

NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 25 SEPTEMBER 2015 AT 2.30 PM

CONFERENCE ROOM A - CIVIC OFFICES

Telephone enquiries to 023 9283 4058

Email: Vicki.plytas@portsmouthcc.gov.uk

Membership

Councillor Simon Boshier (Chair)
Councillor Ian Lyon (Vice-Chair)
Councillor John Ferrett
Councillor Steve Hastings
Councillor Hugh Mason
Councillor Phil Smith

Standing Deputies

Councillor Ryan Brent
Councillor Ken Ferrett
Councillor Scott Harris
Councillor Lynne Stagg
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.

A G E N D A

1 Apologies for Absence

2 Declarations of Members' Interests

3 Minutes from the meeting held on 26 June 2015 (Pages 1 - 8)

To confirm the minutes of the meeting held on 26 June 2015 as a correct record.

RECOMMENDED that the minutes of the meeting held on 26 June 2015 be confirmed and signed by the Chair as a correct record.

4 Updates on Actions identified in the minutes

5 Annual Governance Statement 2014/15 (Pages 9 - 56)

The purpose of the report is to seek approval from the Governance & Audit & Standards Committee (G&A&S) for the council's finalised Annual Governance Statement (AGS) for 2014/15 and the proposed framework that will be put in place to monitor progress.

RECOMMENDED that the Governance and Audit and Standards Committee:

- a) **Note the progress and recommendations made against the 2013/14 annual governance issues as set out in Appendix A**
- b) **Approves the Annual Governance Statement 2014/15 for publication as set out in Appendix B**
- c) **Approves the 2015 Local Code of Governance for publication as set out in Appendix C**
- d) **Confirm the monitoring process for the next AGS cycle.**

6 Statement of Accounts 2014/15 - (to follow)

Chair to sign off.

(Note that the annual governance statement must be signed off first).

7 External Audit Annual Results Report 2014/15 - Ernst & Young (Pages 57 - 78)

Chair to sign the Letter of Representation.

8 Sector Update Report from External Auditor (Pages 79 - 90)

Sector Update from External Auditor for discussion and noting.

9 Performance Management Update Q1 (Pages 91 - 112)

Purpose: To report significant performance issues, arising from Q1 performance monitoring, to Governance and Audit and Standards committee and highlight areas for further action or analysis.

RECOMMENDED that the Governance and Audit and Standards Committee are asked to:

1) note the report; and

2) comment on the performance issues highlighted in section 4, and governance issues in section 6, including agreeing if any further action is required

3) Agree the actions proposed in section 5.

10 Treasury Management Outturn 2014/15 (Pages 113 - 136)

(To this Committee for information - also going to Cabinet and Council)

Purpose.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code requires local authorities to calculate prudential indicators before the start of and after each financial year. Those indicators that the Council is required to calculate at the end of the financial year are contained in Appendix A of this report.

The CIPFA Code of Practice on Treasury Management also requires the Section 151 Officer to prepare an annual report on the outturn of the previous year. This information is shown in Appendix B of the report.

RECOMMENDED that the Governance and Audit and Standards Committee receive the report and note the recommendations relating to Appendices A and B as set out in paragraph 2 of the report.

11 Revision of Investment Strategy and Treasury Management Monitoring Report for the First Quarter of 2015/16 (Pages 137 - 154)

(To this Committee for information - also going to Cabinet and Council)

The purpose of the report is to amend the Investment Strategy to allow the Council to invest in 5 year equity trackers and to increase the geographical investment limits and the variable interest rate exposure limit. Appendix A contains the Treasury Management Monitoring Report which aims to inform members and the wider community of the Council's Treasury Management position at 30 June 2015 and of the risks attached to that position.

RECOMMENDED that recommendations 1. to 6. set out in paragraph 2 of the attached report be noted.

12 Persistent Complainants Policy (Pages 155 - 164)

The purpose of the report is to bring to the attention of the Governance & Audit & Standards Committee the revised Persistent Complainants Policy attached as appendix A. The policy has been updated to ensure continued best practice in complaint investigation and complaint management.

RECOMMENDED that the Governance & Audit & Standards Committee approve the Persistent Complainants Policy for use across Portsmouth City Council.

13 Revision of Corporate Complaints Policy (Pages 165 - 172)

The purpose of the report is to bring to the attention of the Governance & Audit & Standards Committee the revised Corporate Complaints Policy attached as appendix A. The policy has been updated to ensure continued best practice in complaint investigation and complaint management.

RECOMMENDED that the Governance & Audit & Standards Committee approve the Corporate Complaints Policy for use across Portsmouth City Council.

14 Local Government Ombudsman Annual Review report - Information only (Pages 173 - 178)

The purpose of the report is to bring to the attention of the Governance & Audit & Standards Committee the Annual Review by the Local Government Ombudsman dated June 2015 regarding the complaints it has considered against Portsmouth City Council for the year 2014/2015.

15 Audit Performance Status Report to 24 August for Audit Plan 2015/16 (Pages 179 - 194)

This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2015/16 to 24th August 2015 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

RECOMMENDED

(1) That Members note the Audit Performance for 2015/16 to 24th

August 2015

- (2) That Members note the highlighted areas of control weakness for the 2015/16 Audit Plan**

16 Volunteer Policy and cover report (Pages 195 - 224)

The purpose of the report is to seek the Committee's approval of the PCC Volunteer Policy.

RECOMMENDED that the Committee

- (1) Approve the PCC Volunteer policy (attached as Appendix A) and
(2) Recognise the supporting PCC volunteer good practice guide to support the operational application of the policy (attached as Appendix B)**

17 Exclusion of Press and Public

(NB The appendix to the Data Breaches report is exempt so if members wish to discuss this, they will need to pass the resolution below)

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

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

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

Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012, regulation 5, the reasons for exemption of the listed items is shown below.

Members of the public may make representation as to why the item should be held in open session. A statement of the Council's response to representations received will be given at the meeting so that this can be taken into account when members decide whether or not to deal with the item under exempt business.

(NB The exempt/confidential committee papers on the agenda will contain information which is commercially, legally or personally

sensitive and should not be divulged to third parties. Members are reminded of standing order restrictions on the disclosure of exempt information and are invited to return their exempt documentation to the Senior Local Democracy Officer at the conclusion of the meeting for shredding.)

<u>Item</u>	<u>Exemption Para No.*</u>
18 Data Security Breach Reporting - Exempt Appendix 1	1,2 and 3
1. Information relating to any individual	
2. Information that is likely to reveal the identity of an individual	
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)	
18 Data Breaches (Pages 225 - 226)	

The purpose of the report is to inform the Committee of any Data Security Breaches and actions agreed/taken since the last meeting.

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

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.

Agenda Item 3

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 26 June 2015 at 2.00 pm at the Conference Room A - 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 Simon Boshier (in the chair)
Councillor Ian Lyon (Vice-Chair)
Councillor John Ferrett
Councillor Steve Hastings
Councillor Hugh Mason
Councillor Phil Smith

Officers

Michael Lawther, City Solicitor
Lyn Graham, Chief Internal Auditor
Jon Bell, Director of HR, Legal & Procurement
Elizabeth Goodwin, Deputy Chief Internal Auditor
Paddy May, Corporate Strategy Manager
Robin Rimmer, Procurement Manager
Robert Miller, Counter Fraud Officer
Mark Justesen, External Auditor (Ernst & Young)

1. Apologies for Absence (AI 1)

There were no apologies for absence.

2. Declarations of Members' Interests (AI 2)

There were no declarations of interests.

3. Minutes of the Meetings held on 13 March and 17 April 2015 (AI 3)

RESOLVED that the minutes of the meetings held on 13 March and 17 April 2015 be confirmed and signed by the chair as a correct record.

4. Updates on Actions identified in the Minutes

The chair advised that with regard to minute 25 - Contract Management Review on page 4, he had asked that Mr Povey defers his update report to the January 2016 meeting of the committee.

In response to a query, the City Solicitor said that he would check whether a letter had been sent to all members about the situation concerning the

appointment of an advocate in connection with the item on Adult Safeguarding Practice and would provide an update to members.

With regard to minute 29 - Councillor Training and Development the following feedback was provided

- Planning training did not specifically deal with how the system works and members asked that this be looked at.
- Licensing training had been excellent.

The Chair asked that Claire Upton-Brown, and Nickii Humphreys be invited to attend the next meeting to provide an update on training in their respective areas.

5. Sector Update from External Auditor (AI 4)

(TAKE IN REPORT)

The external auditor, Mark Justesen introduced the sector update which covers issues that may have an impact on the local government sector and the audits that the external auditor undertakes.

In response to a query Mr Justesen said that he would source the document on Lessons for major service transformation referred to on page 3 of the sector update, and arrange for it to be circulated to members.

During discussion the external auditor explained that the update is a generic document. There are no longer regulator-imposed performance indicators in place, as used to be the case, and the external auditor's role in considering performance management is limited to whether appropriate arrangements for monitoring performance are in place - not whether the organisation is meeting performance targets.

6. External Auditor's Progress Report June 2015 (AI 5)

(TAKE IN REPORT)

Mr Justesen explained that the purpose of the report was to provide the committee with an overview of progress with the 2014/15 audit plan and to ensure the external audit is aligned with the committee's service expectations.

Mr Justesen advised that the work of the external auditor is slightly ahead of target for 2014/15.

During discussion the following matters were clarified

- With regard to the harbour accounts audit, the Department of Transport has not set a deadline for these to be produced so no statutory duty is being breached by the council by not producing them. However it is part of the external audit role to continue to mention that the harbour accounts need to be prepared and audited.

Members noted the report.

7. Changes to the designated independent person dismissal procedures (AI 6)

(TAKE IN REPORT)

Mr Paddy May, Corporate Strategy Manager introduced the report and explained a change to the procedures that must be followed for the dismissal of designated posts (head of paid service, monitoring officer or chief finance officer) using a designated independent person and to seek from this committee a recommendation to council to amend the council's officers employment procedure rules in Part 3D of the Constitution to reflect these new procedures. The report also asked members to agree that a copy of the report should also be sent to Employment Committee for information.

Mr May said that the wording at 9(a) in italics is superfluous and will be removed. During discussion the following matters were raised

- The Deputy Chief Executive said that currently the council has two independent persons and there was probably a need to increase this number.
- Mr May drew members' attention to paragraph 4.2 of the report that explains the involvement of independent persons in any disciplinary process against the head of paid service, monitoring officer or the chief finance officer.
- It was confirmed that when the current independent persons were appointed, the process did not envisage that part of their role would be an involvement in a disciplinary process against senior members of the council. Members asked whether it would be prudent to contact the independent persons and find out whether they are both willing and able to carry out the new role.
- It was confirmed that nothing in the revised statutory procedures overrules established principles of fairness in the eyes of the law. The appeals process for the officers concerned would be via an employment tribunal. Exactly how the new process would work in practice is likely to be tested through the courts. However essentially the changes affect three statutory posts and the occasions when a disciplinary process would need to be used are likely to be rare.

RESOLVED that

- (1) The new process for dismissal of a designated person (set out in paragraphs 4.1-4.3) be noted;**
- (2) That the Committee recommends that Full Council agrees the Officers' Employment Procedure Rules in Part 3D of the Constitution be amended to reflect the change in process. The proposed changes are attached as Appendix 1 of the report.**
- (3) That the director of HR, Legal and Procurement be tasked with the creation of any such panel if it is required;**

- (4) That a copy of this report be sent to Employment Committee for information.**

8. Annual Governance Statement monitoring 2014/15 (AI 7)

(TAKE IN REPORT)

The Corporate Strategy Manager, Mr Paddy May introduced the report which was to update members on progress against a number of issues identified as governance risks in the 2013/14 Annual Governance Statement and to highlight matters of relevance in preparing the 2014/15 statement. Mr May drew members' attention to paragraph 5.4 which listed exercises designed to support the review of effectiveness and asked members for their comments which included the following.

- Data breaches were regarded by the Committee as a serious issue and the Chair of the committee asked that regular reports continue to be brought to this committee.
- With regard to FOI requests, the Chair said he would like to see more detail in the appendix - for example the actual number of requests and a breakdown of how many came from the media or organisations and roughly how much time is taken in answering the queries. The vice-chair also asked that qualitative information be made available. The Chief Internal Auditor said that actual time taken was not captured as FOI requests were sent out by the team and time taken was only recorded if it was more than a specific number of hours. Members asked that the information given to the committee at least contained information on whether the time taken for individual requests was under or over a specific number of hours.
- The Chair of the committee asked for some indicative figures on the numbers of media or organisations who were putting in freedom of information requests (as opposed to the general public).

The City Solicitor said that information could be brought to the committee which showed how effective PCC is in completing requests in time. Penalties for failing to complete requests in time could be imposed by the ICO (where the failure was serious enough) and could include an improvement plan being imposed upon PCC.

It was confirmed that where information is publicly accessible then the Freedom of Information Act does not apply.

The City Solicitor confirmed that the problem often lay in the type of requests made. There is a limit of 18 hours work per request before a charge can be made but sometimes, where it is in the public interest, more than 18 hours work may be done in connection with a particular request.

The Deputy Chief Internal Auditor said that the 2014/15 audit had been done and although this did not include costs, it did provide some useful statistical information on FOI matters.

RESOLVED that the Governance & Audit & Standards Committee

- (1) Noted and agreed the recommendations relating to each of the governance issues set out in section 4.1; and**
- (2) Reinforced their expectations in relation to corporate governance for 2015/16 as set out in paragraph 5.5 of the report.**

9. Annual Internal Audit Report for the 2014/15 Financial Year (AI 8)

(TAKE IN REPORT)

The Chief Internal Auditor apologised that the wrong report had originally been circulated to members and that the corrected report would be uploaded onto the website after the meeting. [This has since been done]. The Deputy Chief Internal Auditor introduced the report and said that its purpose was to give the annual audit opinion on the effectiveness of the control framework based on the internal audit findings for 2014/15 and highlight areas of concern and to advise members of the audit plan for 2015/16.

Members' attention was drawn to the new areas of concern outlined in paragraph 6 of the report. This shows that financial compliance is not really improving and the Chief Internal Auditor said that Audit are planning to find out the reasons for non-compliance with financial rules.

In response to queries the following matters were clarified

- The Chief Internal Auditor said that high risk items were included in the body of the report but it was difficult often to quantify them. Specific risks appeared on the corporate risk register. Under each exception, the audit report shows what the risk is. The Chief Internal Auditor said that they could investigate how this could contain more information and could bring a report back to a future meeting. However monetary value is not easy to identify for example if the city council could be sued, the amount of the damages would have to be guessed. The Chief Internal Auditor said that the proper place for risks was in the risk register and that this could be reported on in addition at the next meeting. The risk report forms part of the performance management report.
- Members were concerned about the high risk and critical risk exceptions outlined in section 6 of the report. In particular members were concerned about the critical risk exception mentioned in 6.6.1 regarding the storage of disclosure and barring service checks on a central HR database. The Director of HR, Legal and Procurement drew members' attention to the agreed actions to try to resolve this critical risk as set out in 6.6.2. He said that the situation was improving

and that constant reminders to capture details within the central record are being made.

- The Chair commented that non-recording of data (ie where an action was done, but not recorded as having been done) was a persistent theme in many reports coming to this Committee.
- With regard to section 6.4 of the report concerning declarations of interest, the Deputy Chief Executive confirmed that members had a statutory duty to complete declarations of interest. However there was no corresponding statutory duty for employees to complete a declaration of interest. The Deputy Chief Executive said that he was revising the employee code of conduct and the Chair of the committee asked for sight of the draft revised code before it was finalised.
- The Deputy Chief Internal Auditor provided clarity on section 6.3 of the report. She said that significant changes in the debt recovery team had meant that the data necessary to test the processes had not been made available. The Chair asked that the next report coming to the September meeting of the committee should include an update on progress made. He said that if at the briefing meeting satisfactory progress had not been made, he would invite Chris Ward to explain why.
- With regard to 6.5 - Corporate Project Management, it was confirmed that a review of the Corporate Project Board's structure and purpose was being carried out and that it was intended to discuss the results with political group leaders. The membership of the board was confirmed as being the Chief Executive, the Deputy Chief Executive, the Section 151 Officer, the Chief Internal Auditor and the Director of HR, Legal and Procurement.
- With regard to 6.11 of the report, the Deputy Chief Internal Auditor advised that schools used to be audited on a three year cycle. Now PCC offers service level agreements but although schools have to operate within financial guidelines, the city council cannot force them to purchase the city council's audit services. It was confirmed that attempts to engage with Ofsted over this issue had been unsuccessful. It is open to PCC to remove the governing body of a school that does not comply with financial rules and take over the school's budget but this requires approval from the Secretary of State. Internal Audit have been back to the school concerned several times and would report back to this committee in due course.
- With regard to Corporate Assets and Business Standards - Management of Markets, it was confirmed that Market Inspectors referred to in 6.9.8 of the report will have received appropriate training.

RESOLVED that

- (1) Members noted the Audit Performance for 2014/15;**

- (2) **Members noted the highlighted areas of control weakness for the 2014/15 Audit Plan;**
- (3) **Members noted the Annual Audit Opinion on the effectiveness of the system of internal control for 2014/15;**
- (4) **Members endorsed the Audit Plan for 2015/16.**

10. Revision to Planning Code (AI 9)

(TAKE IN REPORT)

The Deputy Chief Executive introduced the report advising that following the changes brought about by the Localism Act 2011, the council adopted a new code in 2012 and this was further revised at the May 2015 council meeting. The attached planning code reflects the updating which has taken place in the most recent version of the code of conduct presented to council but is otherwise unchanged.

During discussion the following matters were clarified

- Members felt that the changes in 5.1 and 5.2 need to be made clear to councillors as this represents a change to what happens currently. The changes seem to introduce more involvement by the Monitoring Officer. Michael Lawther agreed to write to all members to draw their attention to these changes.
- Members mentioned small changes that should be made to the revised code for example a change in formatting in 4.9 and as there is no 4.10, should change 4.11 to 4.10 and agreed that the City Solicitor could make minor changes to the code before it went to council.
- The City Solicitor advised that he hoped to bring to the next meeting of Governance & Audit & Standards Committee the revised Constitution before it went on to full council. Members asked to be kept informed about progress on the Constitution and asked that consideration be given to providing members of the committee with the revisions over the summer. The Chair of the committee said he would then take a view on whether to hold a separate meeting to consider the Constitution as it was likely to be a lengthy meeting.

RESOLVED that the committee recommend to council that the planning code be approved and incorporated into the Constitution (subject to minor typographical errors being corrected.)

11. Consideration of the political balance rules in relation to the constitution of Sub-committees (AI 10)

(TAKE IN REPORT)

The City Solicitor explained that the report has been brought to this committee to consider whether it wishes to disapply the political balance rules in respect of its sub-committees which are considering complaints against Members. He explained that it had been agreed that the sub-committees would be cross-party as far as reasonably practicable but that any decision not to apply the political balance rules shall come to an end if there is any change in the make-up of a committee where they have been disapplied. It was therefore necessary to consider again whether the committee wishes to disapply the political balance rules in respect of its sub-committees which are considering complaints against members.

The Chair suggested that the political balance rules should be disapplied and the committee unanimously agreed.

RESOLVED that the committee unanimously decided that it wished to disapply the political balance rules in respect of its sub-committees which are considering complaints against Members.

The meeting concluded at 4.00 pm.

Councillor Simon Boshier
Chair

Agenda Item 5



Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	Friday 25 th September 2015
Subject:	Annual Governance Statement
Report From:	Rob Rimmer, Strategy Unit
Wards Affected:	None
Key Decision :	No
Full Council decision:	No

1. Purpose of Report

- 1.1. The report seeks approval from the Governance & Audit & Standards Committee (G & A & S) for the council's finalised Annual Governance Statement (AGS) for 2014/15 and the proposed framework that will be put in place to monitor progress.

2. Recommendations

- 2.1. It is recommended that the Governance and Audit and Standards Committee:
 - a) Note the progress and recommendations made against the 2013/14 annual governance issues as set out in Appendix A
 - b) Approves the Annual Governance Statement 2014/15 for publication as set out in Appendix B
 - c) Approves the 2015 Local Code of Governance for publication as set out in Appendix C
 - d) Confirm the monitoring process for the next AGS cycle.

3. Background/Reasons for recommendations

- 3.1. The Authority has a duty to produce and publish an Annual Governance Statement (AGS). This sets out how Portsmouth City Council has complied with the Local Code for Governance, and how the authority meets the requirements of Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.
- 3.2. It is a key role of the Governance and Audit committee to monitor governance issues across the authority and ensure they are performance managed. The Governance and Audit and Standards Committee receive regular updates on the development of the Annual Governance Statement and the committee last received an update in June 2015. Governance issues are also reviewed regularly by the Corporate Governance Group which is attended by the Chief Executive, Deputy Chief Executive, Director of HR, Legal and Performance, Director of Finance and IS and the Chief Internal Auditor.

