo, the Council would have a reverse repo. Should the counter party not meet our senior unsecured rating then a 102% collateralisation would be required. The acceptable collateral is as follows:

- Index linked gilts
- Conventional gilts
- UK treasury bills

It is recommended that investments in repos / reverse repos collateralised against index linked gilts, conventional gilts and UK treasury bills be permitted, and that should the counter party not meet our senior unsecured rating then a 102% collateralisation would be required. (**recommendation 3.1a(viii)**).

11.21 Credit ratings be reviewed weekly and that any institution whose lowest credit rating falls below the criteria for category 8 in paragraph 11.16 be removed from the list of specified investments.

11.22 Institutions that are placed on negative watch or negative outlook by the credit rating agencies will be reassigned to a lower category.

12. NON-SPECIFIED INVESTMENTS

12.1 The Government's Guidance requires that other less secure types of investment be identified and that a limit be set on the overall amount that may be held in such investments at any time in the year. Non-specified investments are investments that are not secure, ie. do not have an "A" credit rating or are not liquid, ie. have a maturity in excess of 364 days. Investments that are not denominated in sterling would also be non-specified investments due to exchange rate risks.

- 12.2 In order to reduce the risks associated with placing funds with a relatively small number of counter parties and to improve returns it is recommended that further investment categories be established for non-specified investments that do not meet the criteria for specified investments.

Category 9 - £10m for 2 years

Short Term – F2 (or equivalent from Fitch, Moody’s and Standard & Poor)

Long Term – BBB or better (or equivalent from Fitch, Moody’s and Standard and Poor)

Category 9 will consist of rated building societies that meet the above criteria.

Category 10 - £7m for 364 days

Short Term – F2 (or equivalent from Fitch, Moody’s and Standard & Poor)

Long Term – BBB+ or better (or equivalent from Fitch, Moody’s and Standard and Poor)

Investing up to 364 days in investments with a long term credit rating of BBB+ / Baa1 and a short term credit rating of at least F2 / P-3 / A3 would diversify the portfolio by enabling investments to be made in more commercial companies such as British Telecom. The risk of an investment defaulting is driven by the credit quality of the investment counter party and the duration of the investment, ie. the amount of time that credit quality can deteriorate over. An investment counter party rated BBB+ is more likely to default than an investment counter party rated A-. However an 18 month investment is more likely to default than a 12 month investment. Therefore a 12 month investment rated BBB+ can offer a lower probability of default than an 18 month investment rated A-. Therefore investing up to 364 days in investments rated BBB+ would diversify the portfolio by enabling investments to be made in more commercial companies without increasing the risk of default. Such investments could also achieve investment returns in excess of 0.9%.

Category 10 will consist of institutions that meet the above criteria.

Category 11 - £8m

Long Term – BBB or better (or equivalent from Fitch, Moody’s and Standard and Poor)

Further diversification could be achieved by investment in a corporate bond fund. Investing in a corporate bond fund where the average credit rating of the underlying investments is BBB+ could yield 1.92% after fees. Such funds could include underlying investments with BBB- credit ratings although each investment would amount to no more than 4% of the fund. If one of the underlying investments did default the Council's holding in the fund could be worth less than what it paid into the fund, ie. the Council could make a loss. It is therefore recommended that total investments in such funds be restricted to £8m.

Category 11 will consist of corporate bonds bought on the Council's behalf by professional fund managers who will target an average credit rating of at least BBB+ for the corporate bond fund. The average credit rating of the corporate bond fund may fall to BBB if there was a downgrade to a single issue or a broad downgrade. We would not want the fund manager to be a forced seller in this situation. If this situation arises a strategy will be agreed with the fund manager to return the average rating of the portfolio to BBB+.

Category 12 - £6m for 2 years

Many smaller building societies that have been more conservative in their lending approach do not have credit ratings. An analysis of building society accounts suggests that many of those without credit ratings are in a better financial position than some of the larger ones who do hold credit ratings.

Category 12 consists of the unrated building societies in the strongest financial position.

The limits on these building societies are less than £6m to take account of their small size in terms of assets.

Building Society	Limit
Furness	£4.4m
Marsden	£1.9m
Tipton and Coseley	£1.9m
Hanley Economic	£1.8m
Dudley	£1.6m
Harpenden	£1.5m
Loughborough	£1.4m
Staffordshire Railway	£1.3m
Swansea	£1.1m
Chorley and District	£1.1m

Category 13 - £6m for 364 days

Category 13 consists of the unrated building societies that are in a strong financial position.

The limits on some building societies are less than £6m to take account of their small size in terms of assets.

Building Society	Limit
Progressive	£6.0m
Leek United	£4.5m
Newbury	£4.1m
Hinkley & Rugby	£2.7m
Darlington	£2.7m
Market Harborough	£2.1m
Melton Mowbray	£1.9m
Scottish	£1.9m
Mansfield	£1.4m
Vernon	£1.4m

Category 14 - £10m

Purchasing bonds in Hampshire Community Bank (HCB) would contribute to the regeneration of Hampshire and offer interest of up to 3.5%. Investing in HCB would carry greater risk than the other approved investments contained in the Council's Annual Investment Strategy as HCB is a new entity that is in the process of developing its business, and currently has neither a banking license nor a credit rating. However HCB may be able to offer assets as security to cover a corporate bond. These assets would consist of good performing loans secured against tangible assets. The loan assets offered as security would pass to the Council in the event of HCB defaulting.

Category 14 will consist of bonds issued by Hampshire Community Bnk secured against good quality assets owned by the bank.

- 12.3 The Council's treasury management operation is exposed to the Council's subsidiary company MMD (Shipping Services) Ltd. The Council has £550k lodged with Lloyds Bank to guarantee MMD's banking limits.
- 12.4 The Annual Investment Strategy provides for the Council to lend to the United Kingdom Government and local authorities in England, Scotland and Wales, A rated financial institutions and A rated corporate bonds for 6 years, and to RSLs for 10 years. However as these investments would be over a year they cannot be included as specified investments.
- 12.5 The Council sometimes enters into contracts denominated in foreign currencies. Such contracts normally relate to civil engineering schemes at the port. It can be beneficial to buy Euros early to fund these projects and avoid the associated currency risk.
- 12.6 Non-specified investments will in aggregate be limited to the following:

	£
Building societies with a BBB credit rating and unrated building societies	62m
Corporate bonds with a BBB+ credit rating	20m
Corporate bond funds with an average credit rating of BBB	8m
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	213m
Investments in foreign currencies to hedge against contracts priced or indexed against foreign currencies	5m
Total	310m

13. MAXIMUM LEVEL OF INVESTMENT IN INDIVIDUAL ORGANISATIONS

13.1 The Government's Guidance does not require a limit to be placed on the amount that can be placed in any one investment. However in order to minimise risk further, the total amount that can be directly invested with any organisation at any time will be limited as follows:

	Maximum Investment in Single Organisation
Category 1	Unlimited
Category 2	£30m for up to 6 years
Category 3	£30m for up to 10 years
Category 4	£26m for up to 6 years
Category 5	£20m for up to 10 years
Category 6	£20m for up to 6 years
Category 7	£13m for up to 6 years
Category 8	£10m for up to 6 years
Category 9	£10m for up to 2 years
Category 10	£7m for up to 364 days
Category 11	£8m with an indefinite duration (although these investments may be sold)
Category 12	£6m for up to 2 years
Category 13	£6m for up to 364 days
Category 14	£10m for 6 years
MMD (Shipping Services) Ltd including sums lodged to guarantee the company's banking limits	£2m for up to 364 days

- 13.2 AA money market funds offer security and same day access. By aggregating investments they can also invest in financial institutions that may not be interested in the relatively small sums that the Council can invest. Although AA money market funds are well diversified in their investments, there is a risk that more than one fund could have investments with the same bank or that the Council may also have invested funds in the same bank as a money market fund. Therefore it is proposed that the Council should aim to have no more than £80m invested in money market funds.
- 13.3 Most building society lending is secured against residential properties. If property prices fall there may be inadequate security to support building societies lending giving rise to a systemic risk.
- 13.4 As RSL's offer one principal service and their assets principally consist of residential properties, excessive investments in RSLs would also expose the Council to a systemic risk.
- 13.5 Excessive investments in investment products tracking equity markets could also expose the Council to a systemic risk.
- 13.6 In order to minimise systemic credit risk in any sector the following limits will be applied:

Money market funds	£80m
Building societies	£107m
Registered Social Landlords	£80m
Investments tracking the equity markets	£70m

- 13.7 In order to minimise systemic credit risk in any region it is recommended that the following limits be applied to the geographic areas where investments can be made in foreign countries.

13.8 The following limits be applied:

Asia & Australia	£80m
Americas	£80m
Eurozone	£60m
Continental Europe outside the Eurozone	£60m

13.9 The limits above only apply to direct investments. The City Council's exposure to any institution, sector or region may exceed the limits stated above through indirect investments via money market funds. Money market funds employ specialist staff to assess counter party risks and all investments made by money market funds are short-term.

14. LIQUIDITY OF INVESTMENTS

14.1 The Council's cash flow forecast for the current year is updated daily. In addition, the Council maintains a long term cash flow forecast that extends to 2023/24. These forecast are used to determine the maximum period for which funds may be prudently committed, ie. the City Council's core cash. The City Council maintains at least £10m invested on an instant access basis to ensure that unforeseen cash flows can be financed.

15. INVESTMENT OF MONEY BORROWED IN ADVANCE OF NEED

15.1 Section 12 of the Local Government Act 2003 gives a local authority the power to invest for "any purpose relevant to its functions under any enactment or for the prudent management of its financial affairs". While the speculative procedure of borrowing purely to invest at a profit is clearly unlawful, there is no legal obstacle to the temporary investment of funds borrowed for the purpose of funding capital expenditure incurred in the reasonably near future.

15.2 Borrowing in advance of need may enable the City Council to obtain cheaper loans than those available at the time when expenditure is incurred, although the consequent investment of funds borrowed in advance of need does expose the City Council to credit risk. The interest payable on funds borrowed in advance of need is likely to exceed the interest earned on the investment of those funds in the current economic climate.

- 15.3 The Council's gross debt currently exceeds its estimated CFR by £81.5m, ie. it is over borrowed, in 2016/17 because £94m was borrowed from the Public Works Loans Board (PWLB) at an average rate of 2.37%.
- 15.4 The capital programme approved by the City Council on 14 February 2017 includes £104.7m of capital expenditure financed by borrowing over the next four years. This is expected to cause the Council's CFR to rise above its gross debt, ie. it is expected to become under borrowed in 2017/18.

16. TRAINING OF INVESTMENT STAFF

- 16.1 The Finance Manager (Technical & Financial Planning) manages the treasury function and is a qualified Chartered Public Finance Accountant and holds the Association of Corporate Treasurers Certificate in International Treasury Management. The Finance Manager (Technical & Financial Planning) is assisted by the Treasury Manager who is a qualified Chartered Certified Accountant. The City Council is also a member of CIPFA's Treasury Management Network which provides training events throughout the year. Additional training for investment staff is provided as required.

17. DELEGATED POWERS

- 17.1 Once the Treasury Policy has been approved, the Director of Finance and Information Services (Section 151 Officer) has delegated powers under the constitution of the City Council, to make all executive decisions on borrowing, investments or financing.

It is recommended that Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee be informed of any variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (**recommendation 3.1(e)**). The Governance and Audit and Standards Committee will be informed of any breaches of the Treasury Management Policy through the treasury management monitoring reports.

18. TREASURY SYSTEMS AND DOCUMENTATION

- 18.1 Once the Policy Statement has been approved by the Council, the documentation of the Treasury Systems will be updated so that all employees involved in Treasury Management are clear on the procedures to be followed and the limits applied to their particular activities.

- 18.2 The Treasury Management Practices document covers the following topics: -
- risk management
 - best value and performance measurement
 - decision making and analysis
 - approved instruments, methods and techniques
 - organisation, clarity and segregation of responsibilities, and dealing arrangements
 - reporting requirements and management information arrangements
 - budgeting, accounting and audit arrangements
 - cash and cash flow management
 - money laundering
 - staff training and qualifications
 - use of external service providers
 - corporate governance

19. REVIEW AND REPORTING ARRANGEMENTS

- 19.1 The Head of Financial Services and Section 151 Officer will submit the following **(Recommendation 3.2)**:-
- (i) an annual report on the treasury management outturn to the Cabinet and Council by 30 September of the succeeding financial year
 - (ii) a mid year review to the Cabinet and Council
 - (iii) the Annual Strategy Report to the Cabinet and Council in March 2018
 - (iv) a quarter 3 treasury management monitoring report to the Governance and Audit and Standards Committee

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PRUDENTIAL INDICATORS

Capital Expenditure							
	2015/16 Actual £'000s	2016/17 Estimate £'000s	2017/18 Estimate £'000s	2018/19 Estimate £'000s	2019/20 Estimate £'000s	2020/21 Estimate £'000s	2021/22 Estimate £'000s
Non - HRA Capital Expenditure	80,293	202,961	155,649	115,601	55,478	44,298	21,123
Housing Revenue Account (HRA)	27,437	33,836	42,338	20,468	21,276	27,247	22,472
Total Capital Expenditure	107,730	236,797	197,987	136,069	76,754	71,545	43,595

Ratio of Financing Costs to Net Revenue Stream							
	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Non - HRA	11.9%	11.0%	12.0%	11.6%	11.9%	12.7%	13.0%
HRA	13.1%	12.0%	12.6%	13.1%	13.0%	12.6%	12.3%

Capital Financing Requirement							
	2015/16 Actual £'000s	2016/17 Estimate £'000s	2017/18 Estimate £'000s	2018/19 Estimate £'000s	2019/20 Estimate £'000s	2020/21 Estimate £'000s	2021/22 Estimate £'000s
Non - HRA	280,516	326,083	401,622	408,084	409,468	408,928	402,028
HRA	154,734	168,865	170,804	167,850	164,896	161,942	158,988

HRA Limit on Indebtedness							
	2015/16 Actual £'000s	2016/17 Estimate £'000s	2017/18 Estimate £'000s	2018/19 Estimate £'000s	2019/20 Estimate £'000s	2020/21 Estimate £'000s	2021/22 Estimate £'000s
HRA	181,701	181,701	181,701	181,701	181,701	181,701	181,701

Authorised Limit for External Debt							
	2015/16 Actual £'000s	2016/17 Estimate £'000s	2017/18 Estimate £'000s	2018/19 Estimate £'000s	2019/20 Estimate £'000s	2020/21 Estimate £'000s	2021/22 Estimate £'000s
Borrowing	418,861	536,633	530,222	523,811	522,449	526,888	530,324
Other Long Term Liabilities (ie Credit Arrangements)	84,388	81,167	77,333	74,639	71,133	65,478	58,908
Total	503,249	617,800	607,555	598,450	593,582	592,365	589,231

Operational Boundary for External Debt							
	2015/16 Actual £'000s	2016/17 Estimate £'000s	2017/18 Estimate £'000s	2018/19 Estimate £'000s	2019/20 Estimate £'000s	2020/21 Estimate £'000s	2021/22 Estimate £'000s
Borrowing	399,129	518,333	511,922	505,511	504,801	508,887	511,962
Other Long Term Liabilities (ie Credit Arrangements)	84,388	81,167	77,333	74,639	71,133	65,478	58,908
Total	483,517	599,500	589,255	580,150	575,934	574,364	570,870

Incremental Impact of Capital Investment Decisions on the Council Tax							
	2016/17 Estimate £'000s	2017/18 Estimate £'000s	2018/19 Estimate £'000s	2019/20 Estimate £'000s	2020/21 Estimate £'000s	2021/22 Estimate £'000s	
Revenue effect of existing capital programme	869	3,854	5,919	5,932	6,106	6,188	
Revenue effect of proposed capital programme	869	3,798	5,784	5,750	5,922	6,003	
Increase in revenue effect	0	(56)	(134)	(182)	(184)	(184)	
Increase in Council Tax Band D	£0.00	(£1.01)	(£2.43)	(£3.29)	(£3.33)	(£3.33)	

Incremental Impact of Capital Investment Decisions on Housing Rents							
	2016/17 Estimate £'000s	2017/18 Estimate £'000s	2018/19 Estimate £'000s	2019/20 Estimate £'000s	2020/21 Estimate £'000s	2021/22 Estimate £'000s	
Revenue effect of existing capital programme	754	670	954	967	1,041	1,096	
Revenue effect of proposed capital programme	89	463	747	752	812	867	
Increase in revenue effect	(665)	(207)	(207)	(215)	(229)	(229)	
Effect on average weekly rent	(£0.85)	(£0.27)	(£0.27)	(£0.28)	(£0.30)	(£0.30)	

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BACKGROUND INFORMATION AND RISKS TO INTEREST RATE FORECASTS

Background Information

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Federal Reserve rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Downside Risks

Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.

- Major national polls:
 - The Italian constitutional referendum on 4 December 2016 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
 - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
 - Dutch general election 15 March 2017;
 - French presidential election April/May 2017;
 - French National Assembly election June 2017;
 - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian banks.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than currently anticipated.
- Weak growth or recession in the UK's main trading partners - the EU and US.

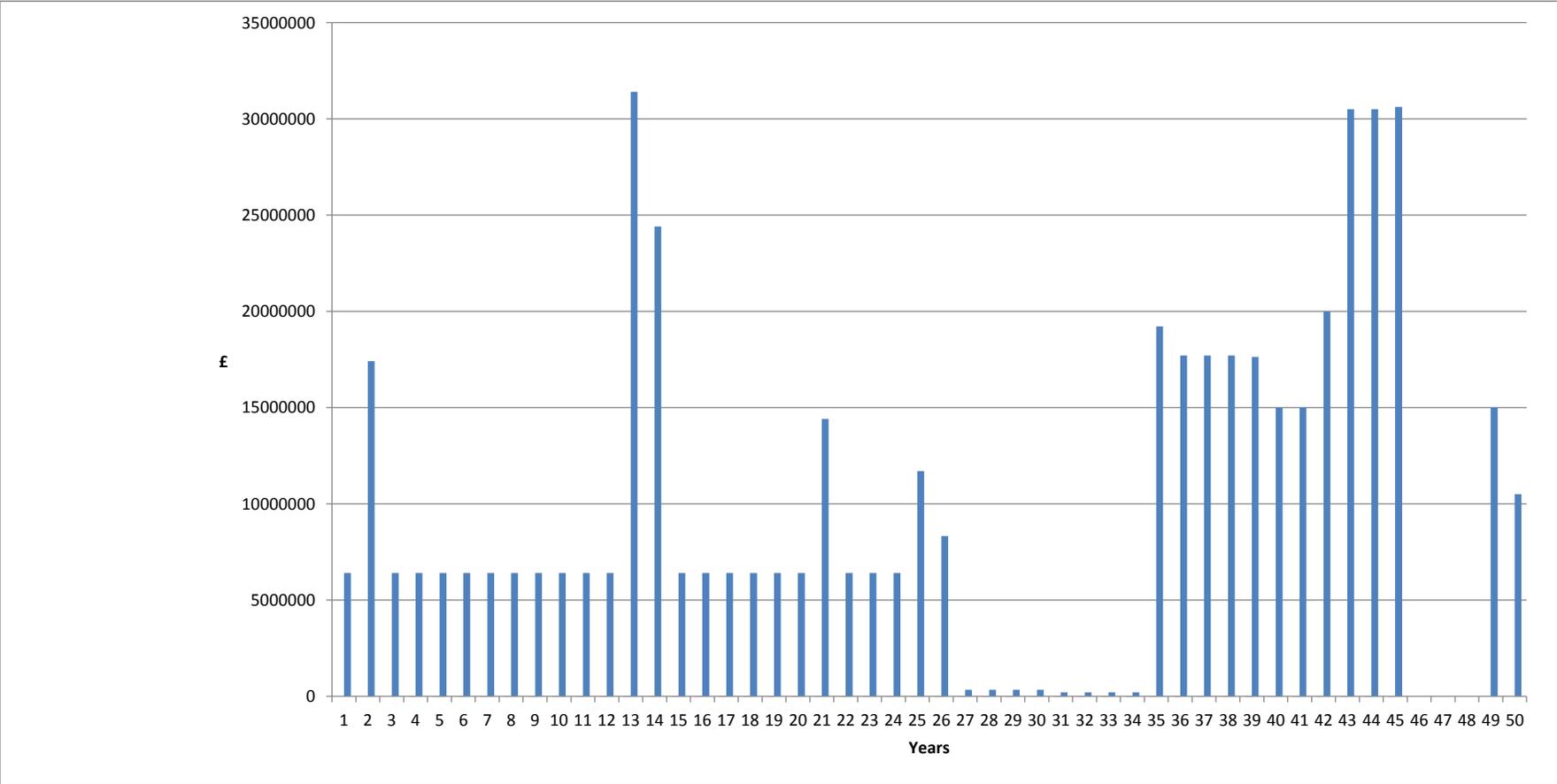
Upside Risks

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Federal Reserve funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Federal Reserve funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

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DEBT MATURITY PROFILE



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TREASURY MANAGEMENT INDICATORS

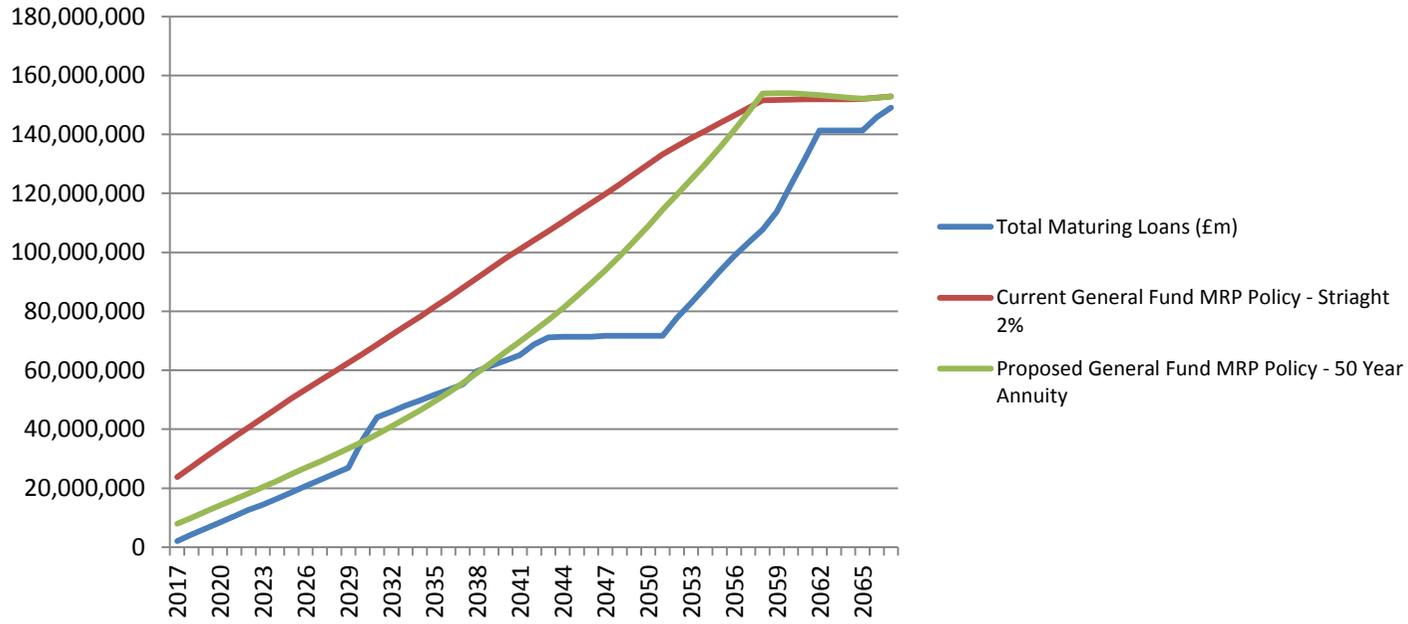
Interest Rate Exposures				
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Upper limit for fixed interest rate exposure (paragraph 4.7 of Treasury Management Policy Statement)	311	389	483	487
Upper limit for variable interest rate exposure (para 4.8 of Treasury Management Policy Statement)	(311)	(389)	(483)	(487)

Limits on Total Sums Invested for Periods Longer than 364 Days (paragraph 4.9 of Treasury Management Policy Statement)				
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Total sums invested for periods longer than 364 days at 31 March	200	168	148	144

Limits on the Maturity Structure of Borrowing (paragraph 4.10 of Treasury Management Policy Statement)		
	Lower Limit	Upper Limit
Under 12 months	0%	10%
12 months and within 24 months	0%	10%
24 months and within 5 years	0%	10%
5 years and within 10 years	0%	20%
10 years and within 20 years	0%	30%
20 years and within 30 years	0%	30%
30 years and within 40 years	0%	30%
40 years and within 50 years	0%	40%

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Maturing Loans and MRP for Supported Borrowing



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DEFINITIONS OF LONG TERM CREDIT RATINGS

Credit ratings are issued by three main credit rating agencies, Fitch, Moody's and Standard & Poor. All three agencies use broadly the same scale. Fitch defines its long term ratings as follows:

AAA: Highest credit quality

"AAA" ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality

"AA" ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High Credit Quality

"A" ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than in the case of the higher ratings.