- 3.3. The AGS supports the Local Code of Corporate Governance, setting out six core principles of governance, originally adopted by the council in March 2010. Every year, a number of sources are analysed including the Annual Audit letter, reports from Ofsted and governance questionnaire returns from Directors in order to review the council's practices and highlight further governance issues that the authority is at risk from.

4. Progress Against the 2013/14 Annual Governance Issues

- 4.1. The purpose of the Annual Governance Statement is to set out the systems and processes in place to ensure that Council business is conducted lawfully and in accordance with proper standards. Compliance helps ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also acknowledges the Council's responsibility to secure continuous improvement in the way in which its functions are exercised by outlining significant governance issues facing the organisation and steps that will be taken to address them.
- 4.2. On 26th September 2014 the Governance and Audit and Standards Committee approved the 2013/14 Annual Governance Statement. Appendix A details the progress made against each issue and a recommendation as to whether or not to roll over into the 2014/15 Governance Statement.

5. Steps taken to develop the 2014/15 Annual Governance Statement

- 5.1. The 2014/15 Annual Governance Statement has been prepared in accordance with the proper practice framework–Delivering Good Governance in Local Government issued jointly by SOLACE¹ and CIPFA² in 2007 (addendum issued in 2012).
- 5.2. The Council is responsible for conducting a review of the effectiveness of its governance framework in order to identify any weaknesses. To support the review of effectiveness a self-assessment of the Governance and Audit and Standards Committee has been completed by the current Chair of the Governance and Audit and Standards committee.
- 5.3. To support the review of effectiveness, the following sources have been reviewed:
- a) External Audit's Annual Plan and opinion.
 - b) Issues identified through business planning and performance management.
 - c) Data protection and information governance issues.
 - d) Corporate complaints and freedom of information requests.
 - e) Annual Internal Audit report and opinion.
 - f) The Corporate Risk Directory
- 5.4. In addition, due consideration has been given to the impact of the senior management restructure which was implemented in May 2015.

¹ Society of Local Authority Chief Executives and Senior Managers

² Chartered Institute of Public Finance and Accountancy

5.5. Considerable progress has been made in addressing the governance issues identified in the 2013/14 Annual Governance Statement. However, it is proposed that some of the issues roll over into the 2014/15 Annual Governance Statement to allow further work.

5.6. Taking into consideration the findings from the review of effectiveness, the proposed list of governance issues that need to be addressed over the coming year are identified at pages 12-15 of the draft Annual Governance Statement 2014/15 which can be found at Appendix B.

6. Monitoring process for Governance Issues

6.1 In 2014, members received detailed reports about the key governance issues identified according to a set timetable which takes account of particular milestones. It is recommended that this process continues according to the timetable proposed at Appendix D.

7. Equality Impact Assessment (EIA)

7.1. An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

8. Legal Implications

8.1. Legal considerations have been taken into account in the preparation of this report and where appropriate embodied within it.

9. Director of Finance's Comments

9.1 There are no financial implications arising from the recommendations in this report.

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Signed by: Jon Bell

Director of HR, Legal and Procurement

Appendices:

Appendix A	Summary of progress on actions to address the 2013/14 annual governance issues
Appendix B	Annual Governance Statement for 2014/15
Appendix C	Local Code of Governance 2015
Appendix D	Monitoring timetable for 2014/15

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
Delivering good governance in Local Government: Framework (addendum 2012)	http://www.cipfa.org/Services/Networks/Better-Governance-Forum/Corporate-Governance-Documentation/New-addendum-for-Annual-Governance-Statements
Annual Governance Statement 2013/14	http://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=148&MId=2250&Ver=4
Local code of governance 2014	Strategy Unit
Analysis of Internal Control Questionnaires 2014	Strategy Unit
External Audit's Annual Plan	Strategy Unit
HMIP Inspection feedback report	Strategy Unit
G&A&S Committee self-assessment checklist	Strategy Unit
Annual Internal Audit report and opinion	Internal Audit

APPENDIX A - Progress Update on 2013/14 Annual Governance Issues

Portsmouth City Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2013/14 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Actions to address the issue	Measures of success	Lead/s	Update on progress	Outcome of monitoring
1	The Constitution has not been reviewed/formally updated for a number of years.	a-Set up a working group to review the Constitution.	Updated constitution published on Council website	Michael Lawther, City Solicitor	This work has progressed and is close to completion. GAS committee have asked to be provided with visibility of the revisions, prior to Full council. Update to be provided at November GAS meeting.	GAS to consider at November meeting if further monitoring required.
2	Mandatory training requirements are unclear and staff are not completing known requirements such as financial rules training.	a-Learning and Development to communicate mandatory training requirements.	100% of staff have completed the mandatory training requirements.	Roland Bryant, Learning and Development Business Partner	Consideration has been given to three key elements of mandatory training - the induction, the annual assessment of learning, and the annual Performance Development Review (PDR). The process of alerting new starters to the expectation that they attend the training will be automated (via MLE). An automated message will be sent to all new starters (in every month) to advise them of booking arrangements. Training will run regular reports on attendance on the induction course, to track compliance.	GAS satisfied at Mar 2015 meeting and therefore not recommended for further monitoring due to system and process in place

Ref	Governance issue	Actions to address the issue	Measures of success	Lead/s	Update on progress	Outcome of monitoring
		b-Managers to check staff complete outstanding mandatory training requirements through the PDR process.		Liz Aplin, Operational Training Manager	For the annual assessment of learning, it has been agreed that rather than mandate attendance on a course / completion of e-learning (which is achieving a low level of compliance and potential exposure to risk because the focus is on training rather than demonstration of knowledge), we will mandate that people can demonstrate the required level of knowledge (courses, information and elearning is still available to support people to pass the assessment. This will ensure that we minimise impact on business time (spent in sometimes unnecessary training) and that we can demonstrate that all staff have the required level of knowledge to work safely. The annual PDR paperwork now includes statements about the application of key knowledge to local work practices (e.g. I understand Data Protection arrangements for my work place). As the majority of knowledge of mandatory areas is about local work practices, this will help to ensure that local learning takes place.	GAS satisfied at Mar 2015 meeting and therefore not recommended for further monitoring due to system and process in place
	Non-completion of financial rules training, resulting in non-compliance with Financial Rules	Training programme on new financial rules to be updated and rolled out.	Training updated and 100% of relevant staff have completed the training	Chris Ward, Head of Finance/ Paul Thomas, Senior Accountant	Consideration has also been given to how we ensure that the correct staff are receiving the correct level of financial rules training, and are able to demonstrate and apply the required level of knowledge. In line with the approach to mandatory training set out above, Directors now receive a regular report that can be shared with managers so that staff who need to undergo the training can be identified and trained accordingly.	Recommended to be included for further monitoring
4	Policyhub is not accessible to all staff and there is scope to improve the reporting capability.	a-Managers to ensure relevant policies are cascaded to and read by staff who are unable to access Policyhub. b-Policyhub board to consider upgrading Policyhub to enable more intelligent reporting.	100% of staff receive relevant policies and reports can be run to check % of staff within each service who have read corporate policies.	Policyhub Board	Update to be provided at September AGS	GAS to consider at September meeting if further monitoring required.

Ref	Governance issue	Actions to address the issue	Measures of success	Lead/s	Update on progress	Outcome of monitoring
5	Not all members of staff are receiving Performance Development Reviews (PDRs).	a-Report to be progressed to Employment Committee outlining the findings of the PDR review. b- All managers ensure that their staff have received a PDR within the last year.	Recommendations to be implemented. 100% staff have received a PDR within the last year	Roland Bryant, Learning and Development Business Partner	Following the review a new PDR process introduced August 2015	This issue will be monitored on an ongoing basis by Employment Committee
6	Not all services have completed table-top exercises to test the robustness of their service business continuity plan.	a-All services to complete a table-top exercise and amend their plans based on the findings.	100% of services have completed a table-top exercise. Aim for 30% of services to complete exercise each year.	Kate Scott, Civil Contingencies Officer	Over the last year, 5 tabletop exercises took place with HR, Revenues and Benefits, Public Health, IS and Education. The quality standard for business continuity plans has now changed to ISO22301, and given that all plans will need to be reviewed following the senior management restructure, there will be an opportunity to ensure they meet this new standard. Directors have been asked to identify the key critical continuity areas in their new directorates, and ensure that they are satisfied the procedures in place are sufficiently robust. New templates for completion for full plans will be issued at the end of the calendar year, with an expectation that these are completed ready for the new financial year. It is recommended that GAS committee receives a report on progress with this issue at the first available meeting in the 2016/17 cycle.	Agreed at June GAS meeting that this would be included for further monitoring
7	There has been an increase in the number of data breaches and there is scope to improve data security.	a-All staff to adhere to the clear desk clear screen policy and Managers must undertake a programme of spot checks to test compliance. If issues are found, they must be escalated and addressed. b-In order to prevent inappropriate access to customer records for personal gain the following actions need to be	Reduction in data breaches. Reduction in number of complaints received/instances identified.	Helen Magri, Corporate Information Officer/ Michael Lawther, City Solicitor	Breaches in data confidentiality continue to be a priority for the local authority, and all breaches are reported to GAS committee, with an update on any actions that are being taken to mitigate the likelihood and impact of breaches. The most significant ongoing themes relate to staff accessing records not required for their work (in which cases disciplinary action is taken leading to dismissal if appropriate) and failure to correctly secure paper records. A recent Internal Audit review also identified a risk around laptops left in the office without being properly secured, and the need to review some	Agreed at June GAS meeting that this would be included for further monitoring

Ref	Governance issue	Actions to address the issue	Measures of success	Lead/s	Update on progress	Outcome of monitoring
		undertaken: <ul style="list-style-type: none"> • Formal Action Policy instigated in each case • Incidents reported to the ICO. • Reminder sent to all staff via Team Brief not to access accounts without a business need • Staff with access to certain systems have signed specific declarations to say systems will not be accessed inappropriately • Auditing functionality introduced on systems. • Revisit Data Protection Healthcheck with a view to rolling out again across the Authority 			policies, which will be completed by August. Given the importance of this issue, and the potential exposures to the local authority, it is recommended that the GAS committee continues to retain a focus on this issue as one of its most significant governance matters, and continues to receive regular reports as breaches	
8	Corporate performance management arrangements need strengthening.	a-Further develop the corporate approach to performance management, with a greater focus on KPIs, milestones and risk management.	A more consistent approach to the performance management of business plans, identifying performance risks and good practice	Kelly Nash, Corporate Performance Manager	Following the senior management restructure, it is recommended that this is considered quarterly as part of the usual reports	Ongoing reports received as part of GAS monitoring cycle
9	There are public buildings that do not come under the auspices of the Council to undertake legionella testing.	a-A system needs to be established to ensure high risk areas are tested. b-All issues identified need to be escalated to Janet Maxwell, Director of Public Health.	Issues are identified, addressed and flagged with the Director of Public Health.	Mark Tutton	Update to be provided at September AGS	GAS to consider at September meeting if further monitoring required.
10	Understanding of public grant conditions and its intended use is fully understood at political and corporate	a. Improve depth of public health understanding at Head of Service and Member level to facilitate prioritisation of grant investment.	Public Health grant invested in prevention initiatives which deliver	David Price, Head of Business Strategy (Public Health	Significant activity has taken place over the last year to grow the understanding of the public health grant, including the development of the Building Healthier Cities programme as the mechanism for driving strategic redistribution of the grant across	GAS agreed at June meeting that no further monitoring required

Ref	Governance issue	Actions to address the issue	Measures of success	Lead/s	Update on progress	Outcome of monitoring
	levels.	b. Continue to work with Health & Wellbeing Board to support system-wide prevention through partnering arrangements. c. Provide regular reports to Health and Social Care Cabinet. d. Appropriate projects to be submitted to Corporate Project Board. e. Explore changes to corporate policies which have a public health implication being reviewed by the Director of Public Health	improvement in health outcomes defined by Public Health Outcomes Framework	Portsmouth)/ Janet Maxwell, Director of Public Health	the local authority. The Health and Wellbeing Board reviewed the use of the grant at their 17th June meeting, and it is recommended that the HWB continues to keep the issue under review.	
11 Page 17	Restricted access to NHS data, as a consequence of the Health & Social Care Act, is having a detrimental impact local public health intelligence analysis and forward planning	As a national issue, resolution is being led by Public Health England. Local plan in place to ensure appropriate governance arrangements meet the levels of assurance required by the HSCIC information governance toolkit.	Relevant NHS data is made available	David Price, Head of Business Strategy (Public Health Portsmouth) Janet Maxwell, Director of Public Health	The issue of restricted access to NHS data is a wider national issue following disaggregation of public health from the NHS. In local terms, there are some minor impacts around access to population data, but representations are being made on this issue at a national level through Public Health England. Such progress as can be made locally is being progressed by the Health and Social Care Information Centre Information Governance toolkit.	GAS agreed at June meeting that no further monitoring required
12	The governance, partnership and management arrangements for Portsmouth Youth Offending Team (YOT) were judged to be ineffective by the HM Inspectorate of Probation.	a-The Management Board provides effective leadership by holding the YOT and its partners to account to ensure high quality practice and achieve successful outcomes (HMIP1). b-All partners contribute actively to effective leadership, including through regular attendance at the YOT Management Board (HMIP2).	To have in place an effective YOT Board with full, consistent and appropriate membership to lead the improvement programme.	Stephen Kitchman, Head of Children's Social Care and Safeguarding	The YOT were subject to a reinspection in May 2015 which reviewed the issue and resulted in an improved assessment . As a result of this, it is recommended that this issue is removed.	Not recommended to be included for further monitoring as external inspection has confirmed that the issue has been addressed

Ref	Governance issue	Actions to address the issue	Measures of success	Lead/s	Update on progress	Outcome of monitoring
		c-The YOT have a full complement of competent case managers and other specialist staff in place. This includes a suitably skilled education officer to maintain the effectiveness of this work and to develop the range of training opportunities and links with employers (HMIP3).	To have in place a full complement of suitably qualified and experienced case managers including specialist roles.			
		d- Data on appropriate local outcome measures, including health; education, training and employment; diversity; and safeguarding are received, scrutinised by the YOT Management Board and used to improve services (HMIP4).	The YOT Board has access to accurate and timely data through a new Performance Management Framework			
		e-Case managers have a good understanding of effective practice and YOT expectations upon them, and are subject to effective performance management (HMIP7).	All staff will be clear on effective practice and effectively and robustly performance managed.			
13	During 2013, the Council failed to respond to 15.5% of Freedom of Information requests within statutory timescales.	Actions TBC following completion of audit.	Pending	Helen Magri, Corporate Information Officer	Freedom of information response times are reported quarterly as part of directorate performance reporting, and there has been declining performance. This is largely as a result of increased volumes of requests (outside of business as usual) every year since the introduction of the act (1400 last year against 200 in the first year); and reduced resources to process these requests centrally. Reduced staffing in directorate administration and business management functions also appears to be increasing the length of time for staff to respond to requests. It is recommended that the GAS committee continue to receive reports on performance against Fol response times on a regular basis, and to consider as part of these reports if any additional	GAS agreed at June meeting that further monitoring is required

Ref	Governance issue	Actions to address the issue	Measures of success	Lead/s	Update on progress	Outcome of monitoring
					action is required.	
14	Ofsted action points following inspection July 2014	Monitoring progress of improvement plan following Ofsted inspection.	Issues identified in report, addressed via improvement plan. Progress monitored quarterly.	Di Smith, Director of Children's Services/ Hayden Ginns, Commissioning and Partnership Manager	In response to the report and its findings, a detailed Improvement Plan was put together. This Plan was submitted to Ofsted in December 2014. This Improvement Plan is governed by the Portsmouth Children's Trust Board, as many of the improvement areas are closely related to the Children's Trust Plan 2014-2017. However, the progress is also reported into the Portsmouth Safeguarding Children Board and Corporate Parenting Boards respectively. Monitoring takes place on a quarterly basis. In addition to the headline areas of improvement, the Improvement Plan is also informed by some of the detail in the text of the Ofsted report, the lessons we learnt about safeguarding and care through the inspection preparation and process and lessons learnt from the individual cases Ofsted raised with the local authority during the inspection.	Not recommended for further monitoring as system in place .
15	Member training and political development is not systematic nor sufficiently championed and would benefit from more robust succession planning	Review is now complete; paper that summarises the current training offer and recommendations for a more systematic and tailored political development and training offer needs to be taken to the next group leaders meeting.	New training program is agreed and implemented where appropriate	Michael Lawther	GAS requested that L&D provide an update at the September meeting	GAS to consider at September meeting if further monitoring required
16	Work undertaken by the Building Control Surveyor is not checked	Actions were to fill the Building Control Manager post and carry out spot checks, however this is not currently taking place.	Audit recommendations implemented	Claire Upton-Brown	Internal Audit advised that they are now satisfied with the procedures in place. In May 2015, the service joined the Building Control Partnership and the resultant structure includes a partnership manager post.	Not recommended for further monitoring as Internal Audit now satisfied with procedures

Annual Governance Statement 2014 - 2015

www.portsmouth.gov.uk

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What is the annual governance statement?

Legislation¹ requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Portsmouth City Council's governance framework for 2014/2015 (which coincides with the approval of the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas during over the coming year.

What do we mean by governance?

By governance, we mean the arrangements that are put in place to ensure the intended outcomes for local people are defined and achieved. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled. Good governance is about making sure the Council does the right things, in the right way for the right people, in a timely inclusive, open, honest and accountable manner.

Scope of responsibility

Portsmouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Portsmouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

About Portsmouth and the Council

Home to the Royal Navy, Portsmouth is a bustling island city on the south coast of England, with an estimated population of 207,000 people residing within 15.5 square miles. This makes Portsmouth the most densely populated City in the UK outside of London. There are over 85,500 households and 5,500 businesses in Portsmouth.

Portsmouth's Council comprises of 42 Councillors (18 Conservative Councillors, 15 Lib Dem Councillors, 4 Labour Councillors, 4 UKIP Councillors and 1 Non Aligned Independent Councillor) who represent 14 wards across the City. It operates a minority administration under a Leader (Cllr Donna Jones, Conservative²) and Cabinet structure with Cabinet Members responsible for individual portfolios.

The Council employs around 3790³ members of staff and provides an extensive range of services to residents, businesses and visitors in the City, including: city development and cultural services, regulatory business and standards services, transport and environmental services, housing and property services, children's and adult's social care and safeguarding, education services, revenues and benefits and health and welfare services.

¹ Accounts and Audit (England) Regulations 2011, regulation 4(3)

² From May 2015

³ Excluding school staff

Portsmouth City Council Governance Framework

GUIDING PRINCIPLES

- Focus on the purpose of the Authority, deliver outcomes for the Community whilst providing value for money
- Demonstrate the values of good governance and uphold high standards of conduct and behaviour
- Make informed decisions through efficient, transparent processes. Minimise risk through effective scrutiny
- Listen, and engage with local people and other stakeholders to ensure robust public accountability
- Value and support officers and enable Councillors to be effective strategic leaders
- Simplify, strengthen and share processes to continually learn and improve

INTERNAL CONTROLS

Leadership, Culture and Planning
Organisational goals, values and vision
Business planning and strategies
Performance management

Statutory Officers & Decision Making
The Constitution
The Monitoring Officer
Section 151 Officer

Policies & Procedures
Codes of conduct
Ways of working
Anti-fraud, Bribery and Corruption Policy
Whistleblowing Policy
HR Policies and procedures

People, Knowledge, Finance, Assets
Robust HR practices
Information governance
Performance monitoring and improvement
Financial management and reporting
Ethical & legal practices

Scrutiny and Transparency
Freedom of Information requests
Complaints procedure
Reports considered by legal and finance experts
Equality impact assessments
Corporate risk directory

Partnership Working
Community engagement statement
'Have your say'
Consultations
Terms of reference for partnerships



CIPFA/SOLACE Good governance principles and the local code of governance

In 2007 CIPFA/SOLACE issued best practice guidance for 'Delivering Good Governance in Local Government'⁴. The framework sets out six principles that should underpin the governance of each Local Authority. Portsmouth City Council has approved and adopted a local code of governance, which is consistent with the CIPFA/SOLACE good governance principles. The code summarises the Council's internal arrangements that have been put in place to ensure effective governance and includes hyperlinks to supporting documentation. A copy of the authority's code can be obtained from the Council. The following sections look at how the Council is held to account for these six principles.

1-Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

Organisational goal and priorities for the City



Portsmouth City Council; working together to shape the great waterfront city

Portsmouth City Council has a shared organisational goal (above), which is designed to be simple, reflecting the fact that although we are a diverse organisation, everything the council does is designed to make the city a better place and improve life for our residents. Over the last year, the Council has developed a new corporate plan on a page, which sets out the following priorities for the city:

- Raise education standards so children and young people achieve their full potential
- Encourage investment in our city, creating economic prosperity
- Empower our residents to live independently and make the most of their opportunities

Guiding principles

The organisational goal is supported by the following nine corporate principles:



put customers first



provide value for money



be ambitious



use evidence to shape services



simplify, strengthen and share processes



get it right first time



support councillors as strategic leaders



value and support staff



listen and learn

⁴ <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework>

Business planning and performance management

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. In the last five years (up to end of 2015/16), Portsmouth City Council has made savings of £75m, but has a further £31m to find by the end of 2018/19 at a time when there is a rising demand for many of the Council's services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

Directors are responsible for preparing business plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key directorate risks and management/mitigation activity and arrangements for robust performance management within the directorate. As part of the business planning process, directorates have been asked to review the relationship between directorate expenditure and performance and participate in benchmarking exercises to ensure best use of resources and value for money.

2-Members and officers working together to achieve a common purpose with clearly defined functions and roles.

The Constitution

The constitution⁵ sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, Portsmouth City Council has taken the decision to continue with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation, it is important that members and officers continue improve their working relations with other organisations too, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

The Monitoring Officer

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. He is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution. In PCC, the monitoring officer is Michael Lawther the Deputy Chief Executive

Section 151 Officer

Whilst all Council Members and Officers have a general financial responsibility, the s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in Portsmouth City Council this is Chris Ward, who is also the Director of Finance and Information Services.

3-Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behavior.

⁵ A copy of the constitution can be found at <https://www.portsmouth.gov.uk/ext/the-council/policies-and-strategies/constitution.aspx>

Codes of conduct

On joining the Council, members and officers are provided with a contract outlining the terms and conditions of their appointment. All staff must sign a code of conduct and declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies. In the last 3 years, the Council has introduced a system called Policyhub that enables effective dissemination of general and job-specific policies, and has the built in functionality to measure compliance i.e. that a member of staff has read and agreed to the policy.

Ways of working



Portsmouth City Council has developed 'ways of working' as a tool to help staff manage themselves and others, evaluate performance and recruit new staff. Whilst members and officers are monitored on their standards of conduct and behaviour throughout the year, managers are required to hold good quality Personal Development Reviews with all of their staff on an annual basis, including an assessment on the ways of working.

Financial management

The Director of Finance and s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. He advises on financial matters to both the Cabinet and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully financed and identifies the key assumptions and financial risks that face the council.

Financial Rules were revised in 2013/14 by the s151 Officer so that Portsmouth City Council can meet all of its responsibilities under various laws. They set the framework on how we manage our financial dealings and are part of our City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. He also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

The authority's financial management arrangements conform to the government requirements of the CIPFA Statement on "The role of the chief financial officer in local government" (2010). The Chief Finance Officer/Director of Finance works with the CEXEC/Deputy CEXEC, helping to develop and implement strategy and deliver the strategic objectives. The Chief Finance Officer is actively involved in ensuring all immediate and longer term risks and opportunities are considered, and ensure the strategic objectives are aligned to the longer-term finance strategy. The Chief Finance Officer has an input into all major decisions, and advises on financial matters to the Cabinet. He is responsible for ensuring that budgets are agreed in advance and that the agreed budget is robust, to ensure value for money is provided by our services, and is responsible for ensuring the finance function is fit for purpose. A protocol for the Chief Financial Officer at Portsmouth was approved in November 2011.

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs. The Council's Anti-Fraud, Bribery and Corruption Policy⁶ (revised in 2014) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

Whistleblowing

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy⁷ (revised in 2013) sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter. The Policy is kept under review by the Monitoring Officer, and performance reports (which include concerns raised and their outcomes) are submitted to the Governance and Audit and Standards Committee quarterly.

Governance and Audit and Standards Committee

As its name suggests, the Governance, and Audit and Standards Committee has the responsibility for receiving reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance⁸. The group has an agreed set of terms of reference⁹, which sets out their roles and responsibilities of its members¹⁰. On an annual basis the Chair of the Committee undertakes a self-assessment, which informs the overall review of effectiveness of the Council's governance arrangements.

4-Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Transparency

The Council and its decisions are open and accessible to the community¹¹, service users, partners and its staff. The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes Portsmouth City Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant committee/group. Portsmouth City Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

Risk management

⁷ A copy of the whistleblowing policy can be located at :

<http://democracy.portsmouth.gov.uk/Data/Governance%20&%20Audit%20&%20Standards%20Committee/20130314/Agenda/GAS20130314r10.pdf>

⁸ A copy of the guidance can be found at: <http://www.cipfa.org/Policy-and-Guidance/Publications/A/Audit-Committees--Practical-Guidance-for-Local-Authorities>

⁹ The Governance and Audit and Standards Committee Terms of Reference can be found at:

<http://www.portsmouth.gov.uk/media/SC20120716r5app4.pdf>

¹⁰ Membership can be found at: <http://democracy.portsmouth.gov.uk/mgCommitteeDetails.aspx?ID=148>

¹¹ Meetings, agendas and minutes: <http://democracy.portsmouth.gov.uk/uucoverpage.aspx?bcr=1>

The Council reviewed its approach to managing risks in 2013 and approved a revised Risk Management Policy, which seeks to embed a culture of risk awareness within everyday activities. All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Directory, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. The new approach minimises formal processes and unnecessary documentation, whilst ensuring that risk management remains an effective part of the governance framework.

Effective scrutiny

The Council operates six Scrutiny Panels¹², governed by their own terms of reference. It is important that Scrutiny Panels act effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Cabinet. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The panel's findings are reported to the Cabinet and may result in changes to the way in which services are delivered.

Complaints

There is a clear and transparent complaints procedure¹³ for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, 15 working days for second-stage complaints and 20 working days for third-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

5-Developing the capacity and capability of Members and Officers to be effective.

Recruitment and induction

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers must attend an induction day, which provides information about how the organisation works. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance and Audit and Standards Committee, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

Performance monitoring

¹² Further information on our Scrutiny Panels can be found at: <http://democracy.portsmouth.gov.uk/mgListCommittees.aspx?bcr=1>

¹³ Complaints procedure: <https://www.portsmouth.gov.uk/ext/the-council/transparency/comment,-compliment-or-complaint.aspx>

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Directorates consider workforce plans as part of the annual business planning process. Our business plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

6-Engaging with local people and other stakeholders to ensure robust public accountability.

Engagement and communication

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements. Portsmouth City Council has developed a Community Engagement Statement¹⁴, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. The Community Engagement Statement asserts the following objectives for the council's engagement activity:

- Active citizens and strong communities,
- Clearer links between consultation and decision-making,
- A City that reflects its diversity and improved use of resources and aims to build upon the council's commitment to finding ways to inform,
- Consult and involve local people in all areas of life.

To be effective this process aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council, many of which are listed on the 'Have your say' council webpage¹⁵. Local people have the option to engage in a dialogue through: social media sites (including a community engagement blog, Facebook and twitter), petition schemes, neighbourhood forums, Healthwatch Portsmouth, the rant and rave forum, council meetings (open to the public), their local Councillor¹⁶ and through a new citizens panel that launched in 2014.

Consultations

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website¹⁷.

The council issues a free copy of their Flagship magazine to all households keeping them up to date about what's going on in the City. Portsmouth City Council regularly engages with its employees to ensure they are kept informed about the council and the city. There are communication channels for "off-line" and online employees and a dedicated communications point of contact for staff.

¹⁴ Community Engagement Statement: <https://www.portsmouth.gov.uk/ext/documents-external/cou-community-engagement-statement.pdf>

¹⁵ Opportunities to have your say can be found at: <https://www.portsmouth.gov.uk/ext/community-and-environment/community/have-your-say.aspx>

¹⁶ Who are your Councillors, MPs and MEPs: <http://democracy.portsmouth.gov.uk/mgMemberIndex.aspx?bcr=1>

¹⁷ Consultations: <https://www.portsmouth.gov.uk/ext/the-council/transparency/consultations.aspx>

Employees are regularly asked to complete opinion surveys so the council can get a better understanding of what's working and what's not. The results are carefully considered and used to address issues.

Partnership working

Partnerships are about the council coming together with right organisations to deliver improved outcomes for local people. Portsmouth City Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working. There are 4 strategic partnerships in Portsmouth - The Children's Trust Board, The Health and Wellbeing Board, Safer Portsmouth Partnership and Shaping Portsmouth, which are involved in delivering the city's desired outcomes. Reviews of strategic priorities for each of the partnerships have been aligned in order to better understand shared priorities, reduce duplication and improve commissioning and delivery activity.

Corporate governance controls

On an annual basis Portsmouth City Council agrees a set of corporate governance controls with the aim of strengthening governance arrangements in key areas. In 2014 the Council agreed the following nine corporate governance controls that all Directorates are required to comply with:

1	All directorates have a business plan that reflects the vision of the authority; meets a minimum set of standards; is actively managed; and is refreshed and published annually
2	Risk is regularly reviewed and tangible mitigation measures are in place and regularly tested.
3	All posts that fall within the legislation must be checked in line with DBS ¹⁸ guidelines.
4	All staff must adhere to the clear desk and clear screen policy wherever they are working and ensure that sensitive/personal information is appropriately secured when travelling to/from work.
5	The Council understands its legal equalities duties, and embed them as part of directorate projects/plans.
6	All directorates have business continuity plans in place that are regularly tested and reviewed.
7	Complaints are responded to within a timely manner, causes addressed, and outcomes recorded
8	100% of staff are given good quality PDRs and any actions resulting from the PDR must be completed within agreed timescales.
9	100% of staff complete the code of conduct form on joining the Council and notify managers if there are any changes.

¹⁸ Disclosure and Barring Service (DBS) Guidelines: <https://www.gov.uk/government/organisations/disclosure-and-barring-service/about>

Monitoring and evaluating the effectiveness of the governance framework

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

- The CXEC, Deputy CXEC and Directors within the Authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Internal Auditor's annual report and opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- The Chief Financial Officer whose role is performed by the Director of Finance (and who is also Portsmouth City Council's Section 151 Officer) who has statutory responsibility for ensuring the proper management of all Portsmouth's financial affairs.
- The Corporate Governance Group, made up of the CEXEC, the Deputy CXEC (Monitoring Officer), the Chief Internal Auditor, the Director of Finance (Section 151 Officer) and the Director of HR, Legal and Performance with input from others as relevant. This group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to council improvement.
- The Governance and Audit and Standards Committee

There is an agreed formal process for evaluating the effectiveness of internal control, and for 2014/15 this has included:

- An evaluation of progress against previously identified governance issues.
- Analysis of compliance with the nine internal corporate governance controls. This requires Directors to complete an internal control questionnaire to evidence their services' compliance with each of the controls.
- A self-assessment review of the Governance and Audit and Standards Committee, which was completed by the current Chair of the Governance and Audit and Standards Committee and the previous Chair of the Governance and Audit and Standards Committee.
- Reviews of:
 - The effectiveness of Internal and External Audit.
 - External Audit's Annual Plan and opinion.
 - The Annual Internal Audit report and opinion.
 - The Corporate Risk Directory.
 - Issues identified through business planning and performance management.
 - Corporate complaints and any complaints regarding Members.
 - Freedom of information requests.
 - Data protection and information governance issues.
- The following were also considered when drafting the statement :
 - Grant Thornton - Local Government Governance Review 2014
 - YOT inspection (May 2015)
 - Health & Wellbeing Board
 - Senior Management Restructure
 - Statutory responsibility (mapping exercise)

Significant Governance issues for 2014-15

Portsmouth City Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2013/14 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	The Constitution has not been reviewed/formally updated for a number of years.	Highlighted by the Corporate Governance Group	a-Set up a working group to review the Constitution.	Updated constitution published on Council website	Michael Lawther, City Solicitor	November 2015
2	Non-completion of financial rules training, resulting in non-compliance with Financial Rules	2012/13 AGS - issues remain and item to remain under review	Training programme on new financial rules to be updated and rolled out.	Training updated and 100% of relevant staff have completed the training	Chris Ward, Director of Finance/ Paul Thomas, Senior Accountant	March 2016
Page 33	Policyhub is not accessible to all staff and there is scope to improve the reporting capability.	Highlighted In 2012/13 AGS - to be reviewed September 2015	a- Managers to ensure relevant policies are cascaded to and read by staff who are unable to access Policyhub.	100% of staff receive relevant policies and reports can be run to check % of staff within each service who have read corporate policies.	Policyhub Board	September 2015
			b-Policyhub board to consider upgrading Policyhub to enable more intelligent reporting.			
4	Not all services have completed table-top exercises to test the robustness of their service business continuity plan.	2012/13 AGS issues remain and item to remain under review	a-All services to complete a table-top exercise and amend their plans based on the findings.	100% of services have completed a table-top exercise. Aim for 30% of services to complete exercise each year.	Kate Scott, Civil Contingencies Officer	Jan 16 - Ongoing review on a 3 yearly program
5	There has been an increase in the number of data breaches and there is scope to improve data security.	Data breaches incident log and ICQs	a-All staff to adhere to the clear desk clear screen policy and Managers must undertake a programme of spot checks to test compliance. If issues are found, they must be escalated and addressed.	Reduction in data breaches.	Helen Magri, Corporate Information Officer/ Michael	Quarterly mtg

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			b-In order to prevent inappropriate access to customer records for personal gain the following actions need to be undertaken: <ul style="list-style-type: none"> • Formal Action Policy instigated in each case • Incidents reported to the ICO. • Reminder sent to all staff via Team Brief not to access accounts without a business need • Staff with access to certain systems have signed specific declarations to say systems will not be accessed inappropriately • Auditing functionality introduced on systems. • Revisit Data Protection Healthcheck with a view to rolling out again across the Authority 	Reduction in number of complaints received/instances identified.	Lawther, City Solicitor	
6	There are public buildings that do not come under the auspices of the Council to undertake legionella testing.	2012/13 AGS	a-A system needs to be established to ensure high risk areas are tested. b-All issues identified need to be escalated to Janet Maxwell, Director of Public Health.	Issues are identified, addressed and flagged with the Director of Public Health.	Mark Tutton	September 2015
	During 2013, the Council failed to respond to 15.5% of Freedom of Information requests within statutory timescales.	Internal Audit	Actions TBC following completion of audit.	Pending	Helen Magri, Corporate Information Officer	September 2015
8	Member training and political development is not systematic nor sufficiently championed and would benefit from more robust succession planning	2012/13 AGS	Review is now complete; paper that summarises the current training offer and recommendations for a more systematic and tailored political development and training offer needs to be taken to the next group leaders meeting.	New training program is agreed and implemented where appropriate	Michael Lawther	September 2015
9	In terms of risk, our overall level is increasing. This increase is as a direct result of the ongoing savings measures, including the management restructure in May 2014 and a resultant impact on our capacity and capability. In addition, our desire to explore more innovative and	Directorate business plans	The Council's Risk Management policy identifies its commitment to embedding a culture of risk awareness. The policy sets out the responsibilities for the different roles including members and directors and also the responsibilities for Directors when undertaking a Project Director role. The requirement to consider risk implications when making or evaluating decisions is highlighted. It is	All risks identified and evaluated and appropriate arrangements put in place. No adverse publicity	CXEC	Quarterly meeting

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
	commercial ways of working has seen an increase in our risk appetite and willingness to tolerate a greater degree of risk when pursuing commercial opportunities. Working in this commercial environment often requires a more flexible and agile approach to progress issues in a timely fashion in order to achieve key objectives. This may necessitate a degree of delegation to officers.		accepted that not all risks can be eliminated or mitigated against and a balance must always be struck between the costs of risk reduction against the likelihood and impact of the risk (risk exposure). When considering directorate cuts, the impact needs to be fully considered including adverse consequences in other areas. The risk appetite should be made clear, especially when working in a commercial environment.			
10	Emerging governance requirements. The council is exploring new ways of working including alternative delivery models with partners which will necessitate different governance models to be adopted.	eg Building Control partnership report Jan 2015 Delivering Differently	Any new work or initiative should consider governance arrangements as part of Feasibility/Business case development (especially when working in a multi-agency environment or when forming a new company) including issues such as use of joint risk registers	All legal agreements to include reference to governance arrangements including Terms of Reference, composition of boards, and frequency of meetings. Joint risk review meetings to be set up	Project Directors	To be reviewed and GAS updated on 6 monthly basis
11	Programmes/projects - The issue is linked to the non identification of emerging programme/project activity, including associated governance arrangements.	Directorate Business plans	Directors should ensure that all such activity is reflected in quarterly performance reports including identification of key risks. An overview of project status should be maintained for review at the Corporate Governance Group. All project activity should adopt recognised governance arrangements with a nominated Project Director and Project Manager and Terms of Reference identifying their roles and responsibilities.	Visibility of all projects/programmes No project failure Key posts filled and TORs drafted	DCXEC	Quarterly meeting

Effectiveness of the system of internal audit

Due to the number of critical and high risk exceptions the Audit opinion for 2014 /15 is that only limited assurance on the effectiveness of the control framework can be given with the areas of most concern around:

- some non-compliance with Financial Rules
- Declarations of Interest not up to date in some areas
- Corporate Project Framework review
- Safer Recruitment and recording of DBS checks
- The need for Data Archiving
- A Strategy & strengthening of controls with regard to the management of Markets

In all cases actions have been agreed and follow up audits programmed in 2015/16 to review the level of implementation.

The Audit opinion for last year was also limited assurance due to the level of critical and high risk exceptions. The number of critical exceptions for 2014/15 has increased compared to the previous year although nine of these relate to one secondary school and should be considered in isolation. In addition to this there has been an increase in the number of investigations that have involved staff.

Internal Audit is concerned that the overall effectiveness of the control framework position has declined/not improved, which is not adequately reflected in the 'limited assurance' and will continue to work with Directors, the Deputy Chief Executive and the Chief Executive to improve on specific areas of control and risk management weaknesses.

Internal Audit has carried out a self-assessment and confirms that they are compliant with the Public Sector Internal Audit Standards (PSIAS).

Summary of significant governance issues for 2014/15

The review of effectiveness has identified 11 significant governance issues within the Council's governance framework. Over the coming year, Portsmouth City Council will take steps to address the issues that have been identified in order to improve the Council's governance arrangements and improve assurance in the areas of most concern. Progress will be monitored and reported to the Governance and Audit and Standards Committee on a quarterly basis over the next year.

Signed on behalf of Portsmouth City Council

.....
David Williams
Chief Executive

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Date

.....
Cllr Donna Jones
Leader of the Council

.....
Date

www.portsmouth.gov.uk

Telephone: 023 9268 8017

Email: megan.barnard@portsmouthcc.gov.uk

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What Is Corporate Governance?

Corporate governance is a term used to describe the way that organisations direct and control what they do. For local authorities, it includes the systems, policies and processes, as well as the cultures and values that underpin a Council's arrangements for effective: leadership, management, performance, delivery of positive customer outcomes, community engagement and stewardship of public money.

Why Do We Have a Local Code of Governance?

Portsmouth City Council has developed and adopted a Local Code of Governance, which sets out the organisation's governance arrangements and reflects the six core principles set out in the SOLACE/CIPFA Good Governance Framework (2007). The code demonstrates how the Council achieves good corporate governance and provides hyperlinks to supporting documents. Portsmouth City Council has established nine internal corporate governance controls, which have been incorporated into the Local Code of Governance. The controls have been chosen on the basis that they support the six core principles and are deemed critical to meeting the organisations business needs. All services are required to monitor and evidence compliance against them. The controls and local code will be reviewed on an annual basis and used to inform the production of the Annual Governance Statement, which is approved by the Governance and Audit and Standards Committee.

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
(1)	Core Principle: Focusing on the purpose of the Authority; outcomes for the Community and creating and implementing a vision for the local area.	
(1.1)	Supporting Principle: Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.	
(1.1.1)	Develop and promote the authority purpose and vision.	<p>-PCC's organisational goal (established in 2012) is, 'working together to shape the great waterfront City' reflects the fact that everything the council does should help to make the city a better place and improve life outcomes for the City's residents. The 3 priorities for the council are:</p> <ul style="list-style-type: none"> Raise education standards so children and young people achieve their full potential Encourage investment in our city, creating economic prosperity Empower our residents to live independently and make the most of their opportunities <p>-PCC has a Regeneration Strategy (Shaping the Future of Portsmouth) that focuses on supporting economic growth, innovation and enterprise and enhancing the City's competitiveness.</p> <p>- Objectives are clearly communicated to staff and stakeholders including partners.</p>
(1.1.2)		-The organisational goal is supported by nine corporate principles. These are: put customers first, provide value for money, be ambitious, use evidence to shape services, simplify, strengthen and share processes, get it right first time, support councillors as strategic leaders, value and support staff, listen and learn).