BBB: Good credit quality

"BBB" ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

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INSTITUTIONS MEETING INVESTMENT CRITERIA

Category	Counter Party	Average Long Term Credit Rating *	Comments	Investment Limit £	Maximum Term
1	United Kingdom Government including investments explicitly guaranteed by the UK Government	AA+		Unlimited	6 years
2	All local authorities in England, Scotland & wales	n/a		30,000,000	6 years
3	Registered Social Landlords (RSLs)	AA-		30,000,000	10 years
4	Australia & New Zealand Banking Group	AA-		26,000,000	6 years
4	Commonwealth Bank of Australia	AA-		26,000,000	6 years
4	National Australia Bank	AA-		26,000,000	6 years
4	Westpac Banking Corporation	AA-		26,000,000	6 years
4	Toronto Dominion Bank	AA-		26,000,000	6 years
4	DZ Bank AG	AA		26,000,000	6 years
4	Landwirtschaftliche Rentenbank	AAA		26,000,000	6 years
4	NRW Bank	AA+		26,000,000	6 years
4	OP Corporate Bank Plc	AA-	Upgraded from category 6	26,000,000	6 years
4	Bank Nederlanden Gemeeten	AAA-		26,000,000	6 years
4	Nederlandse Waterschapsbank NV	AAA		26,000,000	6 years
4	Cooperative Rabobank UA	AA-		26,000,000	6 years
4	DBS Bank	AA		26,000,000	6 years
4	Overseas Chinese Banking Corp	AA		26,000,000	6 years
4	United Overseas Bank	AA		26,000,000	6 years
4	Nordia Bank AB	AA-		26,000,000	6 years
4	Skandinaviska Enskilda Banken (SEB)	AA-	Upgraded from category 6	26,000,000	6 years
4	Svenska Handelsbanken	AA-		26,000,000	6 years
4	Swedbank AB	AA-	Upgraded from category 6	26,000,000	6 years
4	HSBC Bank plc	AA-		26,000,000	6 years
4	Bank of New York Mellon	AA		26,000,000	6 years
4	JP Morgan Chase Bank NA	AA-		26,000,000	6 years
4	Morgan Stanley	AA-	Upgraded from category 6	26,000,000	6 years
4	Wells Fargo Bank NA	AA-		26,000,000	6 years
4	Nordic Investment Bank	AAA		26,000,000	6 years
4	Inter-American Development Bank	AAA		26,000,000	6 years
4	IBRD (World Bank)	AAA		26,000,000	6 years
4	Council of Europe Development Bank	AA+		26,000,000	6 years
4	European Bank for Reconstruction & Development	AAA		26,000,000	6 years
4	European Investment Bank	AA+		26,000,000	6 years

Category	Counter Party	Average Long Term Credit Rating *	Comments	Investment Limit £	Maximum Term
4	Global Treasury Funds Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Morgan Stanley Funds Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Short Term Investment Company (Global Series) Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Goldman Sachs Sterling Liquidity Reserve	AAA	Money Market Fund	26,000,000	Instant Access
4	Scottish Widows Investment Partnership Global Liquidity Sterling Fund	AAA	Money Market Fund	26,000,000	Instant Access
4	BNY Mellon Sterling Liquidity Fund	AAA	Money Market Fund	26,000,000	Instant Access
4	Deutsche Global Liquidity Series Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Morgan Stanley Funds Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Aberdeen Investment Cash OEIC Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Insight Investment	AAA	Money Market Fund	26,000,000	Instant Access
4	Federated Investors (UK) LLP	AAA	Money Market Fund	26,000,000	Instant Access
4	Royal London Asset Management	AAA	Money Market Fund	26,000,000	Instant Access
4	Standard Life Sterling Liquidity Fund	AAA	Money Market Fund	26,000,000	Instant Access
5	Registered Social Landlords (RSLs)	A-		20,000,000	10 years

Category	Counter Party	Average Long Term Credit Rating *	Comments	Investment Limit £	Maximum Term
6	Standard Chartered Bank	A+	New counter party	20,000,000	6 years
6	Close Brothers Ltd	A+		20,000,000	6 years
6	Bank of Montreal	A+		20,000,000	6 years
6	Canadian Imperial Bank of Commerce	A+		20,000,000	6 years
6	Bank of Nova Scotia	A+	Downgraded from category 4	20,000,000	6 years
6	National Bank of Canada	A+	Upgraded from category 6	20,000,000	6 years
6	Royal Bank of Canada	A+	Downgraded from category 4	20,000,000	6 years
6	BNP Paribas	A+		20,000,000	6 years
6	Credit Industriel et Commercial	A+		20,000,000	6 years
6	Landesbank Hessen - Thueringen	A+		20,000,000	6 years
6	Landesbank Baden Wurtenburg	A+	Upgraded from category 7	20,000,000	6 years
6	ING Bank NV	A+		20,000,000	6 years
6	ABN Amro Bank NV	A+	Upgraded from category 7	20,000,000	6 years
6	Qatar National Bank	A+		20,000,000	6 years
6	UBS AG	A+	Upgraded from category 7	20,000,000	6 years
6	Bank of America NA	A+		20,000,000	6 years
6	Citibank NA	A+		20,000,000	6 years
6	Goldman Sachs (including Goldman Sachs International Bank)	A+	Upgraded from category 7	20,000,000	6 years
6	Nationwide Building Society	A		20,000,000	6 years
6	Standard Life Investments	AAA	Short Duration Cash Fund	20,000,000	3 working days notice
6	Aberdeen Investment Cash OEIC Plc	AAA	Cash Investment Fund	20,000,000	3 working days notice
6	Insight Investment	AAA	Liquidity Plus Fund	20,000,000	4 working days notice
6	Federated Investors (UK) LLP	AAA	Cash Plus Fund	20,000,000	2 working days notice
6	Aviva Investors Sterling Strategic Liquidity Fund	AAA	Cash Plus Fund	20,000,000	1 working days notice
6	Royal London Asset Management	AA	Cash Plus Fund	20,000,000	2 working days notice

Category	Counter Party	Average Long Term Credit Rating *	Comments	Investment Limit £	Maximum Term
7	Santander UK Plc	A		13,000,000	6 years
7	Lloyds Bank plc	A	Downgraded from category 6	13,000,000	6 years
7	Sumitomo Mitsui Banking Corporation Eurpoe Ltd	A		13,000,000	6 years
7	Danske Bank	A		13,000,000	6 years
7	Credit Agricole	A		13,000,000	6 years
7	Societie Generale	A		13,000,000	6 years
7	Bayern LB	A	Upgraded from category 8	13,000,000	6 years
7	Credit Suisse	A		13,000,000	6 years
7	Coventry Building Society	A-	Downgraded from category 6	13,000,000	6 years
7	Leeds Building Society	A-		13,000,000	6 years
8	Barclays Bank Plc	A-	Downgraded from category 7	10,000,000	6 years
9	Yorkshire Building Society	A-	Short term rating P2	10,000,000	2 years
10	Corporate Bonds	BBB+		7,000,000	364 days
11	Corporate Bond Funds	BBB (average rating)	Some of the constituent bonds may be BBB-	8,000,000	Instant access subject to underlying boinds being sold
12	Furness Building Society	Unrated		4,400,000	2 years
12	Tipton & Coseley Building Society	Unrated		1,900,000	2 years
12	Marsden Building Society	Unrated		1,900,000	2 years
12	Dudley Building Society	Unrated		1,600,000	2 years
12	Loughborough Building Society	Unrated		1,400,000	2 years
12	Harpenden Building Society	Unrated		1,500,000	2 years
12	Stafford Railway Building Society	Unrated		1,300,000	2 years
12	Swansea Building Society	Unrated		1,100,000	2 years
12	Chorley and District Building Society	Unrated		1,100,000	2 years

Category	Counter Party	Average Long Term Credit Rating *	Comments	Investment Limit £	Maximum Term
13	Progressive Building Society	Unrated		6,000,000	364 days
13	Leek United Building Society	Unrated	Downgraded from category 12	4,500,000	364 days
13	Newbury Building Society	Unrated	Downgraded from category 12	4,100,000	364 days
13	Hinkley and Rugby Building Society	Unrated		2,700,000	364 days
13	Darlington Building Society	Unrated		2,700,000	364 days
13	Market Harborough Building Society	Unrated	Downgraded from category 12	2,100,000	364 days
13	Melton Mowbray Building Society	Unrated	Downgraded from category 12	1,900,000	364 days
13	Scottish Building Society	Unrated		1,900,000	364 days
13	Hanley Economic Building Society	Unrated	Downgraded from category 12	1,800,000	364 days
13	Mansfield Building Society	Unrated		1,400,000	364 days
13	Vernon Building Society	Unrated		1,400,000	364 days

Notes

There are a large number of corporate bonds, registered social landlords (RSLs) and universities and as a result they have not been individually included in the tables above.

* The long term credit ratings shown are adjusted to take account of possible future actions resulting from negative watches & outlooks.

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Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	3rd March 2017
Subject:	Audit Performance Status Report to 6th February 2017
Report by:	Chief Internal Auditor
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Summary

- 1.1 One new no assurance audit has been completed since the last meeting. No critical risk exceptions have been raised.
- 1.2 There are now 125 planned audits for 2016/17 made up of 98 new reviews and 27 follow up audits. Of these 112 (90%) have been completed or are in progress as at 6th February 2017. This represents 66 audits (53%) where the report has been finalised, 4 audits (3%) where the report is in draft and 42 audits (34%) currently in progress.
- 1.3 In addition to the planned audits there are 11 areas of on-going work and 4 continuous audits which contribute to risk assurance.
- 1.4 Areas of Assurance on audits completed since the last meeting are shown in Appendix A. Results of follow up audits can be found in Appendix B

2. Purpose of report

- 2.1 This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2016/17 to 6th February 2017 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

3. Recommendations

- 3.1 That Members note the Audit Performance for 2016/17 to 6th February 2017
- 3.2 That Members note the highlighted areas of control weakness for the 2016/17 Audit Plan

4. Background

4.1 The Annual Audit Plan for 2016/17 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 29th January 2016 following consultation with Heads of Services, Strategic Directors and the previous Chair of this Committee.

5. **Audit Plan Status 2016/17 to 6th February 2017**

Percentage of the approved plan completed

5.1 90% of the annual audit plan has been completed or is in progress as at 6th February 2017. Appendix A shows the completed audits for 2016/17. Appendix B shows the completed follow up audits for 2016/17

The overall percentage figure is made up as follows:

- 51 new reviews (41%) where the report has been issued, 4 in draft form (3%) and 35 (28%) where work is in progress
- 15 planned follow ups (12%) where the report has been issued and 7 (6%) where work is in progress

5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits since the last meeting is contained in Appendix A. Where specific parts of the control framework have not been tested on an area (because it has been assessed as low risk for example) it is recorded as NAT (No Areas Tested) within the Appendix.

Changes to the 2016/17 Audit Plan

5.3 Five full audits have been removed from the audit plan since the last meeting of the Committee.

5.3.1 At the request of the schools both the Harbour and Portsdown Primary school audits have been deferred until 2017/18

5.3.2 The Prevention and Early Intervention audit in Children's Services has been deferred to 2017/18 as the service is currently going through a significant change which will not be implemented until the new financial year.

5.3.3 The audit of IS Business Continuity was removed from the plan as a comprehensive external audit covering business continuity and disaster recovery has already been completed during 2016/17

5.3.4 The audit of Conduct and Ethical Behaviour has been removed as the scope of the audit has been adequately covered by other audits within the 2016/17 plan.

5.4 **External Clients**

Internal Audit has now secured 361 days of audit work for external clients during 2016/17. 59% of the days for this work have now been completed.

Reactive Work

5.5 Reactive Work undertaken by Internal Audit in 2016/17 includes:

- 28 special investigations
- 30 items of advice

As well as the following unplanned reviews

- Channel Shift Programme
- Copyright Audit

Exceptions

5.6 Of the full audits completed so far this year the number of exceptions within each category have been:

- 2 Critical Risk
- 98 High Risk
- 23 Medium Risk
- 9 Low Risk (Improvements)

5.7 The table below is a comparison of the audit status figures for February this financial year and the previous two years

	2014/15	2015/16	2016/17
% of the audit plan progressed	79%	91%	90%
No. of Critical exceptions	8	1	2
No. of High risk exceptions	107	59	98

Ongoing Areas

5.8 The following 11 areas are on-going areas of work carried out by Internal Audit;

- Regulation of Investigatory Powers Act (RIPA)- authorisations and training
- Anti-Money Laundering review of Policy and training
- Investigations
- Financial Rules waivers
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Audit Commission
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up

- Counter Fraud Programme
- Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
- G&A&S Committee reporting and attendance and Governance,
- Audit Planning and Consultation
- Risk Management

Continuous Audit Areas

- 5.9 The following 4 areas are subject to continuous audit (i.e. regular check to controls) and feed into overall assurance;
- Legionella Management
 - Asbestos Management
 - Key risks management in services
 - Performance Management

6. Areas of Concern

New Areas of Concern

6.1 External - Medina Primary School

6.1.1 The initial audit of the Medina Primary School was given no assurance as testing resulted in 6 high risk exceptions being raised.

6.1.2 The 6 high risk exceptions and agreed actions are summarised in the table below:

Exception	Agreed Action
Testing reviewed the Schools Financial Value Standard (SFVS) statement for the year ending March 2016 and the auditor was unable to substantiate a number of the declarations within the statement. It was also not clear what documentation had been submitted to governors when they signed off on the statement.	The SFVS will be included as a regular agenda item at the Finance, Personnel & Property committee and evidence will be submitted to support each statement. The final document will be presented to the full governing body for ratification before submission to the Local Authority.
No evidence was found that the Governors of the school had a Disclosure and Barring Service (DBS) check. This is in breach of the School Governance (Constitution) (England) Regulations 2012.	All governors will be subject to an enhanced DBS check immediately.
A number of issues were found with hire agreement arrangements. No evidence was found that the governing body had approved the fees. Hire	The Governing Body will agree the Community Letting Charges (including 'Head teacher' discretion rates) and this will be reflected in the relevant minutes.

<p>agreements were found for only 5 of 8 hirers and no evidence was available to confirm the 8 hirers had the required insurances in place. Without a hire agreement this is no evidence the hirer has accepted the terms and conditions for use. If an accident were to occur and the relevant insurance not in place the school could be exposed to compensation claims.</p>	<p>All Hirers will be required to sign a new Hire Agreement Form (which clearly states the cost of hire) with effect from April 2017 and to provide a copy of their indemnity insurance policy.</p>
<p>None of the four staff responsible for income collection had signed the PCC Income Handling Policy. This may mean that staff are not following Financial Rules and placing them in a vulnerable position to accusations of mishandling funds.</p>	<p>All staff involved in cash collection will read and sign a copy of the PCC Income Handling Policy & Instructions and a copy will be retained on file.</p>
<p>From a sample of 6 purchase orders, 5 were raised retrospectively which is a breach of Financial Rules. The total spend on these purchase orders was £2679.92. Purchase orders form part of the internal control process for expenditure, raising them retrospectively bypasses the control as the expenditure is already committed.</p>	<p>The internal process for ordering goods and services will be reviewed to establish if there is a weakness in controls resulting in the orders being raised retrospectively. Following on from this purchase orders will be raised, where possible, before expenditure is incurred.</p>
<p>Testing on a sample of 3 employee's files found that the school had retained on DBS application and one DBS document on file which is a breach of the DBS Code of Practice and the Data Protection Act 1998. This could result in a financial penalty for the Authority</p>	<p>Any DBS documents or disclosure information held in employees personal files will be shredded and, moving forward; the school will only retain documentation which has been obtained to evidence the 'right to work in the UK</p>

6.1.4 A follow up audit for the school will be conducted as part of the 2017/18 Audit Plan.

Updates

6.2 **Transport, Environment & Business Support - Portsmouth Craft & Manufacturing Industry - Partially Resolved**

6.2.1 The 2015/16 audit of Portsmouth Craft & Manufacturing Industry (PCMI) resulted in no assurance being given. A follow up audit was conducted as part of the 2016/17 Audit Plan.

6.2.2 5 high risk exceptions were raised as part of the original audit. The results of follow up testing are detailed in the table below.

Exception	Follow Up Results	Further Agreed Action
When undertaking manufacturing work there were no terms and conditions highlighting both party's responsibility to comply with copyright laws	There have been difficulty obtaining suitable terms and conditions. A copy of another establishment has now been received.	Draft terms and conditions have now been drafted and have been sent to the PCC Legal team to review.
Staff responsible for cash handling at PCMI had not signed PCC Cash Handling instructions. Cash was being counted and reconciled by one person and reconciliations found not to contain sufficient detail	Cash handling instructions have now been signed by all relevant staff. Cash up and reconciliations are still performed by a single member of staff (often low value and less than £100)	Manufacturing Supervisors to verify the cash counted on weekly cash ups. Cash up sheets will be signed and dated by both the Admin/Finance Officer and the supervisor
Stock records and physical stock takes were not occurring in breach of Financial Rules	Stock records are now being held but do not reference stock purchases. To be effective stock records should record current levels alongside incoming and outgoing stock.	Stock records will now include the purchase of raw materials. Reconciliations can then be performed to verify that the levels of materials identified in the stock checks are correct in relation to the purchase and subsequent use of materials in manufacturing.
Testing on a sample of 25 jobs highlighted 50% where free form pricing had been used for one element. Similarly 23% contained an element where the calculation template had been overridden. No supporting evidence was present to justify why the prices had been charged	On a sample of 10 jobs no instances were found where either free form pricing or the manual override functions had been used. All had been priced correctly using the Estimate system.	No further action required
Mandatory training records were reviewed	Follow up testing reviewed the training	No further action required

for all 16 staff at PCMI. None of the 16 staff sampled had completed all areas required by the Performance Development Review.	records for all current members of staff (9). At the time of testing all staff had completed the required mandatory training courses	
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6.2.3 At present there are no plans for a further follow up audit in this area.

6.3 Adult Social Care/Integrated Commissioning Unit - Individual Service Contracts - Partially Resolved

6.3.1 The 2015/16 audit of this area was given no assurance. A follow up audit was undertaken as part of the 2016/17 Audit Plan/

6.3.2 2 high risk exceptions were raised in the original audit. The results of follow up testing are detailed in the table below:

Exception	Follow Up Results	Further Agreed Action
It was discovered that there was no clear ownership/responsibility for individual service contracts (ISC) within the Authority	Adult Social Care has now taken ownership/responsibility for individual service contracts and are monitoring their effectiveness.	No further action required
Inefficiencies were found in relation to the processing of ISCs. There were duplication of efforts within the process and wasteful practices surrounding postage	A funded nursing care style report was considered to replace ISCs but has not been implemented. Improvements have been made in regard to emails being sent instead of ISCs however Residential Care ISCs continue to be printed and sent out.	The issue of ISCs will be addressed as part of the implementation of the Swift replacement system

6.3.3 At present there are no plans for a further follow up audit in this area.

7. Comments on the plan to date

7.1 The plan is on target to be achieved by 31st March 2017. A total of 2 critical exceptions have been reported to date and the number of high risk exceptions found is in line with the 2014/15 figures where a similar number of school audits were undertaken.

8. Equality impact assessment (EIA)

8.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

9. Legal Implications

9.1 The City Solicitor has considered the report and is satisfied that the recommendations are in accordance with the Council’s legal requirements and the Council is fully empowered to make the decisions in this matter.

9.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

10. Finance Comments

10.1 There are no financial implications arising from the recommendations set out in this report.

10.2 The S151 Officer is content that the progress against the Annual Audit Plan and the agreed actions are sufficient to comply with his statutory obligations to ensure that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control.

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Signed by: Elizabeth Goodwin, Chief Internal Auditor

Appendices:

- Appendix A – Completed audits from 2016/17 Audit Plan
- Appendix B - Completed follow up audits from 2016/17 Plan

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
1 Accounts and Audit Regulations	http://www.legislation.gov.uk/ukxi/2011/817/contents/made

2	Audit Strategy 2016/17	http://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=148&MId=3331&Ver=4
3	Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings –reports published online http://democracy.portsmouth.gov.uk/ieListMeetings.aspx?Committeeld=148

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

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Signed by:

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Appendix A1 -Results from 2015/16 Municipal Year (No Assurance and Critical Audit Summary)

Audit Title - NO ASSURANCE AUDITS	Critical Risks	High Risks	Original Audit Assurance	Key Risk	Summary	Follow Up Due	Follow Up Audit Assurance	Follow Up Summary
1516-029 - Portsmouth Craft & Manufacturing Industry Transport Environment & Business Support (Director Alan Cufley) - Original audit completed September 2015		5	No Assurance	Injury to staff due to lack of training - Financial & Reputational	Five high risk exceptions arose within this audit which has resulted in no assurance overall. The exceptions relate to mandatory training, cash handling, copyright regulations, transparency of pricing and stock control.	2016/17 Audit Plan Quarter 2 September - In Draft	Limited Assurance	See main report
1516-009 - Through Care Team Children's Social Care (Director Alison Jeffery) - Original audit completed March 2016		5	No Assurance	Financial loss to the Authority	Five high risk exceptions and one medium risk exception have been raised as a result of audit testing. Testing identified Leaving Care Assessment of Needs were not being completed within the timescales stipulated and Pathway Plan were not in place by the time the young person was 16 years and 3 months old and the 6 monthly reviews of the Pathway Plans were delayed. Testing also showed that the systems in place to manage care leavers grants and payments was not adequate. This resulted in overpayments, duplicate payments and records not reconciling.	2016/17 Audit Plan Quarter 4		Actions have been agreed with the Director. These will be followed up in Q4
1516-082 - Closed-circuit Television (CCTV) Corporate - Original audit completed October 2015		4	No Assurance	Non compliance with legislation - Financial & Reputational	Four high risk exceptions highlighted in this report. The CCTV Policy not including all CCTV usage across the Authority and services not having their own. Breach of Data Protection Act (DPA) Principle 7 and European Convention on Human Rights (ECHR) & Human Rights Act (HRA) Article 8 by some Housing tenants having access to CCTV images. Non- compliance with significant areas of the Codes of Practice, DPA and ECHR & HRA by services that utilise CCTV especially around defining a pressing need/ privacy impact assessment. Non- compliance with the Protection of Freedoms Act (POFA) Code of Practice regarding regular oversight of CCTV usage to ensure compliance with Codes of Practice and relevant Acts.	2016/17 Audit Plan Quarter 4		Actions have been agreed with the Director and these are due to be followed up in Quarter 4

1617-016 - Single Assessment Framework - Children's Social Care (Director Alison Jeffery) - Original audit completed June 2016		3	No Assurance	Children's needs may not be fully met	Three high risk exceptions were raised from this review. 25 assessments were tested and it was found that: 4 were not fully complete, 14 contained little or no information so it was not possible to determine what their views were on the assessment, for 12 there was no evidence that they had been reviewed at the 10 day stage or authorisation given for the 10 day completion timescale to be exceeded, and there were no signed assessments in the Children's Case Management system.	2016/17 Audit Plan Quarter 4		Actions have been agreed with the Director and these are due to be followed up in Quarter 4
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Appendix A1 -Results from 2015/16 Municipal Year (No Assurance and Critical Audit Summary)

Audit Title - NO ASSURANCE AUDITS	Critical Risks	High Risks	Original Audit Assurance	Key Risk	Summary	Follow Up Due	Follow Up Audit Assurance	Follow Up Summary
1516-086 - Individual Service Contracts for Adult Social Care (Director Innes Richens) - Original audit completed November 2015		2	No Assurance	Contracts become obsolete or ineffective - Operational & Financial	Two high risk exceptions were raised as a result of audit testing. It was found that no officer has responsibility for ensuring that Individual Service Contracts remain in line with the Authority's requirements. Ineffective use of resources was found as follows: i) information being sent out twice to care providers, ii) manual contracts being posted to care providers and the signed copies being scanned into Swift when returned, when it could be possible to send these out electronically.	2016/17 Audit Plan Quarter 4	Reasonable Assurance	See main report
1617-070 - Resident Development - Housing & Property - Owen Buckwell - Original audit completed November 2016	0	5	No Assurance	Service not meeting the needs of residents	Six high risk exceptions have been raised as a result of testing. These were in relation to policy or procedures in place detailing the purpose and function of the Resident Development Service. The outcomes of the Resident Development service were not being captured or reported. Exceptions were also raised in relation to recording information on resident development progress forms, these forms are used to record details of meetings with the residents and incomplete financial information on some of the progress forms and the Resident Development 2016/2017 spreadsheet. In addition testing was unable to for a sample of 10 payments from the 2016/2017 spreadsheet, reconcile to the Transaction Report for the Resident Development Service. At the time of testing there was no inventory in place for equipment being used by the Resident Development Officers and residents.	2017/18 Audit Plan		Actions have been agreed with the Director. These will be followed up as part of the 2017/18 Audit Plan

1516-045 - Accounts receivable Finance & IS (Director Chris Ward) - Original audit completed May 2016		2	No Assurance	Financial loss to the Authority	Two high risk and one medium risk exceptions arose. 1 High and 1 Medium are ongoing exceptions from previous years audits dating back to the last 3 financial years. These relate to the authorisation of credit notes and debt collection targets.	2016/17 Audit Plan Quarter 3 - Work In Progress		Actions have been agreed with the Director, the follow up audit is currently in progress
1617-102 St Paul's RC Primary - External - Original audit completed October 2016	0	8	No Assurance	Weak financial management within the school	The Full Audit resulted in eight high risk exceptions relating to; retention of DBS supporting documentation, non generation of electronic banking sheet summary, retrospective raising of purchase orders, incomplete Business Continuity Plan, incomplete record of assets, no CCTV Policy, non reporting of Unofficial / PTA / Building Fund accounts to the Governing Body and a weakness in controls for mini bus usage.	2016/17 Audit Plan Quarter 4		Actions have been agreed with the Head Teacher. These will be followed up in February 2017

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Appendix A1 -Results from 2015/16 Municipal Year (No Assurance and Critical Audit Summary)