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
(1.1.3)	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.	<ul style="list-style-type: none"> - Each of the council's key strategic people partnerships (the Health and Wellbeing Board, the Children's Trust and the Safer Portsmouth Partnership) have priorities and objectives set out in strategies that have been developed and agreed with the appropriate partners. They work together in an agreed way to ensure their work is underpinned by a common vision and agreed ways of working. - Each plan is underpinned by an assessment of need as set out in the Joint Strategic Needs Assessment.
(1.1.4)	Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	<ul style="list-style-type: none"> - A statement of accounts is published on an annual basis, at the same time as the Annual Governance Statement - The Medium Term Resource Strategy is a high level plan that sets out the City Council's Revenue Spending Plans for the next five years to deliver the longer term aspirational Vision for Portsmouth and the medium term priorities of the City Council. - Flagship magazine is published 5 times a year and distributed to Portsmouth Residents. The magazine provides a useful summary of the authority's activities and achievements.
(1.2)	Supporting Principle: Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	
(1.2.1)	Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	<ul style="list-style-type: none"> - Directorates monitor their performance on a quarterly basis. Performance measures are set out in Directorate business plans and strategies. - The Joint Strategic Needs Assessment (JSNA) paints the 'big picture' of local needs so we can work together to improve the health and wellbeing of people in Portsmouth.
(1.2.2)	Put in place effective arrangements to identify and deal with failure in service delivery	<ul style="list-style-type: none"> - The Council operates a complaints procedure to deal with failures in service delivery. - There are separate processes for people wishing to make a complaint against adult's social care, children's social care or schools. - If residents/service users are not happy with how their complaint has been handled by the Council, they can contact the Local Government Ombudsman who will investigate complaints in a fair and independent way. - Risk is reviewed during the quarterly performance monitoring process and significant risks captured on the Risk & Assurance Directory
(1.3)	Support Supporting Principle: Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	
(1.3.1)	Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for	<ul style="list-style-type: none"> - Directorates are asked to use comparative/benchmarking data on both cost and performance, as well as any other relevant data, such as customer feedback data or trends over time in order to make a judgement on value for money, during the business planning process. If this is not provided the CIPFA Value for Money toolkit will be used to make a judgement.

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
	money and performance effectively.	<ul style="list-style-type: none"> -The Audit Commission issue an annual value for money opinion. -In depth value for money reviews are carried out when deemed necessary. -Procurement arrangements are in place to ensure that the organisation secures the right outcomes at the right price within a collaborative and consistent manner. -Robust category management arrangements are in place to ensure the organisation maximises its spending power and minimises waste. -The Chief Finance Officer provides financial advice and ensures the authority providers prudential financial framework. - The Council's priorities and objectives are aligned to principal statutory obligations and relate to available funding.
(1.3.2)	Measure the environmental impact of policies, plans and decisions	<ul style="list-style-type: none"> -The impact of any decision that increases or decreases the council's carbon footprint should form part of the financial consideration as energy or fuel costs would be affected -High value procurement that goes through the procurement gateway must consider environmental sustainability as part of the gateway process, and consult with the Environmental change and sports development manager.
(2)	Core Principle: Members and officers working together to achieve a common purpose with clearly defined functions and roles	
(2.1)	Supporting Principle: Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	
(2.1.1)	Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.	- The Council have a published City Constitution which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for us to choose. The Constitution is divided into 16 articles which set out the basic rules governing the council's business. It provides a summary of key officer, member and committee roles and responsibilities.
(2.1.2)	Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers.	<ul style="list-style-type: none"> -As above. -All posts have job descriptions and are banded depending on responsibilities undertaken.
(2.2)	Supporting Principle: Ensuring that a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard	
(2.2.1)	Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and	-Delegations are set out in the City Constitution .

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
	ensure that it is monitored and updated.	
(2.2.2)	Make the City Mayor and Chief Executive responsible and accountable to the authority for all aspects of operational management.	-Information about the current ceremonial Lord Mayor of Portsmouth, a list of previous Lord Mayors and general information about the Lord Mayor's Office, its history and ceremony can be found on the PCC website . -The Chief Executive's role and responsibilities are set out in the job description and City Constitution .
(2.2.3)	Develop protocols to ensure that the City Mayor and chief executive (or equivalent) negotiates their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	NOT APPLICABLE
(2.2.4)	Make a senior officer (the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	- The Chief Finance Officer is the S151 Officer and is actively involved in all major decisions, advising on financial matters to both the Cabinet and full Council. He is responsible for leading the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by the Council's services, and that the finance function is fit for purpose.
(2.2.4)	Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	- The Monitoring Officer is a statutory function and ensures that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The role of the Monitoring Officer is set out in 12.4 of PCC's Constitution. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. --The Monitoring Officer's role and responsibilities are set out in the job description.
(2.3)	Supporting Principle: Ensuring relationships between the authority, its partners and the public are clear so that each know what to expect of the other	
(2.3.1)	Develop protocols to ensure effective communication between members and officers in their respective roles.	Part 4d of the City Constitution sets out a protocol for Member/Officer relations. Within the protocol general principles of conduct, roles and responsibilities, support services, access to information, officer, correspondence, public relations and cabinet member and chairman relationships are clearly set out. The protocol guides members and officers of the council in their relations with one another in such a way to ensure the smooth running of the Council.
(2.3.2)	Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective	-All staff are provided with a contract outlining the terms and conditions of their appointment. - The Council has robust pay and conditions policies and practices for employees, and structured pay scales reflecting the competencies required for each role. -An independent remuneration panel can be appointed as and when required.

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
	remuneration panel.	
(2.3.3)	Ensure that effective mechanisms exist to monitor service delivery	-Scrutiny panels are in place to challenge and review. -Service delivery and performance is monitored quarterly.
(2.3.4)	Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated.	- Key plans, strategies and proposed changes to service delivery are put out for consultation and published on the Council's website - https://www.portsmouth.gov.uk/ext/the-council/policies-and-strategies/our-policies-and-strategies.aspx -The <u>Medium Term Resource Strategy</u> is a high level plan that sets out the City Council's Revenue Spending Plans for the next five years to deliver the longer term aspirational Vision for Portsmouth and the medium term priorities of the City Council.
(2.3.5)	When working in partnership, ensure that all partners are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.	-For each partnership there is: A clear statement of the partnership principles and objectives; Clarity of partner roles within the partnership; Line management responsibilities for staff who support the partnership; A statement of funding sources for joint projects and clear accountability for proper financial administration; A protocol for dispute resolution within the partnership.
(2.3.6)	Ensure that there is clarity about the legal status of the partnership and that organisations understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	-The Council has defined legal agreements -Terms of references are set up and outlined key legal obligations of parties within the partnership.
(3)	Core Principle: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	
(3.1)	Supporting Principle: Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance through	
(3.1.1)	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	-Meetings are held in an open forum -PCC have developed a set of 'ways of working' to communicate to staff what is expected of them and what residents and colleagues expect from staff. PCC have agreed the following 'ways of working': 1-We focus on what's important, 2-We take pride in our work, 3-We value others, and 4-We make a positive difference. More detailed information on the ways of working can be found at here (internal only).
(3.1.2)	Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through	-- PolicyHub is a new application that delivers an effective and measurable compliance operation. From updating and managing policies to knowledge assessments and reporting. It ensures the right policies and procedures get to the right people, that they become accountable by signing up to them and that the entire process is recorded and auditable. -The Council has a whistleblowing Policy, which sets out how to report concerns and how they will be handled.

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
	codes of conduct and protocols.	-Members are required to complete a code of conduct on appointment.
(3.1.3)	Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	<ul style="list-style-type: none"> -All members of the council are required by law to complete a declaration of pecuniary interests form to register their financial interests. - Members are required to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. -Members and Officers are required to complete a gifts and hospitality register. -The Council operates an Anti-Fraud, Bribery and Corruption Policy, which sets out the requirements for the Council in relation to combating fraud, bribery, corruption and dishonest dealings within and against the council. -PCC follows a procurement process, to ensure the most appropriate goods and services are acquired without any bias and conflicts of interest. -Equality impact assessments are required to be carried out on all major services and functions of the council, and all projects and policies to assess any potential adverse implications for some staff, residents and visitors. - The Equality and Diversity Strategy 2014-17 sets out the Council's aims to make Portsmouth a fairer and more inclusive city and the means of their delivery. The Council is working closely with partners from local public services, businesses and voluntary organisations to achieve these. Promotion of equality and championing Portsmouth's diversity are an integral part of this vision.
(3.2)	Supporting Principle: Ensuring that organisational values are put into practice and are effective	
(3.2.1)	Develop and maintain shared values including leadership values for the organisation and staff reflecting public expectations, and communicate these with members, staff, community and partners.	-The organisation has developed a set of values which should be embedded in ways of working. These include: We focus on what's important, We take pride in our work, We value others and We make a positive difference.
(3.2.2)	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	<ul style="list-style-type: none"> -Systems of financial control are developed in line with ethical standards. -Financial Rules have been put in place by the s151 Officer so that the Council can meet all of its responsibilities required by law. They set the framework on how the Council manages financial dealings and are part of the City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. Training on the Council's financial rules is provided to all staff.
(3.2.3)	Develop and maintain an effective standards committee.	<ul style="list-style-type: none"> -The Council operates a Governance and Audit and Standards Committee. Terms of reference set out the key roles and responsibilities of the committee. -A self-assessment of the committee's governance arrangements is completed on an annual basis. -Members of the committee have been given relevant training to ensure they have adequate skills and knowledge to enable an effective committee. -The Committee inform, review and agree the Annual Governance Statement, which includes a

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
		review of effectiveness of the system of internal control.
(3.2.4)	Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	<ul style="list-style-type: none"> -Decision making practices are set out in the City Constitution. -The Medium Term Resources Strategy (MTRS) enables the council to make best use of financial, human, technological and other resources available to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. Effective planning and resource management are crucial to meeting collective goals and the MTRS provides a framework of underlying principles by which resources may be allocated across the council and other relevant considerations that need to be taken into account.
(3.2.5)	In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour.	<ul style="list-style-type: none"> -Individual partnerships have terms of references. -The voluntary and community sector framework sets out how the council intends to work with the local voluntary and community sector to achieve better outcomes for local people. It builds upon the foundation of the Portsmouth Compact, which is encompassed in the framework.
(4)	Core Principle: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	
(4.1)	Supporting Principle: Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	
(4.1.1)	Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisations for which it is responsible.	<ul style="list-style-type: none"> -The Council operates the following Scrutiny Panels: Economic development, culture & leisure scrutiny panel Education, children & young people scrutiny panel Health overview & scrutiny panel Housing & social care scrutiny panel Scrutiny management panel Traffic, Environment & Community Safety Scrutiny Panel -Each panel is governed by their own terms of reference. Topics that are chosen to be 'scrutinised' will be looked at in depth by a cross party panel of councillors. They'll assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The panel's findings will be reported to the cabinet and may result in changes to the way in which services are delivered. -Service performance is reviewed on a quarterly basis at a minimum.
(4.1.2)	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	<ul style="list-style-type: none"> -Key decision meetings are held in public. -Meetings are minuted and all key decisions recorded. -Minutes of key decision meetings are uploaded onto the PCC website. -Financial rules were revised and published in 2013
(4.1.3)	Put in place arrangements to safeguard members and employees against	-All members of the council are required by law to complete a declaration of pecuniary interests form to register their financial interests.

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
	conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	
(4.1.4)	Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee.	-The Chair of the Governance and Audit and Standards committee is independent (i.e. he does not sit on any other regulatory committee).
(4.1.5)	Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	<ul style="list-style-type: none"> - The Council has a clear and transparent corporate complaints procedure for anyone wishing to make a complaint. -There are separate processes for people wishing to make a complaint against adult's social care, children's social care or schools. -If residents/service users are not happy with how their complaint has been handled by the Council, they can contact the Local Government Ombudsman who will investigate complaints in a fair and independent way.
(4.2)	Supporting Principle: Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	
(4.2.1)	Ensure that those making decisions, whether for the authority or the partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical and financial issues and their implications.	<ul style="list-style-type: none"> -All new members are required to attend a mandatory induction programme, which covers the code of conduct, principles of public life, keeping yourself and others safe, support available, PCC and how decisions are made and the future vision for PCC and Portsmouth. -Specific training for each committee is available on an annual basis. -Staff are required to use a report template for items being progressed to decision meetings. The template provides guidance on content and format.
(4.2.2)	Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making	<ul style="list-style-type: none"> -All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations. -All key decisions and actions are minuted.
(4.3)	Supporting Principle: Ensuring that an effective risk management system is in place	
(4.3.1)	Ensure that risk management is embedded into the culture of the authority; with members and managers at all levels recognising that risk management is part of their jobs.	-In 2013 PCC carried out an appraisal of its risk management arrangements to see if they met the organisation's needs. On review of the findings, the former Strategic Directors Board agreed that rather than determining risks they need assurance on resilience in 9 levels of governance. SDB encourage the development of a risk culture and support the assurance evidence requirements/monitoring arrangements.
(4.3.2)	Ensure that effective arrangements for	-The Council operate a Whistleblowing Policy to help individuals raise concerns in the right way

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
	whistleblowing are in place to which officers, staff and all those contracting with or appointed by the authority have access.	without fear. This whistleblowing policy is primarily for a serious concern, which affects the interests of others, such as service users, the public, colleagues or the council itself. -Additionally an Anti-Fraud, Bribery and Corruption Policy sets out the requirements for the Council in relation to combating fraud, bribery, corruption and dishonest dealings within and against the council. -If staff have a grievance about their employment or the way they have been treated, they can follow the Grievance Procedure.
(4.4)	Supporting Principle: Using their legal powers to the full benefit of the citizens and communities in their area	
(4.4.1)	Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their communities.	-The roles and responsibilities of members are set out in the City Constitution .
(4.4.2)	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	-The Monitoring Officer is a statutory function and ensures that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The role of the Monitoring Officer is set out in 12.4 of PCC's Constitution. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.
(4.4.3)	Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures/ decision-making processes.	-All the corporate HR policies can be found in the Managers' HR Handbook, which is divided into six parts. - PolicyHub is a new application that delivers an effective and measurable compliance operation. From updating and managing policies to knowledge assessments and reporting. It ensures the right policies and procedures get to the right people, that they become accountable by signing up to them and that the entire process is recorded and auditable.
(5)	Core Principle: Developing the capacity and capability of members and officers to be effective	
(5.1)	(5. Supporting Principle: Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles 1)	
(5.1.1)	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	-The Council operates an Induction Policy, which applies to all new employees. The induction consists of a personal induction plan (PIP), the completion of an induction checklist, training requirements over and above those identified on the PIP and induction review meetings. -All new members of staff are given an induction programme, which provides information about how the organisation works and its services, the role of Councillors, the history of the Council and vision for the future. -All new staff are required to complete mandatory e-learning courses incl health & safety, equalities & diversity, financial rules, and information governance. -All new members attend an induction, which covers the code of conduct, principles of public life,

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
		keeping yourself and others safe, support available, PCC and how decisions are made and the future vision.
(5.1.2)	Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.	<ul style="list-style-type: none"> -A robust interview and selection process ensures that statutory officers (Head of Paid Service, Director of Children's Services/Director of Adult Services, Director of Public Health, Monitoring Officer and S151 Officer) are only if appointed if they have the right levels of skills and experience to effectively fulfil their role. -Statutory Officers are given the opportunity to build on their skills through mentoring opportunities and executive training. They are also required to complete all mandatory training requirements. -There are a number of IT, technical, soft skills and job specific courses available, with a range of learning styles including, classroom based, offsite and by e-learning -Specific training for each committee is available on an annual basis. -Statutory officers have the option to attend any of the corporate courses. There are also a number of courses run by the Local Government Association. -The ADASS and ADCS provide advice and support to Children's and Adult's Services.
(5.2)	(5.2) Supporting Principle: Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	
(5.2.1)	Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	-PCC operates a Performance Development Review (PDR) Policy for all officers. The PDR looks at the employee's achievements and results over the past 12 months, and sets out targets, objectives and expectations for the year ahead. The process allows for an analysis of skills gaps, and sets out a plan for addressing them. Members are responsible for identifying and addressing any skills gaps.
(5.2.2)	Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	<ul style="list-style-type: none"> -PCC operates a Development Policy, which sets out the approach the organisation will take towards developing its employees and achieving the aims of the Council. -The Council provide a Leadership and Management Programme, which aims to create a better performing workforce -Committee members are given specialist (non-political) training to ensure that they are effective in their role. -Whilst the Council aims to address training needs with internal provision, it is, on occasions more appropriate for staff and members to attend external training courses.
(5.2.3)	Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan, which might for example aim to address any training or development needs.	The Senior Management Team are required to complete a Performance Development Review on an annual basis whereby training needs are identified. Directors are encouraged to undertake a 360 degree appraisal periodically.

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
(5.3)	(5.3) Supporting Principle: Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	
(5.3.1)	Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	<ul style="list-style-type: none"> -Neighbourhood Forums give Portsmouth residents the opportunity to speak up about what's happening on their doorstep e.g. parking, crime, planning developments, policing and schools. Meetings are advertised locally and anyone welcome to attend and participate in a discussion. -Key plans, strategies and proposed changes to service delivery are put out for consultation and published on the Council's website
(5.3.2)	Ensure that career structures are in place for members and officers to encourage participation and development.	<ul style="list-style-type: none"> -All staff will be given a Personal Development Review on an annual basis. -As good practice, directorates are asked to complete a workforce development plan, which sets out the demand, capacity, organisational change, recruitment and retention, skills development, talent management, succession planning, and action planning.
(6)	Core Principle: Engaging with local people and other stakeholders to ensure robust public accountability.	
(6.1)	Supporting Principle: Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.	
(6.1.1)	Make clear to themselves, all staff and the community to whom they are accountable and for what.	-The Council have a published City Constitution which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
(6.1.2)	Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.	<ul style="list-style-type: none"> -The Chief Executive regularly meets with key partners e.g. The Commander of the Naval Base, Chief Fire Officer, Chief Superintendent, and the Chief Executive of the Clinical Commissioning Group. -The Council undertakes annual reviews of key partnerships including the Children's Trust Board and Safer Portsmouth Partnership.
(6.1.3)	Produce an annual report on the activity of the scrutiny function.	<ul style="list-style-type: none"> -Scrutiny functions will be documented in Full Council minutes. -Annual reports are progressed to key committee meetings.
(6.2)	Supporting Principle: Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	
(6.2.1)	Ensure clear channels of communication are in place with all sections of the community and other stakeholders, including monitoring arrangements, and ensure that they operate effectively.	<ul style="list-style-type: none"> -Work is on-going to ensure that clear communication channels are established with all local people and stakeholders. -A number of publications are sent to residents to ensure they are kept informed. These include: Flagship Magazine; House Talk Magazine, Term Times Magazine, and Something for the Weekend Newsletter. -There are a number of ways people can connect with the council, many of which are listed on the 'Have your say' council webpage. -Local people have the option to engage in a dialogue through: social media sites (including a community engagement blog, facebook and twitter), petitions scheme, neighbourhood forums,

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
		healthwatch Portsmouth, the rant and rave forum, council meetings (open to the public), their local Councillor and through planned consultations .
(6.2.2)	Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	<p>-Local residents can contact and communicate with the Council in person, by phone, by email, in writing, through social network sites, forums and public meetings.</p> <p>The communication options available are diverse and reflect the need for varied styles in the community.</p> <p>--PCC has set out a Community Engagement Statement which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.</p> <p>The Council has also issued Community Engagement Guidance, designed to provide clear guidance to those planning, developing and delivering engagement activities in the city.</p> <p>-The Council has an Equality and Diversity Strategy, which sets out the Council's commitment to ensuring that diverse needs of Portsmouth's residents and visitors are considered and addressed in the day-to-day activities of the council.</p> <p>-Processes for dealing with competing demands are set out in the budget principles.</p>
(6.2.3)	Establish a clear policy on the types of issue on which they will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result.	<p>-Key plans, strategies and proposed changes to service delivery are put out for consultation and published on the Council's website - http://www.portsmouth.gov.uk</p> <p>-The Council have a consultation process which provides advice and guidance on consulting with residents and the wider community. The Consultation Process 2013 contains three documents detailing the current process of formal approval for all public consultations: Consultation Diagram which explains the stages of the process simply, Consultation Approval Process which goes into detail and Consultation Approval Form.</p>
(6.2.4)	Publish an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users.	The Annual Governance Statement is approved by the Governance and Audit and Standards Committee, in September along with the annual statement of accounts . The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's Governance Framework so as to give assurance on its effectiveness and/or to produce a management action plan to address identified weaknesses in either process. The annual statement of accounts provides clear information about the authority's finances.
(6.2.5)	Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, incl partnerships, subject only	<p>-The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes PCC. The information must be in a recorded form, so can include documents, minutes of meetings, e-mails, handwritten notes, videos, letters and audio recordings. PCC is committed to being an open organisation and delivering the best possible public services. This is reflected in the Council's FOI Policy.</p> <p>-Key decision meetings are open to the public (unless confidential).</p>

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
	to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	
(6.3)	(6.3) Supporting Principle: Making best use of human resources by taking an active and planned approach to meet responsibilities to staff	
(6.3.1)	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	<ul style="list-style-type: none"> -There is a consultation process for staff to make sure their opinions, ideas and suggestions are listened to. -The Council actively consults with trade unions about issues that affect staff.