Audit Title - NO ASSURANCE AUDITS	Critical Risks	High Risks	Original Audit Assurance	Key Risk	Summary	Follow Up Due	Follow Up Audit Assurance	Follow Up Summary
1617-116 Craneswater Junior - External - Original audit completed December 2016			No Assurance	Weak financial management within the school	The Full Audit resulted in nine high risk and one medium risk exceptions relating to; Incorrect statements on the SFVS document in relation to; no opportunity to declare interests at FGB meetings, no evidence of staff competency matrices, no evidence of a current hire agreement form or liability insurance for the Karate Club, non display of the whistle blowing policy on the staff room notice board and an incomplete Business Continuity Plan - in addition , irregular reconciliation of the petty cash account, uncounted cash in the safe which exceeded the permitted insurance holdings, incomplete record of assets, non reporting of PTA accounts to the Governing Body and a weakness in controls for mini bus usage.	2017/18 Audit Plan Quarter 1		Actions have been agreed with the Head Teacher. These will be followed up in 2017/18
1617-083 Spend on Staffing Off Contract - HR, Legal & Performance - Jon Bell - Original audit completed January 2017			No Assurance	Failure to adequately vet staff DBS checks before commencing employment	A critical risk exception has been raised as part of the audit with regard to the checking of DBS certificates before temporary workers commence employment at PCC	2017/18 Audit Plan		Actions have been agreed and will be followed up during 2017/18

1617-072 Emergency Procedures - Housing & Property - Owen Buckwell - Original audit completed December 2016			No Assurance	Lack of record keeping regarding emergency incidents. Staff unaware of Emergency plan	Three high-risk exceptions have been raised in relation to the Property & Housing Service's emergency procedures, resulting in a no assurance rating. One high-risk exception was raised as four out of five (80%) of respondents from staffed PCC buildings did not have knowledge of the Emergency and Major Incident Planning Document, and had not disseminated it to staff. Another high-risk exception has been raised as the service does not maintain a central record of emergency incidents, or actions taken in response to them. A final high-risk exception was raised as, due to lack of records, it was not possible to ascertain staff adherence to the guidance within the emergency planning document. It was therefore not possible to comment on the effectiveness of either the guidance, or of the staff response.	2017/18 Audit Plan		Actions have been agreed for one of the high risk exceptions the other two have been accepted by the Director.
	0	3						

Appendix A1 -Results from 2015/16 Municipal Year (No Assurance and Critical Audit Summary)

Audit Title - NO ASSURANCE AUDITS	Critical Risks	High Risks	Original Audit Assurance	Key Risk	Summary	Follow Up Due	Follow Up Audit Assurance	Follow Up Summary
1617-117 - Medina Primary - External - Original audit completed January 2017			No Assurance	Weak financial management within the school	Six high risk exceptions were raised relating to; inaccurate completion of the SFVS Document, no DBS checks for the Governing Body, poor control of lettings including no evidence of public liability insurance for hirers, retention of a DBS certificate / supporting documentation and finance staff not having signed the PCC Income Handling Policy.	2017/18 Audit Plan		Actions have been agreed and will be followed up during 2017/18
	0	6						

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APPENDIX A2 - Audits Completed Since The Last Meeting

Audit Title	Critical Risk	High Risk	Medium Risk	Low Risk - Improvement	Total Exceptions	Internal Control Environment	Compliance	Safeguarding of Assets	Effectiveness of Operations	Reliability & Integrity	Audit Assurance	Summary
1617-117 - Medina Primary - External		6	3		9	3	4	1	1	0	No Assurance	Six high risk exceptions were raised relating to; inaccurate completion of the SFVS Document, no DBS checks for the Governing Body, poor control of lettings including no evidence of public liability insurance for hirers, retention of a DBS certificate / supporting documentation and finance staff not having signed the PCC Income Handling Policy. There were also 3 medium risk exceptions.
1617-002- Adult Residential Units - Adult Social Care - Innes Richens		6			6	1	5	0	NAT	NAT	Limited Assurance	Six exceptions in relation to out of date Health & Safety posters, high levels of cash holdings held on site for residents, no spot checks on unit safes, weak internal controls in relation to frequency of banking, finance staff not signing the Income Handling Policy and the control and administration of petty cash.
1617-104 - Fernhurst Junior - External		3	1		4	0	3	1	0	0	Limited Assurance	Three high risk and one medium risk exception were raised in relation to; evidence of Hirers Public Liability Insurance, reconciliation of petty cash, an absence of receipts for 2 purchases and internal control of assets.
1617-024 - Cemeteries - City Development & Culture - Stephen Baily		3	1		4	1	3	NAT	NAT	NAT	Limited Assurance	3 High risk exceptions were raised relating to Financial Rules breaches in the following areas, safe limit breaches, safe access and not banking regularly.
1617-044 - Payroll/ Pension - Finance & Information Service - Chris Ward		2	1		3	1	0	2	0	0	Limited Assurance	One high-risk exception was raised as EBS access had not been rescinded for one ex-member of staff. Another high-risk exception was raised as it was not possible to evidence comprehensive HR investigation records for all employees who had been subject to an overpayment.

APPENDIX A2 - Audits Completed Since The Last Meeting

Audit Title	Critical Risk	High Risk	Medium Risk	Low Risk - Improvement	Total Exceptions	Internal Control Environment	Compliance	Safeguarding of Assets	Effectiveness of Operations	Reliability & Integrity	Audit Assurance	Summary
1617-042 - Accounts Receivable - Finance & Information Service - Chris Ward		2			2	NAT	0	1	1	NAT	Limited Assurance	One high-risk exception was raised in relation to EBS access. Testing revealed forty-three members of staff whose access to the system had been not been rescinded, despite them leaving PCC's employment. One high-risk exception was raised in relation to the authorisation of credit notes. Following exceptions not addressed over the past four audits, testing established that the agreed action, to undertake a quarterly review of credit notes, had not been carried out.
1617-004 - Continuing Health Care (Section 75) - Adult Social Care - Innes Richens			1		1	1	0	0	0	NAT	Reasonable Assurance	One medium risk exception raised as testing found that due to changes in personnel the make up of the Project Management Group presents a conflict of interest for the Director of Integrated Commissioning.
1617-032 Market Research Consultation - Community & Communication - Louise Wilders				1	1	NAT	NAT	NAT	1	NAT	Assurance	One low risk improvement as spending on consultation was found to have occurred prior to approval being granted
1617-048 - Debt Recovery - Finance & Information Service - Chris Ward				1	1	0	1	NAT	0	NAT	Assurance	Low risk improvement regarding the timeliness of obtaining approval for write offs

APPENDIX B

2015/16 Followed Up Audits since the last meeting - High Risk Exceptions	High Risk Open		High Risk Closed		Total High Risk	Comments
	Audit Title					
F1516-003 ASC - Personal Budgets - Adult Social Care - Innes Richens	1	100%	0	0%	1	Follow up testing found that Care Act compliant assessments were still not in place for all learning disability cases. However significant progress has been made towards 100% compliance.
F1516-012 - Direct Payments - Children's Social Care - Sarah Newman	0	0%	1	100%	1	
F1516-056 - Cloud Storage - Finance & Information Service - Chris Ward	0	0%	1	100%	1	
F1516-073 - Housing Waiting List and Voids - Housing & Property Services - Owen Buckwell	4	100%	0	0%	4	All four exceptions remain open. In response the service have decided to review and overhaul the voids process with an aim to complete this by April 2017
F1516-076 - Property Purchases - Housing & Property Services - Owen Buckwell	0	0%	1	100%	1	
F1516-086 - Individual Service Contracts - Adult Social Care - Innes Richens	1	50%	1	50%	2	An issue was raised relating to the duplication of efforts in producing and posting individual service contracts. This part of the process will be included within the implementation of the new social care system.
F1516-029 - PCMI - Transport Environment & Business Support - Alan Cufley	3	60%	2	40%	5	3 high risk exceptions were found to be in progress relating to stock records, copyright and cash handling. The agreed actions relating to transparency of pricing and mandatory training have been completed
Total	9	60%	6	40%	15	

APPENDIX B

2015/16 Followed Up Audits since the last meeting - Medium Risk Exceptions	Medium Risk Open		Medium Risk Closed		Total Medium Risk
Audit Title					
F1516-012 - Direct Payments - Children's Social Care - Sarah Newman	0	0%	1	100%	1
F1516-032 - Members Allowances - Community & Communication - Louise Wilders	0	0%	2	100%	2
F1516-056 - Cloud Storage - Finance & Information Service - Chris Ward	0	0%	1	100%	1
Total	0	0%	4	100%	4

Agenda Item 8



Portsmouth
CITY COUNCIL

Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	3 rd March 2017
Subject:	Performance Management update - Q3, 2016-17
Report from:	Deputy Chief Executive and City Solicitor
Wards affected:	n/a
Key decision:	No
Full Council decision:	No

1. Purpose

- 1.1 To report significant performance issues, arising from Q3 performance monitoring, to Governance and Audit and Standards Committee and highlight areas for further action or analysis.

2. Recommendations

- 2.1 The Governance and Audit and Standards Committee are asked to:
- 1) note the report;
 - 2) note the overall improvement in quality of reports , and the commentary from the Deputy Chief Executive at section 5
 - 3) comment on the performance issues highlighted in section 3, including agreeing if any further action is required
 - 4) Agree the actions proposed in section 4.

3 Background

- 3.1 This report is part of the regular series of quarterly reports highlighting significant performance issues across the organisation, and the first compiled against the areas identified in the previous baselines report, presented to committee in June 2016.
- 3.2 In compiling reports, directors were asked to consider:
- 1) Priority performance areas
 - 2) Risks
 - 3) Projects
- 3.3 Previous meeting of GAS identified that the reports being received were falling short of the expectations of members, and Directors have been reminded of the expectations. There was a request for more contextualizing information, to allow

members to make informed judgements about the information presented. It was also made clear that the expectation is that reports cover the full breadth of Directorate activity. These messages were communicated to Directors, along with templates tailored to be more specific and ensure that there is broader coverage of activity. Directors have been asked to make use of readily understood RAG (red; amber; green) rating terminology to describe perspectives where:

- Green is improving; exceeding or on plan
- Amber is no change or some degree of uncertainty about performance
- Red is deteriorating; failing to achieve plan; or a high level of concern.

- 3.4 In order to provide more assurance to members around the management of performance, projects and risk, and to enable discussion on these areas, the report is now presented with three appendices, focused on business as usual performance, projects (both business transformational and capital schemes) and risk.
- 3.5 It is clear that from the reports attached at Appendices 1-3, that the improvements in quality of reporting continue to be made, and much more detail and analysis is provided. What is notable is that even where service performance can be described more easily in qualitative rather than quantitative terms, there is clear work to place parameters around what the service area is seeking to achieve, and to describe what this looks like, to enable a more informed discussion.
- 3.6 The reports highlight some key issues, and of particular note:
- Children's services report that in quarter 3, demand and caseloads increased notably and causes are under investigation. This means that whilst activity has increased, rates of performance have dropped in some areas. There has been activity to recover the situation related to the Troubled Families, which appears to be proving successful. There are improvements and maintained performance across the range of activity to support education in the city, although the projected outcomes remain likely to be below national comparators.
 - Adults' services have made progress in defining the plan that they will report performance against, although there remains more to be done in capturing performance in these areas. It is of note that much activity is collaborative with partners in the NHS.
 - Public Health have reported a challenging quarter, with the effects of reduced capacity noted. There are a number of areas where annual data is awaited.
 - Regulatory Services and Community Safety also highlight a number of areas where demand is outstripping available resource and income generation is proving challenging; but also report a high number of change projects underway to address the need to find savings and develop new ways of working in that context.
 - Transport, Environment and Business Support report a broadly positive quarter, although the Strategic Parking Review is flagged as "Amber" and there are some concerns re income generation through the employment, learning and skills service.

- Culture and city development highlight that reduced resources and structural change has impacted on the timelines for some work being completed, including a review of green spaces, and preparation of public realm, heritage and contaminated land strategies. However, clear revised timelines and plans are in place to address these areas.
- Community and communications report broadly positive progress, but as with other services, highlight challenges in securing external income. The Committee will be interested to note the improvement in timescales for addressing Freedom of Information requests.
- HR, Legal and Performance also report positively, but note that progress in reducing staff sickness appears to have plateaued.
- Financial and Information Services report an improving position in regard to forecasts deficits agreed against allocated budget (notably through reductions in forecasts underspends against the children's and adults' portfolios). There is a downturn in payment performance as a result of phasing in some changes, and slower progress than anticipated in progressing the Digital Strategy, although this is forecast to be on track by the end of the year.

- 3.7 As is usual, as well as very specific indicators, there are some common themes emerging from the reports, and it worth noting that in some cases these link strongly with areas highlighted in the Annual Governance Statement. The implications of reducing capacity are noted in respect of a number of areas where performance levels may be reducing; but it is worth noting too that in many cases this is highlighted as a price worth paying in order to achieve a reduction in expenditure. Nonetheless, there is a recurrent concern that demand is outstripping capacity to respond. There is clearly a need to ensure that there are clear plans for the resilience of the business; a number of directorate reports make reference to this, including in terms of skills and workforce, and are reviewing services to achieve these. This work also includes reviewing service delivery to ensure statutory provision and provision for the most vulnerable is protected. Securing external income to improve service resilience continues to be challenging.
- 3.8 Appendix 2 details matters around projects. Two key concerns are raised around system replacement projects - the transition from the SWIFT /AIS system for adult social care, and the replacement of regulatory services database. The key issue in respect of the SWIFT projects relates to information governance and the matter has been raised to the monitoring officer for resolution. Projects previously highlighted as a concern (Dunsbury Hill Farm Link Road and Traffic Signal Optimisation) are now reporting recovered positions.
- 3.9 The reporting of risks has also moved on, and there is good development in terms of categorising risk likelihood and impact. Of note are significant risks flagged to the Committee for the first time by Adult Social Care.
- 3.10 Governance and Audit and Standards Committee are asked to consider the issues above, and also the summary highlight reports attached at Appendices 1-3, and agree where any further information or action is required.

4. Next steps

- 4.1 As reported, improvements to reporting have been made since the last quarter. The summaries now focus much more strongly and analytically on the core performance indicators, and include a sharper focus on risks and projects. This will continue to be developed for the next quarter.
- 4.2 The next significant development for reporting will be the inclusion of reporting from Portsmouth International Port.
- 4.3 It is also necessary to consider more strongly the external perspective in the reports - currently these are focused on internal organisational process and more could be done to explore what this is achieving from a customer perspective.
- 4.4 Presentationally, future reports will include a table of contents and confirmation of when the last report was submitted when there are any omissions.

5. Comments from the Deputy Chief Executive

- 5.1 Reports that have been received continue to improve in quality and provide greater assurance around organisational performance than has previously been the case. The clarity of expectation from members of GAS in achieving this has been very helpful for all concerned.
- 5.2 The content of the reports clearly highlights service specific issues and allows wider themes to be discerned, which is helpful for the committee in identifying issues relating to the wider governance of the organisation. In general terms, the report shows that there are challenges associated with the ongoing reduction of resource and capacity, but that the impacts of these are being effectively mitigated as far as possible.
- 5.3 Information from the Property directorate has not been submitted for inclusion. Given the breadth of organisational activity carried out through this directorate, the significant level of resource involved, and the risks managed on behalf of the organisation - including in respect of areas such as asbestos, legionella and fire safety - this is a significant ongoing gap in terms of the assurance the committee can derive around the management of performance, projects and risk in the organisation.

6. Equality impact assessment (EIA)

- 6.1 Any equality matters arising through performance or value for money consideration will be considered as a discrete process, as separate EIAs will be completed for these areas of work.

7. Legal Implications

- 7.1 The report has incorporated legal implications and accordingly there are

no other immediate legal implications arising from this report.

8. Finance Comments

8.1 There are no financial implications to bring to member’s attention at this stage. However, it should be noted that there could be further financial implications following further exploration of any of the performance issues raised in this report, and related future reports could result in financial implications. These will be flagged to members at the appropriate time.

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Signed by: Michael Lawther, Deputy Chief Executive and City Solicitor

Appendices: **Appendix 1- Summary of directorate performance issues, Q3**
 Appendix 2 - Summary of projects
 Appendix 3 - Summary of risks

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
1.Summary business plans	Individual directorates

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Appendix 1: Directorate
Performance Reports Q3 2016-2017
(October 2016 – December 2016)

Children's Services Q3
(October 2016 – December 2016)
Director: Alison Jeffery

Children's Services : Quarterly progress report (1)

Function : Early Help and System Transformation (including Troubled Families)

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Commissioning and outcomes framework in place and delivered		In Progress	On track for completion	Work well advanced and to be complete for end of 2016/17: new detailed performance framework agreed for both health visiting and early help services; clear commissioning responsibilities established			
Increase in Single Assessment Frameworks	618 SAFs in 2015/16	207	135 (28 x SAF assessments and 107 x SAF reviews)	100 (24 x SAF assessments and 76 x SAF reviews)	Declining	Reduction on 2015/16	We are concerned about the drop in SAFs. DCS has written to all partners and new monitoring and performance reporting is now in place to ensure services allocate support. This is being kept under close review.
Number of trained family key workers	15	15	30.1	Measures to be developed as part of Early Intervention and Prevention framework – new postholder appointed			Q1 position reflected only Barnardo's Project Workers. Q2 includes FNP Nurses, Children's Centres' Early Intervention Project Workers and MABS staff working with parents/carers.
Number of families receiving targeted Early Help	n/a	Work well advanced and to be complete for end of 2016/17: new detailed performance framework agreed for both health visiting and early help services; clear commissioning responsibilities established					
% of ongoing social care cases with previous targeted Early Help Support	20%	Six monthly data					
At least 973 families attached to the Troubled Families programme by 31/03/17	387 families (March 16)	434 families (June 16)	478 families (Sept 16)	595 families (Dec '16)	Improving	Target number of attachments remains achievable, although this is dependent on increasing the rate of attachment. A strategy is in place to ensure that we meet our target number of attachments and maximise our PbR claims, but it is now highly unlikely that we will reach our PbR target.	
At least 309 Troubled Families PbR claims in total to have been made by 31/3/17	15 PbR claims made (March 16)	No PbR claims made in Q1	15 PbR claims made (Aug 16)	No PbR claims made in Q3	See commentary		

Children's Services : Quarterly progress report (2)

Function : Children's social care – assessment and intervention

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Audit activity confirms compliance with MASH "front door" arrangement	Limited assurance	Reasonable assurance	No new measurement	No new measurement	n/a	n/a	Continued audit activity in MASH confirmed measured decision making against threshold criteria.
Audit activity confirms that views of/feedback from service users are informing shape of service delivery	90%	90%	No new measurement	No new measurement	n/a	n/a	
Statutory tasks completed in timely way and to high quality eg.							
Initial child protection conferences convened in 15 day timescale	62%	61% (30/49)	88% (51/58)	82% (76/93)	Overall improvement	Improved	Administrative processes are now in place to improve timeliness of ICPC. This continues to be monitored and whilst there has been a slight decrease this quarter, the annual picture is improved
Case in the Public Law Outline and court proceedings are progressed in a timely way, measures through % court cases progressed within 26 week timescale	47%	67% (4/6)	40% (2/5)	58% (7/12)	Improving	Improved	This is an internal measure that needs to be compared with the data collated by the Court. There is generally an improvement in the figures reported by colleagues from CAFCASS and the Court

Children's Services : Quarterly progress report (3)

Function : Children's Social Care – Youth Offending Team

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Transformation of YOT – reducing caseloads	77	80	73	88	Decline	Within range	Caseload fluctuates between 65 and 80. Q3 has seen a higher number of young people requiring intervention by the YOT.
Transformation of YOT – reducing costs	£749,757 annual outturn	£636,800 projected annual outturn	£618,600 Projected annual outturn	£601,500 Projected annual outturn			
Address first-time entrants to youth justice system (number of first time entrants in the quarter)	13	16	17	30	Decline	Work is underway to investigate rise – albeit that numbers are still relatively small. The Q3 figure shows a significant rise on previous quarters which reflects an increase in work across the whole children's social care service.	
Reduce re-offending (data from Youth Justice Board – historical periods)	46% (April 13 – March 14)	47.2% (Jul 13- Jun 14)	45.5% (Oct 13 – Sep 14)	Not yet available	n/a	n/a	Re-offending rate is reducing very slightly, but small cohort and older data
Reduce use of custody	1	1	2	2	n/a	n/a	Custody rate has increased but numbers still very small.

Children's Services : Quarterly progress report (4)

Function : Looked after children and care leavers

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Increase number of in-house foster carers	178	190	181	192	n/a	n/a	Figures provide a snap shot at the end of each quarter.
Reduce reliance on external foster carers (independent providers)	49	51	51	50	Steady	Steady	Need to ensure reliance in IFA placements doesn't rise following increase in UASC
Ensure relevant and robust sufficiency plan in place	Sufficiency plan updated May 2016						
Increase stability in placements	Short-term 15.53% Long-term 54%	Short-term 14.33% Long-term 56.62%	Short-term 14.94% Long-term 60.00%	Short-term 17.05% Long-term 60.87%	Steady	Steady	Work has been completed to understand stability indicator – which reflects positive activity in terms of children returning home and IFA carers transferring to PCC
Number of children subject to child protection plans (and compared to statistical neighbours)	267	219	216	241	Decline	Increasing	The number of children subject to protection plans increased Q3 which reflects increase in caseload across the whole social care service.
Reduced care periods (measured by average days in care)	0-5 439 days 6-13 1263 days 14+ 2051 days	0-5 378 days 6-13 1233 days 14+ 1533 days	0-5 419 days 6-13 1290 days 14+ 1610 days	0-5 417 days 6-13 1264 days 14+ 1390 days	Improving	Improved	There is a need to monitor this closely and regular reporting arrangements are in place. Whilst the average length of case is decreasing in line with our strategy the numbers of children in case have risen.

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Children's Services : Quarterly progress report (5)

Function : Looked after children and care leavers

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Increase in numbers of children registered as privately fostered	7	4	3	3	n/a	n/a	Number continues to be low. Will need to review publicity material.
Increase in numbers of children returning home from care	28/128 (21.9%)	3/32 (9.4%)	10/65 (15.4%)	5/26 (19.2%)	Improved proportion	Steady	Q3 position is an improvement on Q1 but more work will be required to exceed 2015/16 figure.
Strength and Difficulties Questionnaire (SDQ) scores indicate increased emotional wellbeing	13.9 (stat neighbour avg 15.0 2014/15)	14.2	14.6	14.6	n/a	n/a	A lower score on the SDQ indicates increased emotional wellbeing and resilience. Higher scores indicate emotional vulnerability. Generally looked after children score higher than the average child
Increased number of SDQs completed	68.7%	61.8%	72.9%	63.8%	Decline		There is a need to monitor this. A review is underway to understand the drop in Q3 but may reflect number of UASC.
Adequate move-on accommodation available for care leavers	86%	83%	80%	77.1%	Decline		This shows a slight drop and need to understand this in more detail.
Audit activity confirms strength of care planning and pathway planning arrangements with Through Care Team	96%	94%	No further audit activity this quarter	No further audit activity this quarter	n/a	n/a	There is an audit of care planning for teenagers in January 2017

Children's Services : Quarterly progress report (6)

Function : Safeguarding monitoring

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Improved practice demonstrated through audit activity	87%	90%	100%	82%	Declined		There were 28 audits out of 35 were rated as amber and green and 7 as red. All of the red audits were followed up and additional training is being put in place to improve some practice around child sexual exploitation and to upskill team leaders.
Average number of newly-qualified social workers	19.7	19.5	15.6	17.2			This number has increased a little but remains lower than last year as a result of fewer vacancies this year compared to last. The new figure should help us plot how effective we are at retaining staff beyond two years.
Retention of social work staff measured by % staff employed for over 2 years	Data available from Q3			64%			
Number of referrals to Local Authority Designated Officer	39	40	32	60	Increased	Increased	There is often an increase in Q3 due to school holidays this period. There has also been some training undertaken with schools this quarter reminding them to contact the LADO. We are investigating further due to the sizeable increase.
Number of issues resolved through challenge and escalation process	6	10	5	6	n/a	n/a	
Number of staff accessing Social Work Matters Skills Academy and feedback	2	0	19	17	n/a	n/a	Course started September 2016 – will monitor trend from next quarter
Appraise options for IT system that supports case management across social care with interface to Early Help	Underway			Options appraisal completed in CSC.	n/a	n/a	Options appraisal is completed with preferred provider

Children's Services : Quarterly progress report (7)

Function : Education – inclusion

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
No. of SEN statements/EHC plans (% of SEN statements/EHC plans)	935 3.1%	Data not available	Data not available	Awaiting data	Steady	On target	Portsmouth is successfully implementing the SEND reforms – all aspects of this work is included in the SEND Strategy. Progress will be externally assessed via a Local Area SEND inspection to be carried out by Ofsted and CQC (within next 4 years).
% of CYP (0-25) transferred from SEN statements to EHC plans	7.7%	Data not available	Data not available	Awaiting data	Improving	On target	
% of new EHC plans issued within 20 weeks (excluding exceptions)	84%	80%	86%	Awaiting data	Improving	On target	
% PEPs completed on time	62%	83%	97%	98%	Improving	On target	
% Pathway plans completed on time	80%	70%	80%	Awaiting data	Improving	On target	
Overall absence from primary schools (Number in brackets is national average)	4.3%	Available next quarter	4% (3.9%)	Available next quarter	Improving	On target	School attendance continues to improve (as overall and persistent absence decrease).
Overall absence from secondary schools (Number in brackets is national average)	6.4%	Available next quarter	5.9% (5.0%)	Available next quarter	Improving	On target	School attendance remains a key priority, as set out in the Attendance Strategy. Progress is monitored by the Behaviour and Attendance Group (BAG).
Persistent absence from primary schools (Number in brackets is national average)	2.3%	Available next quarter	9.4% (8.8%)	Available next quarter	Improving	On target	NB Data provided for Q2 and subsequently will be the data available from the most recent SFR. Q2 data = Autumn & Spring 2015/16
Persistent absence from secondary schools (Number in brackets is national average)	7.3%	Available next quarter	17.6% (12.3%)	Available next quarter	Improving	On target	

Children's Services : Quarterly progress report (8)

Function : Education – inclusion

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
No. of Permanent exclusions from school (Previous year's figure in brackets)	5	2	1 (3)	7 (10)	Steady	On target	Permanent exclusions remain consistently low. NB Quarter 2 includes August which is always 0 given schools are not in session.
No. of fixed period exclusions from school (Previous year's figure in brackets)	620	454	211 (153)	383 (547)	Improving	Close to target	There has been a significant reduction this quarter in fixed period exclusions . This is mainly due to a 42% reduction in fixed period exclusions by the 2 highest excluding schools in the city (compared to the same period last year). NB Quarter 2 includes August which is always 0 given schools are not in session.

Children's Services : Quarterly progress report (9)

Function : Education – sufficiency, participation and resources

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Completion of 1000 place school rebuild of King Richard School by September 2017	Building works on site	Building works on site and on schedule	Building works on site and on schedule	Building works on site and on schedule	On track	On track	Advance payment of 50% of £250k grant made in order to meet essential equipment costs for new school which are not covered by the new build (full payment is subject to transfer of surplus land from KRS Trust to PCC)
Rebuilds and refurbishments for Beacon View, Arundel Court and Mayfield School	All with EFA for analysis	All at options appraisal stage	All at options appraisal stage	All at options appraisal stage		Variation to plan – see commentary	PSBP Round 2 schemes at Beacon View, Arundel Court and Mayfield remain at options appraisal stage – robust discussions with EFA about the schemes are on-going (e.g. Arundel Court and Mayfield – extent of rebuild) and impact on LA interests (e.g. Beacon View – Children's Centre, production kitchen and Network Centre; (e.g. Mayfield - nursery). Cabinet Member approval sought in Q4 for reallocation of primary sufficiency funding to support expansion of Arundel Court Primary School (by 0.5 FE)
Completion of priority capital works to address urgent condition issues (school modernisation programme 2016/17)	Schemes underway	Schemes underway	Schemes underway	Schemes underway	On track	On track	All PCC sufficiency and 2015/16 condition projects are on track Bids submitted in Q3 to Members for the 2017/18 school modernisation programme . Report to go to a Cabinet Member Decision Meeting in Q4 with details of the specific projects to be implemented in 2017/18.
Primary sufficiency Phase 2 – deliver an additional 600 school places (Northern Parade, Craneswater, Langstone, Moorings Way, Arundel Court, Newbridge)	Schemes Underway	Schemes Underway	Schemes Underway	Schemes Underway	On track	On track	Phase 1 secondary sufficiency projects undergoing detailed design and feasibility – PANs will increase for Sept 2017 but works will not be completed until 2018.
Secondary sufficiency Phase 1 – provision of additional secondary school places to create 2-3% surplus in the short to medium term (Springfield, Miltoncross, St Edmund's, The Portsmouth Academy)	Feasibility to increase by Sept 17	Work underway and on track	Work underway and on track	Work underway and on track	On track	On track	Feasibility and detailed design work for Phase 1 of Cliffdale and Redwood Park works has been the focus of work for Q1-3. Funding for Phase 2 not yet identified (bid submitted to Members for consideration + potential of application to DFE in 2017.
Remodelling of Special School provision at Cliffdale and Redwood Park Schools	Feasibility underway	Detailed design is underway	Detailed design is underway	Detailed design is underway	On track	Variation to plan – see commentary	

Children's Services : Quarterly progress report (10)

Function : Education – sufficiency, participation and resources

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
University Technical College completed by summer 2017 – to open in Sept 2017	Work underway	Construction commenced and on track	Construction in progress and on track	Construction in progress and on track	On track	On track	Year 10 applications oversubscribed – offers to be made in Q4. Year 12 applications to close in Q4.
Refurbishment of Vanguard Centre and relocation of Harbour @Fratton and Harbour @Milton by September 2017	Initial feasibility complete	Feasibility being reviewed in discussion with Delta	Detailed design is underway	Detailed design is underway	On track	See commentary	Redesign has progressed well with design now agreed following review by Delta Education Trust. This has included a more vocational based curriculum to fit with the new model of provision. Likely completion date will now be June 2018.

Children's Services : Quarterly progress report (11)

Function : Education – sufficiency, participation and resources

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Implementation of NEET and post-16 Strategy, measured by:							<p>Note: % of unknowns always increases in Q2 due to summer holiday period.</p> <p>The City Deal Youth Programme was due to end in March 2017, but additional funding has been secured to extend the programme for a further year.</p> <p>College funding for a third year of the Youth NEET Prevention Programme in 2017/18 was confirmed in Q3 Schools . Secondary schools to confirm in Q4 including identification of the cohort that will be supported.</p> <p>The ESF Step Programme is underway. Portsmouth is meeting its KPIs. The income supports the work of the Progression Team and delivery of both regulated and non-regulated learning for young people who are NEET.</p> <p>A restructure of the Youth Advisory Team and the NEET Data Tracking will be completed in Q4.</p>
% 16-18 year olds NEET	4.5%	4.4%	3.8%	3.8%	Improving	Steady	
% 16-18 year olds unknown	1.7%	1.2%	6.7%	4.4%	Steady	Improved	
% participation in education/training at age 16	93.5%	92.9%	88.7%	91.4%	Steady	Steady	
% participation in education/training at age 17	86.1%	86.0%	81.1%	83.5%	Steady	Steady	
Achievement of Level 2 (including English and Maths) by 19	61.7% (2015)	Annual data not yet available	Annual data not yet available	Annual data not yet available			
Achievement of Level 3 by 19	49.5% (2015)	Annual data not yet available	Annual data not yet available	Annual data not yet available			
Implementation of Apprenticeship Strategy , measured by:							
No 16-18 starts at Intermediate level	370 (2014/15)	290 (Aug 2015-April 2016)	Annual data not yet available	Annual data not yet available	Steady	Steady	
No. of 16-18 starts at Advanced level	140 (2014/15)	110 (Aug 2015-April 2016)	Annual data not yet available	Annual data not yet available	Steady	Steady	
Success rates	4.2%	Annual data not yet available	Annual data not yet available	Annual data not yet available			

Children's Services : Quarterly progress report (11)

Function : Education – school improvement

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Early Years Foundation Stage - % achieving Good Level of Development	69% (2015)	69.7% (annual indicator - 2016 final)			Above national average but gap has closed	Improving	<p>New accountability measures for KS1, KS2 and KS4 mean that comparisons cannot easily be made with previous years. However, the outcomes for 2016 show that Portsmouth has fallen further behind the national average for both KS1 and KS2 attainment and progress. At KS4 the gap between Portsmouth and the national average has closed for A*-C in English and maths.</p> <p>Through the Portsmouth Education Partnership the shadow operational group has concluded the analysis of the 2016 outcomes against agreed criteria in Q3. This has determined school improvement support in 2016/17 for LA maintained schools and flag areas of concerns for MATs / academies. All Priority 1 and 2 schools have been contacted in Q3, all Priority 1 schools received support in Q3; all Priority 2 schools will be visited in Q4.</p>
Year 1 Phonics Screening % working at the standard	74% (2015)	81% (annual indicator - 2016 final)			Major Improvement, now in line with national	Improving	
KS1 Reading, Writing and Maths combined - % at least expected standard	New indicator	59% (annual indicator - 2016 final)			No national figure for this published by DfE.	Steady	
KS2 Reading, Writing & Maths - % at least expected standard	New indicator	48% (annual indicator - 2016 final)			Considerably below national	Decline	
KS2 Reading Average Progress Score	New indicator	-1.5 (annual indicator - 2016 final)			Sig below national average	Decline	
KS2 Writing Average Progress Score	New indicator	-1.3 (annual indicator - 2016 final)			Sig below national average	Decline	
KS2 Maths Average Progress Score	New indicator	-1.7 (annual indicator - 2016 final)			Sig below national average	Decline	
KS4 % 5 A*-C including English and maths	50.7% (2015)	52.6% (annual indicator - 2016 final)			Improving	Steady	
KS4 A*-C English and maths	52.6% (2015)	58.3% (annual indicator - 2016 final)			Change in indicator definition for 2016	Steady	
KS4 Attainment 8	New indicator	46.3 (annual indicator - 2016 final)			Well below national	Decline	
KS4 Progress 8	New indicator	-0.17 (annual indicator - 2016 final)			Sig below national	Decline	
% entered EBacc	36% (2015)	37.9% (annual indicator - 2016 final)			Improving, above national	Steady	
% achieved EBacc	19.7% (2015)	18.9% (annual indicator - 2016 final)			Well below national	Decline	
% schools judged to be good or better (of those schools that have been inspected)	85.5% (March 2016)	84% (June 2016)	84% (September 2016)	84% (December 2016)	Steady	Steady	

Adults' Services Q3

(October 2016 – December 2016)

Director: Innes Richens

Adults' Services : Quarterly progress report (1)

Function : Residential, Nursing and Domiciliary care

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
<p>Portsmouth has residential care beds available for those who are unable to live in their own home</p>	<p>New measure for ASC returns</p>			<p>Outstanding – 0.0% Good – 14.6% Requires improvement – 27.1% Inadequate – 2.1% No published rating – 56.3%</p> <p>From a CQC standards perspective (as of 1st November 2016) there are a number of homes requiring improvement with 2 nursing homes in special measures</p>			<p>There are 11 Care Homes with nursing in Portsmouth, representing 544 beds. There are also 38 homes without nursing in Portsmouth representing 762 beds; majority of which are private providers.</p> <p>Both the homes in special measures and the acute hospital remain under pressure to discharge as soon as patients no longer have an acute need to remain ; this is impacting on resources available within the community.</p> <p>Through increases in the National Living Wage and other pressures, we are seeing rapidly increasing costs – particularly from the newer build in the city. Attempts to address this are being made through working with providers on cost, block purchasing and other schemes.</p>
<p>Portsmouth has sufficient domiciliary care available to enable people with care and support needs to remain living independently in their own homes.</p>	<p>New measure for ASC returns</p>			<p>There are 20 domiciliary care services registered in Portsmouth, with the Council and CCG commissioning mainly from 8 preferred providers with others used when there are capacity issues.</p>			<p>In common with residential care, we are seeing pressure on costs through National Living Wage and a need to be recommissioning a different kind of service that is more reablement focused, with staff recruitment based on their values.</p> <p>There are increasing capacity issues fuelled by pressure from Portsmouth Hospitals Trust to take patients sooner than previously in their recovery. This is leading to quality issues and a need to commission different services.</p> <p>There is currently a 24/7 domiciliary care provider trial (to be evaluated at the end of 16/17) for people being discharged from hospital. This is an effort to reduce the prescription of residential care on the hospital ward for those people who may be able to continue to live in their own home, so is very much focused on the best interests of the patient.</p>

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Adults' Services : Quarterly progress report (2)

Function : Carer's Services

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Collaborative working with NHS Colleagues	New measure for ASC returns			Progress: Staff induction with PHT staff; Joint working to identify and support carers in AMH settings; E-learning package developed by the Carer's Service in partnership with PHT and Solent; Participation in the Virtual Wards to identify carers and ensure joined up support	Challenges have included: Continued lack of engagement from GPs Difficulty establishing links with the community nursing teams Difficulty with maintaining referrals from QA clinical staff, despite active engagement		
Implementation of the NHS England Carers toolkit	New measure for ASC returns			Progress expected over the next 12 months – embed the work we have done up to this point in terms of collaborative working with NHS colleagues.			
Review of the Carers Assessment process	New measure for ASC returns			As a result of FACE assessment, the decision to reduce the number of Carers Assessment Officers and the impact of a vacancy in the Carers Centre Reception role, there are challenges with capacity in this team, and this is having an impact on the number of carers being identified and the number of assessments being undertaken.	The Carers FACE assessment has been in use by the team since October 2015 and the team have found it to be repetitive, inflexible and time-consuming. This will be reviewed spring/early summer when the ASC Intervention Team commence their review of the Carers Service.		

Adults' Services : Quarterly progress report (3)

Function : Integrated Learning Disability Service

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Number of day service options available	New measure for ASC returns			15 different services	The market is expanding rapidly. The creation of Named Worker, development of an outcome-based support planning framework and an asset-based emphasis means that referrals are both easily forthcoming and specific. The break-up of block contracts which enables movement of budget also allows new services to develop.		
Number of people in work	New measure for ASC returns			65			
% people with a Health Action Plan	New measure for ASC returns			93% (health team)			We can currently report on the health team, but not the social work team – we are progressing this for 2017/18
Number of people accessing Big Buddies service	New measure for ASC returns			0			
Statutory reviews completed within a 12 month period	New measure for ASC returns			54%	Improving	Expected to improve	There is a lot of activity taking place and we are still looking to achieve 100% by Q4
Satisfaction surveys – carers and service users	New measure for ASC returns			9 feedback forms from users to date	A collated carer feedback report is available		
% people with a named worker	New measure for ASC returns			74%			
% people in residential care as opposed to other housing and support options	New measure for ASC returns			42% residential care; 58% supported living			
The quality of Education Health and Care Plans for those in transition	New measure for ASC returns			Tbc			We have undertaken audits using criteria supplied by CDC. The Preparing for Adulthood group has planned to audit 50 plans focusing specifically on whether PfA outcomes are identified and actions are in place to deliver them.

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Adults' Services : Quarterly progress report (4)

Function : Safeguarding Adults

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Local authority safeguarding functions to be located in one place	New measure for ASC returns			For the triage function in the Adult Multi-agency Safeguarding Hub (MASH), the team have access to the police, early intervention in psychosis, and the probation service. The team also have access to other systems – SystmOne (mental health), Illy (substance misuse) and some of housing options. This has been useful in enabling intelligence around cases.			The Adult MASH (commenced in April 2015) has all Adult and Children Safeguarding teams in one location in Portsmouth, enabling strategic discussions to happen swiftly for individual cases. This also enables intelligence and action when there is crossover when a vulnerable adult is at risk and a child is at risk in the same family.
Timely intervention in safeguarding	New measure for ASC returns			The MASH has proved to be successful in allowing risk to be identified and managed quickly via conversations with the police and early intervention team, and instant access to the other systems we have.			<p>What works really well is being able to have instant discussions with the police so that we can quickly decide if there is going to be any criminal investigation /element to any concerns raised, and whether the enquiry will be single agency; or whether there is a need for a joint enquiry under section 42 of the Care Act.</p> <p>The challenge for the future will be whether it is possible to gain a presence from agencies such as Adult Mental Health in the MASH.</p>

Public Health Q3
(October 2016 – December 2016)
Director: Jason Horsley

Public Health : Quarterly progress report (1)

Function : Building a healthier city programme

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Develop new workplace incentives to promote employee health and cut sickness related absence Engage local businesses through forum networks to improve employee health and wellbeing and assess workplaces against the WW charter	15 workplaces engaged 1 accredited	20 workplaces engaged 2 accredited	2 further workplaces in line for accreditation for Q3	Forum in November 2016. One small business assessed in November. Kenwood assessed and accredited in January 2017. Total of 4 businesses accredited.	Steady	n/a	<p>Following on from baseline at Q4, the priorities for Building Healthy Cities for 2016/17 are:</p> <ul style="list-style-type: none"> • Active travel • Air pollution • Support for the City Plan development • Workplace health <p>We are also providing PH intelligence for other directorates in PCC and beyond</p>
Ensure impacts on health are considered through implementation of the refreshed Portsmouth plan	Qualitative and quantitative public health evidence for the Placemaking Strategy	Public health evidence to Sustainability Plans	On-going engagement with City Dev Team and Transport to develop PH evidence and joint working	On-going engagement with City Dev Team and Transport to develop PH evidence and joint working	n/a	n/a	
Support transport initiatives to increase the number of people using active travel for everyday trips; reduce RTAs; reduce air pollution	Evidence on the health impacts of air pollution produced for the refresh of the Air Quality Strategy	Joint bid for LSTF funding to improve transport systems that will increase active travel, reduce RTAs and air pollution	Joint bid for LSTF submitted Coordinated response with City Development and Transport on the Friends of the Earth report, <i>Walking in Portsmouth</i> . 1 st Draft of Air quality strategy	Draft of Air Quality strategy completed and awaiting ratification. Decision on bid for LSTF pending.	n/a	n/a	
Develop a health promoting environment that is ecologically and environmentally sustainable	See commentary	-	-	-		No Change	
Strengthen and link green and blue infrastructure in the city	See commentary	-	-	-		No Change	

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Public health : Quarterly progress report (2)

Function : Health protection

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Support local health resilience planning, for example, hot and cold weather	-	-	-				Exploring MOU with Southampton CC to share resilience planning resource via MOU arrangement. DPH responsibility for STAC across LHRP has now ceased.
Screening and vaccination programme							
Cervical screening uptake (Note: PHOF 2.20ii Cervical screening coverage 2015/16 due for release on 7 th Feb)	68.7% (Dec 2015) (Expected 2015/16 coverage: 68.1% (2014/15: 69.6%))	Not available Coverage: 68.1% (16/17 Q1)	Not available Coverage for 16/17 not available yet	Not available Coverage for 16/17 not available yet	n/a	n/a	The annual PCC staff flu programme, co-ordinated by the Public Health team had an uptake of 763 staff.
Breast screening uptake (Note: PHOF 2.20i Breast screening coverage 2015/16 due for release on 7 th Feb)	66.8% (Dec 2015) (Expected 2015/16 coverage: 72.2% (2014/15: 70.6%))	Not available Coverage for 16/17 not available yet	Not available Coverage for 16/17 not available yet	Not available Coverage for 16/17 not available yet	n/a	n/a	
MMR Uptake at 5 years	90.7%	90.7%	90.8%	Not available yet	n/a	n/a	
Flu uptake in the under 65s	45.7% (15/16)	Annual data due end Feb 2017			n/a	n/a	
Flu uptake in pregnant women	45.8% (15/16)	Annual data due end Feb 2017			n/a	n/a	

Public Health : Quarterly progress report (3)

Function : Starting Well

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
<p>Improve health of the most vulnerable children and young people in Portsmouth : <i>number of families on the Health Visitor Universal Plus (UP) and Universal Partnership Plus (UPP) case</i></p> <p><i>Source: Solent NHS Trust Monthly Dashboard.</i></p>	Developing baseline data in 2016/17	Total UP + UPP 2,159 (data has been revised and current data sources indicates Q1 = 1,221) (UP = 665, UPP = 556)	Total UP + UPP = 1,205 (UP = 652, UPP = 553)	Total UP + UPP = 1,242 (UP = 692, UPP = 550)	Steady	n/a	Q1 - Provider had originally been including the mother and children in the caseload count. They have revised the data and now provide number of families.
<p>Uptake of the Health in School College public health programme</p>	Developing baseline data in 2016/17	-	Pilot started with 9 settings will run initially over two terms.	Recommendations from the pilot are informing offer going forward and is due to end at the end of term (Easter)			
Uptake of young carers assessments	Developing baseline data in 2016/17	-	New assessment and referral processes have been put in place from September 1 st for all new young carers coming into the system (local young carers services merged from this point)	Young carers services are co-locating into the new Early Help offer for the city and will come under a single management structure.			

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Public Health : Quarterly progress report (4)

Function : Living Well

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Increase physical activity levels through sports, play, leisure and recreation, with a focus on people who are inactive	To be developed in 2016/17	41 people have changed from inactive to active status	Only 1 referral specifically for Physical activity as primary reason. Physical activity is part of healthy eating and healthy weight support. 12 people have changed from inactive to active status.	WBS - Only 1 referral for Physical activity as primary reason. This client is still in the middle of intervention.	n/a	n/a	
Increase proportion of children and adults who are a healthy weight	<p>Healthy weight pupils: 76.0% Year R 64.8% Year 6 (NCMP, 2014/15)</p> <p>Healthy weight adults 46% of 16+yrs (Lifestyle Survey, 2015)</p>	Reported every 3 to 5 years.	Wellbeing service- 50 people have achieved weight loss of 5% or more	WBS - 74 people were engaged with healthy weight interventions and 40% have achieved 5% weight or more weight loss.	n/a	n/a	

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Function : Living Well

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Support local communities to create a smokefree culture for Portsmouth	None	Promotion of Smokefree sites across the city	<p>Attended one meeting of NHS Solent Smokefree committee. Given Wellbeing Service Smoking cessation leaflets to be included in the take home drugs for MH in patients in Portsmouth. NHS Portsmouth – obtained list of smoking champions in view of offering smoking cessation training. Focus groups with midwives and pregnant women. Smoking cessation training for Respiratory staff and maternity staff planned.</p>	<p>Wellbeing Service now to be part of the initial booking in service for maternity at PHM. All maternity CO monitors repaired and calibrated and out for use my midwifery services.</p> <p>QA smoke free committee committed to jointly trying to implement smoke free NHS site, as the request of PHE.</p> <p>Green and Clean team successful in implementing ‘No Littering’ fines in QA grounds, with 44 penalty tickets being issued and one being prosecuted for littering (which includes cigarette ends)</p>	n/a	n/a	
Ensure mothers are supported around safe infant feeding with a focus on increasing breastfeeding	38% (% of infants being totally or partially breastfed, recorded at 6 to 8 weeks)	47%	47% (% of infants being totally or partially breastfed, recorded at 6 to 8 weeks)	47% (% of infants being totally or partially breastfed, recorded at 6 to 8 weeks)	Steady	Steady	

Public Health : Quarterly progress report (6)

Function : Living Well

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Reduce smoking prevalence in Portsmouth	Wellbeing Service being implemented and now collecting baseline data	Reported annually. 515 setting quit date; 109 4 week quit and 90 of 12 week quit.	280 people referred for smoking and 111 in active interventions. 177 achieved 4 week smoking quit.	WBS – 650 people setting a quit date. 183 have a successful 4 week quit (28%). 23 pregnant women setting quit dates. 2 successfully quit (8.6%)			
Make Portsmouth a city with an improved reputation where alcohol is enjoyed responsibly and harm to individuals, families and communities is reduced	320 receiving alcohol treatment and a successful completion rate of 34.7% Wellbeing Service being implemented and now collecting baseline data	274 receiving alcohol treatment and a successful completion rate of 34.7% Wellbeing service delivered: 182 received Alcohol brief advice and 85 received Alcohol extended advice	234 people receiving treatment, successful completion of 31.6%.	181 people receiving treatment, 76 successfully completed treatment. Successful completion rate of 42%	Reduction in treatment numbers , increase in % successfully completing.	See commentary	Reduction in funding and capacity of treatment services is seeing a continued downward trend of the number in treatment. Likely to cause knock on impact on other public sector organisations, e.g. police and NHS, with increased alcohol related crime and hospital admissions.