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Appendix D - Monitoring timetable for 2015/16

Committee Meeting Date	Governance Issue	Lead Officer(s)	Item Number (From AGS 2014/15)
27 Sept 2015	Legionella Testing	Meredydd Hughes	6
	Policy hub	Policy Hub Board	3
	Freedom of information response rates update and actions from audit report	Helen Magri	7
	Member training and political development is not systematic nor sufficiently championed and would benefit from more robust succession planning	Michael Lawther/L&D	8
Nov 2015	The Constitution has not been reviewed/formally updated for a number of years	Michael Lawther	1
	Level of Risk	CXEC	9
29 Jan 2016	Table top exercises	Kate Scott	4
	Data breaches	Helen Magri	5
	Emerging governance requirements	Project Directors	10
11 Mar 2016	Programmes/projects	DCXEC	11
	Non-completion of financial rules training, resulting in non-compliance with Financial Rules.	Chris Ward/Paul Thomas	2
Jun/Jul 2016	Freedom of information response rates update and actions from audit report	Helen Magri	7
	Table top exercises	Kate Scott	4

Portsmouth City Council

Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

September 2015

Agenda Item 7

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Building a better
working world

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Section 1

Executive summary

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Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Governance Audit and Standards Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2014/2015 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

▶ As of 28 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

Value for money

▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources. However we have raised concerns that current plans will not be sufficient to enable the identification and delivery of savings to the scale required, in the time available .

Whole of Government Accounts

▶ We have not reported any significant matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

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Extent and purpose of our work

The Council's responsibilities

- ▶ The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- ▶ The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- ▶ Our audit was designed to:
 - ▶ Express an opinion on the 2014/2015 financial statements and the consistency of other information published with them
 - ▶ Report on an exception basis on the Annual Governance Statement
 - ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)
 - ▶ Discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to the NAO and to the Council..

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

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Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively	<ul style="list-style-type: none"> ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewed accounting estimates for evidence of management bias; and ▶ Evaluated the business rationale for significant unusual transactions. 	<ul style="list-style-type: none"> ▶ Journals testing did not identify any instances that suggested management override. ▶ Our review of accounting estimates did not identify any examples of management bias ▶ No unusual items were identified.

Addressing audit risks – other audit risks

- ▶ We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
<p>Other audit risks</p> <p>The Council has made a number of changes to the layout of the Property plant and Equipment note to the accounts, which will involve restating the 2013/14 note and then following the same format for 2014/15 onwards.</p> <p>Last year we made some recommendations about streamlining the Council's fixed asset accounting and valuation processes. In 2014/15, the Council has revised the valuation procedures and begun to rationalise its fixed asset register (FAR).</p>	<p>Our testing involved:</p> <ul style="list-style-type: none"> ▶ Reviewing the controls the Council implements to oversee transition to the revised disclosures and amendments to the fixed asset register; ▶ testing the accuracy of the restatement exercise and rationalisation of the fixed asset register; and ▶ testing the operation of the revised valuation processes 	<ul style="list-style-type: none"> ▶ We found the Council had implemented appropriate controls to oversee the transition to the revised disclosures and confirmed appropriate amendments had been made. ▶ We found the restatement exercise was completed accurately. ▶ We found the revised valuation process to be appropriate but that work is on-going to complete rationalisation of the FAR.

Section 4

Financial statements audit – issues and findings

Page 66

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Governance Audit and Standards Committee meeting:
 - ▶ Receipt of a Letter of Representation,
 - ▶ Responses to assorted sundry queries to enable us to conclude our testing on PPE, leases and reserves, and
 - ▶ Completion of our WGA work
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:
 - ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
 - ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
 - ▶ Any significant difficulties encountered during the audit; and
 - ▶ Other audit matters of governance interest

We noted there are still a large number of assets within the Fixed Asset Register (FAR) that are not depreciated currently. While this could not lead to a material misstatement in the accounts, officers need to review these carefully and ensure that all assets are depreciated in accordance with the Council's accounting policy.

There are also a number of assets held at nil value on the FAR, one of those at nil value at 31/03/14 was revalued in 2014/15 to £1m. Again, while we are satisfied any potential value of other such assets would not lead to a material misstatement in the accounts. officers need to ensure that there are no other assets with a value that should be recognised in the accounts.

Further work is also needed to cleanse the FAR by removing redundant asset lines and identifying groups of small and similar assets that could be aggregated..

The Department for Transport has indicated Harbour Accounts for the Commercial Port should be submitted within nine months of the balance sheet date, but that this has not been officially communicated to the Council yet. This would mean the 2012/13, 2013/14 and 2014/15 accounts will need to be prepared and audited to meet this statutory duty. We have been appointed auditors and will prepare separate audit plans for these audits when the accounts are available for audit.

Uncorrected misstatements

We have identified no misstatements within the draft financial statements that management has chosen not to adjust.

Corrected misstatements

- ▶ Our audit identified a number of misstatements in disclosure notes, which our team have highlighted to management for amendment. These have been corrected during the course of our work and are not considered significant enough to report.

Financial statements audit – application of materiality

Our application of materiality

- ▶ When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning Materiality and Tolerable error	<p>We determined planning materiality to be £11.5 million (2014: £11.8 million), which is 2% of gross expenditure reported in the accounts of £534.5 million adjusted for certain items within other operating expenditure and financing and investment expenditure.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p> <p>We have set tolerable error at the upper level of the available range because there were no corrected significant errors in the Council's 2013/2014 financial statements and no uncorrected errors.</p>
Reporting Threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6 million (2014: £0.6 million)</p>

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:
 - ▶ It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
 - ▶ It is consistent with other information that we are aware of from our audit of the financial statements.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.
- ▶ However, we noted a number of issues associated with reconciliations between the general ledger and sub-ledgers. Reconciliations are not done between SWIFT and the General Ledger throughout the year and should be done monthly. Also our review of the Accountants Receivable reconciliation identified an unreconciled difference that was not being investigated and cleared on a monthly basis.

Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters.

Whole of Government Accounts

- ▶ Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Section 5

**Arrangements to
secure economy,
efficiency and
effectiveness**

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Portsmouth City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 – arrangements for securing financial resilience

- ▶ 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- ▶ We did not identify any significant risks in relation to this criteria in our Audit Plan but did identify a risk around the Council's longer term financial strategy in light of reducing government funding and increasing demand for services.
- ▶ As financial pressures in the public sector continue to mount, there is increased focus on the financial resilience of Local Government. Portsmouth City Council has a good track record of managing its finances, and our previous reviews have highlighted no concerns in this area. However, the Chancellor has asked DCLG to come up with savings plans of 25% and 40% of their budget in his spending review and we decided that we should highlight this area as a significant risk, explain the work we have undertaken and report our current conclusions to you.
- ▶ We focused on:
 - ▶ monitoring action taken in 2014/15 to address any forecast overspending;
 - ▶ reviewing the assumptions used in setting the 2015/16 budget and driving the savings requirements in future years, and assessing their reasonableness;
 - ▶ monitoring progress in the development of corporate transformation workstreams, co-ordination of planning across services and the identification of savings needed in service budgets

Criteria 2 – arrangements for securing economy, efficiency and effectiveness

- ▶ 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'
- ▶ We did not identify any significant risks in relation to this criteria but we set out in our plan that we would follow-up progress in two areas that we looked at in our 2013/14 VFM work but were still on-going at the time of our reporting
 - ▶ Adult Social Care performance management arrangements, and
 - ▶ Better Care Fund planning and delivery
- ▶ We set out in our plan that we would:
 - ▶ discuss the Council's progress in addressing these issues with officers;
 - ▶ review Council, committee and meeting papers and minutes; and
 - ▶ assess the adequacy of supporting evidence as appropriate.

Our findings are set out in the following slides.

Our work did not identify any other matters relating to aspects of your corporate performance and financial management framework which are not covered by the scope of the two specified criteria above.

Addressing audit risks – significant VFM risks

VFM risk identified within our Audit Plan

Longer –term financial strategy

Monitoring action taken in 2014/15 to address any forecast overspending

- In 2014/15 the principal overspending service was again Children's Social Care because, despite investment in additional posts, it has not proved possible to reduce the numbers of Looked After Children (LAC) as planned, against a backdrop of increasing demand. The Council has analysed its costs and performance against others and instigated remedial plans and close financial monitoring, but the service is still forecasting overspends in 2015/16. As the Council continues to deliver savings year on year, it will become increasingly sensitive to fluctuations in demand for statutory services. The cost of LAC has been the root cause of overspending in the portfolio since at least 2010/11, and so the Council needs to reconsider how it deals with such instances in the future. Ensuring issues are identified early and that remedial actions are implemented responsively is part of the solution but, where this cannot deliver a balanced budget, the Council will also need to consider providing additional corporate support to help services identify transformational opportunities that will enable them to deliver the savings needed while avoiding unnecessary performance management of an intractable issue. The continued use of demand, cost and quality benchmarking will be important to target management efforts.

Reviewing the assumptions used in setting the 2015/16 budget and driving the savings requirements in future years, and assessing their reasonableness

- The 2015/16 budget setting process was robust and involved sensible assumptions about changes in funding and expenditure over the medium-term. It was however the most difficult in recent years for the Council, as there are no easy solutions left and little scope to continue protecting front-line services in the wake of delivering £75m of savings since 2010/11. The Council succeeded in identifying the £13.1m of savings required and managed to protect Children's Services, but other front-line services are having to take increasingly difficult decisions about what they can cease delivering to reduce costs. The budget gap for 2016/17 to 2018/19 will require at least another £31m of savings to be identified, as the Council's share of the larger than budgeted 2014/15 deficit on the Collection Fund will need to be reflected in the medium-term savings requirement.

Monitoring progress in the development of corporate transformation workstreams, co-ordination of planning across services and the identification of savings needed in service budgets

- We reported last year that the Council needed to give proper attention to the longer-term issues and challenges it faces and approach these in a planned and strategic manner using benchmarking. The difficulty in doing this is compounded by an annual local election cycle that essentially drives a short-term planning horizon; capacity restraints that limit the investment in, and pace of, transformation plans; new legislative burdens on Councils, and the need to work with partners to integrate health and social care. While the Council is taking action to become more commercial in the way it is run, we have concerns that the current plans and available management capacity will not be sufficient to enable the identification and delivery of savings/efficiencies to the scale required, in the time available.

Addressing audit risks – significant VFM risks

VFM risk identified within our Audit Plan

Longer –term financial strategy (continued)

The Council has recently piloted the use of the Systems Thinking approach and has decided to apply this methodology across all services. Interventions will be led by the Systems Development Service, which is a small team of people from across the Council who have previous experience of the principles and approach. It will operate as an internal consultancy, working with services to run interventions, and, in doing so, build wider knowledge of the approach so it can become a part of business-as-usual. Following an initial assessment phase, the initial interventions are planned in Revenues & Benefits and Finance, and then in the operation of the integrated locality teams.

These first interventions are focused on process-driven aspects of the Council's business, where the methodology has more of a proven track-record, rather than on the people-centred services where the bulk of the Council's expenditure is. Proof of concept in this area will be critical in securing officer buy-in to the approach. To this effect, the Council has separately commissioned Vanguard Consulting to review the Adult Social Care assessment process. However, in light of the elapsed time from intervention to delivery of financial savings, the Council should consider how this programme of work could be further accelerated and holistic benefits realised.

The Council has ambitious plans to improve contract management by introducing practices from the private sector. Following successful reviews of certain key contracts, it has used the learning to set up a small central team who have commissioned training for key staff to build wider skills. They have procured bespoke software to enable better analysis and aggregation of spend across the Council, to highlight contracts coming up for re-procurement and improve oversight. Officers are in the process of populating this and cleansing the data. They have separately identified the strategic contracts that account for the majority of lifetime spend, and are analysing them against best practice to target a series of reviews on those assessed as highest risk. Again the team will operate on an internal consultancy basis and work with officers in services, but only has a limited capacity. Again, the Council should consider how this process could be accelerated to drive out the potential savings at the pace needed.

Officers are also working with partners to maximise the use of the pooled estate and release surplus properties, and to share back office services, which will both grow income and spread the existing support services overhead. Further consideration should be given to other shared services opportunities.

In recent years the Council has taken advantage of the non-recurrent Council Tax freeze grant. This means the local council tax base has stood still against decreasing central government revenue funding and on-going cost and demand pressures on services. Unless the Council can accelerate the pace of change above, or introduce additional strategic initiatives, it will need to consider how it can increase income further as it will not be sustainable to draw on available reserves. There is limited headroom in the general fund, the MTRS is largely committed, the PFI reserve is already underfunded, and other earmarked funds are generally prudent and held for particular expected eventualities. While there is some flexibility available in certain areas should policy be changed, these offer limited protection over the medium term.

Addressing audit risks – significant VFM risks

VFM risk identified within our Audit Plan

Follow-up of 2013/14 VFM work - Adult Social Care

Adult Social Care is the Council's second highest spending portfolio representing just over 1/3 of the Council's net cost of services. However, Public Sector Audit Appointments' VFM profiles show the Council's spend on adult social care per adult is in the lowest 20% when compared to its statistical nearest neighbours. While it has been protected to some degree from its proportionate share of the savings targets in recent years, it was asked to deliver portfolio savings of £2.9m in 2014/15, which it achieved only by use of portfolio reserves. This meant it went into 2015/16 with an underlying deficit and further savings to identify. At Q1 they are forecasting a £2.9m overspend, £2.4m of which represents an underlying deficit. Adult Social Care needs to identify a further £10m of savings in the three years to 2018/19. This needs to be done against a background of increasing demand, additional legislative burdens, the introduction of the minimum living wage and a 37% vacancy rate that is already impacting on waiting lists. As the majority of expenditure is on packages of care, this is therefore likely to involve cuts in the level of care that can be provided and additional pressure on staff in post.

In light of this, effective performance management arrangements that will provide early intelligence about trajectory to business plan targets and against national indicators will be critical. In 2013/14 we concluded that Adult Social Care performance management arrangements were still developing. A new business information tool was being tailored to ensure it met local operational needs and to help track progress against objectives set out in the service's business plan. We also noted that the service did not have a three year business plan and was focussed on addressing an underlying deficit, identifying the savings needed in 2015/16, implementing new legislative requirements and managing increasing demand.

Over the last year, the additional local performance indicators have been built into the new business information tool but system stability issues meant its rollout was delayed. It is now considered stable and is currently available to managers, with plans to extend to all staff soon. Work to bring together finance and performance information, which currently has to be done manually, has stalled because of the planned move to System One as part of the integration agenda. System One does not currently have the functionality to align the money to activity, but this is being worked on. Officers have re-joined the ADASS South East group, which allows them to better compare Portsmouth's performance against other councils and to assess progress against business plan objectives. Operational performance monitoring appears to be working effectively with reports going to the management team monthly and corporately quarterly.

In conclusion, it is clear progress has been made in the year with performance management in the service but plans to produce a fully integrated approach will not be completed because of the planned move to TPP System One.

Addressing audit risks – significant VFM risks

VFM risk identified within our Audit Plan

Follow-up of 2013/14 VFM work – Better Care Fund

We reported last year that the Better Care Fund implementation had been slower than initially expected and that further work was needed on the financial and operational implications of planned changes, alongside the development of a vision for sustainable integrated care services in Portsmouth. In light of the previous slide there is a pressing need to deliver fundamental efficiencies through BCF plans to enable Adult Social Care to operate within its budget constraints.

The programme of work is generally progressing in line with planned milestones but there are some important areas that are not:

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Whilst the plans for establishment of three integrated locality teams are on track for September/October, these are essentially limited to co-location at present and further work is needed on integrating the underlying processes. This is complicated by structural issues with the commissioning and provision of services and the operation of pooled budgets. Clarification is needed of the role of the Integrated Commissioning Unit in commissioning adult social care and further thought needs to be given to the operation of the pooled budget. Once teams are integrated there will need to be alignment of money and accountability, with a single process for operational decision-making. At present Adult Social Care decisions are taken by a different route to NHS ones and respective contributions to the pool remain badged as either health or social care, and expenditure is separately accounted for. Urgent consideration is needed of increased financial delegation and de-badging, so that funds can be spent via a single integrated approach.

Other key workstreams that are behind schedule are Need and Demand Profiling and Risk Stratification, Care Homes, and Prevention. The first is about understanding the holistic care needs of the population and how they are expected to change over time, which is clearly important to understand in redesigning the care system. This work was anticipated to have been concluded in 14/15 but is still on-going due to difficulties in aligning health and social care data. The second is about improving the quality and range of work in care homes to enable better preventative work by upskilling care home staff. At present this is only just starting and at the investigation stage, but with full mobilisation due to start in April 2016 for completion by March 2017 work needs to be accelerated. Finally prevention is the critical enabler for a system that will be unable to deliver the care needs for a changing population in the historic way. Tackling the primary causes of long-term conditions and earlier intervention to prevent avoidable deterioration are critical in managing the future demand for care. The launch of the Well-being service in October is the first key milestone but the principles need to be built into the operational practices of locality teams and into future commissioning decisions

The Council will wish to ensure appropriate focus is given to ensuring these critical workstreams are accelerated.

Section 6

Independence and audit fees

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Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 18 February 2015.
 - ▶ We have already separately notified the Governance Audit and Standards Committee that the 2014/15 audit year is the sixth year that Kate Handy has led the audit of Portsmouth City Council. We assessed this relationship prior to the commencement of the audit period and concluded that there are no considerations that compromise, or could be perceived to compromise, Kate's independence or objectivity. The Audit Commission has approved this continued appointment
 - ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Governance Audit and Standards Committee on 25 September 2015.

- ▶ We confirm that we have met the reporting requirements to the Governance Audit and Standards Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan of 18 February 2015.

Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	201,014	199,250	Time spent dealing with elector correspondence
Certification of claims and returns	20,060	20,060	
Non-Audit work	0	0	

- ▶ Our actual fee has slightly increased (£1,764) because of time spent considering issues raised by electors and responding to them, but is otherwise in line with the agreed fee at this point in time - subject to the satisfactory clearance of the outstanding audit work and dependent on not receiving any objections to the accounts.
- ▶ In our audit plan we indicated that the fee for the certification of claims and returns would be £24,460 as we had understood that the certification of TRA11 *Local transport Plan – Major Projects* claims would be included within the Audit Commission grant regime. It is no longer.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

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ED None

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Local government audit committee briefing

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Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business.

This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

EY item club summer 2015 forecast

In its latest forecast, the EY Item Club highlights the continuing impact on the UK economy of world events, with those in Greece and China being of particular concern. Despite this, domestic demand remains buoyant and activity has increased since winter. They forecast GDP growth of 2.7% for this year and next, and inflation, as measured by CPI, well below target.

The latest data shows consumer expenditure remaining strong, and set to continue into next year, with the strong pound and weak commodity prices keeping inflation low. With manufacturing 'stuck in the slow lane', the economy is seen to be becoming increasingly unbalanced. The forecast goes on to predict that interest rates are unlikely to move above 3% until 2019.

Commenting on the Summer Budget, the Club sees the new surplus target as very challenging, meaning a significant increase in household taxes and a massive squeeze on welfare payments. It comments that, if the public sector is to move from heavy deficit into surplus, the private and overseas sectors must move in the opposite direction. As it sees households as being reluctant to move further into deficit, it will be up to companies to increase investment and exports to make the Budget strategy work. Alternatively, to swing the balance of payments and government accounts back into surplus, growth and imports will have to slow down.