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Public Health : Quarterly progress report (7)

Function : Living Well

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Continue to offer over-40 health checks	Number of eligible people who were offered a NHS Health Check 2,894 . - Number of people that received a NHS Health Check 1,158 . - Percentage of people that received an NHS Health Check of those offered 40%	Number of eligible people who were offered a NHS Health Check 3,219 . - Number of people that received a NHS Health Check 1,034 . - Percentage of people that received an NHS Health Check of those offered 31%	- Number of eligible people who were offered a NHS Health Check 2,809 . - Number of people that received a NHS Health Check 766 . - Percentage of people that received an NHS Health Check of those offered 27%	- Number of eligible people who were offered a NHS Health Check 2,559. - Number of people that received a NHS Health Check 711 - Percentage of people that received an NHS Health Check of those offered 28%	steady	Overall reduction	

Public Health : Quarterly progress report (8)

Function : Living Well

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Improve the sexual health and wellbeing of the population of Portsmouth: <i>All new STI diagnoses (exc Chlamydia aged <25) / 100,000</i> Source: PHHP.org.uk	2015 count 1,217 (851 per 100,000)	Reported annually	Reported annually	Reported annually	n/a	n/a	
Make Portsmouth a place where people are supported to choose not to use drugs and people that experience drug problems receive effective help to live drug free	859 people recorded as in drug treatment; 124 successful completions, 14.4%.	858 people recorded as in drug treatment; 116 successful completions, 13.5%.	849 people recorded as in treatment, 107 successful completions; 12.6%	824 people recorded as in treatment, 99 successful completions, 12%	Reducing	Reducing	Drug and alcohol services have gone through their second re-tender in 3 years, it is usual during a tender process to see a reduction in performance due to uncertainty and changes to staffing. As part of the retender there has been significant savings made, which are likely to mean less people in treatment in future.
Improve the mental health of the residents of Portsmouth and the treatment received by people experiencing problems	Mental Health & Wellbeing strategy signed off by HWB Board	Strategy action plan in development	Development of strategy action plan on hold pending service restructure		n/a	n/a	On hold due to vacancies at DPH and consultant level to lead development. No change. As reported in Q2
Develop programmes of work to reduce the prevalence of diabetes	25.8% (25 out of 97 Health Checks (HCs)) Percentage of people identified as high risk of diabetes from a HC, delivered within Pharmacy*	31.6% (18 out of 57 HCs) Percentage of people identified as high risk of diabetes from an HC, delivered within Pharmacy*	16.9% (10 out of 49 HCs) Percentage of people identified as high risk of diabetes from an HC, delivered within Pharmacy*	21.2% (14 out of 66 HCs) Percentage of people identified as high risk of diabetes from an HC, delivered within Pharmacy*			

Public Health : Quarterly progress report (9)

Function : Ageing Well

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Support Better Care programme needs analysis	-	-	-		n/a	n/a	Following a team restructure we are reassessing the way the team supports these areas, in terms of actions and capacity. No change. As reported in Q2.
Support the Integrated Commissioning Service in the implementation of the dementia strategy and the redesign of services across the pathway	-	-	-		n/a	n/a	No change. As reported in Q2.
Increase dementia awareness and diagnosis	Provide dementia awareness to HC patients over 65 years old within Pharmacy. - Number of people 65+ - 6. - Number of people given dementia awareness information - 10	Provide dementia awareness to HC patients over 65 years old within Pharmacy. - Number of people 65+ - 14. - Number of people given dementia awareness information - 10	Provide dementia awareness to HC patients over 65 years old within Pharmacy. - Number of people 65+ - 13. - Number of people given dementia awareness information - 8	Provide dementia awareness to HC patients over 65 years old within Pharmacy. - Number of people 65+ - 13. - Number of people given dementia awareness information - 9	Steady	Steady	

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Regulatory Services and Community Safety Q3 (October 2016 – December 2016) Director: Rachael Dalby

Regulatory services and community safety : Quarterly progress report (1)

Function : Environmental Health

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Shellfish: provide weekly specimens to FSA to secure shellfish bed designation	G	A	A	R	Worsening	n/a	A numbers of uncontrollable variables impact upon our ability to deliver compliance –sampling regime historically problematic during poor weather. Sampling demands in other areas increasing. R relates particularly to biotoxin sampling. Winter discharges from outfalls are a concern. Engagement with SOFA proving to be difficult.
Food hygiene: produce an annual plan in line with statutory requirements and minimise slippage against the plan	G	A	R	R	Worsening	Below plan	Demand for inspector time outstripping resource in all food related areas. High demands in other service functions deflecting food officers from delivering plan. R outlook remains despite employing contractor for Feb/March – best possible return likely to be IRO 200 inspections (25% on outstanding E rated inspections).
Port Health – Maintain income levels at £60,000 pa	G	A	A	A	Steady	On target	Currently on target
Pest control – exceed income target of £156,000	G	A	A	A	Steady	On target	Currently on target
Community burials: facilitate timely, dignified burials; aim to recover 80% costs from estates	G	A	A	R	Worsening	Tbc	Each case is unique – unable to accurately predict. Demand continues to increase –Q4 8 referrals received with calendar year 2017 (as of 30 Jan). Officers resource levels in Q3 significantly decreased due to shared role and importance of delivering new service database.
Air quality – ensure new DEFRA review and assessment annual reporting requirements are met	G	G	G	G	Steady	Steady	2015/2016 ASR delivered (Oct 2016). New equipment on line. Data loss not as dramatic as forecast however gaps remain.
Pollution control: continue to deliver all statutory environmental protection requirements with >95% satisfaction rate	G	G	G	A	Steady	Steady	In Q3 number of formal service complaints on increase with several referrals through 3 stages of complaint to LGO.

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Regulatory services and community safety : Quarterly progress report (2)

Function : Trading standards

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Primary Authority Partnerships – maintain the 10 current partnerships and pursue other opportunities as they arise	G	G	A	R	n/a	n/a	PAP remain a significant concern – two high profile PAPs generating income IRO £25K currently not being pursued. Review of PAPs underway.
Investigate consumer crime – intervene using civil and criminal law to assist consumers in recovering loss, and take court action where appropriate	G	G	A	R	Decline	Declined	Implementing restructure following review – able to investigate reduced levels of complaint regarding consumer crime - highly unlikely to deliver all that we would like in terms of client assistance. Initial review of functions suggests significant reduction of service available moving forward.
Alcohol and tobacco harm reduction – help businesses comply through visits and training, reduced numbers of test purchase failures, reduced amounts of illicit tobacco supplied in the City	G	G	A	A	steady	Steady	Funding confirmed-confirmation of continued secondment of current officer for 17/18 received. Need to revisit delivery plan and targeting of interventions
Proceeds of crime – maximise amounts of compensation and confiscation recovered and work in partnership with other local authorities	G	G	A	A	Decline	Steady	Implementing restructure following review – officer resource 50% decreased as a result – seeking to implement support role as approved within review asap however this will not be delivered until June 2017 at the earliest

Regulatory services and community safety : Quarterly progress report (3)

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
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Function: Civil Contingencies

Exercise Golden Fox – rewrite plans to address new safety zone	G	G	G – complete	G			Plan next due for review in 2018 (following Southampton exercise)
Business continuity plans				A			New member of staff is currently undertaking series of training and qualifications to ensure that BC plans are up to required standard (ISO22310). Management training will be rolled out from Q4 2016/17 to review and update suite of BC plans.

Function: Stray Dog Kennels

Secure £50,000 income generation	£32 000	A	A £22000	R £28000	Not on target	Target not achieved	Target was stretched for 2016/17 and income via strays has reduced. However overall stray kennel budget remains on target due to underspend in other areas. Budget to be re-balanced for 2017/18
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Function: Anti-social behaviour

Complete the complex needs review - now linked to Portsmouth Health and Care Blueprint demand management work	NA	R	G underway	A			Report completed, contractual changes linked to homelessness and health and care blueprint being discussed
Establish city-wide early intervention /problem solving arrangements	NA	A	A -	A			Partnership working is happening and there are multi agency meetings (MAMs) taking place e.g. Operation Build. However further work is required to formalise work following the outcome of the Complex Needs and Homelessness working groups.

Function: CCTV

Complete the income generation review		A	A report complete	N/A			Consultant report received. Several options are being considered to increase income opportunities. Some items are cost prohibitive The CCTV engineers have completed internal installations increasing income to the CCTV budget but also reducing cost for internal departments.
Implement recommendations as appropriate		A	A	A			Work to bring the Traffic Management Control (TMC) room is ongoing The CCTV Operator contract is being reviewed to consider bringing the contract in-house.

Regulatory services and community safety : Quarterly progress report (4)

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
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Function: Domestic Abuse

Promote the UP2U service for perpetrators - success measured through income from sales		G	G	G	Steady	Steady	£22,000 income generated. 4 bids submitted for funding from April 2017
Increase MARAC referrals from other agencies other than police , so the proportion of police referrals is lower than 81%	81.8% from police	R	R	R	Steady	Steady	Meeting arranged on 16 th February to review MARAC governance

Function: Strategy and Partnerships

Research on costs of domestic abuse commissioned by LGA	NA	G	G-complete	Research likely to inform the national statement of expectations in relation the Violence against Women and Girls Strategy. LGA invoiced			
Complete strategic assessment	G		G-complete				
Complete the community safety survey - achieve a sample in excess of 1000 responses	G	G	G-complete				
Complete the statutory SPP plan – agreed by the SPP and partner agencies including the city council	G	G	G	A	On track – strategic assessment completed. Resourcing likely to lead to late completion of plan		

Function: Prevent

Ensure all activity from the action plan is delivered on time – measured by action plan monitoring	G	G	G	G	Steady	Awaiting confirmation of continued funding from Home Office	
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Transport, Environment and
Business Support Q3
(October 2016 – December 2016)
Director: Alan Cufley

Transport, Environment and Business Support : Quarterly progress report (1)

Function : Traffic and Network Management

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Complete the Traffic Management Centre IT system upgrade.	Upgrade to be completed by April 2017.	Specification and project requirements complete and a supplier identified. Pre- contract preparations underway.	Placing the order is underway and some preliminary work has been undertaken.	The order has now been placed and implementation planning has now commenced.	Steady	Green	
Delivery of the £1m Traffic Signal optimisation programme across the city.	Programme to be delivered over the next two years.	Feasibility completed. Preliminary designs in progress.	Preliminary designs are now complete . Procurement of the supplier of phase 1 began in Q2. Works are likely to begin in February 2017.	The final designs are complete. Procurement for Phase 1 and Phase 2 is underway.	Steady	Green	
Traffic and transport management for the America's Cup World Series, Victorious, Great South Run, Victorian Festival of Christmas and other special events.	Traffic Management plans for the events reviewed and updated for this year.	Traffic management and plans were in place for for the Americas Cup World Series event and the Victorious Festival.	Plans for events such the Americas World Cup Series and Victorious were successfully executed. Plans were put in place for the Great South Run, November fireworks and Christmas events.	Traffic management went well for these events. All proceeded as planned.	Steady	Green	
Improved journey times on key routes in the city.	Plans to introduce journey time monitoring technology with the Traffic Management Centre system upgrade.	Trials underway for testing journey time measurement technology.	Two bids have been made for Department for Transport funding to add further traffic sensors and make improvements to the data analysis technology. Work continues to create more customer relevant information on different media platforms.	Bid announcements are awaited.	Steady	Green	

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Transport, Environment and Business Support : Quarterly progress report (2)

Function : Transport planning

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Achievement of the Local Transport Plan (LTP) milestones for Transport Planning projects.	Transport Planning projects are due to be completed by March 2017.	2 projects in planning stage, 1 in implementation stage. Successful bid of £450k external funding for Sustainable and Connected City projects.	1 project is now complete, 2 are in implementation stage and a further 1 is in the planning stage. Delivery of the Sustainable and Connected City projects is progressing well.	All projects are in the implementation stage. Delivery of the Sustainable and Connected City projects is progressing well and on track to deliver by the end of the year.	Steady	Green	All schemes are being delivered within scope, budget and timeframe.
Progress in reviewing resident's parking zones (currently planned to be achieved 2021)	8/35 schemes reviewed by Q4 2015-16	Consultation is underway on a new parking scheme in Cosham.	A new parking zone was approved for Cosham (BF zone) to commence at the beginning of December 2016. Work continues on the remaining zones to be reviewed as per the programme reaffirmed by the Traffic and Transportation portfolio holder in September 2016.	A new parking zone was introduced in Cosham (BF zone) in December 2016 and is operating successfully. Consultation was undertaken on the Old Portsmouth zone (KA).	Steady	Green	
Increased patronage of the Park and Ride service	Sales and Revenue plan for 2016-17	A number of promotion initiatives have been developed to increase sales.	Q2 revenue was similar to 2015-16. Further work was commissioned on promotion activity and pricing strategy.	In Q3 2016-2017 there was a 3.6% increase in passenger numbers and a 6.7% increase in revenue compared to the same period in 2015-2016	Steady	Green	Q3 passenger numbers are expected to be maintained due to a substantial increase in commuter users as a result of enhanced product development and pricing structure

Transport, Environment and Business Support : Quarterly progress report (3)

Function : Transport planning

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Implementation of improvements to current driver and fleet management practices	Corporate drivers' licence checking service planned for introduction.	Service launched in May. Non-compliant drivers are being identified and managers informed. 196 drivers' licences checked in Q1.	A further 79 driver's licences were checked in Q2. Plans are in place to issue advice on car insurance in Q3.	154 driver's licences were checked in Q3.	Steady	Green	
Integration and commercial success of the Fleet Management Service (Income and satisfaction)	650 users of the Home to school and college supported transport service.	Integration of Fleet Management and the passenger transport unit to include Adult Day Services is underway.	Integration of Fleet Management and Adult Day Services is complete and proving successful. With good client feedback.	Integration of Fleet Management and Adult Day Services is now business as usual and includes successfully providing transport for three day care centres in their transition from PCC run day care services to other providers.	Steady	Green	

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Transport, Environment and Business Support : Quarterly progress report (4)

Function : Road safety and active travel

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Traffic safety schemes within the LTP delivered on time, to budget and standard	8 traffic safety projects due to be completed by March 2017.	6 projects are in the planning stage, 2 in implementation stage.	7 projects are now in the implementation stage. 1 project has been put on hold, subject to review.	7 projects are now in the implementation stage . 1 project is awaiting a decision in Q4.	Steady	Green	
Reduce road casualties. Year on year reduction of casualties compared with the five year baseline.	Q1 2011 to 2015 5 year average baseline is 136.8 collisions.	Q1 2016 collision figure is 116. A reduction of 15.2%.	The Q2 2011 to 2015 5 year average baseline is 163 collisions. In Q2 2016 there were 146 collisions, a reduction of 10%.	Full Q3 figures will not be available from Hampshire Constabulary until mid February 2017.	Steady	Green	These figures will be provided in Q4 when the full set of figures including the Christmas period will be available for analysis.
Delivery of programme of Active Travel events	High participation at events such as Bike Week and Pedal Portsmouth 2016.	Good participation in the Tour Series cycle event in the centre of Portsmouth (80 children). 1,500 at the Pedal Portsmouth event.	Planning began for the next Pedal Portsmouth event in October - Glow Ride. Design work began for the schools walking programme funded by the Sustainable Cities bid and research into Quiet (cycle) routes has begun – expected finalisation in Q3	Successful Glow Ride in October with in excess of 1000 participants . The Quiet Routes research is progressing well. Pompey Monster Walk to School Campaign will begin as planned in Q4.	Steady	Green	

Transport, Environment and Business services: Quarterly progress report (4)

Function : Management of Parking Operations

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 Position	Q3 Position	Trend	Year End Forecast	Director Commentary
Strategic parking review milestones achieved	At scoping and initiation stage	The project plan is in place to enable phased delivery of the review.	Implementation of the plan is underway. Good progress is being made towards implementation of the plan.	Review report prepared.	Steady	Amber	This will put in place improvements to the management of parking and parking services in the next financial year.
Channel shift and greater efficiency of parking operational services	Use of Automatic Number Plate Recognition technology began in Q4	Channel Shift for Residents Parking Zone Permits is underway. Automated detection of parking on Zig-zag lines is planned for Q2.	On-line Residents' Parking Zone permits is due to be launched in Q3. Launch of automated detection of parking on zig-zag lines has been postponed until Q4.	On-line Resident's Parking Zones permits are live. Automated detection of parking on zig-zags lines is planned to begin in Q4.	Steady	Green	
Additional parking services for business clients	Services provided for the University of Portsmouth, PCC Property Directorate and other local authorities.	The Parking Service is currently contracting to supply expertise to a training company for the supply of services to further local authorities.	The new contract to supply expertise to a parking training company for the supply of services to further local authorities has been signed.	The team are continuing to discuss opportunities with potential customers.	Steady	Green	Customer satisfaction is high for services that are in place.
Increased compliance with the Blue Badge schemes.	124 blue badges retained due to offences 2015-16.	45 blue badges retained in Q1 compared to 37 in Q1 2015-16.	A further 43 badges were retained in Q2 this year compared to 16 in Q2 2015-16.	60 badges were retained in Q3 compared to 39 in Q3 2015-16	Steady	Green	Our continued vigilance in the detection of blue badge misuse is identifying the scale of the problem.

Transport, environment and business support : Quarterly progress report (5)

Function : Highways and coastal management

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
LTP Highways schemes delivered to budget, quality and on time	Provide design / engineering support for 5 Highways projects within the LTP due to be completed by March 2017.	All 5 projects are in the design stage	1 project is in the design stage. 3 are in the implementation stage. 1 project has been put on hold.	1 project is in the design stage, consultation will be complete by end of February. 3 are in the implementation stage. 1 project on hold awaiting decision in Q4.	Steady	Green	
All highway alterations carried out by private developers and other non Highway Authorities meet the standards of the Highway Authority	This area of work is demand led responding to the amount of development taking place in the city.	19 Highway schemes related to development are currently in progress. All schemes are compliant or responding to advice/instruction provided by the Highways Design team.	Some schemes have been completed and new ones started . All schemes currently in progress are complying with our requirements as the Highway Authority.	All schemes in progress are compliant except one which was completed without notification to the highways team. We are using our powers under the Highways Act to ensure the scheme becomes compliant retrospectively.	Steady	Green	This area of work is increasing due to the growth in development sites around the city. In Q4 three more developer schemes are beginning, which will involve changes to the highway and will be subject the S278 checking process..
Completion of the 2016/17 phases of the North Portsea Flood Defence Scheme and preparation for the Southsea scheme.	See major project progress report (Appendix 2).						

Transport, environment and business support : Quarterly progress report (6)

Function : Enterprise centres management

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Commercial success of the Enterprise Centres, measured through occupancy levels	Victory – 78% Portsmouth- 84% Challenge – 99%	Victory – 93% Portsmouth 100% Challenge - 88%	Victory 93% Portsmouth 100% Challenge 90% Occupation figures at the end of Q2.	Victory 90% Portsmouth 96% Challenge 100%	Steady	Green	The centres remain popular, and vacancies are managed to minimise void periods.
Commercial success of the Enterprise Centres, measured through income	2015-16 Income: £980,000	£248,000 income	£244,000 income	£240,000 income	Steady	Green	There has been some churn in Q2 and Q3 accounting for the marginally lower income compared to Q1.
Increased business support delivery and increased customer satisfaction.	Business networking service introduced. High satisfaction with rent, location and premises. Customer demand noted improved IT connectivity	Land has been rented to an IT connectivity provider and a mast installed that will serve two of the centres. In the feasibility stage for broadband at the third centre.	The monthly networking event with regular speakers has been popular and well attended. The Mast for better IT connectivity is now in place. An offer for business centre management services at other PCC sites has been accepted.	The networking events remain popular. Southern Entrepreneur events are also hosted. The IT mast is now in operation. The team are now providing management services to the new Limberline industrial estate.	Steady	Green	

Transport, environment and business support : Quarterly progress report (7)

Function : Employment, learning and skills service and PCMI manufacturing

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Delivery of the first phase of the City Deal employment programme	Performance and delivery aims of the programme based on City Deal pilot.	Mainstream programme launched May 2016. 20 participants engaged in Q1.	A further 70 candidates were engaged in Q2.	An additional 65 participants have joined the programme in Q3	Steady	Green	All contracts are performing well. New contracts opportunities are being reviewed.
Successful delivery of all ELS contracts to meet the requirements of funding bodies	Contract delivery requirements set by major clients	Currently on target to deliver.	Currently on target to deliver to the requirements set by major clients.	Currently on target to deliver to the targets and outcome levels set by Prime Contractors and Funding Bodies.	Steady	Green	
Financial viability for ELS and manufacturing service (income v expenditure)	Budget as at Q4 and income projections for the year.	ELS currently on target to achieve income projections. Manufacturing below income projections.	ELS currently on target to achieve income projections. Manufacturing continues to be below income projections	ELS currently on target to achieve income projections. Manufacturing income continues to be lower than expected, although costs have also reduced.	Steady	Amber	
Number of people supported to acquire skills for work	Projections of people to be supported under the contracts to be delivered this year.	92 new starts in period Apr to June	A further 90 new starters commenced the programmes in Q2.	105 new starts in Q3	Steady	Amber	The contracts for the Work Programme, Work Choice and Community Work Placement contracts are coming to end so referrals are reducing. However the Work Choice contract is likely to be extended for 6 months from April'17. New Big Lottery contract to commence May'17. Community Learning are performing well on delivery.
Number of people supported to move into sustainable employment		58 people entered employment	A further 37 people entered employment in Q2.	An additional 56 people have entered employment in Q3	Steady	Green	

Culture and City Development Q3 (October 2016 – December 2016)

Director: Stephen Baily

Culture and City Development : Quarterly progress report (1)

Function : Libraries and Archives

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Delivery of SCL Universal Offer & Promises :						Targets set which show an increases , without additional resource, is ambitious. The increase in virtual engagement whilst physical football is sustained is a positive picture . We continue to explore alternative delivery models moving forwards such as shared services
Reading Total Loans/issues	623,147	Q2 307,791	Q3 440,844	Steady	Green	Trending offset by increase in virtual access
Information enquiries	109,800	Q2 Total will be provided for the year Q4	Q3 Total to be provided for the year in Q4	Steady	Green	
Digital: use of Peoples network	122,820	Q2 47,036	70,756	Decline	Amber	negative trend due to IT “downtime” caused by problems with the line and individual faults in various locations making the PN unavailable for public use
Health & wellbeing: proposal for health hub	Proposal Report	Proposal Report Costings and Meeting with Adult Social Care	Proposals for a Health Hub included in ACE bid Jan 2017	Steady	Stock re-sited	
Learning: Master sessions	1049 learners	Q2 382 learners	Q3 861 learners	Decline	Amber	Negative trend but more activity in the autumn/winter terms
Cultural: Bookfest participants	819	Total available Q4	Total available Q4	Steady	Green	The Bookfest has a full and robust programme developed ready for launch therefore expecting to reach target
Children Promise: Summer Reading Challenge	2,700 participants	Q2 2,846	Total for the year – completed and achieved	Improve	Green	
Six Steps: V1 Helpline Enquiries	4,304	Q2 2,591	Q3 3,102	Steady	Green	Target expected to be achieved due to high activity in Q4
Continue to Increase virtual visits by 5% from 2014 to 2017 to 5% annually	56,796	Q2 Virtual issues 23,404 Virtual enquiry 24,687 Total 48,091	Q3 Virtual issues 34,204 Virtual Enquiry 35,212 Total 69,416	Improve	Green	

Culture and City Development : Quarterly progress report (2)

Function : Libraries and Archives

Agreed measures of progress	Baseline as at Q4	Q2position	Q3 position	Trend	Year End Forecast	Director Commentary
Retain 1m physical visits	973,00	Q2 493,098	Q3 713,471	Steady	Amber	Bookfest Programme in Q4 and other targeted activities indicates target will be achieved
ACE funding bid to develop the central library information hubs 1 st Floor	Scope Project	Scope Project Costings obtained	Feasibility reassessed Q3 for inclusion in ACE bid submitted Jan 2017	Steady	Green	
Update the archive catalogue to Spydus 10 and develop web access by : Transfer CMS server to hosting civic server Implement E DI invoicing model Develop events booking functions Develop Volunteer access Develop Mobile app	Contract set up Civica Awaiting move to Civica server to deliver functionality	Contract set up Civica Awaiting move to Civica server to deliver functionality Q2 - awaiting construction of VPN tunnel (delay)	Q3 Move to Civica Server now scheduled for Q4 due to staff sickness at Civica and technical issues	Decline	Amber	Upgrade to Spydus 10 will begin Q4 but expected to completed in 2017/18
Retain SLS traded service buy back SLS Reader development participants	97% 8047	8047 Q2 Total in Q4	Total in Q4	Steady	Green	

Culture and City Development : Quarterly progress report (3)

Function : Museums

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 Position	Trend	Year End Forecast	Director Commentary
Continue to deliver the 5 year transformation of the D-Day Museum in– start work on site (now May 17; new museum open revised date Easter 2018)	See Project list					
Delivery of the new Butterfly House for Cumberland House - Demolition phase - Restoration phase	Project manager budget and core funding secured	-Communication & engagement events held in Q2 and views collated -Contract for Demolition prepared and submitted out for tender including repairs and restoration	Contractor in place for demolition ready to start early 2017. New glasshouse with Procurement for defining the remaining process	Steady	Demolition to be completed March 2017	
Increasing cash donations as part of the savings programme :Generate additional £7k through cash donations: total £18k	£11,000 secured 2015/16	6,600	£9,500	Improve	18k over 2 years	2 year Target achieved
External funding secured from HLF for the Edward King collection	Political agreement	Bid submitted Q2 .HLF declined bid and no obvious way forward for alternative as HLF are the main funder of heritage		Decline	Not achieved but modest conservation work in Q4 and Q1	Although bid declined there will be some modest conservation work enabled through cash donation target which will be achieved
Sustain visitor numbers 300,000 across all museums in 16/17	294,590	204,326	243,311	Decline	Green	Improving position remains in group visits, Southsea Castle and Dickens . Overall numbers 2% less against period last year but should attain target .

Culture and City Development : Quarterly progress report (4)

Function : Community Centres

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 Position	Trend	Year End Forecast	Director Commentary
Continuing to broaden the programmes in all centres through the actions plans based on the 2014 bi annual surveys .	Overall usage of 5 to 15 year olds is 11.3% . 5% increase over 2 years by 2017	Discussion completed with each association their strategy to increase usage	Programme - discussed, with positive responses from associations, one or two need to focus on their operational management as a priority	Steady	5% increase in child users	
Increase the overall centre building utilisation figures	Utilisation ranges from 70% to 30% averaging 46%. Target to increase overall by 5%	Discuss with associations their individual target increases and actions to achieve	discussions held with the associations and actions discussed / planned	Steady	5% increase in overall user numbers	
Develop complete and analyse the 2016 to 2018 bi annual surveys	3,000 annual surveys completed 2014	<ul style="list-style-type: none"> - Feedback forms collated and inputed - Associations promoting 	Over 3,000 surveys within deadline by the end of Q3 Report to be produced for Q4	Steady	Action plan agreed with Community associations	Draft report for CLS Q4 : summary and action plan
Achieve 2016/17 savings target (£42,000) by ceasing to second PCC staff, and replace with grant aid for staffing , where appropriate	2015/16 community associations budget was a mix of directly funded staff and grant funding	Savings achieved in April 2016 as no PCC staff in centres managed by associations	Achievement Q1	Steady	Savings delivered and community centres operationally managed by associations	

Culture and City Development : Quarterly progress report (5)

Function : Parks and Open Spaces

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 Position	Trend	Year End Forecast	Director Commentary
Begin work to implement a new grounds maintenance contract in house by January 1 st 2017	Political agreement secured	<p><i>Vehicles</i> : order for hire prepared</p> <p><i>Plant & Machinery</i>: procurement option for hire / purchase/ ex-demo / used exploring all options</p> <p><i>TUPE</i> : measures letter sent to idverde for comments</p> <p><i>Training</i> : courses identified</p>	<p>-<i>Vehicles</i> : order delivered and stored at City Museum</p> <p>-<i>Plant & Machinery</i>: procurement completed for 1st phase of equipment for next quarter a mix of hire / purchase/ ex-demo / used</p> <p>-<i>TUPE</i> and H & S training meeting held and FAQ developed</p> <p>-Employer liability information delayed but finally received .</p> <p>Outstanding issue is the longer term north depot see below .</p>	Steady	Green	Staff transfer and new operation will ready under PCC management on target for 1 st January 2017
Provision of new premises at Northharbour for council and contractor staff to accommodate vehicles, workshop and storage by December 2016	Agreement to move from current site Ave de Caen	<p>Current parks staff planned to move from civic end for November 2016</p> <p>New grounds maintenance staff IT set up on target for set up December</p> <p>Client services planed move from Avenue de Caen site for end of year</p>	<p>Political decision to commercially let premises at Northharbour road and alternative options developed and actioned :</p> <p>-parks staff moved to 5th floor civic offices</p> <p>-Key staff and managers from idverde also located at civic offices</p> <p>-Provision of premises in the South at Ave de Caen to accommodate vehicles, workshop and storage</p> <p>-Provision of premises in the North continue to be explored</p>	Steady	Green	Operational site ready for transfer

Culture and City Development : Quarterly progress report (6)

Function : Parks and Open Spaces

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 Position	Trend	Year End Forecast	Director Commentary
Develop options for community-based management model to improve the Parks service and to develop a more dynamic service responsive to local communities opportunities for real localism.	Briefing paper on community-based management model to explore options	Continue to explore options on: -friends groups -Volunteer model -Enterprise and voluntary sector and with local communities -partnerships with organisations and groups representing people with learning disabilities -potential for improved access to external funding.	As Q2 : as this is a longer term plan to be explored once transfer completed and schedules of work in place To be explored Q1 2017	Steady	Green	To develop framework for community-based management model
Review current grass areas and consider meadowland replacements, and undertake ecosystem survey	Will be addressed as part of the Green Review 2017 Property and Housing		Will be addressed as part of the operational review in 2017 Within Culture and City Development	Decline	Red	
Spending on parks and open spaces to be within all budgets set for 2016/17	The 2015/16 cash limited budget outturn was an overspend of £6,626.	The parks budget forecast outturn as of the end of Q2 is a projected surplus of £23k but it is anticipated the service will come in within approved budgets	The savings realised from transferring the GM contract in house will be invested in operational assets as planned in Year 1 and this will be a balanced budget position	Steady	Green	Anticipated that the service will continue to operate within approved budgets

Culture and City Development : Quarterly progress report (7)

Function : Registrars and Coroners

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Achieve 100% birth registrations with 5 working days	100%	Data available April 2017		Steady	G	Remaining Data available April 2017
Achieve 100% still birth registrations with 5 working days	100%	Data available April 2017		Steady	G	
Achieve 100% registrations of death within 2 working days of appointment request	95%	National problem registering deaths as delays in medical certificate cause of death .All registers working closely with general registrars to resolve nationally	National problem registering deaths within 5 working days of death as delays in medical certificate of cause of death . Working closely with QA to identify the areas that are causing this within their systems and working towards solutions with them. Able to offer appointments within 2 working days of appointment request. Customer does not always wish this and chooses a later date that is more suitable for them.	Steady	G	
Achieve 100% declaration of marriage and civil partnership within 10 working days of appointment request	100%	Data available April 2017		Steady	G	
Customer satisfaction with registrars service	98.2%		New survey being conducted. Results will be known from 1 st April 2017.	Steady	G	

Culture and City Development : Quarterly progress report (8)

Function : Registrars and Coroners

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Implement registrars booking system	Stopford waiver completed	System Testing continues Training packages developed for staff for cascade training Parallels systems will run for Q4	Stopford implementation February 2017. Although we are ready Stopford had previous commitments that prevented go-live in Q3 System Testing completed. Training for Key Staff completed ready for training cascade. Parallels systems will run for Q4	Steady	Project completion Q4	Increase in cases is over 73% yet despite this increased workload the timelines targets have improved and reduced to only 1.9% of cases taking more than a year - an improvement of 1.6%
Implement replacement coroners IT caseload management system	Feasibility complete		System testing completed. Staff training w/c 13/2/17 and go-live 20/02/17.	On track	Project Completion Q4	
Achieve timeliness targets for inquest for those cases that take over 1 year	394 Inquests 14 over 12 months amounts to 3.5%	Increase in Inquest cases continues . Data is in calendar year so available January 2017	682 Inquests in 2016 13 over 12 months Amounts to 1.9%	Improve	G achieved	
Complete options appraisal re mortuary and bereavement service	Agreement to explore options	Investigation and regional benchmarking	Feasibility and costings modelling continues. Meeting taken place with Home office pathologist In Q3 to discuss feasibility of in house pathology team	Steady	Launch of the bereavement service late 2017	

Culture and City Development : Quarterly progress report (9)

Function : Seafront Services

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3Position	Trend	Year End Forecast	Director Commentary
Increase visitor numbers for events by 5%	710855	Q2 - 452,500 Accumulative 549,289	Q3 - 94,250 Accumulative - 643,539	Steady	Red	Although Ocktoberfest was well attended and other Q3 events programmes, we anticipate we will be able to match last years baseline but not achieve the anticipated growth of a further 5%
Review byelaws and review and simplify layers of restriction	BBQ Byelaws Dog orders Byelaws	Dog Byelaws: instigated legal review to explore options in parks and open spaces including the seafront . Dog byelaws current legislation does not expire until October 2017 BBQ : briefing to portfolio order in Q3	BBQs Q3 review has been undertaken & CS&L report being taken in Q4. Dog Byelaws - Q3 whole city review initiated and timeline drafted for implementation of new options using the PSPO legislation to come in from 1 st October. Consultation on new options will be undertaken in Q1 of 2017-	Steady Steady	Green Green	
Deliver two concessions options in pilot form for delivery and evaluation	Research on possible concessions	NMRN concession delivered Q2 for July / August and currently under evaluation -Option for HotWalls studio being developed as a pilot in Q3 -3 rd pilot explored but infrastructure not in place in time for height of season but will be option for 2017	Two concession options have been delivered - National Museum of the Royal Navy in Q2 and in Q3 with new models of artist's initiatives at the Hotwalls. Evaluations from these will inform a new Pop-up options for 2017-18.	Steady	Green	Target Achieved in Q3

Culture and City Development : Quarterly progress report (10)

Function : Seafront Services

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3Position	Trend	Year End Forecast	Director Commentary
Complete Beach Huts costs analysis weekly and annual and options for change	Previous full Cost full analysis not completed. Annual income target was £89,447	Income target achieved for annual lets in Q2 despite higher than average fees and charges % increase. Weekly lets marketed and income increased but more to do . Full cost appraisal to be completed for portfolio member Q3 to inform fees and charges	<p>Benchmarking completed in Q3 and informed Fees and Charges report to CLS in Q4 .</p> <p>Proposal on fees and charges is overall increase 1.2% and weekly lets increased by 20% and will be full refurbished and marketed to build on income stream</p>	Improve	Green	
Poster sites: Full cost analysis and identify areas to increase income and advertising opportunities packages	Income target: £32k Income actual :£29k No advertising packages	Income Target : 32k Income actual: 16k 2 advertising packages in place	Income actual: 24k Branding map developed to illustrate extensive footfall and traffic flow on various strategic site locations. E-marketing shot to new database targeted along the M27 corridor. Stringent programme of removal of fly posters on leisure land continues to be an opportunity to convert illegal fly posting into advertising income	Steady	Amber	Q4 a slower month but should achieve target
Full cost analysis of splashpool to inform programming and opening times in 2016/17	Previous Cost analysis not completed so baseline not available	Successful Q2 season with over 30k visits throughout the season ending September Cost analysis to be completed Q3	Costs analysis completed and to be discussed with portfolio member on options . Pre season recruitment and pre season planning Q4	Steady	Green	

Culture and City Development : Quarterly progress report (11)

Function : Visitor services

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 Position	Trend	Year End Forecast	Director Commentary
Increase in visits from “staying visitors” over 3 years of 8% from 2016 to 2019	726,000	As Q4	The South East data shows an increase in domestic overnight trips regionally of around 5% and international overnight trips of around 9% so this would indicate positive trending for the city in September data Continuing this momentum through the initiatives outlined in 2017 -2020 marketing strategy to be adopted at PRED in Q4	Steady	Green	Data is bi- annual and 2016 data will be presented in September 2017 . Hampshire CC data will be available mid year which will give a regional indication of visits and spend . Continuing to develop options for accommodation in the city is key to encourage overnight stays
Increase visitor spend of 10% over 3 years from 2016 to 2019	£463Million	As Q4	The South East data has an increase in associated in visitor spend indicating a positive outlook for Portsmouth figures to be released in Q3 2017	Steady	Green	As above

Function: Economic Growth

Improve skills levels	Strengthening of post given the importance of the priority for the city	Employment and Skills post selection and interviewing process completed	Economic Growth Skills Officers in post Q3	Steady	Amber	The economic growth team is still forming following various post restructure and recruitment
Increase Foreign Direct Investment (FDI)in the city	Collection of intelligence of current investment in the city		7 successful projects and reported to Department for International Trade	Improve	Green	Economic dashboard produced quarterly to underpin all economic growth interventions. First quarterly dashboard produced for Q3 and presentation to members in Q4
Increased business survival by providing business with targeted business support	Signposting to Enterprise First and Solent Growth Hub		The EG team won innovative business initiative award from FSB for this support work to business in partnership with UOP and Shaping Portsmouth.	Steady	Amber	5% Increase in number of business supported by PCC signposting
Review Market offer within the city		surveying customers and undergoing a wider consultation to inform re-procurement	Appointed consultants to produce a 5 year Street markets strategy	Steady	Green	All market contracts in place for 2017

Culture and City Development : Quarterly progress report (12)

Function : Development Management

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Ensure applications dealt with in national standard timeframes: major applications (target 60%)	89%	100%	80%	Decline	Green	Performance over Q3 has been impacted through the retention and recruiting challenges for Planning Professionals. The existing National Targets Q3 have been achieved and yearend forecast can be secured. A more focused resourcing strategy targeting recruitment to complexity of application is proposed to manage our fluctuations in the coming year
Ensure applications dealt with in national standard timeframes: minor applications (target 65%)	80%	86%	88%	Improve	Green	
Ensure applications dealt with in national standard timeframes: other applications (target 80%)	83%	92%	87%	Decline	Green	

Culture and City Development : Quarterly progress report (13)

Function: Sports and Leisure facilities management

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Procurement of a new leisure facilities contract for the management of our 6 leisure facilities	Q4- Prepare Stage 1 ITT submission deadline on 8th August Q1-Prepare Stage 1 ITT submission deadline on 8th August Q2- Stage 1 approved at the gateway board .Stage 2 bid went forward in September to Gateway 4 . Analysis of 3 bidders to select preferred bidder assessed against the criteria of a Specific Specification to announce the decision in November.					
Develop new Sports Facilities and Playing Pitch Strategy in partnership with stakeholders – approval in municipal year	Fieldwork in progress	Audits and interviews largely completed	Audits and interviews largely completed	Steady	Green	

Function: Building control

Explore expansion of the BC partnership		Fareham & Gosport already combined with Portsmouth Aim : 1 st phase end of December				Havant and EHDC taking reports to various decision making processes to agree moving into the extended Partnership – report to be prepared for Cabinet to agree extending partnership
Explore establishing a Trading company for Building control	Explore options led by PCC		Options appraisal work will be further progressed once decision on whether the Partnership is extended		Options appraisal March 2017	

Culture and City Development : Quarterly progress report (14)

Function : Planning

Agreed measures of progress	Baseline as at Q4	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Review of Local plan to take plan period to 2034 and identify how employment and growth will be accommodated in the city	Resources now in place to take forward	Draft development sites report is under preparation. On going retention issues regionally and nationally	AS Q3	Steady	Adoption in late 2018	
Adopt a contaminated land strategy to agree the Councils approach to identifying and bringing about the remediation of statutory contaminated land. Its primary aim is to address the legacy of historical contamination and the harm that pollution can cause to health of the environment	Draft 'Part 2a' Strategy available	Agreement for decision report at PRED	Consultation continues and plan adoption is now anticipated June 2017	Steady	Red	
Complete a public realm strategy including a strategy for concessions and street trading		On going preparation of document for public consultation	Work progressing slower than anticipated due to loss of staffing capacity	Decline	Strategy to be adopted March 2017	
Implement a revised CIL neighbourhood spend process	Spend profiles	Projects to be agreed on a case by case basis against the agreed framework CIL monies allocated to projects in Milton ,Paulsgrove , Cosham and Hilsea . Ongoing discussions over allocating funds in other wards, for example improvements to adventure playground in Charles Dickens	Funds continue to be allocated against various projects across wards with the support of ward members and the local community	Steady		
Complete a heritage strategy	Draft strategy in place	Discussion held with Historic England to discuss development of an implementation strategy	Historic England unable to provide the support previously envisaged considering other options on how it will progress	Decline	Red	Adoption anticipated Q2 2017
Continue to work with landowners and other public bodies to maximise development opportunities in the city		For the local plan , Landowners invited to submit sites for consideration				

Community and Communications
Q3
(October 2016 – December 2016)
Director: Louise Wilders

Community and communications : Quarterly progress report (1)

Function: Channel Shift Programme and City Helpdesk

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Reduction in PCC spending on post/carriage and print by 5%	Reduction of £258k achieved 15/16, creating a baseline of £225,320	Total spend on print and advertising in Q1 was £74,511	Total spend on print and advertising in Q2 was £59,386 - 10% down on Q2 in 2015/16	Total spend on print and advertising in Q3 was £47,233 – 11% down on Q3 15/16	Steady	Amber	Spend is 23% up at end of Q3 but largely due a purchase of a radio advertising package for fostering and adoption procured in Q1. This is expected to come into line in Q4. Likely to be limited ability to further reduce spend on print and advertising as levels are now very low. Maintaining low levels of spend will be the priority.
No reduction in levels of customer satisfaction	94% rated service good or very good	Next survey August 2016	Customer satisfaction survey in July – 91% rated service very good or good with 63% of customers scoring 10/10	Customer satisfaction survey in Nov/Dec – 94.4% rated service good/very good – 73% of customers scored 10/10	Steady	Green	Method of measuring customer satisfaction changed to generate more constructive feedback to support improvements, showing wait times are biggest issue – changes to call management approach have improved wait times, resulting in improved customer satisfaction
Increase in online payments, direct debits or other automated channels	£8.8m online payments 2015/16 984 online direct debit forms 33% in person payments at quick pay kiosks	£2.487m in Q1	Online income was £2.509m in Q2 – up 11% 1138 direct debit forms in Q2, representing 77% of all direct debit set-ups quick pay handled 5,500 transactions in first six months – 26% of all cashiers transactions 2,836 sign-ups to the new My Portsmouth account in Q2	Online income was £2.530m in Q3 – up 9% Quick pay handled 2024 payments – 22% of cashiers transactions There were 2337 new sign-ups to the My Portsmouth account in Q3	Improving	Green	Digital transactions are significantly up overall, particularly online forms, with more than 50% of customers choosing self serve to set up direct debits. Quick pay is likely to end the year on less than 33% - initial take-up of quick pay machines was higher than normal due to support from customer service staff floor walking to encourage usage – the likely take-up at year end is around 22%
Increase in web enquiries submitted via online forms	14197 forms submitted in 2015/16	4735 in Q1 (including app forms)	6790 online forms (from web, app and firmstep) submitted in Q2, 64% increase on Q2 15/16	5447 online (web, app and firmstep) forms were submitted in Q3 - a 79% increase on Q3 in 15/16	Improving	Green	Along with another significant increase in online forms, for direct debit and single person discount forms, we can now see what % of all transactions are done online – for direct debit in Q3 54% of all transactions were online – showing clear customer demand for online offer
Reduction in spend on small IT systems							Would expect this now to transfer to IS within new IT Strategy
Ongoing savings target achieved	Predicted 2015/18 - £1m Actual so far - £1.7m						Phase 1 of programme completed. Awaiting resource for Phase 2

Community and communications : Quarterly progress report (2)

Function : Revenues and Benefits

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Council Tax collection rate	95.83%	28.56%	55.23%	81.83%	Steady	Amber	<p>Council tax has collected £3 million more than Q3 position 2015/16. However the overall % collected, due to the increased charge, is likely to be the same as 2015/16.</p> <p>It should however be noted that the work completed by Local Taxation with regards reviews of empty properties and single person discount has had a further positive impact on the tax-base and new homes bonus funding.</p> <p>Council tax and NNDR annual debt is forecast to be higher at end of 2016/17 as a result of the increase in collectable debit</p> <p>More housing benefit overpayments are being raised due to targeted customer reviews and the real time information being supplied direct from HMRC. It should be noted that the more overpayments raised will generate more income for PCC.</p> <p>The amount of subsidy forecast to receive is down on 2015/16 as the level of housing benefit expenditure is reducing (this is in main due to the welfare reforms). However the % of subsidy claimed against expenditure remains steady 97.99% at end of Q3 (97.96% at end of Q3 2015/16)</p>
NNDR collection rate	99.62%	35.15%	58.94%	84.67%	Steady	Amber	
Debt recovery	Annual figure – debt reduced from £16,108,369 to £13,357,459 2015/16	£14,077,783 (Q1 increase relates to increases in prior year debit relating NDR)	£12,597,402	£11,111,525	Increased	Red	
Cycle time for new claims	24 days	21 days	21 days	21 Days	Steady	Green	
Cycle time for changes of circumstance	8 days	8 days	8 Days	8 Days	Steady	Green	
Processing accuracy	98%	97%	97%	97%	Steady	Green	
Overpayments raised	£3,880,202	£829,370	£1,786,507	£2,540,523	Increased	Green	
Level of outstanding benefit debt	£8,990,746	£9,003,112	£9,153,326	£9,117,049	Increased	Red	
Subsidy received	£109,774,865	£29,568,321	£55,596,072	£80,812,412	Steady	Green	

Community and communications: Quarterly progress report (3)

Function : New business and Traded Services

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Income generation targets: Design £150,000	£188k for year	£30k	£65,173	£151,228	Deteriorating	Red	Design income adversely affected by reduction in print and advertising spend. Review of design services completed, £22K of savings achieved, sales and marketing strategy in development to increase external business
Commercial Services Benchmark £4.3m in 2015/16	£4.3m for year	£3.233m	£3,386m	£3,946m	Steady	Amber	Services withdrew TS offer to the sum of 250K. Currently identifying new income from beyond education sector – fiercely competitive market place

Function: Democracy

Achievement of statutory timelines in relation to FOI	53%	64%	68%	68%	Improving	Amber	Nov was 70% and Dec was 72 %. Continued increase in complex FOIs. Being reviewed across the board to try and secure further capacity
Implementation of ModGov	Analysis	Analysis complete review of models	Project moved to plan stage	Still in planning stage			Planned move to paperless to be picked up in Channel Shift

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Community and communications : Quarterly progress report (4)

Function : Communications and Marketing

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Value of media coverage generated by PR activity in 2015/16	£905k of media activity generated in 2015/16	£141k compared with £135k in Q1 2015/16	£330,552 compared with £248,154 in Q2 2015/16	data not available	Steady	Amber	Issues with reporting in media management software, and staff sickness/redundancy has resulted in a backlog of data collecting – this will be resolved by Q4
% staff proud to work for the council	64% proud to work for council	64% proud to work for council	64% proud to work for council	64% proud to work for council	Steady	Green	Measured annually in April , next survey April 2017
% staff feel well-informed	60% well-informed responses in staff survey	60% well-informed responses in staff survey	60% well-informed responses in staff survey	60% well-informed responses in staff survey	Steady	Green	Measured annually in April , next survey April 2017
Measures of return on marketing investment	ROI for adoption and fostering marketing £1.6m 2015/16	Measured twice a year	Evaluation done twice a year, in Q2 measured £1,046,493 ROI from Q1 and Q2	Evaluation done twice annually, next measure due in Q4	Improving	Green	Return on marketing investment is gradually increasing

HR, Legal and Performance Q3 (October 2016 – December 2016)

Director: Jon Bell

HR, Legal and Performance : Quarterly progress report (1)

Function: Human Resources

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Sickness absence	8.4 days per employee per year	8.4	8.4	8.26	Improving	Amber	Performance has bottomed-out after a period of continued improvement. Support to managers being re-invigorated and further wellbeing initiatives promoted in order to maintain improvement
All restructures and other organisation change successfully managed	Achieved	Achieved	Achieved	Achieved	Stable	Green	Extensive restructuring and staff transfer activity carried out, partly resulting from budget savings
No successful Employment Tribunal cases as a result of poor HR practice	Achieved	Achieved	Achieved	Achieved	Stable	Green	Currently no pending tribunal cases
Recruitment end-to-end time (i.e. to employment start date)	65 days	62 days	67 days	66 days	Improving	Green	Further analysis being carried out to better understand increase. Likely to be a result of a small number of hard-to-fill posts
Apprenticeship numbers	68 (including pipeline)	75	71 (including pipeline)	72	Improving	Green	Apprentice recruitment currently suspended pending introduction of new levy

Function: Directorate

Traded Services: reduce dependency on cash-limit finance by developing trading opportunities	50%	48%	48% of service funded through cash limit	Achieved	Improving	Green	Continuing success in winning external clients. Now 12 for audit and 3 for HR (excluding schools)
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Hr, Legal and Performance : Quarterly progress report (2)

Function : Legal Services

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Turnaround times on childcare cases (% within 26 week target)	70% within 26 weeks	83%	57%	66%	Improving	Amber	Performance has improved again following decline in last quarter
No major projects delayed due to failures to provide effective legal support	Achieved	Achieved	Achieved	Achieved	Stable	Green	Timely advice and support provided to a range of major projects
Land Charges – complete searches within 20 working days	100%	100%	100%	100%	Stable	Green	Performance improving following delays caused by new IT system implementation. Most searches now completed in 15 days or less

Function: Internal Audit

% annual audit plan complete	100%	7%	57%	78%	Stable	Green	Progress consistent with expected position at this stage of year
Number of exceptions identified	1 critical, 98 high	0 critical, 9 high	1 critical, 40 high	2 critical, 79 high			Separately reported to GAS

Function: Corporate Strategy

Maintain schedule of funding opportunities	Monthly updates provided to Leader	Achieved	Achieved	Stable	Green	Updates provided as agreed. Supporting funding applications from directors when required e.g. expression of interest just submitted for Parklife and exploring opportunities for Urban Innovations Action Call
Achieve statutory deadlines regarding annual governance statement and performance statement	Achieved	Achieved	Achieved	Stable	Green	Process underway

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Finance and Information Services Q3 (October 2016 – December 2016) Director: Chris Ward

Finance and Information Services : Quarterly progress report (1)

Function: Financial governance and accountability

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Prepare a Medium Term Financial Strategy	MTRS approved by full Council as part of annual Budget						
Approve a Balanced Budget and associated level of Council Tax	Budget and council tax approved by Full Council for required level of savings						
Approve a minimum level of general reserves	£6.5m	7m	£7m	£7m	Steady	Green	
Approve a fully funded 5 year capital programme	Capital programme approved by Full Council						
Statutory timescales achieved for Statutory Financial Statements	The annual target of 30 June has been achieved						
Unqualified Audit Opinion achieved	PCC achieved an unqualified audit opinion for the 2015/16 accounts						
Quarterly financial reporting to council achieved	In progress	Scheduled for September 2016	Scheduled for December 2016	Q2 delivered 13/12/16. Q3 scheduled 21/3/17	Steady	Green	
Pay.net implemented	Project commenced	No sites implemented	5 sites implemented	Further 8 sites in progress	Steady	Amber	Direct feed to Library Spydus dependant on upgrade
Bank reconciliation completed within 4 weeks of month end	Slightly behind	May & June not fully complete	August not fully complete	Substantially complete to September	Steady	Amber	Staff vacancy now filled & trained
Transparency information published on time	Delivered	Delivered	Delivered	Delivered	Steady	Green	

Finance and Information Services : Quarterly progress report (2)

Function : Maximising the resource available to the council

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Additional income generated through mechanisms e.g.. Property Investment Fund, Shared IoW service	See project reports						
Average return on new investment to exceed LIBID rates	Exceeded investment returns target for new investment	Improving	Green				
Implementation of Employee Benefit Portal and subsequent savings	See project reports						
Debt recovery indicators (add KPIS) Actual (to target) Council Tax Business Rates	95.4%(95.2%) 99.6% (98.5%)	94.21%(97.8%) 103.3%(98.8%)	94.04%(97.8%) 93.9% (98.8%)	93.92%(97.8%) 97.7% (98.8%)	Steady & Improving	Green	

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Finance and Information Services: Quarterly progress report (3)

Function : Maintaining the resilience of financial services operations

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Up to date business continuity plan by December 2016	Awaiting update and testing	Steady					
EBS availability to be within performance standard of 98% availability in working hours	Performance maintained	Performance maintained	Performance maintained	Performance maintained	Steady	Green	
Completion of Financial Services re-organisation to be positioned for new business	Phase 1 consultation complete	Phase 2 consultation underway	Revised structure implemented	Revised structure implemented	Steady	Green	

Function: Support directorates to deliver within agreed budgets and achieve savings targets and objectives

Spending within allocated budgets – deficits in adults’ social care and children’s social care reducing as per agreed plans	Budget outturn for 2015/16 of £3.5m underspend. Education and Children’s portfolio deficit reduced to £1m and Health and Social Care portfolio reduced to £1.5m following budget action plans agreed by Cabinet, 3 rd December 2015.	Forecast outturn of £0.66m overspend including forecast deficits in Children’s portfolio of .45m and Health and Social care of £1.5m	Forecast outturn of £33k overspend including forecast deficits in Children’s portfolio of £0.7m and Health and Social care of £1.3m	Forecast outturn of £20k overspend including forecast deficits in Children’s portfolio of £0.97m and Health and Social care of £1.1m	Improving	Green	
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Finance and Information Services: Quarterly progress report (4)