National living wage

In the recent Budget the Chancellor announced that, from April 2016 workers aged over 25 will be entitled to a National Living Wage significantly higher than the current minimum wage of £6.50 which applies to those aged over 21. Those entitled to the 'living wage', will get £7.20 and that will rise to at least £9 an hour by 2020. This is expected to boost the income of approximately six million workers, covering all full and part-time workers, and those in public and private sectors. Whilst the government announced changes in corporation and employment taxes which it said would offset the additional costs to employers, the former will not apply in the public sector, and many comments have been made about the significant impact on employers from bodies such as the Local Government Association and the UK Homecare Association. The EY Item Club (in its Summer Forecast) commented that **"The Chancellor has effectively passed the prime responsibility for supporting low income working people over to employers and this poses a clear risk to hours and employment"**.



Government and economic news

All bodies will need to carefully consider the impact of the changes on their finances in the short and medium term. The impact is not liable to be limited to the additional employment costs of those employees currently on the minimum wage, but include:

- ▶ Employment costs relating to employees currently earning above minimum wage but below the National Living Wage
- ▶ Pressure on supplier contract prices arising from their increased costs (particularly in relatively low paid sectors such as care)

Whilst the increase is to be phased over a number of years, there will be a potential impact from 2015/16.

Creating a better care system

A new report by EY, commissioned by the Local Government Association, suggests the development of a new sustainable health and social care system, backed by establishment of a £1.3 billion a year transformation fund until 2019/20. It states that the fund should focus on keeping people independent and preventing complex and long-term conditions, and should be supported by:

- ▶ A pooled health and social care budget
- ▶ Devolved powers for health
- ▶ Reformed incentives

It outlines four key areas of focus as follows:

- ▶ **Put people in control** – including expanding integrated personal commissioning across health and care, increasing the number of personal health and care budgets by 250,000 in the next five years
- ▶ **Integrate and devolve commissioning powers** – including greater local control and freedom over pooled budgets to better respond to local needs and outcomes and allow local innovation
- ▶ **Fund services adequately and in an aligned way** – including aligning social care and health funding settlements over a five year period
- ▶ **Free the system from national constraints** – including replacing the tariff in the NHS with capitated accounting and payment mechanisms



Accounting, auditing and governance

The 2016/17 code of practice on local authority accounting in the United Kingdom: Invitation to Comment (ITC)

Each year CIPFA issue various Invitations to Comment (ITCs), setting out the proposed changes to the Code of Practice (the Code) for the following financial year and requests responses to the specific proposals. This year the ITC also requests comments on standards that are not expected to lead to changes within the Code until later years. The ITC this year has a closing date for responses of 9 October 2015.

The main changes proposed in the ITC are set out below:

Highways network asset

This proposal introduces the requirements for the measurement of this asset at Depreciated Replacement Cost (DRC) from 2016/17 onwards. In the ITC, CIPFA/LASAAC proposes, for the first time, that the separately identified items in the Transport Infrastructure Assets Code are classed as one asset for financial reporting purposes. It is proposed that Highways Network Asset is a separate class of asset and will be shown separately in the balance sheet.

This change is fully retrospective and will require:

- ▶ A third balance sheet as at 1 April 2014
- ▶ Fully restated comparatives for 2015/16

The ITC also confirms that an annual condition survey will be required.

As outlined in the June 2015 Audit Committee Briefing, this change will have major implications for highway authorities and non-highway authorities who have material transport infrastructure assets. We have already run a number of successful workshops for accountants and engineers at highway authorities during the summer to discuss how this fundamental change will impact on the accounts closedown and audit. As a result we will be running additional separate events for highway and non-highway authorities going forward.

Review of accounting and reporting by pension funds

This review coincides with the publication of Financial Reports of Pension Schemes: A Statement of Recommended Practice (2015). The ITC:

- ▶ Proposes minor changes to the Fund Account and to the Net Assets Statement to improve presentation and mirror the updated SORP
- ▶ Adapts the reporting requirements of IFRS 13 to include fair value disclosure requirements for pension fund investments in the 2016/17 Code
- ▶ Recognises that under IAS 26, three options as to how to disclose the actuarial present value of promised retirement benefits are allowed and seeks views on the option to use
- ▶ Sets out a new recommended disclosure for transaction costs

Narrow scope amendments

These are amendments to International Financial Reporting Standards (IFRS), largely around clarification of individual standards.



Accounting, auditing and governance

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (English Authorities)

The ITC updates the specific references within the Code to reflect these legislative changes. In addition it:

- ▶ Considers that a full interpretation of section 3.1 of the Code will fully meet the requirements to produce a Narrative Report
- ▶ Highlights the additional guidance provided to enable the requirement that the Narrative Report **“must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year”**

Telling the story: consultation on improving the presentation of local authority financial statements

The financial statements are a vital part of the accountability framework of local authorities. CIPFA/LASAAC considers it vital that the user can relate the information contained within the financial statements to the funding the local authority receives and the promises made about how money will be spent.

Over the past couple of years CIPFA/LASAAC has been developing an approach to both streamline the financial statements and improve accessibility to users. The two publications *Financial Statements; A Good Practice Guide for Local Authorities* and the updated *How to Tell the Story*, have both sought to remove clutter from the financial statements and focus on material items.

The next stage was seen to be how to adapt the IFRS based accounts to improve the accessibility of information for the lay user with the benefits and improvements in reporting that IFRS has brought being retained.

The Invitation to Comment (ITC) sets out the recommended proposals for change, seeking views on whether they are considered to be the preferable option. The key strands of the proposal are that:

- ▶ To allow local authorities to report on the same basis they are organised by rather than in an analysis set out by Service Reporting Code of Practice (SeRCOP)
- ▶ To introduce a new Funding Analysis as part of the narrative report which provides a direct reconciliation between the way local authorities are funded and budget and the CIES in a way that is accessible to the lay-reader

It is important to note that the Service Reporting Code of Practice (SeRCOP) analysis used for Government returns will continue. Thus the revised approach will not, at this stage, lead to a single financial reporting regime.

The ITC also seeks views on the timing of the proposed changes and the practical effect of introducing this change in financial reporting on authorities. The closing date for responses is 9 October 2015.



Accounting, auditing and governance

EY digital innovation programme

In the digital age organisations are expected to be innovative and tech savvy to support the way they deliver services. As well as making services more accessible, embracing digital offers cost saving potential, and enables organisations to be forward thinking, faster and fitter.

EY has launched a Digital Innovation Programme, a new awards initiative designed to recognise and celebrate digital innovation in health and social care. Its aim is to help share best practice, and recognise and celebrate the patients, carers and citizens who, through their innovative use of digital platforms, have made a positive difference to society.

It is linked to the EY Startup Challenge which is an intensive six-week innovation programme focused on accelerating technological solutions for tomorrow's business problems. Participants will receive:

- ▶ Mentoring and coaching
- ▶ Access to the EY firm and client network
- ▶ Training and support workshops
- ▶ An understanding of how to access funding

Nominations close in November 2015 and the programme culminates in a national recognition ceremony in June 2016. More details can be found at <http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme>.

Cap on public sector exit payments: consultation

The government announced in May that it intended to end six figure exit payments for public sector workers.

Exit payments help to unlock substantial reductions in staff costs in the medium to longer term and help authorities to meet the challenge of reduced funding available. However, given the scale of the costs associated with exit payments it is vital that they offer value for money to the taxpayer.

The government already has in place, for 2016, legislation to prevent highly paid individuals who return to the public sector within 12 months of exit from retaining their full exit payment.

Following on from this the government believes that it is right to ensure that public sector workers do not receive disproportionately large exit payments in the first instance. In particular the government is concerned about the number of public sector workers who are receiving exit payments of six figures. In 2013-14 alone, nearly 2,000 public sector employees received exit payments costing more than £100,000.

The government has proposed to introduce a cap of £95,000 on the total value of exit payments and HM Treasury launched a consultation on the proposed cap which ended in August 2015.

The current proposal has indicated that compensation payments in respect of death or injury attributable to the employment, serious ill health and ill health retirement will not be in the scope of the cap.



Regulation news

PSAA annual regulatory compliance and quality report

Public Sector Audit Appointments (PSAA) have released their Quality Review Programme annual reports for the 2014/15 audit season. There are individual reports on the seven principal audit firms and an overall summary report that compares all firms. The two main categories auditors are monitored for are audit quality and regulatory compliance.

PSAA have used a Red, Amber, Green (RAG) system throughout their reports. EY were one of two firms that received Green for the combined regulatory compliance and audit quality performance rating with the remaining five audit firms receiving an Amber rating.

For the second year in a row EY have received the highest Audit Quality score improving from 2.49 in 2014 to 2.55 in 2015 compared to a 2015 average of 2.19. Similarly for the financial statement audit work EY topped the table with a score of 2.36 compared to an average of 2.07.

As well as obtaining Green ratings for the two above categories, EY received a Green rating for Whole of Government Accounts work, VFM Conclusion work, Housing Benefit work, Regulatory Compliance, and Client Satisfaction.

The PSAA report on EY states:

"The firm is meeting our standards for overall audit quality and our regulatory compliance requirements. The firm has maintained its performance against the regulatory compliance indicators since last year, with all but one of the 2014-15 regulatory compliance indicators scored as green. The firm's overall weighted audit quality score has increased from last year and the satisfaction survey results show that audited bodies are satisfied with the performance of EY as their auditor."

Based on this review, PSAA state:

"We are satisfied that the risks of audit failure remain low; that all firms are meeting PSAA's regulatory requirements; and that all firms are continuing to produce work to an acceptable standard."

Auditors' work on value for money arrangements

The Local Audit and Accountability Act 2014 provided the Comptroller and Auditor General with the power to issue guidance to auditors which may explain or supplement the provisions of the Code of Audit Practice. This was a role previously undertaken by the Audit Commission.



Regulation news

This guidance is issued in the form of Auditor Guidance Notes (AGNs) and the 2014 Act requires auditors to comply with this guidance.

The NAO is currently consulting on a draft AGN regarding auditors' work on value for money arrangements. The consultation closes 30 September 2015 in advance of the guidance being issued in November 2015. EY and other audit suppliers are currently coordinating their responses to the draft guidance which would apply to audits from 2015/16 onwards.

A short guide to the NAO's work on local authorities

The NAO is publishing a suite of short guides relating to each government department and some cross-government issues. Although the main purpose of these guides is to assist House of Commons Select Committees, the guide on local authorities provides a useful overview for elected members. It includes arrangements for funding, major recent developments, the pressures faced by local authorities, and developments that are on the horizon.

Care Act first-phase reforms: local experience of implementation

Under its powers in the Local Audit and Accountability Act 2014, the Comptroller and Auditor General has published a report concerning the Care Act.

The Care Act 2014 puts new legal responsibilities on local authorities in England and requires them to cooperate with local partners to meet them. The NAO have previously reported that only a fraction of care is publicly funded, with the majority of support and care being provided by unpaid family, friends and neighbours. Many adults pay for all or a proportion of their care. Despite this, adult social care continues to be one of the biggest areas of spending for many local authorities. For 2014/15, the NAO estimates that net spend on adult social care in 2014-15 for local authorities is £14.4 billion.

This further report follows the NAO's report on central government's approach to the Care Act First-phase reforms, and provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.



Key questions for the audit committee

What questions should the Audit Committee ask itself?

Has the authority considered the impact (both direct and indirect) on its finances of the National Living Wage?

Are there any patients, carers or citizens that we wish to nominate for the EY Digital Innovation Programme?

Are we aware of our responsibilities under the Care Act 2014, and have we considered what changes we may need to make in order to fulfil our responsibilities whilst maintaining affordability?



Find out more

EY item club summer 2015 forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

National living wage

Sources include:

BBC – <http://www.bbc.co.uk/news/uk-politics-33437115>

Local Government Association – http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/7386419/NEWS

UK Homecare Association – <http://www.ukhca.co.uk/downloads.aspx?ID=473>

Creating a better care system

Find out more details and a copy of the report at http://www.local.gov.uk/web/guest/publications-list/-/journal_content/56/10180/7350693/PUBLICATION

2016/17 code of practice ITC

For details about the CIPFA Invitation to Comment on the 2016/17 Code of Practice, see <http://www.cipfa.org/policy-and-guidance/consultations/201617-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment>

'Telling the Story' ITC

More information about CIPFA's consultation on 'Telling the Story' can be found at <http://www.cipfa.org/policy-and-guidance/consultations/telling-the-story-improving-the-presentation-of-local-authority-financial-statements>

EY digital innovation programme

Details of the programme and how to nominate can be found at <http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme>

Cap on public sector exit payments: consultation

The details of the Government's consultation on capping public sector exit payments can be found at <https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap>

PSAA annual regulatory compliance and quality report

The PSAA's Audit Quality webpage can be found at <http://www.psaa.co.uk/audit-quality/>, the annual Regulatory Compliance and Quality Review Programme report is at <http://www.psaa.co.uk/wp-content/uploads/2015/07/Annual-Regulatory-Compliance-and-Quality-Review-Programme-2015-Final.pdf>, and the report specific to EY is at <http://www.psaa.co.uk/wp-content/uploads/2015/07/EY-2014-15-Annual-Regulatory-Compliance-and-Quality-Report-Final.pdf>

Auditors' work on VfM arrangements

The consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

A short guide to the NAO's work on local authorities

To access the interactive guide see <http://www.nao.org.uk/wp-content/uploads/2015/08/A-Short-Guide-to-the-NAOs-work-on-local-authorities2.pdf>

Care Act first-phase reform

The full report is available at <http://www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/>

Notes

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Agenda Item 9



Portsmouth
CITY COUNCIL

Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	25 th September 2015
Subject:	Performance Management update - Q1, 2015-16
Report by:	Director of HR, Legal and Performance
Wards affected:	n/a
Key decision:	No
Full Council decision:	No

1. Purpose

- 1.1 To report significant performance issues, arising from Q1 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; and**
 - 2) **comment on the performance issues highlighted in section 4, and governance issues in section 6, including agreeing if any further action is required**
 - 3) **Agree the actions proposed in section 5.**

3. Background

- 3.1 The development of more formalised processes for performance management in the city council, and the development of an associated 'performance culture' have taken place over a timespan of around 15 years. The approach began to develop alongside the Best Value regime, and was strengthened in response to the Comprehensive Performance Assessment in 2002. At this stage, a corporate board, the Performance Management and Improvement Board, was established to look at key performance issues and develop responses to areas of concern. The board considered a list of indicators, both local and national, in a 'scorecard' format, as well as more narrative assessments of strategic issues. Following the Moving Towards Excellence review of the authority in 2004-5, the business of the board was subsumed into the work of the then newly-created Strategic Directors Board.
- 3.2 At member level, performance issues were closely tracked by the Policy and Review (Performance) Panel. When political arrangements changed and that panel was wound up, the role of performance tracking moved to the Governance

and Audit Committee (latterly Governance and Audit and Standards Committee), members of which have been enthusiastic and supportive of the performance agenda, recognizing the importance of strong performance management to governance and providing constructive challenge to issues. Reports are taken to Cabinet in a format that combines financial and performance monitoring.

- 3.3 Externally, the model of Comprehensive Performance Assessment developed, changing in nature from a numerical rating model to a more qualitative model, ultimately developing into the Comprehensive Area Assessment. The model and the Audit Commission itself were abolished by the Coalition Government in 2010, who announced an intention to ensure a more bottom-up approach to performance, driven locally by the provision of strong information to a local army of “armchair auditors” who would hold organisations accountable for delivery, although more traditional mechanisms would remain in areas such as children’s services (both for social care and safeguarding and education) and adult social care.
- 3.4 This development provided a challenge to the organization as it was, where views of performance were largely shaped by the indicators and targets paradigm of the previous models. The organisation needed to find a new way in which to assess and manage its performance, which had an authentic connection to what the organisation was trying to achieve and how it was working to do so. It was therefore agreed that Heads of Service would develop business plans for their services, setting out the service priorities, measures and milestones, along with risks, and that quarterly reports on progress against these would be submitted, highlighting areas where we were performing well, areas that needed careful watching to ensure problems did not arise, and areas where there were significant concerns.
- 3.5 It quickly became apparent that there were some challenges with this approach. Firstly, some areas of the authority rejected the need for reporting of performance at all. Others were strongly self-selecting, choosing to use the reports to “promote” the work of the service, rather than providing a rounded picture of performance across the full scope of services. There was also an extent to which, without a requirement to present against nationally set targets, performance began to be described in a Portsmouth “bubble” - little information was provided about how outputs and outcomes achieved in the city compared with those being achieved elsewhere (including in financial terms). So, an activity or outcome could be described as “good” because it had perhaps improved on the position achieved in Portsmouth previously - even if this put Portsmouth’s performance towards the bottom of national comparators, or meant we were relatively much more expensive.
- 3.6 To counter this, Strategic Directors set clear themes against which reports were required, and requested that these should include benchmarking information. Whilst this led to improvements in the scope of reports, it is true to say that there was strong resistance to the idea of using benchmarking data as a starting point for discussion or debate (with the notable exception of children’s social care services).
- 3.7 This situation was continuing to develop at the point of the management restructure, which removed the strategic director layer from the organization. The recasting of

services and responsibilities meant that there have been a number of organizational adjustments required, but it has been clearly set out by the Chief Executive, and supported by Governance and Audit and Standards Committee, that there is still an expectation that service Directors set out their priorities in business plans for their directorates, and report against these on a quarterly basis. There is also an expectation that these reflect comparative data where relevant, particularly in light of cost pressures on the organization and understanding where we are relatively more expensive.

- 3.8 Strong and consistent corporate performance management is critical to ensuring strong governance in the organisation and promoting accountability. Corporate performance management should be providing a means of oversight, looking at issues of compliance with legislation and policy on some issues, and providing a prism through which the impact of compliance with policy can be considered.
- 3.9 On accountability, there is a relationship between the senior leaders of the organisation and services around performance and delivery, but a further relationship between the organisation and stakeholders, including residents – in terms of providing information about performance, including about context, costs and outcomes achieved; in other words the value for money that is being achieved.

4. Reporting for Q1, 2015 -2016

- 4.1 This report is part of the regular series of quarterly report highlighting significant performance issues across the organisation, although the first compiled in the new organisational structure. The report is based on the quarterly highlight reports prepared by Directors.

- 4.2 In compiling reports, directors were asked to consider:

1) Highlights

- What has gone well in Q1?
- What milestones have been achieved?
- What areas of your business are performing well?

2) Areas for concern

- What has not gone as well this quarter?
- What milestones have not been achieved?
- Which areas of your business are causing concern?
- What help is required from other Directors?

3) Areas to watch

- What is concerning you about the rest of the year - what are you worried will not be achieved or will not go as well as hoped?

4) Risks

- What are the major risks in your area at present?
- How likely are they to become live issues and what will be the implications?
- What assistance is needed to manage these?

- 4.3 Directors were not provided with a template, so that they could present the information in whatever seemed to be the most suitable format for their directorate.

However, given the disparity in styles and content, it is suggested that a template is provided for future quarters.

- 4.4 A full return has not been received from the Director of Property, who has instead opted to provide an early draft of a paper setting out possible implications of the changes to housing finance - in effect, a section of the risk element requested. This means that no commentary is available around (for example) local authority housing services, our work on private sector housing, housing options, the corporate property portfolio, landlord services, buildings maintenance (including the control of legionella and asbestos) and waste management, where we have attracted headlines for performance that is considered to be amongst the worst for local authorities nationally, and carries itself very significant financial implications.
- 4.5 What becomes apparent from the reports is that whilst there are some directorate-specific issues highlighted, the common themes that might be worth considering are the same as in the set of reports under the previous structure. Issues include:
- **demand**, where this is seen to be increasing despite an accepted need to reduce demand;
 - challenges in delivering on change projects already in the pipeline to **reduce costs** and particularly to **deliver on income**;
 - workforce **capacity** in some areas critical to longer term objectives,
 - **sustainability of services**;
 - some difficulties in describing **impact**.
- 4.6 Summaries of the reports are attached at Appendix 1, and areas that may be of particular interest to the committee are listed below, with particular reference to these themes:
- **Children's Social Care and Safeguarding** have achieved a good outcome from the HMIP inspection of Youth Offending Service undertaken in May/June, and performance across the services against statutory indicators continues to be strong; however, demand continues at a high rate - open cases and child protection plans show an increase (although remain lower than the average rate in statistical neighbour authorities)
 - **Adult's Social Care** continues to have concerns about unsafe discharges from QA wards; and the implementation of the Care Act raises issues in relation to **capacity** to undertake the necessary finance work, and the anticipated increase in assessments required (**capacity and sustainability of service**).
 - **Education and Strategic Commissioning** have established a Youth Advisory Team established, showing immediate impact with a significant reduction in the proportion of 16-18 year olds who are NEET and unknown. More schools have moved to a good Ofsted judgement, and we have seen some achievement indicators improve for the fourth year running - however, the deep rooted challenges that face education in Portsmouth are not diminishing and we have achieved below where we would have hoped in both KS2 and KS4 this year (unvalidated data) (**impact**).