Function :High quality business as usual financial services – continual service transformation

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Implementation of new forecasting and budgeting tools	Rollout underway	Rollout to finance teams	Operational in 3 teams	Final team in training	Improving	Green	
Implementation of Business Intelligence reporting for managers	See project progress reports						
Maintain EBS upgrade and patching programme	Latest Recommended Patch Collections updated	Latest RPCs updated	Latest RPCs updated	Latest RPCs updated	Steady	Green	
Invest in EBS hardware requirements	Procurement underway	Hardware purchased and currently being commissioned for Go live Jan 2017	Hardware purchased and currently being commissioned for Go live Jan 2017	Hardware installed			Unexpected technical issues experienced in set up have meant the project delivery has had to be rephased for July 2017
Complete roll-in of purchase to pay business intervention	See project progress reports (Appendix 2)						
Payment performance indicators	82%	76%	79%	78%	Steady	Red	Indicator reflects impact of changes to payment terms implemented in November. Redesign of processes not fully embedded yet.
Payroll and EBS indicators Paid 10,000 internal & external staff on time EBS availability – within performance standard of 98% during working hours	Achieved Achieved	Achieved Achieved	Achieved Achieved	Achieved Achieved	Steady Steady	Green Green	

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Finance and Information Services: Quarterly progress report (5)

Function :Operational IT performance

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position (Avg. per week for Qtr.)	Trend	Year End Forecast	Director Commentary
Metrics	Civica APP – 100% Capita 1 EMS – 99% Comino W2 – 100% PIMS – 100% Mayrise – 100% Email – 100% Internet – 100%	<ul style="list-style-type: none"> - “Critical” service systems - “Critical” corporate systems - Internet capacity & availability - Core Network availability & throughput - Remote site connectivity - Remote working (VPN) availability 	<ul style="list-style-type: none"> - New metrics going live in 3 phases. - Phase 1 goes live w/c 21.11.16 - Phase 2 goes live by mid Dec. - Phase 3 goes live by end of Jan 	<ul style="list-style-type: none"> - Metrics live since November. - Fine tuning of the reports now in progress through agile/iterative development. - Culture of IT now changing to customer focused, continuous system based improvement. - For metrics see rows below 	G	G	<ul style="list-style-type: none"> - The IS department did not routinely and systematically measure and manage performance. - The department now has a Monday morning performance meeting every week to review KPI’s and performance. - Industry best practise was studied from several other Counties as well as a leading outsourcing company. - PCC have built on these learnings and will be delivering a best in class set of automated metrics. - Soft Cultural change program underway with IS management team to become more performance focused.
Availability (24/7)				<ul style="list-style-type: none"> - 100% - 99.2% - 99.6% - 100% - 97.3% - 98.4% 	G	G	<ul style="list-style-type: none"> - A01 (Availability of the LAN) - A03 (Availability of the WAN) - A04 (Availability of the SWAN Network) - A06 (Availability of the Telephone System) - A16 (Availability of Top 30 Systems) - A26 (Availability of the TPN Network)
Service Desk				<ul style="list-style-type: none"> - 91.3% - 4.5% - 96.1% 	G	G	<ul style="list-style-type: none"> - D01 (Telephone Call Wait Time < 30 secs) - D01a (Calls abandoned in the last 7 days) - D04 (Incidents fixed by Service Desk at first point of contact)
Incidents				<ul style="list-style-type: none"> - 530 - 133 - 22.7 	G	G	<ul style="list-style-type: none"> - I01 (Total Incidents (I’s) raised, by Team) - I23 (I’s Currently Open) - I24 (I’s Resolved with a Workaround)
Requests				<ul style="list-style-type: none"> - 231.6 - 177.3 	G	G	<ul style="list-style-type: none"> - R10 (Requests Currently Open) - R02 (Standard Request closed < 10 Days)
Problems				<ul style="list-style-type: none"> - 2.4 - 106.6 	G	G	<ul style="list-style-type: none"> - I26 (Problems Raised in the Last 7 Days) - I27 (Problems Open by Directorate)

Finance and Information Services: Quarterly progress report (6)

Function: Operational IT performance

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
Customer satisfaction	96%	97%. More meaningful metric is the SOCITM Satisfaction survey completed by PCC all users gave us a score of 5.52/7. The median score across all responding organisations is 5.32	95.2%	97.3%	G	G	- Continuous improvement based on use of quantitative performance data has already reduced the number of abandoned calls to the service desk.
PSN accreditation IG Toolkit (Connection to NHS) PCIDSS (Payment Card processing)	Accredited Accredited Accredited	Accredited Accredited Accredited	Accredited Accredited Accredited	Accredited Accredited Accredited	G	G	

Finance and Information Services: Quarterly progress report (7)

Function: Strategic IT support and development

Agreed measures of progress	Baseline as at Q4	Q1 position	Q2 position	Q3 position	Trend	Year End Forecast	Director Commentary
1) Produce Category Management Plan 2) Produce IT Strategy 3) Restructure IT	1) N/A 2) Last strategy produced in 2012 3) N/A	1) First draft 3 weeks away 2) Structure agreed. Benchmarking and initial contributions received. Now in drafting phase. 3) Will be determined once strategy agreed. Organic changes are proceeding now	1) Done 2) First draft due week 21.11.15 3) In progress	1) Done 2) Done 3) In progress	G	G	On track
4) Adoption of digital strategy	Business Transformation Group established	<ul style="list-style-type: none"> - Being reviewed by the Economic Development Culture and Leisure scrutiny panel. - Digital is approaching first draft stage - Entering consultation with directorates 	<ul style="list-style-type: none"> - Verbal update at EDCL completed. - Presenting at next EDCL - Liaising with TEBS - First draft by Xmas 	Digital City Strategy in progress	R	G	The digital strategy had not progressed over the last year. A draft of the Digital City Strategy will be out to consultation in early February.

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Appendix 2: Major projects Q3 (October 2016 – December 2016)

Children's Services – projects (1)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Stronger Futures Page 200	<ul style="list-style-type: none"> Completed Children's Trust Early Help Strategy Team Around the Worker model rolled out in MATs New workflow arrangements for early help Revised Performance Framework in place Restorative Practice Training begins Proposals in place for revised management structure for MAT Strategic mapping of early help offer completed. Further work to be completed on detailed pathways through the offer (mental health) – Commissioning options complete. 	<ul style="list-style-type: none"> Closing date for consultation feedback on Prevention and Early Help Strategy – 31st Jan Workflow arrangements being piloted in North MAT Sustainability performance scorecard in place Basic Awareness for Restorative Practice being rolled out through team managers. Training Provider now commissioned. Appointment of single Operational Manager for Prevention and Early Help Family Hubs model agreed for Children's Centres 	<ul style="list-style-type: none"> New Management Structure in place for LA early help function LA staff (CC and Public Health) remodelling work underway New plan in place to achieve target of Troubled Families attachments New Early Help Assessment paperwork launched Restorative Practice training courses fully written and ready to roll out next financial year Trailblazer Restorative Schools agreed and Action Plan in place Innovation Fund bids submitted 	Green	Green	There is no dedicated programme budget for the Stronger Futures work as this represents a reshaping of existing business as usual activity , as outlined in the paper to Cabinet on 22 nd September 2016		

Children's Services : Major projects (2)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status					
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome	
<p>Portsmouth Education Partnership</p>	<p>Consultation between 5th Sept and 21st Oct PEP to be launched on 4th Nov.</p> <p>Strategic Board and Operational Group to have met. Focus on school improvement and issue of performance dashboard to prioritise school improvement support.</p> <p>Letters to go out to all schools and academies.</p> <p>Priority 1 and 2 LA maintained schools to be followed up by Teaching School – all visits to P1 schools to be completed in Q3; and for P2 schools by Q4.</p> <p>Networks for English and Maths to be established.</p>	<p>All actions projected for Q3 completed.</p>	<p>Meetings with MATs to discuss school improvement concerns and strengths to be arranged for Q4.</p> <p>Draft education strategy to go to Strategic Board in Q4.</p> <p>Workshop on 7th Feb to further refine and shape the Partnership and membership of Board and Groups.</p> <p>Sub Groups for Teacher Recruitment & Retention + Inclusion to meet in Q4.</p> <p>All Priority 3 schools to be contacted.</p>	<p>All on track</p>					

Children's Services : Major projects (3)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Planning and delivering sufficient school places for the city. Page 202	Primary Phase 2 Sufficiency: Northern Parade: Progress with pre-school building works and preparation for main works tendering process, due to start in Q4	Pre-school building works and preparation for main works tendering process completed	Tendering process for main school commences. Pre-school completion and handover.	All on track	All on track	A bid to the EFA has been successful for capital funding to assist with the Northern Parade Pre School project. The current project is overspent and this will now relieve this pressure.	Northern Parade now back on track due to successful EFA bid.	All other projects are on track, or subject to capital bids
	Newbridge Junior Academy: Work will complete at the end of Q3. School to move in at the start of Q4	Works completed	School to move in during January 2017.					
	Craneswater Junior: Design finalised and preparation for tendering process, due to start in Q4	Design finalised and preparation for tendering process completed	Tendering process for main school commences					
	Moorings Way Infant: Project due to start in Q4	No progress	Project due to start in May 2017.					
	Secondary Phase 1 Sufficiency: St Edmund's Catholic School - Work due to start on site in Q3	Work commenced	Works to largely have been completed					
	Miltoncross Academy - Plans expected to be finalised during Q3	Initial design work completed	Finalising design with school and costs with PFI provider					
	Springfield School - Survey work completed in Q3 to inform detailed design (design due to be signed off Q4)	Design work completed	Governing Board meet to ratify the project proposals in Q4. Community engagement process to inform local residents about the proposal.					
	The Portsmouth Academy - Formal Project Board meeting in Q3 to start project	Meeting took place and temporary increase to PAN of 225 agreed	Outcome of capital bid to Members will inform scope of Phase 2 works.					
	Special Schools Remodelling (Cliffdale and Redwood Park): Detailed design to be agreed and procurement route to be identified.	Design agreed for Cliffdale school. Phases identified for Redwood Park school.	Scope of works to be determined once the outcome of the capital bid to Members for Phase 2 is known.					

Adults' Services: quarterly project report (1)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
LD Day Service Transformation								
OPPD Systems Intervention	Initial plan for Q3: Complete the Community Social Work roll in Redesign OT and SW duty model. Establish, embed and utilise comprehensive suite of measures. Commence full-scale intervention in Learning Disability services.	First cut of measures data now available and included within this update. Staff sickness and Christmas leave impacted on roll in programme.	Completion of roll in.	NA	NA	NA	NA	
Health & Social Care Blueprint		Programme for 2017 Adults Delivery Board established. Paper for future management structure of integrated service drafted and submitted to DASS / COO Solent.	Structure to be agreed and modelling of service structure commenced.	NA	NA	NA	NA	
Integrated Discharge Service (QA)	Business as usual established in co-located IDS.	IDS working and recruitment for a joint lead for IDS successful.		NA	NA	NA	NA	

Adults' Services: quarterly project report (2)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
LD systems intervention	Check commenced with LD integrated team October. Check to be completed and presented by mid December 2016.	Check presented to Council Leader; Cabinet Member and Snr Management . Agreement given to redesign phase of intervention.	Commence Redesign Mid-February 2017.	NA	NA	NA	NA	
Transition between Shift / AIS and System 1	Board to agree data sharing with provider and confirm "rules" for transitioning data from AIS to System 1.	Continued negotiations between PCC and TPP. PCC are abiding by the Data Protection Act and only releasing relevant data. TPP are not currently accepting a cut of solely adults data.	This project has moved to a red status on RAG. If agreement cannot be reached on proportionate data to be released ASC will have to seek an alternate provider. This would mean that the advantages of a shared system with Solent and the CCG would be lost. ASC have also received notice that the current client record system provider will be ceasing their system as of 2018/19. This adds additional pressure to identify a system provider.	The Red Status of this project means that we will not meet the timelines set in the original project.	Not possible to give an informed estimate of project timing at this stage.	£1,235,010	£1,235,010	

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Public Health: quarterly project report

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Ensure the Healthy Child Programme (0-19) is recommissioned by 30 June 2017	Agreeing MOU to enable transfer of commissioning responsibility to DCS	MOU complete. Awaiting sign off by Joint DPH	Children's Team review to take place early in 2017. DPH to continue to work closely with Director of Children's Services to ensure Public Health Outcomes achieved in new structure.					
Develop and implement the Better Care programme Living Well Scheme	We will continue to work with partners to implement the Blueprint as core business of the new team.	Initial meetings with Community and Communication directorate and CCG to progress Workstream 1 of Better Care Fund Prevention scheme.	Continue to work with partners – stakeholder meeting planned for Spring 2017 to outline clear action plan.					
Service review and consultation	Voluntary and compulsory notices to be issued. Transition arrangement to new reduced structure to be worked through.	New structure in place from 3 Jan 17. Management arrangements in place to govern transfer or exit of staff affected by redundancy.	Continue to establish new team, under direction on new Director of Public Health.					
Recommission Substance misuse services	New service commenced and operating effectively.	Tender completed on time and contract value within budget. Contract awarded to Society of St. James, a VCS provider. New service commenced on 1 st November 2016	Continued implementation of the service new model and review of cases on caseloads.	On target		On target		Services recommissioned successfully.
Recommission Sexual health services	Complete contract implementation	Mobilisation of the contract has started, including the introduction of online booking system	Mobilisation is progressing to time.	On target	On target	NA	NA	Services recommissioned successfully

Regulatory Services and Community Safety: quarterly project report (1)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Domestic Abuse – complete service review with recommendations agreed and partners contributing	A	Draft report completed. To be ratified by SPP/PSCB/PSAB in Qtr 4	To be informed whether bids were successful	A	A	A	A	
Restructure the Early Intervention Project	A	A	To commence in Qtr 4	A	G	G	G	
Multiple service database change – transition of Civica APP into the Uniform suite of products (IDOX) - extend the use of IDOX DMS to provide integrated document management	Complex project management, implementation and resolutions issues. The project needs to be complete by 31 st March 2017 or additional costs will be incurred. Project slippage in Q3 – ‘go live’ date predicted to be earliest 3 rd /4 th April 2017.	Data cleansing and mapping undertaken by RS staff on time and in accordance with IT/IDOX requirements. Data servicing and migration through first test data upload was not as comprehensive as hoped. Data checks have revealed errors in transfer. Significant work still required to ensure ‘go live’ is successful and that service transition from APP to IDOX will be seamless.	R - Further progressing of set-up to IDOX live environment, testing and uploading planned. Second data upload scheduled to take place on the 27 th February. RS has significant concerns in respect to further project slippage/success of 2 nd upload and therefore the possibility of needing to run APP and IDOX simultaneously. Failure to have an operational database with high percentage of data transfer, document handling and staff knowledge / training will critically impact upon service delivery – leaving service exposed and inoperable.	A	R	R	R	

Regulatory Services and Community Safety: quarterly project report (2)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Trading Standards – Deliver service review (and savings) – merger of environmental health and trading standards to create a single regulatory service	Review and implementation complete – service delivery complications as a result of additional staff departures in trading standards function	Implementation of structure / service delivery as defined by review on going – likely to take 12/18 months to complete. Review of trading standards functions in terms of resource complex – reduction in services likely moving forward	R- resource dependant	R	R – service delivery at critical levels	G – saving delivered	G	
Investigate a shared contingency service with Southampton		New shared manager in post from 9 December 2016	Development of work programme. Roll-out of workshops to review suite of business continuity plans.	G	G	G	G	G

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Transport, Environment and Business Support : quarterly project report (1)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
The Hard Interchange	Completion of external areas, make building water tight. Concrete repair works on underside of deck.	Progress as expected on site. Changes implemented to temp interchange to facilitate final phases of the scheme.	Nearing completion on external areas (phasing is required). Building made water tight and internal finishes nearing completion.	Green	Green	Green	Green	Green
Dunsbury Hill Farm Link Road	A settlement needs to be reached on payments to the Contractor. Receipt of the health and safety file from the contractor.	Financial agreement nearing completion.	Settlement of final account	Green	Green	Amber	Amber	Green
Eastern Road Waterbridge	Agreement on the detailed design and works information.	Detailed design complete. Consent applications released.	Agreement of contract for works phase. Mobilisation of works.	Green	Amber	Green	Green	Green
North Portsea Island Flood Defence scheme	Detailed design commencing at Tipner Lake / Mountbatten Centre. No issues.	Planning application submitted in October 2016 for Phase 3 – Tipner Lake/Mountbatten Centre	Awaiting determination of planning application. Appointment of contractor for phase 3 to be undertaken.	Green	Green	Green	Green	Green
Southsea Flood Defence scheme	Awaiting the outcome of DEFRA and Treasury approvals, expected Jan / Feb 2017. No issues.	Technical approval granted by Environment Agency	DEFRA approval given, now awaiting final treasury sign-off to allow release of funds for design (£5.9m).	Green	Green	Green	Green	Green

Transport, Environment and Business Support : quarterly project report (2)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Traffic Management Centre IT infrastructure upgrade	No issues. Implementation plan to be defined and approved. Contract to be drafted and signed.	Contract agreed, awaiting execution. Outstation Transmission Unit (OUT) element purchased separately and are now being installed.	Migration of new TMC system will begin with completion in summer 2017.	Green	Green	Green	Green	Green
Traffic signals optimisation programme	Detailed design work complete. The price of the fast tracked junctions is to be determined. Shortlisting of contractors for remaining junctions complete.	Design work is complete. Delay in Colas returning price for Package 1 works (via PFI). Shortlisting of suppliers for Package 2 is complete and tender docs prepared.	Implement Package 1 works. Risk that Colas will not provide a price in good time, affecting programme. Receive priced tenders for Phase 2 works.	Green	Amber	Green	Green	Green

Culture and City Development: Major projects (1)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q2 (highlighted in Q1)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Hotwalls Studio creative quarter will develop 10 working artists studios in the Grade 1 listed arches former military barracks on broad street with a commercial eatery creating approximately 14 new jobs	Capital works completed 04.07.2016. The facility opened on 08.07.2016. Some works and defects outstanding. Other elements of project – facilities management, apprenticeships, heritage centre and creative markets under development	Apprenticeship facility positions recruited and in place . Events apprenticeship position not progressed and connected to wider restructure Creative market ideas for festive period implemented	Snagging period ends in July and working towards the final completion of outstanding contractor issues Continuing to integrate operational process into the seafront team but long term to develop a community management model to operate the facility Working with motivate to support the engagement with young people in the summer high season	NA as project in Delivery phase				
Transformation of D-Day Museum: Continue to deliver the 5 year transformation of the D-Day Museum start work on site (May 17)	Continued fundraising for match funding shortfall of £150,000 Completed RIBA E For Base build	Programme Tendering for Base Build underway Procurement of contracts (x3) for conservation of collections underway	Exhibition Detailed Design on target to be completed Q4 Launch of Portsmouth D-Day Museum Trust	A		A		
Developing plans for the City Centre Infrastructure as part of the City centre masterplan	Uncertainty over funding Need to acquire 3 rd party land	Uncertainty over funding Need to acquire 3 rd party land			FBC LEP November 2016 App in Jan 2017		TBC as part of CBB	

Culture and City Development : Major projects (2)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q2 (highlighted in Q1)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
City Deal : strategic development at the gateway to the city unlocking critical employment and housing land plus a country park at Tipner and Horsea island	Transfer of land ownership negotiations completed . Actual transfer dependent on availability of new range at Longmoor, expected March 2018	Planning application to submit autumn 2017 Identify options for public engagement FBC LEP November 2016? Continuing transfer of landownership negotiations transfer of firing range April 2018 ?		On programme	2030	48.75M		Minimum 1250 homes 65,000sq metres employment space
Hard Interchange : new transport interchange creating an improved entrance to the city	Main body of work on schedule . Completion of external areas, make building watertight. Concrete repairs works on underside of the deck	Progress on site as expected. Changes implemented to temporary interchange to facilitate final phases of the scheme.	Nearing completion of external areas (phasing is required). Building made watertight and internal finishes nearing completion.	Amber	Phase 1 January 2016 may slip one month to February	11.77m	On Budget	

Community and communications : quarterly project report (1)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Delivery of the channel shift/digitalisation programme Page 212	Completion of Revs changes Benefits and RBV implemented Phase 1 Events implemented	Revs form completed and live. Benefits and RBV – timetable extended to Q4 Phase 1 Events completed Waste mgt Phase 1 commenced CSC scope signed-off	Benefits and RBV implemented Waste Mgt Phase 1 implemented			On plan	On plan	Savings exceed target
Implementation of Universal Credit (including the Local Support Framework)	No issues – DWP run programme	133 housing benefit cases to date have been cancelled due to claiming universal credit (since 28/03/2016)	No issues	DWP programme running behind schedule	N/A	N/A	N/A	Ultimately reduction in staff

HR, Legal and Performance : quarterly project report (1)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Devolution/ combined authority	<ul style="list-style-type: none"> - Cabinet to approve report - Revised review of scheme following outcomes of consultations - Similar approvals IoW and SCC - Submission to Secretary of State for determination - Publication of PWC report looking at local government in HIOW 	<p>Cabinet approval in all 3 Councils of the documentation needed to make a submission to the SoS (drafted by PCC)</p> <p>Submission made to SoS</p> <p>PWC report on future of local authorities finalised</p>	Possible decision by SoS which will lead to implementation process to start	G	G	G	G	A
HR self-service (ongoing roll-out and development)	Qualification data to go live	Qualification data now due to go live 6/2/17. Military covenant data and calendar integration now live	No further developments planned prior to implementation of Business intelligence	A	A	G	G	G
Commensura Partnerships (£2.5m per annum)	Continued reduction in non-compliance. Increase in savings. Introduction of c.net software to improve process for hiring	Extensive work with key clients to reduce non-compliance. Increased suppliers added to commensura framework	Continued reduction in non-compliance and increased savings delivered	A	A	A	A	A
Apprenticeship levy (potential cost c£700k per year)	Implement comms plan. Implement payroll improvements to pay levy. Further work to identify higher/degree level apprenticeships	Apprenticeship targets now released by Government. Comms plan implemented	Plan developed to use levy funding. Engaged in trailblazer pilot for social work apprenticeships. Working with colleges and uni to develop courses. 5 apprentices nominated for local awards	G	G	G	G	G
Replacement of learning management system	New project	System specification and soft market testing	Commence procurement	G	G	G	G	G
Military Covenant	Outcome of funding bid expected. Develop options for inclusion in Gold award submission	Outcome of bid now due Feb 2017. Recruitment day held. Ebs system modified to allow recording of covenant data	Submission for gold aware expected to be April 2017	G	G	G	G	G

Finance and information services : quarterly project report (1)

What are the major projects that the Directorate will be engaged in over the year ?