- **Transport, Environment and Business Support** report that capital engineering and network schemes have been delayed due to event travel planning activity, and some annual campaigns have been scaled down due to lack of staff and resources (*capacity*); and that there are concerns about the ability to achieve the planned capital spend (*capacity*).
- **Regulatory Services, Community Safety and Troubled Families** have successfully recruited a Prevent co-ordinator for the city; and been part of the development of expanded provision to support high risk victims of domestic abuse. However, food inspection rates have not met Food Standards Agency requirements and expectations of Environmental Health services from third parties have not been matched by resources and ability to deliver (*capacity*).
- **City Development and Cultural Services** report that predicted visitor numbers to the city have increased, and that good progress is being made on employment and skills plans progress.

- 4.4 Governance and Audit and Standards Committee are asked to consider the issues above, and summary highlight reports attached at Appendix 1, and agree any further action required.
- 4.5 At the last meeting the committee also requested a specific update on performance regarding compliance with timescales for responding to Freedom of Information requests. The current position is that for the last quarter, 196 FOI requests were received, and 81% were responded to within 20 days. This compares favourably to the same quarter in the previous year, where 229 requests were received and the response compliance rate was 79%. However, this should be placed in an overall context that since the beginning of the year, we have actually received 50 more requests than for the same period in 2014 (a 5% increase). There are no obvious trends or issues explaining the overall variation or that within the quarters, and the change in organisational structures has made it difficult to make comparisons. However, it is possible to see that there has been a significant increase in requests around Children's Social Care and Safeguarding, and that if the trend continues to the end of the year, the increase will be around 50%. There also appears to have been an increase in the number of requests received from businesses (up 29%) but a reduction in the number from journalists (down 37% on the same period last year). However, this may be explained by more journalistic requests being anonymised.
- 4.6 The Committee has previously expressed an interest in the costs of FOI requests. Unfortunately, it is not possible to quantify how much is spent on fulfilling requests, as the only time formally captured is that of the core FOI time, who have wider roles in any case. The time of officers in directorates that is spent extracting information is not captured, although we do rule out requests that are likely to breach limits of time (more than 28 hours to fulfill), and therefore represent an unreasonable cost to the authority. This issue was highlighted in a recent Internal Audit report.

5. Moving Forward

- 5.1 Arguably, current arrangements do not fully satisfy the need for corporate performance to fully inform corporate governance, and there are some improvements which could be made.
- 5.2 The first is to ensure that reports are completed to a common standard, to ensure full coverage of service areas, so that assurance can be provided to members on the strength of performance management taking place. The second is to bring together within the reporting to members a single view of performance on service delivery and outcomes, against project delivery and against risks (including financial risks). The third is to ensure that appropriate comparative data is used to set information in a context, to ensure that appropriate support and challenge can be offered. A range of information sources are available to support such benchmarking, including through the LGA, through CIPFA, audit firms, benchmarking clubs and professional associations, and there should be an expectation from the GAS committee that this information is being considered routinely.
- 5.3 These are not unreasonable or onerous requirements, and should bring together information that is collected in a range of formats already into a single place for consideration. GAS are asked to agree that this is an appropriate direction of travel for future reporting.

6. Significant governance issues

- 6.1 It was agreed at a previous meeting of the Governance, Audit and Standards Committee that significant governance issues arising from the most recent Annual Governance Statement would also be considered alongside the quarterly performance report, and that lead officers for the issues would attend to provide updates to the committee on developments. The issues due for consideration this quarter are:
 - a) **Policyhub** - Policyhub is not accessible to all staff and there is scope to improve the reporting capability.
 - b) There are public buildings that do not come under the auspices of the Council to undertake legionella testing.
- 6.2 The situation with Policyhub is developing quickly, after a period where there have been a number of problems. In order to supply the GAS committee with the most up to date information, Lyn Graham (Chief Internal Auditor) will provide a verbal update to the committee.
- 6.3 A report on the issues regarding legionella testing has been provided on behalf of the Director of Property. This is attached at Appendix 2. The report only includes statistics for Housing and General Fund properties, and the Port has not been included due to a change in personnel. A combined Q1 and Q2 report will be prepared to ensure coverage in this area.

6.4 In addition to the information in the report, there has been other activity to report. The corporate legionella policy was revised in April 2015, to include a clear reporting structure, with named officers in the roles of Responsible Person (legionella) and corporate legionella manager. There are also three designated service specific legionellae co-ordinators which cover the areas of housing, corporate buildings and the Port.

6.5 Members may also wish to know that the corporate asbestos policy is also being updated and is programmed for completion by the end of November 2015. As part of the policy, a structured report will be developed to provide assurance around monitoring, and this could be presented to the panel alongside the Q3 performance report.

7. Equality impact assessment (EIA)

7.1 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.

8. Legal Implications

8.1 The report has incorporated legal implications and accordingly there are no other immediate legal implications arising from this report.

9. Finance Comments

9.1 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.

.....
Signed by: Jon Bell, Director of HR, Legal and Performance

Appendices: **Appendix 1 - Summary of directorate performance issues**
 Appendix 2 - Quarterly legionella reporting

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

The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by Governance and Audit and Standards Committee on 25th September 2015.

.....
Signed by:

Appendix 1 - Directorate summaries of Q1 performance information

Children's Safeguarding and Social Care

Highlights

What has gone well in Q1?

- Workforce development activity has ensured stability and minimal use of agency staff
- The HMIP inspection of Youth Offending was undertaken in May/June with a positive outcome, with highest star rating for Safeguarding and Ensuring the Sentence is Served

What milestones have been achieved?

- Multi-Agency Teams, Single Assessment and reconfiguration of Looked After Children teams milestones have been met
- MASH is mainly on target but risks remain regarding Police IT and recruitment of Health decision maker for the team

What areas of your business are performing well?

- Performance across the services against statutory indicators continues to be strong

Areas for concern

What has not gone as well this quarter?

- Children known to the Department has seen an increase. In line with the national picture Child Protection plans have increased and sustained at 55 children per 10,000 (246 children); last statistical neighbour average 57 per 10,000. Looked After Children (75 per 10,000) activity has increased and numbers are higher than budget allocation, although statistical neighbours were 78 per 10,000 at last national report.

What milestones have not been achieved?

- Sickness remains above target, this is a business plan priority to address.

What areas of your business are causing concern?

- Demand pressures through volumes of children known to the service.
- Levels of demand continue to exert budgetary pressures across the service.
- Placement stability for LAC and associated sufficiency of placements for children with higher level needs.

What help is required from other Directors?

- Joint work is progressing on Multi-Agency Teams (MATs) - greater focus is needed on early help support, and children on the 'edge of care': a multi-directorate workshop and voluntary sector conference are planned for October.
- Joint work with HR regarding promotion of 'wellness' across the staff group.
- Joint work with Housing services regarding sufficiency of hostel provision.

Areas to watch

What is concerning you about the rest of the year?

- As outlined, levels of demand and pressures on capacity and budget
- Potential for increase in numbers of unaccompanied minors requiring placement

What will not be achieved or will not go as well as hoped?

- In year savings are being generated as well as longer term strategies which will realise budgetary savings/cost avoidance in future years, despite this it is likely that a lesser overspend will remain this year.

Risks

What are the major risks in your area at present?

- Levels of demand leading to increased pressure on workforce and budget.

How likely are they to become live issues ? Explain implications

- Implications of demand have direct impact on budget and retention of staff.

What assistance is needed to manage these?

- The CSCS business plan addresses demand strategies, however sustained focus on effective early help and lessening demand is required across all provider Directorates.
- A comprehensive savings plan is in place for the Directorate and internal savings are being progressed against this in partnership with the corporate strategy unit; this needs to continue to progress.

Adult Social Care

Highlights

- Day held for Clinical Leads in integrated teams, producing action plans related to single assessment, trusted assessors and professional competencies.
- Carers Strategy refresh completed, approved by Cabinet 10th June 2015. Launched during Carers Week (8th-14th June), good media coverage. Action plan based on strategy commitments currently being prepared and will be owned by carers executive.
- Carers Council support from Action Portsmouth has been in place since January 2015. Review of carer engagement through Carers Council, phase 1 completed. Decision has been made to suspend forum meetings and concentrate on series of focus and reference groups to elicit views of carers on how we engage with them. Approach approved by Carers Executive and new structure expected to be in place October/November 2015.
- Review team in place for older people/physical disability domiciliary savings plan
- Staff in place for timely hospital discharge reviews
- The Social Work hospital team have achieved a single delayed transfer of care in 7 years, based on discharging 250 patients per months and working as a system partner to improve patient flow/experience.

Areas that need watching

- Ability to make the required savings against older people/physical disability Domiciliary Care budget
- Review the of the needs of people who previously received ILF
- North and South Locality team capacity is consistently 65%.

Areas requiring improvement

- There continues to be concern around unsafe discharges from QA wards.

Education

Highlights

- NEET data tracking function up and running; Youth Advisory Team also established.
- Post-16 adviser appointed from September 2015.
- Re-Format appointed to undertake secondary school places feasibility study
- Phase 2 sufficiency projects at Craneswater Junior and Northern Parade schools on track.
- Anti-bullying strategy published for consultation.
- Key documents drafted and out to consultation, including school standards strategy
- Success in ensuring that more schools move to a good Ofsted judgement, and some improvements in achievement indicators (eg. writing at Year 6); a reduction in the number of schools causing concern to the local authority
- Successful implementation of the SEND reforms, and reviews of SEND provision now underway.
- All school admissions statutory deadlines were met, and there were sufficient places to allocate all Portsmouth children a school.
- Improved performance of childcare providers reported in most recent Ofsted profile

Areas of concern/to watch

- Phase 1 of the sufficiency programme is projecting a significant overspend of £0.5m - will require moving unallocated sufficiency funding from Phase 2 of the programme to complete the Mayfield and Westover schemes.
- School Meals - Solent Junior School has exited the contract after a breakdown in trust between ISS and the school.
- The deep rooted challenges that face education in Portsmouth are not diminishing; poorer than expected results at KS2 and KS4 this year, which are likely to remain below national.
- Capacity issues in SEND and Educational Psychology Team - awaiting announcement on new burdens funding
- Targets for fixed period exclusion will not be met, despite reductions.
- School attendance - not yet narrowing the gap with national figures.
- Education, health and care needs assessments - new statutory timescales are not being reached.
- Information sharing between Health partners and the council is not yet fully in place, which means that Children's Centre registration and engagement data compares poorly with some other areas of the country which routinely share data.

Risks

- A key risk to the LA, given its statutory role to promote high standards, is the potential increase in academies and the lower level of influence and information that flows between LA, academies and providers.
- The LA may still receive an Ofsted inspection of its school improvement function as risk factors remain.
- The process of disaggregating the Early Years service may impact on performance.

Public Health

Director Summary

Following the Senior Management Restructure and the disaggregation of Public Health from Health, Safety and Licensing, the focus of the PH senior management team has focused on reshaping service priorities and resources, whilst continuing to deliver mainstream work.

Good progress has been made on the redevelopment of the Integrated Wellbeing Service which is ready to launch on 1st October. Redesign work continues with sexual health services in order to shift tier 1 and 2 services into primary care and improve the delivery of specialist services and sexual health promotion. The substance misuse services are achieving good outcomes particularly in the recovery and peer support programmes but further redesign will be needed to make future savings.

Meanwhile, the team has worked across a range of service delivery and development initiatives.

Directorate of Regulatory Services, Community Safety and Troubled Families

Highlights

- New communities incorporated as a company limited by guarantee as an income generating vehicle, designed to sustain the delivery of community safety and health outcomes for the city.
- Successfully recruited to a number of posts, including the PREVENT co-ordinator for the city and head of troubled families role
- Work to fulfil the new PREVENT duty in the city progressing well and within planned timeframes
- Improving provision for high risk victims of domestic abuse
- Primary Authority Partnerships are progressing well, and trading standards also working successfully in partnership with other LAs and regulators.

Areas for concern

- Difficulties in making the business plan for New Communities 'real'
- Challenge of understanding the implications of the senior management review and impact on business continuity plans - created 12-18 months new work.
- The numbers of children coming into care where domestic abuse is an issue is high
- Food inspection rates have not met the FSA requirements

Risks

- Regulatory teams have reached a critical mass whereby they may not have the capacity to meet a statutory duty, putting the authority at risk.
- Lack of certainty around future funding for Troubled Families programme
- Budget pressures created by the senior management restructure not entirely resolved.

Transport, Environment and Business Support

Highlights

- Good progress around road safety and active travel campaigns
- Parking income is improving through better use of data and more efficient enforcement on parking restrictions
- Removal and evaluation of the M275 bus lane
- Good progress on a number of infrastructure schemes, such as the Hard interchange and North Portsea Flood Defences.
- Work Choice programme and Work Programme are exceeding performance levels required by contract
- Occupancy of Enterprise Centres is high, and demand is also high, such that rental discounts have been removed, increasing income further.

Areas for concern

- Capital engineering and network schemes have been delayed due to event travel planning activity, and other revenue based work has been similarly affected.
- Some annual campaigns have been scaled down due to lack of finance and staff resources
- Some residents' parking schemes remain outstanding
- Retention of Design Team staff
- Possible reduction in fee earning potential
- Low referral rate to the Work Programme
- Community Learning delivery overall is below target
- Large contracts are ending with no replacement programmes
- There is a need to reduce costs in PCMI manufacturing to make the business economically viable

Areas to watch

- Ability to deliver the residents' parking programme with new deadlines
- Achievement of the planned capital spend with the human resources available
- Ability to recruit people with the right abilities to deliver the Capital/LTP programmes over the forthcoming year

City Development and Cultural Services

Highlights

- **BAR** - the headquarters of Ben Ainslie Racing was completed at the Camber in just under a year - official opening of the building will be in Q2.
- **Visitor numbers** - this year, events across the city (the majority of which are on the seafront, although more than previously will be in the north of the city) are predicted to generate over 600,000 visitors. An Economic Impact Analysis of the ACWS will be available in Q2.
- **Employment and Skills plans progress** - On target to reach predicted jobs number (16 jobs and 12 apprenticeships) by March 2016. 4 existing E&S Plans will create jobs for people living in PO1-PO6.
- **D-Day Fundraising programme** established to match the HLF bid is on target to reach the £310k target due to a number of successful events and donations by companies such as the Victorious Festival.

Areas that need improving

- **Realising current savings targets** whilst delivering long term sustainability of the services to deliver the outcomes for the city continues to be explored, including national and international funding/ shared services/ partnership working /alternative delivery models and income generation.

Customer, Community and Democratic Services

Highlights

- Spinnaker Tower sponsorship deal secured
- Channel Shift project is underway with project leads identified and work underway on work packages
- Successful conduct of the 2015 Parliamentary and City Council elections
- Revenues and Benefits Transformation initiated June 2015; soft market testing commenced and meetings with potential partners booked for September 2015.

Areas for concern

- Universal Credit Transfer of HB work to DWP - currently expected to start around March/April 2016
- Sickness absence levels within HB service, although improvements have been made.
- The date of proposed referendum on EU membership is likely to place significant pressure on the delivery of the 2016 elections in May and/or the 2016 annual canvass
- City Help Desk call waiting times have increased since Q4 (although are less than in Q1, 2014/15).

Areas to watch

- HB fraud will transfer from the council to DWP in September 2015; there is a possibility that this will generate more workload within the HB team due to reassessment of claims, as DWP will have the ability to investigate more fraud cases.
- Increase in claims for non-discretionary rate relief exemptions

Risks

- Buy-in from all staff at all levels to the channel shift project - this is critical to ensure that the channel shift programme is successful and achieves the level of change we intend.

HR, Legal and Performance

Highlights

- HR service for CCG started and performing well
- Organisational changes following senior management restructure managed effectively
- Child protection team continuing to perform well
- New PDR process and recording system implemented
- New contract management framework developed
- Major projects and strategic agendas well supported

Areas of concern

- Major HR system/data issues have taken longer to resolve than expected
- Sickness absence starting to increase again following long period of improvement

Areas to watch

- Significant management issues on PFI contract require resolution (in hand but will take time)
- Embedding of good workforce planning still not complete
- Compliance issues identified by Internal Audit increasing

Risks

- Ongoing challenges to good governance and assurance
- Increasing demands v reducing capacity
- Pay restraint and organisational uncertainty increasing risk of losing key staff.

Finance and Information Services

Highlights

- Q1 budget and performance monitoring reports taken to council on time
- Q1 treasury management reports show all activity remains within approved policy and limits; currently exceeding investment returns target for new investments
- Financial statements 2014/15 submitted for external audit on time
- Member induction on financial training revised and delivered to all new members except one
- EBS availability within performance standards of 98% availability in working hours - annual upgrades being completed with minimal downtime

Areas that need watching

- Revision of financial rules
- Payroll and IS capacity to bid for and successfully take on new business
- Potential audit queries or errors identified out of the external audit of the council's accounts
- Bank reconciliations not up to date due to diversion of resources to the implementation of the new income management system and the bank changeover from Co-op to Barclays
- Business continuity plan is yet to be tabletop tested

Areas requiring improvement

- Education and Children's portfolio underlying deficit and forecast in-year overspend of £2.3m for 2015/16
- Health and Social Care portfolio underlying budget deficit and forecast in-year overspend on £2.9m for 2015/16

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	<u>Appendix 2 - Quarterly Legionella Reporting</u>	April -June 2015
1.	Number of confirmed legionella outbreaks - two or more confirmed cases in short period as defined by the Health Protection Agency	None
2.	Number of known PCC managed properties with an out of date risk assessment (also provide details of and the reasons why).	7 (3 - due to lack of response from School Head, 1 x postponed due to change in site manager, 1 x Assessment postponed due to major project works, 2 x delayed due higher priority legionella support to other Services)
3.	Number of Legionella risk assessments completed this quarter by a contractor	32
4.	Number of Legionella risk assessments completed this quarter in House .	35
5.	Audit samples detecting Legionella and actions arising.	Central Library 637 cfu (water system under review & further sampling) identified some very minor design faults which may be dealt with if further samples are positive Corben Lodge 2000 cfu (water system review and further sampling) identified some very minor design faults which may be dealt with if further samples are positive Edinburgh house 822 cfu & 708 cfu (water system review, increased flushing regime and further sampling) Major water system design issues awaiting <i>further sample results. Consider options for disinfection</i>
6.	Total amount spent on legionella prevention & monitoring measures this quarter.	£88,909
8.	Total Number of staff receiving Legionella training this quarter.	82

9.	Exceptions arising from any third party audit completed.	None
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Agenda Item 10

Agenda item:

Decision maker: Cabinet
City Council

Subject: Treasury Management Outturn 2014/15

Date of decision: 24 September 2015 (Cabinet)
25 September 2015 (Governance and Audit and Standards Committee)
13 October 2015 (City Council)

Report by: Chris Ward, Director of Finance & Information Services and Section 151 Officer

Wards affected: All

Key decision: No

Budget & policy framework decision: No

1. Purpose of report

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code requires local authorities to calculate prudential indicators before the start of and after each financial year. Those indicators that the Council is required to calculate at the end of the financial year are contained in Appendix A of this report.

The CIPFA Code of Practice on Treasury Management also requires the Section 151 Officer to prepare an annual report on the outturn of the previous year. This information is shown in Appendix B of the report.

2. Recommendations

That the following recommendations relating to Appendices A and B of this report be approved:

Appendix A - that the following actual prudential indicators based on the unaudited draft accounts be noted:

- (a) The actual ratio of non-Housing Revenue Account (HRA) financing costs to the non HRA net revenue stream of 8.7%;
- (b) The actual ratio of HRA financing costs to the HRA net revenue stream of 13.4%;
- (c) Actual non HRA capital expenditure for 2014/15 of £41,960,000;

(d) Actual HRA capital expenditure for 2014/15 of £26,370,000;

(e) The actual non HRA capital financing requirement as at 31 March 2015 of £250,599,000;

(f) The actual HRA capital financing requirement as at 31 March 2015 of £153,391,000;

(g) Actual external debt as at 31 March 2015 was £462,566,096 compared with £441,970,134 at 31 March 2014.

Appendix B - That the following actual Treasury Management indicators for 2014/15 be noted:

(a) The Council's gross debt less investments at 31 March 2015 was £140,649,000;

(b) The maturity structure of the Council's borrowing was

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Actual	1%	4%	3%	4%	15%	11%	20%	42%

(c) The Council's sums invested for periods longer than 364 days at 31 March 2015 were:

	Actual £m
31/3/2015	158
31/3/2016	126
31/3/2017	45

(d) The Council's fixed interest rate exposure at 31 March 2015 was £252m, ie. the Council had net fixed interest rate borrowing of £252m

(e) The Council's variable interest rate exposure at 31 March 2015 was (£198m), ie. the Council had net variable interest rate investments of £198m

3. Background

The Local Government Act 2003 requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities.