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Finance service restructure	None	complete	No change expected	G	G	G	G	Increased resilience of teams and budget saving achieved
Purchase Pay roll-in	Transfer of work from remaining teams	All intended work transferred from teams	New processes embedded as 'Business as usual'	G	G	G	G	
Business intelligence	Function configuration stage commences	Implementation partner on track to deliver phase 1	Communication plan commences plus phase 1 user testing	G	G	G	G	On target
Employee benefits portal	Anticipate clearer direction in Autumn statement on future salary sacrifice schemes	Car scheme approved and launched	AVC scheme development with planning for 'go live' 1 April due to provider technical issues	A	R	R	R	AVC scheme delayed due to technical issues with provider
Property investment Fund	Mix of properties being purchased and income generated from sale and leaseback of Wightlink	Sale of long lease of Wightlink Terminal completed plus 1 further acquisition completed	Anticipating a further acquisition if a suitable property becomes available	G	G	G	G	
Hampshire community bank	Exploratory discussions with HCB	Over halfway through regulatory process with Bank of England	Next key meeting with regulators planned	A	G	G	G	On target

Finance and information services : quarterly project report (2)

Project	Progress projected in Q3 (highlighted in Q2)	Progress seen in Q3	Expected progress and issues next quarter (Q4)	Overall status				
				Time (against Q3 plan)	Time (overall forecast)	Budget (against Q3 plan)	Budget (overall forecast)	Outcome
Bring Your Own Device	None	Tasks and activities for wider (Phase 2) roll out identified	Detailed planning for wider roll out, start implementation	G	G	G	G	A – Low uptake at present due to “wipe” issue
Internet upgrade		System migrations on-going with minimum disruption to users	On-going migration of identified business systems and investigate the 50MBPS link	G	G	G	G	G
TPP – ASC		Test and implementation of bulk delete process of child records	Data migration testing with supplier; supplier appointment	G	G	G	G	G
Upgrade to sole IT service management software and self service		Procurement, tender submissions and assessment	ITSM Initiation, appointment and functional specification	G	G	G	G	G
Telecoms efficiencies		Business case and implementation planning across 180+ sites	Detailed planning and implementation	G	G	G	G	G
EBS complete infrastructure to refresh moving to virtual servers		Testing produced lessons learned, design of storage solution follows	System migration	A	A	G	G	G
Traffic Management Centre		Contract agreed with Siemens	Detailed planning for relocation and cloud hosting	A	A	G	G	G
Channel shift		Two Transitions in flight – Waste & Children's customer account	Complete current Transitions	G	G	G	G	G

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Appendix 3: Risk report Q3 (October 2016 – December 2016)

Corporate : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/ commentary	Type of Risk
Michael Lawther (City Solicitor and Deputy Chief Executive)	Disclosure of sensitive data both accidental and malicious			Fines from ICO or legal action taken against the Authority and individual staff members	Clear policies and procedures; staff training and awareness; some (limited) preventative technical solutions	Legal action, reputational damage, risk of harm, financial loss
	Modern records - suitability of location - susceptibility to damp and flooding			Loss of information	Remedial works completed to reduce risk of flooding	Legal action, reputational damage, financial loss
Michael Lawther (City Solicitor and Deputy Chief Executive)	Archiving of data - no clear policy or procedure for destruction of information			At risk of breaching DPA and fines to the authority	Officer appointed to further develop policy and guidance	Legal action, reputational damage, risk of harm, financial loss
Chris Ward (Director of Finance and IS)	Superconnected Wi-Fi provision is funded by DCMS - limited period			Government funding provision runs out for the earliest sites in December 2017, with others dropping off through 2018 and 2019. Service is of strategic importance and offers opportunity for network consolidation and commercial advantage	Budget implications being assessed, Firm business cases to be produced to demonstrate why links should remain and how funding will be secured.	Failure to achieve objectives, reputational damage
Chris Ward (Director of Finance and IS)	Fraud risks			Loss of resource		Reputational damage, financial loss
Michael Lawther (City Solicitor and Deputy Chief Executive)	Decision-making: The Constitution has not been reviewed/formally updated for a number of years.			Decisions are not secure	Working group updating the constitution	Legal risk, financial loss, reputational damage, failure to achieve objectives
Rachael Dalby, Director of Regulatory Services and Community Safety	Business continuity - ensuring services have in place effective business continuity plans			Failure to recover business after a significant disruption event	As per the new Business Continuity Standard ISO22301 new Directorate Business Continuity Plans are being produced to reflect the necessary changes. Each directorate to complete their plan by Summer 2016. The plans will be tested within a year of completion, and with a three-yearly cycle of desktop exercises.	Risk of harm, failure to achieve objectives, environmental damage, legal risk, financial loss, reputational damage
Michael Lawther (City Solicitor and Deputy Chief Executive)	New ways of working : Our desire to explore more innovative and commercial ways of working requires a flexible and agile approach, but also a clear framework for governing arrangements.			Lost opportunities if framework not sufficiently responsive	Ensure arrangements for traded services and arms-length organisations are fit for purpose	Failure to achieve objectives, reputational damage, legal risk
Chris Ward (Director of Finance and IS)	Not achieving savings targets authority wide			Failure to achieve targets impacts on future years budgets	Current forecast of service overspends will reduce reserves and require additional cuts in those or other services in future years to stay within budget unless remedial action identified	Failure to achieve objectives
Stephen Baily, Director fo Culture and City Development	Avaiability of suitable cemetary space			Failure to deliver statutory responsibilities in respect of burials	Cemetaries lack capacity to deal with changing community needs e.g. different religions, reduction in demand for traditional burials, increase in other cultural burials, insufficient space/layout to accommodate	Legal risk; reputational damage
Rachael Dalby, Director of Regulatory Services and Community Safety	Ensuring 3 yearly Golden Fox test successfully completed			Failure to reach standard	Successfully tested in October 2016	Personal injury if non-compliant

Children's Services : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/ commentary	Type of Risk
Alison Jeffery (Director of Children's Services)	Savings pressures leading to increased workloads for social care staff			Increased risk around quality of social work practice	Ongoing monitoring as part of quarterly reporting	Personal injury to child;
Alison Jeffery (Director of Children's Services)	Savings pressures leading to increased workloads for social care staff			Reduced attractiveness of PCC as an employer		financial loss to authority; failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Reduced LA investment in specialist domestic services may increase numbers of children exposed to this			May increase severity of harm (last 3 Serious Case reviews have featured domestic abuse, 70% protection plans feature domestic abuse and 50% children removed into LA care have experienced domestic abuse).	Linked to Stronger Futures Programme for developing effective early help services for the city	Personal injury
Alison Jeffery (Director of Children's Services)	Refocusing staff time on more vulnerable families increases rather than decreases demand on statutory social care as more need is uncovered			Increased demand and pressure on resources	Linked to Stronger Futures Programme for developing effective early help services for the city	financial loss to authority; failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Failure to make successful claims under Troubled Families Programme			Reduced income available to the authority for investment in services	Risk is materialising - adjustments being made to spending profile and options for maximising claims under consideration	financial loss to authority; failure to achieve objectives; reputational damage
Alison Jeffery (Director of Children's Services)	Future of children's IT system - linked to Adult Social Care system			System becomes unaffordable and ineffective as user base reduces (ASC withdrawal) - local and national risk	Accenture analysis has been shared with IT development agencies whilst existing programmes are also being explored. New system will be required from April 2018, so decision required in next 6 months.	Financial loss; failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Process of academisation for schools distracts schools from improving teaching and learning			Deterioration in outcomes for children	The LA is working closely with the Regional Schools Commissioner to ensure that LA maintained schools have access to good information about the process and details of strong MATs that have capacity for growth and a good track record. The LA is also working closely with MATs operating in the area and ensuring that academisation of local schools is done in a considered but robust way. There are currently 5 schools with an Academy Order in place (Redwood Park School, Arundel Court Primary, Springfield School, Solent Infant & Solent, Junior Schools).	Failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Process of academisation of schools leads to a reduced traded service income for PCC (across a range of traded services, not just those in education)			Reduced income for PCC	Traded Services income from schools and academies has held up reasonably well, but some services are being affected. In Education, consultation will commence in Q3 about the closure of the Governor Services traded service offer.	Financial loss

Children's Services : Quarterly risk report (2)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/ commentary	Type of Risk
Alison Jeffery (Director of Children's Services)	Building programmes are not completed in time			Risk of insufficient school places	Plans are in place and works are underway to ensure there are sufficient school places at primary, secondary and special. Robust project management will minimise risks associated with non-completion, but unforeseen factors could impact on levels of sufficiency. Capacity at primary is very limited, and there is little scope to divert children to other school places if building programmes are delayed. At secondary, there is capacity at present and building works are focussed on ensuring capacity from 2019/20.	Failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Savings cut into delivery of statutory responsibilities (school admissions, transport, school attendance casework)			Risk of poor experience for children and families	Impact assessments of all savings carried out to ensure that impacts for vulnerable groups mitigated and authority is still fulfilling statutory responsibilities	Failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Savings cut into delivery of statutory responsibilities (school admissions, transport, school attendance casework)			Risk of challenge on basis of non-compliance leading to penalties/poorer inspection outcomes		Failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Savings cut into delivery of statutory responsibilities (school admissions, transport, school attendance casework)			Reputational damage		Failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Inspection outcomes (social care, SEND, education) are poor or exhibit downward trend			Reputational damage, leading to challenges in recruitment	Implementation of the LASI Action Plan is on track (through the Portsmouth Education Partnership)	Reputational damage; failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Inspection outcomes (social care, SEND, education) are poor or exhibit downward trend			Risk of intervention/ direction and potential costs to situation recovery	Close management of preparation for future SEND inspection; clear response to findings of previous inspections to ensure improvement	Reputational damage; failure to achieve objectives
Alison Jeffery (Director of Children's Services)	Parents and the community do not understand or support savings choices around universal services and we do not fully engage potential volunteers/promote effective community capacity building			Failure to reduce costs and continue to deliver effective universal service provision	There is active liaison at local level with parents and the community around children's centres provision; recruitment of volunteers continues	Reputational damage; failure to achieve objectives

Adults' Services : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/ commentary	Type of Risk
Innes Richens, Director of Adults Services	Achieving constancy of purpose				Management resource in ASC has contracted over the past 12 months. Managing a systems thinking approach to the work to enable practitioners to achieve only value work for the service user will conflict with the current command and control/target focussed approach in PCC.	Failure to achieve objectives?
Innes Richens, Director of Adults Services	As above				Moving to a systems thinking approach requires establishing 'constancy of purpose' and creating the right conditions for staff to work in a systems thinking way. A key element of this will be the ongoing evolution of ASC relationship with support services. At present, the structure of PCC's support services is highly centralised and required to prioritise between competing demands from frontline services (IT project management, commissioning capacity, training capacity, communications, etc). In moving to the new approach, ASC will begin to place different demands upon support services as it gains a clearer understanding of what it requires to deliver purpose and meet customer demand. There is a risk, therefore, that support services as currently conceived, will not have the resources or flexibility to support ASC in the short term. Similarly, the work is likely to be constrained in some respects by the council's policy framework. In any intervention, corporate policies will almost certainly be identified as system conditions - causes of waste, failure, and sub-optimal service provision. Because policy frameworks apply corporately and interventions are conducted locally, this will inevitably and repeatedly create conflicts between each intervention and the owners of corporate policies.	Failure to achieve objectives?
Innes Richens, Director of Adults Services	Integration between health and social care				The "blueprint" for health & social care in Portsmouth sees a future service provided to minimise unnecessary contact for the service user and the service by ensuring ever closer working between community health and adult social care services. The intervention in OPPD means that changes to the work process are only brought about by learning or changes in primary legislation. This is likely to conflict with a system partner, (NHS community health care) which has not adopted the same principles.	Failure to achieve objectives?

Adults' Services : Quarterly risk report (2)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/ commentary	Type of Risk
Innes Richens, Director of Adults Services	Client Record System	High	Significant	No shared system between ASC, Solent and CCG.	Continued negotiation with TPP, CCG resources to be joined to support the message to the company regards the importance of a shared system.	Failure to achieve objectives
Innes Richens, Director of Adults Services	Integrated Discharge Service	High	Significant	PHT practice and focus on "blocked beds" drives waste back in to the ASC system, compromising the service to the service user and taking away focus from operational discharge work.	ASC intervention have conducted a rapid check on PCC element of the IDS and will present findings to senior leaders.	Failure to achieve objectives
Innes Richens, Director of Adults Services	Care resources in Portsmouth	High	Significant	Both the homes in special measures and the acute hospital under pressure to discharge as soon as patients no longer have an acute need to remain is impacting on resources available within the community. Through increases in National Living Wage and other pressures, we are seeing rapidly increasing costs - particularly from the newer build in the city.	Through increases in National Living Wage and other pressures, we are seeing rapidly increasing costs - particularly from the newer build in the city. Attempts to address this are being made through working with providers on cost, block purchasing and other schemes.	Failure to achieve objectives

Public Health : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/commentary	Type of Risk
DPH	Insufficient focus on system prevention and early intervention in system-wide plans			Failure to reduce demand on services	Working with partners to ensure the Portsmouth Health and Care Programme is sufficiently focused on prevention and early intervention	Failure to achieve objectives
DPH	Failure to continue to deliver PH priorities during the implementation of the service wide restructure			Failure to deliver PH priorities	Working with HR to implement changes to team structure, roles and appropriate processes prior to 3 Jan 17 when new structure is implemented.	Failure to achieve objectives
DPH	Reduction in funding in services, including for vulnerable people eg. drug and alcohol services, oral health, healthy child programme			Population outcomes decline	Managed through service redesign, retender of services and performance management of providers	Failure to achieve objectives

Regulatory Services and Community Safety : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/commentary	Type of Risk
Rachael Dalby (Director of Regulatory Services and Community Safety)	Environmental health - retirement of key personnel (loss of experience and organisational knowledge)			Failure to deliver statutory services	Approval to recruit to key Port Health position confirmed by Cabinet Member. Ongoing funding issues not resolved and position is a "hard to fill" post. New recruitment process currently being undertaken	Failure to achieve objectives; personal injury/harm
Rachael Dalby (Director of Regulatory Services and Community Safety)	Reductions in budgets			Failure to maintain service resilience	Ensure services are able to respond to statutory requirements - in environmental health, trading standards, domestic abuse, community safety and emergency planning	Failure to achieve objectives
Rachael Dalby (Director of Regulatory Services and Community Safety)	Ensuring statutory services are maintained			Risk of fines, penalties and judicial review	EH regulators are currently content with service delivery in terms of statutory functions. Minimum levels only are being provided across a broad range of services - particularly within business support functions	Failure to achieve objectives

Property : Quarterly risk report (1)

Date risk entered to directory	Reason added to directory	Risk owner	Risk Area	Risk impacts	Mitigation/commentary	Type of Risk

Transport, Environment and Business Support : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/commentary	Type of Risk
Alan Cufley (Director of Transport, Environment and Business Support)	Lack of investment - failure to secure capital for major infrastructure projects	2	3	Inability to carry out required capital schemes to improve city infrastructure; loss of expertise	There are a number of major capital schemes underway, including City Centre Road, City Deal, Eastern Road Water Bridge and the major coastal defence schemes that the Infrastructure team are able to support. A strategy for better marketing of the team both internally and externally is to be developed in conjunction with the wider PCC marketing strategy.	Failure to achieve objectives
Alan Cufley (Director of Transport, Environment and Business Support)	Lack of consensus to enable strategies to be implemented in full e.g. active travel and sustainable transport	1	3	Incomplete implementation leading to failure to realise intended benefits	Reviewing the Local Transport Plan and working closely with Portfolio holder.	Failure to achieve objectives; reputational damage
Alan Cufley (Director of Transport, Environment and Business Support)	Insufficient staff capacity due to reduced revenue funding and pay constraints	2	3	Difficult to attract suitably qualified people to deliver schemes and services	The team structure for the directorate provides a core of experienced staff supported by flexible resources with specialist skills to provide value for money. The HR service are assisting the Parking Service in recruiting suitably skilled people to posts that continue to be difficult to fill. The successful funding bid for active travel and sustainable transport initiatives will mean that resources can be recruited to deliver them this year.	Failure to achieve objectives
Alan Cufley (Director of Transport, Environment and Business Support)	Lack of revenue funding to maintain current levels of service, including road safety, passenger assistance and tendered bus services	2	4	Necessary reduction in service levels	We will continue to bid for internal and external funding to support critical work programmes that address travel and transport issues in the city.	Failure to achieve objectives
Alan Cufley (Director of Transport, Environment and Business Support)	Failure to generate sufficient income from contracts and services in order to sustain Employment, Learning and Skills (ELS) programmes	2	3	Reduction in delivery capacity	The resource strategy for the directorate is to maintain a core team and recruit resources to match the needs of projects and contracts. This is paired with maintaining excellent standards to secure full payment of all income due; and ensure good working relationships and a positive reputation to secure access to future contracts and funding streams.	Financial risk; failure to achieve objectives

Culture and City Development : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/commentary	Type of Risk
Stephen Baily (Director of Culture and City Development)	Reduction in budgets	M	M	Reduced services and resilience	Forecast outturn for 2016/07 currently indicates an overspend of £70k but the service is working on remedial action to stay within budget by 31 March 2017. Plans are being formulated to deliver required 2017/18 savings, including boosting the volunteer programme	Failure to meet objectives
Stephen Baily (Director of Culture and City Development)	Reduction in budgets	M	M	Deterioration of buildings and assets		
Stephen Baily (Director of Culture and City Development)	Safety and security of buildings and assets (including collections)	M	H	Damage to buildings or collections; risk to building users if non-compliant (fire, legionella etc)	Operational plans and training of staff; actions in place following extreme weather	Personal injury, environmental, legal
Stephen Baily (Director of Culture and City Development)	Fraud risks associated with cash handling	M	M	Loss to the authority	Staff training and operational checks in place	Financial loss, reputational damage
Stephen Baily (Director of Culture and City Development)	Difficulty in meeting expectations of local residents and members	M	M			
Stephen Baily (Director of Culture and City Development)	Market conditions negatively impact on regeneration and city growth schemes, projects and developments	M	M	Failure to deliver regeneration of the city	Implementation of key strategic plans, such as the Local Plan; raising the profile of affordable housing in shaping the future of Portsmouth; promotion of the city as an investment destination	Failure to achieve objectives; environmental damage
Stephen Baily (Director of Culture and City Development)	Securing and managing new partnerships for sustainable delivery of public services, for example, with third sector providers, including independent cultural organisations	M	M	Failure to secure value for money in partnership arrangements and deliver objectives	Reprocurement of contracts and ongoing review of trust arrangements	Failure to achieve objectives

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Community and communications : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/commentary	Type of Risk
Louise Wilders (Director of community and communications)	Requirement to deliver substantially the same portfolio of services whilst reducing costs by more than 10% each year	High	Med	Increased service times, increase in error rate, reputational damage	Reviewing opportunities of partnership working and new income streams . Channel shift implementation	Failure to achieve objectives
Louise Wilders (Director of community and communications)	Ability to implement change - level of corporate buy-in and understanding of channel shift	Med	High	wasted opportunity to achieve on-going corporate savings Poor customer service outcomes	Channel shift moving to BAU and digitisation programme. More services are requesting support.	Failure to achieve objectives
Louise Wilders (Director of community and communications)	Heavy exposure to national political dynamic around welfare reforms and local taxation	High	High	Abandonment of existing plans, changes in scope and responsibility, new initiatives (eg. property revaluation)	Managing resources to meet needs but impacts on budgets of some changes a concern particularly valuation impact on NNDR	Failure to achieve objectives
Louise Wilders (Director of community and communications)	Heavy exposure to national political dynamic around electoral issues	High	High	New initiatives eg. voting age changes, boundary reviews, changes to electoral registration, electoral timetables	Managing resources to meet needs	Failure to achieve objectives
Louise Wilders (Director of community and communications)	Risk to achieving required savings because of ability to implement change - level of corporate buy-in to channel shift	Med	High	Failure to deliver within budget	Channel shift moving to BAU and digitalisation programme. More services requesting support	Failure to achieve objectives
Louise Wilders (Director of community and communications)	Risk to achieving required savings because of hold on transformational work whilst systems intervention takes place	Low		Failure to deliver within budget	Agreement reached	
Louise Wilders (Director of community and communications)	No clear plan from DWP for migration to Universal Credit	High	Low	Risks to successful implementation leading to poor outcomes for population	Horizon scanning national policy developments	DWP run programme

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HR, Legal and Performance : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/commentary	Type of Risk
Jon Bell (Director of HR, Legal and Performance)	Reduced capacity	H	M	Risk to maintaining areas of business activity	Directorate has successfully delivered year on year savings and reduced in size accordingly. Additional income has been identified to maintain sufficient critical mass to meet organisation's needs. Key areas such as Child Protection Team (Legal) protected	Failure to achieve objectives
Jon Bell (Director of HR, Legal and Performance)	Recruitment and retention of key staff as economy continues to grow	M	M	Loss of/difficulty in attracting sufficient skills and expertise	Some recruitment and retention issues being experienced within directorate and across wider organisation in certain specific areas - processes for market supplement payments (MOPs) have been reviewed and improved, and improvements are being made to recruitment/staff sourcing arrangements for particular roles. Also, workforce planning/succession support is being provided to managers in affected areas.	Failure to achieve objectives
Jon Bell (Director of HR, Legal and Performance)	Reduced effectiveness of governance	M	H	Increased exposure to the organisation of risk arising from poor governance	Key governance controls in areas such as Internal Audit being maintained. Performance management being strengthened as directed by GAS Committee. Capacity of managers across the organisation to maintain effective governance controls is still a concern.	Failure to achieve objectives
Jon Bell (Director of HR, Legal and Performance)	Increased dependency on external income	M	M	Volatility/lack of security of service	Schools income continuing to decline due to academisation programme. Increased income from new temporary agency and new local authority partnerships.	Failure to achieve objectives

Finance and Information Services : Quarterly risk report (1)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/commentary	Type of Risk
Chris Ward (Director of Finance and IS)	Requirement to provide significant share of the Council's savings target	M	H	Reduction in service delivery e.g. income collection, provision of advice and management information for effective decision-making by budget holders.	Service aims to identify new income opportunities and efficiencies to meet savings targets to avoid reducing staffing to levels which compromise service delivery	Failure to achieve objectives and deliver expected service
Chris Ward (Director of Finance and IS)	Maintaining financial resilience arising from staff reductions	M	M	Reduction in service delivery and financial control	Finance reduced number of teams from 5 to 4 to improve general resilience although this includes the reduction of one Finance Manager post. Also ongoing review of business processes to ensure efficient service delivery.	Failure to achieve objectives
Chris Ward (Director of Finance and IS)	Financial collapse of an investment counterparty where the council has invested significant sums	L	H	Financial loss	No current indication that this is likely - credit rating of counterparties is kept under constant review.	Financial loss
Chris Ward (Director of Finance and IS)	Ability to restore financial and other systems post 'event'	L	H	Impact on trading services/external clients as well as PCC	A full disaster recovery exercise of the Council's enterprise resource planning system has not been tested in the recent past. The robustness of the current plan cannot therefore be fully ascertained.	Financial loss
Chris Ward (Director of Finance and IS)	Pay levels - unable to compete in the financial market to attract, recruit and retain appropriately skilled staff	M	M	Increased costs to PCC on consultants, agency staff and recruitment campaigns	Development of in-house trainee programme for finance	Failure to achieve objectives
Chris Ward (Director of Finance and IS)	Bringing forward closing of accounts deadline by four weeks - new statutory deadline from 2017/18	M	M	Reduction in time to complete accurate statutory reports	2015/16 accounts closure programme reduced by two weeks - plan to reduce 2016/17 by a further two weeks	Failure to achieve objectives
Chris Ward (Director of Finance and IS)	Inability to meet customers expectations re new technology that is in general use by other organisations or day-to-day personal use	M	H	Inefficient ways of working across PCC and partners	With the IT Strategy, Category Plan , IT restructure and Digital City Strategy either complete or underway likelihood is now downgraded from H to M	Failure to achieve objectives
Chris Ward (Director of Finance and IS)	Project delivery - ongoing review since June has identified there is a need to have better governance over the IOCT change demand/projects of the council	M	M	Risk of insufficient resource to address business need	Temporary project resource is being recruited to manage this demand in the short-term whilst a new project governance strategy is put forward within the new IS strategy and a move to more agile development and other methods of project delivery (hub and spoke model) are investigated.	Failure to achieve objectives

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Finance and Information services : Quarterly risk report (2)

Risk owner	Risk Area	Risk likelihood	Risk impact	Potential outcomes	Mitigation/commentary	Type of Risk
Chris Ward (Director of Finance and IS)	Roadmaps, contract pipeline and NPD - insufficient project prioritisation, supplier relationship management and contract management	L	M	Risk that parts of the IT infrastructure become obsolete (eg ITSM and Traffic Management Centre).	The introduction of a Category Management approach and a development of the business partner role will mitigate these risks	Failure to achieve objectives
Chris Ward (Director of Finance and IS)	Changes from central government - ongoing risk of changes to either PSN or service department data requirements	L	H	Changes required to systems	Category management will mitigate this and increase our visibility and implementation times.	Failure to achieve objectives
Chris Ward (Director of Finance and IS)	Cyber attack - other local authorities have received ransomware attacks: end user alert-based system at the moment leaves PCC vulnerable because a "zero day attack" could evade our current defences.	M	H	Potential multiple impacts - high likelihood and high impact	Business case is being worked on to purchase a SIEM (security information and event management software). They provide real time analysis of security alerts generated by network hardware and applications which will enable PCC to faster identify, contain and protect its systems	Financial loss; personal injury; reputational damage
Chris Ward (Director of Finance and IS)	Single points of failure in ICT infrastructure and systems access	L	H	Key information unavailable - impacts on frontline and critical activity	New Data Centre facility; contracted and tested recovery service; best practice design; resilience options always considered subject to cost. Recovery capability is limited in scope and time taken to recover key functions, with no provision for external email or telephony. Project to identify options to improve current position is currently underway.	Failure to achieve objectives

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Agenda Item 9

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(Please note that "Information Only" reports do not require Equality Impact Assessments, Legal or Finance Comments as no decision is being taken)



Portsmouth
CITY COUNCIL

Title of meeting:	Governance & Audit & Standards Committee
Subject:	Member Training
Date of meeting:	3 March 2017
Report by:	City Solicitor
Wards affected:	None

1. Requested by

Governance & Audit & Standards Committee

2. Purpose

To update members on the 2016/17 training programme for councillors.

3. Information Requested

3.1 Induction training

All new members received induction training including:

- Decision making across the council (full council, cabinet and committees)
- The Constitution
- Code of Conduct
- Pecuniary interests
- Conduct and protocol at Council meetings
- Working safely with sensitive information (Data Protection)
- The practicalities of council meetings

3.2. Committee training

All new and existing committee members (including standing deputies where relevant) completed training appropriate to their committee responsibilities. The training was delivered either by the lead officer or via an external trainer as follows:

Employment Committee - Jon Bell
Licensing Committee - Nickii Humphreys
Planning Committee - Claire Upton-Brown

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require Equality Impact Assessments, Legal or
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Governance & Audit & Standards - Ian Fifield (external trainer)

Notes:

- Until the training is completed, members are not able to sit on either the Planning or Licensing Committees
- For the G&A&S sub-committees, specific Code of Conduct training is offered by the City Solicitor (on a one to one basis) before members serve on them (this is in addition to the general induction training on the Code of Conduct)

3.3 Compliance training

Two sessions have been mandated for all councillors:

- Corporate Parenting (Looked after Children)
- Safeguarding Adults & Children

Prior to the programme for 2016/17, members were expected to refresh their knowledge annually. This has now been reviewed on advice from the service areas and the mandate changed to attendance once every three years (with ad hoc updates as required).

Based on the three-yearly mandate, the following numbers of councillors would be considered compliant:

- Safeguarding Adults & Children - 20
- Corporate Parenting - 13

3.2 Developmental training

The following sessions were offered to councillors as development opportunities (attendance shown in brackets):

- Chairing & Managing Meetings (2)
- Understanding Mental Health (2)
- Homelessness (15)
- Social Media (30)

.....
Signed by (City Solicitor)

Appendices:

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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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