The Prudential Code requires local authorities to adopt the CIPFA Code of Practice for Treasury Management in the Public Sector, which the City Council originally adopted in April 1994. Under the Code of Practice for Treasury Management an Annual Policy Statement is prepared setting out the strategy and objectives for the coming financial year. The Cabinet approved the policy statement for 2014/15 on 18 March 2014.

The Code of Practice also requires the Section 151 Officer to prepare an annual report on the outturn of the previous year. This information is shown under Appendix B of the report.

This report is based on the Council's unaudited draft accounts as the audit is not due to be completed until the end of September. Basing the report on the unaudited draft accounts will enable the report to be considered in the September / October meeting cycle rather than in November.

4. Reasons for Recommendations

The net cost of Treasury Management activities and the risks associated with those activities have a significant effect on the City Council's overall finances.

5. 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.

6. Director of Finance & Information Services comments

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

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

Appendices:

Appendix A: Prudential Indicators

Appendix B: Treasury Management Outturn

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:

<u>Title of document</u>		Location
1	Treasury Management Files	Financial Services
2		

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 13 October 2015.

.....
Signed by: the Leader of the Council

ACTUAL PRUDENTIAL INDICATORS

1. RATIO OF FINANCING COSTS TO NET REVENUE STREAM 2014/15

This ratio reflects the annual cost of financing net debt as a proportion of the total revenue financing received. It therefore represents the proportion of the City Council's expenditure that is largely fixed and committed to repaying debt. The higher the ratio, the lower the flexibility there is to shift resources to priority areas and/or reduce expenditure to meet funding shortfalls.

For the General Fund, this is the annual cost of financing debt and as a proportion of total income received from General Government Grants, Non Domestic Rates and Council Tax. The ratios of financing costs to net revenue streams for the General Fund in 2014/15 were as follows:

	Original Estimate	Actual
	£'000	£'000
Financing Costs:		
Interest Payable	17,463	17,340
Interest Receivable	(1,422)	(2,403)
Provision for Repayment of Debt	7,304	2,650
Total Financing Costs	23,345	17,587
Net Revenue Stream	174,827	203,130
Ratio of Financing Costs to Net Revenue Stream	13.4%	8.7%

Interest Receivable was £1.0m more than the original estimates. This was due to the Council having more cash to invest than had been anticipated and the interest rates on the Council's investments being higher than had been anticipated.

The provision for the repayment of debt was £4.6m less than the original estimate. This is mainly because on 3 June 2013 the City Council resolved to use City Deal grant to repay the entire principal due on the Council debts in 2013/14 and 2014/15, and to reduce the revenue provision for the repayment of debt by the amount of principal repaid using City Deal grant. The City Deal grant from the Government is conditional on it being applied to fund capital expenditure or to repay the principal on borrowing by 30 June 2015. This will enable the 30 June 2015 deadline is achieved.

The ratio of Housing Revenue Account (HRA) financing costs to net revenue stream is shown below. For the HRA, this is the annual cost of financing long term debt, as a proportion of total gross income received including housing rents and charges.

	Original Estimate	Actual
HRA	12.4%	13.4%

The actual percentage of HRA financing costs to net revenue stream is higher than anticipated. This is because the actual HRA net revenue stream was significantly lower than estimated.

2. ACTUAL CAPITAL EXPENDITURE 2014/15

There has been significant under spending against the original budget. This is mostly due to slippage or funding not being available. Therefore the under spend does not represent additional capital resources. Actual capital expenditure in 2014/15 was as follows:

	Estimate £'000	Actual £'000
Culture & Leisure	4,343	1,181
Children's & Education Services	9,422	10,309
Environment & Community Safety	13,192	897
Health & Social Care (Adults Services)	3,775	907
Resources	5,087	7,050
Millennium	-	6
Planning, Regeneration & Economic Development	23,214	5,238
Commercial Port	3,956	839
Traffic & Transportation	13,991	7,290
Housing General Fund	13,200	1,918
Local Enterprise Partnership	-	6,325
Total Non HRA	90,180	41,960
Housing Revenue Account (HRA)	34,510	26,370
Total	124,690	68,330

Actual capital expenditure was £56.4m below the original capital programme. The main variances were as follows:

Culture & Leisure - £3.1m Underspend

£1.7m of the underspend is due to slippage on the Coastal Communities ARTches Project and was caused by the planning consents associated with this historical site taking longer than originally anticipated. A £1.3m scheme to improve the Canoe Lake and nearby seafront has been abandoned because Heritage Lottery funding could not be secured.

Environment and Community Safety - £12.3m Underspend

This underspend is due to slippage on flood defence works as the preliminary works took longer than anticipated.

Health and Social Care (Adults Services) - £2.9m Underspend

This underspend is mostly due to slippage on the scheme to provide new and improved models of care. This scheme was put on hold pending a review of the Adult Social Care Accommodation Strategy.

Resources - £2.0m Overspend

There were significant additions to the program principally including the super connected cities project and improvements to the Guildhall. These two schemes incurred spending of £2M during 2014/15.

Planning, Regeneration and Economic Development - £18.0m Underspend

This underspend is principally due to slippage on the City Deal.

Commercial Port - £3.2m Underspend

This underspend is mostly due to slippage on the scheme to demolish the floating dock jetty whilst its economic viability is considered.

Traffic and Transportation - £6.7m Underspend

The majority of this underspend is due to the final accounts on the Tipner Park and Ride, and Northern Road Bridge replacement schemes being less than anticipated and slippage on the Local Transport Plan due to resources being diverted on to Local Sustainable Transport Fund projects.

Housing General Fund - £11.3m Underspend

There was a delay in securing funding for the Green Deal Project which resulted in this project slipping into 2015/16. In addition the take up on some schemes to support vulnerable people was less than had been anticipated.

Local Enterprise Partnership (LEP) - £6.3m Overspend

Capital expenditure by the LEP was not included in the original capital program, but the LEP has been accounted for as part of the City Council as the City Council is the accountable body, has a veto on all lending by the LEP, and bears the credit risk associated with lending by the LEP.

Housing Revenue Account (HRA) - £8.1m Underspend

The under spend is principally due to slippage on major repairs to Council dwellings.

3. ACTUAL CAPITAL FINANCING REQUIREMENT

This represents the underlying requirement to borrow for capital expenditure. It takes the total value of the City Council's fixed assets and determines the amount that has yet to be repaid or provided for within the Council's accounts. The capital financing requirement also forms the basis of the calculation of the amount of money that has to be set aside for the repayment of outstanding General Fund debt. The capital financing requirement is increased each year by any new borrowing and reduced by any provision for the repayment of debt. The higher the capital financing requirement, the higher the amount that is required to be set aside for the repayment of debt in the following year.

The actual capital financing requirements as at 31st March 2015 were as follows:

	Original Estimate	Actual
	£'000	£'000
Non HRA	247,846	250,599
HRA	166,785	153,391
Total	414,631	403,990

The capital financing requirement is lower than the original estimate due to less capital works financed by borrowing being undertaken in 2013/14 which led to a lower than anticipated opening capital financing requirement at 1 April 2013 and further underspending on capital works financed by borrowing in 2014/15.

4. ACTUAL EXTERNAL DEBT

At 31 March 2015, the City Council's level of external debt amounted to £462,566,096 consisting of the following:

- Long Term Borrowing £376,470,939
- Finance leases £3,027,379
- Service concessions (including PFI schemes) £83,067,778

The overall level of debt, excluding debt managed by Hampshire County Council, has increased between 2013/14 and 2014/15 by £20,595,962.

5. CODE OF PRACTICE

The Prudential Code requires local authorities to adopt CIPFA's Code of Practice for Treasury Management in Local Authorities. The City Council has complied with this code.

TREASURY MANAGEMENT DECISIONS 2014/15**1. GOVERNANCE**

Treasury management activities were performed within the Prudential Indicators approved by the City Council.

Treasury management activities are also governed by the Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council. Treasury management activities were performed in accordance with these policies with the following two exceptions which have previously been reported.

It was reported in the Treasury Management Monitoring Report for the First Quarter of 2014/15 that the aggregate limit for investments in money market funds of £80m was exceeded on 22 days between 1 April and 8 May by up to £12.7m. This was because £48.8m City Deal Grant received at the end of 2013/14 and receipts of Government revenue grants early in 2014/15 were invested in AAA rated instant access money market funds pending reinvestment over a longer term. AAA rated market funds offer a generally very safe form of investment as they are well diversified and consist investments of a short duration.

It was reported in the Treasury Management Monitoring Report for the Third Quarter of 2014/15 that a deposit with a duration of 2 years and 2 days was placed with Furness Building Society which exceeded the duration limit in force at that time for unrated building societies of 364 days. This is considered to be a low risk given the inherent nature of building societies and the duration limits for the strongest unrated building societies, including Furness Building Society, was increased to two years in the 2015/16 Treasury Management Policy

2. FINANCING OF CAPITAL PROGRAMME

The 2014/15 capital programme was financed as follows:

Source of Finance	Anticipated £'000	Actual £'000
Corporate Reserves (including Capital Receipts)	13,840	2,373
Grants & Contributions	59,670	32,984
Revenue & Reserves	42,242	29,306
Long Term Borrowing	8,938	3,667
Total	124,690	68,330

There was significant slippage in the capital programme and some schemes were curtailed or abandoned. This meant that less capital resources were used to finance the capital programme.

In addition the Council received £48.8m of City Deal Grant which must be applied to finance capital expenditure or to the repayment of principal on borrowing by 30 June 2015. In order to ensure that this deadline was achieved, the amount of capital expenditure financed by City Deal Grant was maximized. This has resulted in more capital expenditure being financed from grants and contributions than would otherwise have been the case and less capital expenditure being financed from other sources than would otherwise be the case.

3. ECONOMIC BACKGROUND

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016. The Governor of the Bank of England, Mark Carney, has subsequently indicated that the first rise in Bank Rate is likely to be in quarter 1 of 2016 although he has repeatedly stated that increases in Bank Rate will be slow and gradual.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

The UK Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

4. GROSS AND NET DEBT

The Council's net borrowing position at 31 March 2015 excluding accrued interest was as follows:

	1 April 2014	31 March 2015
	£'000	£'000
Borrowing	354,822	376,471
Finance Leases	3,775	3,027
Service Concession Arrangements (including PFIs)	83,373	83,068
Gross Debt	441,970	462,566
Investments	(296,761)	(321,917)
Net Debt	145,209	140,649

The Council has a high level of investments relative to its gross debt due to a high level of reserves, partly built up to meet future commitments under the Private Finance Initiative schemes and future capital expenditure. The £84m of borrowing taken in 2011/12 to take advantage of very low PWLB rates has also temporarily increased the Council's cash balances. The Council's investments increased by £25.1m in 2014/15. This was mainly due to borrowing £25m from the Public Works Loans Board (PWLB) in November 2014 to fund future capital expenditure and slippage in the capital programme.

The current high level of investments increases the Council's exposure to credit risk, ie. the risk that an approved borrower defaults on the Council's investment. In the interim period where investments are high because loans have been taken in advance of need, 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. The level of investments will fall as capital expenditure is incurred and commitments under the Private Finance Initiative (PFI) schemes are met.

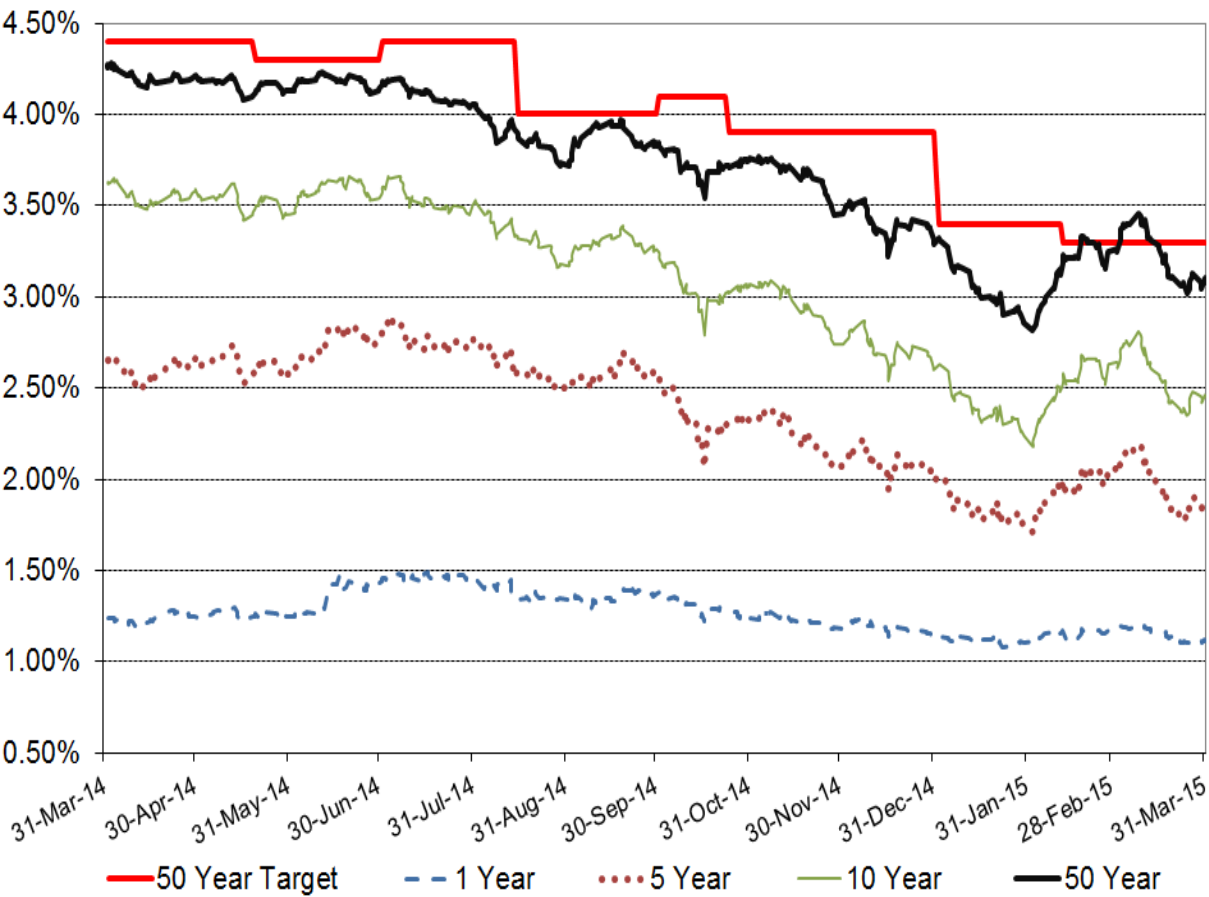
5. DEBT RESCHEDULING

Under certain circumstances it could be beneficial to use the Council's investments to repay its debt. However this normally entails paying a premium to the lender, namely the Public Works Loans Board (PWLB). Debt rescheduling is only beneficial to the revenue account when the benefits of reduced net interest payments exceed the cost of any premiums payable to the lender. Debt rescheduling opportunities have been limited in the current economic climate and by the structure of interest rates following increases in PWLB new borrowing rates in October 2010.

No debt rescheduling was undertaken in 2014/15.

6. BORROWING ACTIVITY

The table below shows the PWLB's certainty rates in 2014/15.



There were many small movements in PWLB rates in 2014/15, both upwards and downwards, but overall rates fell until January. Any one of the movements upwards could have marked the start of an upward trend which was expected, but in the event, did not start until February. PWLB rates were below the target rate recommended by the Council's advisors, Capita Asset Services, for considering new borrowing for most of the year. Consequently £25m was borrowed from the PWLB for 15 years repayable at maturity in November 2014. The loan was taken out at the PWLB's project rate which was 3.19% at that time. The project rate is 0.20% below the certainty rate. The loan was taken out to fund the City Deal and the development of Dunsbury Hill Farm.

This borrowing, in addition to £88.6m borrowed at National Loans Fund Rates to fund the HRA Self Financing payment in March 2012, has resulted in the Council's external debt exceeding its capital financing requirement by £58.6m.

7. REFINANCING RISK

In recent years the cheapest loans have often been very long loans repayable at maturity.

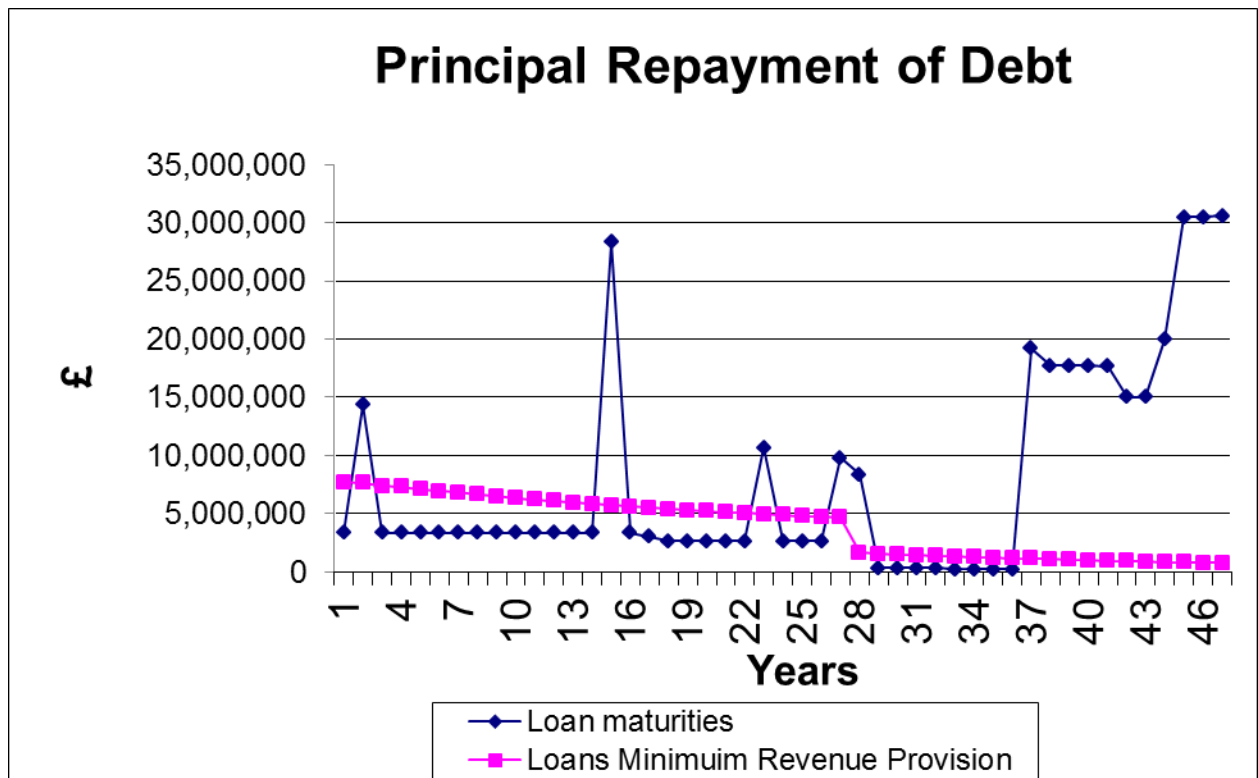
During 2007/08 the Council rescheduled £70.8m of debt. This involved repaying loans from the Public Works Loans Board (PWLB) early and taking out new loans from the PWLB with longer maturities ranging from 45 to 49 years. The effect of the debt restructuring was to reduce the annual interest payable on the Council's debt and to lengthen the maturity profile of the Council's debt.

£50m of new borrowing was taken in 2008/09 to finance capital expenditure. Funds were borrowed from the PWLB at fixed rates of between 4.45% and 4.60% for between 43 and 50 years.

A further £173m was borrowed in 2011/12 to finance capital expenditure and the HRA Self Financing payment to the Government. Funds were borrowed from the PWLB at rates of between 3.48% and 5.01%. £89m of this borrowing is repayable at maturity in excess of 45 years. The remaining £84m is repayable in equal instalments of principal over periods of between 17 and 27 years.

As a result of interest rates in 2007/08 when the City Council rescheduled much of its debt and interest rates in 2008/09 and 2011/12 when the City Council undertook considerable new borrowing 62% of the City Council's debt matures in over 30 years' time.

The Government has issued guidance on making provision for the repayment of debt which the Council is legally obliged to have regard to. The City Council is required to make greater provision for the repayment of debt in earlier years. Therefore the City Council is required to provide for the repayment of debt well in advance of it becoming due. This is illustrated in graph 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 sections 9 and 11). The City Council could reschedule its debt, but unless certain market conditions exist at the time, premium payments have to be made to lenders.

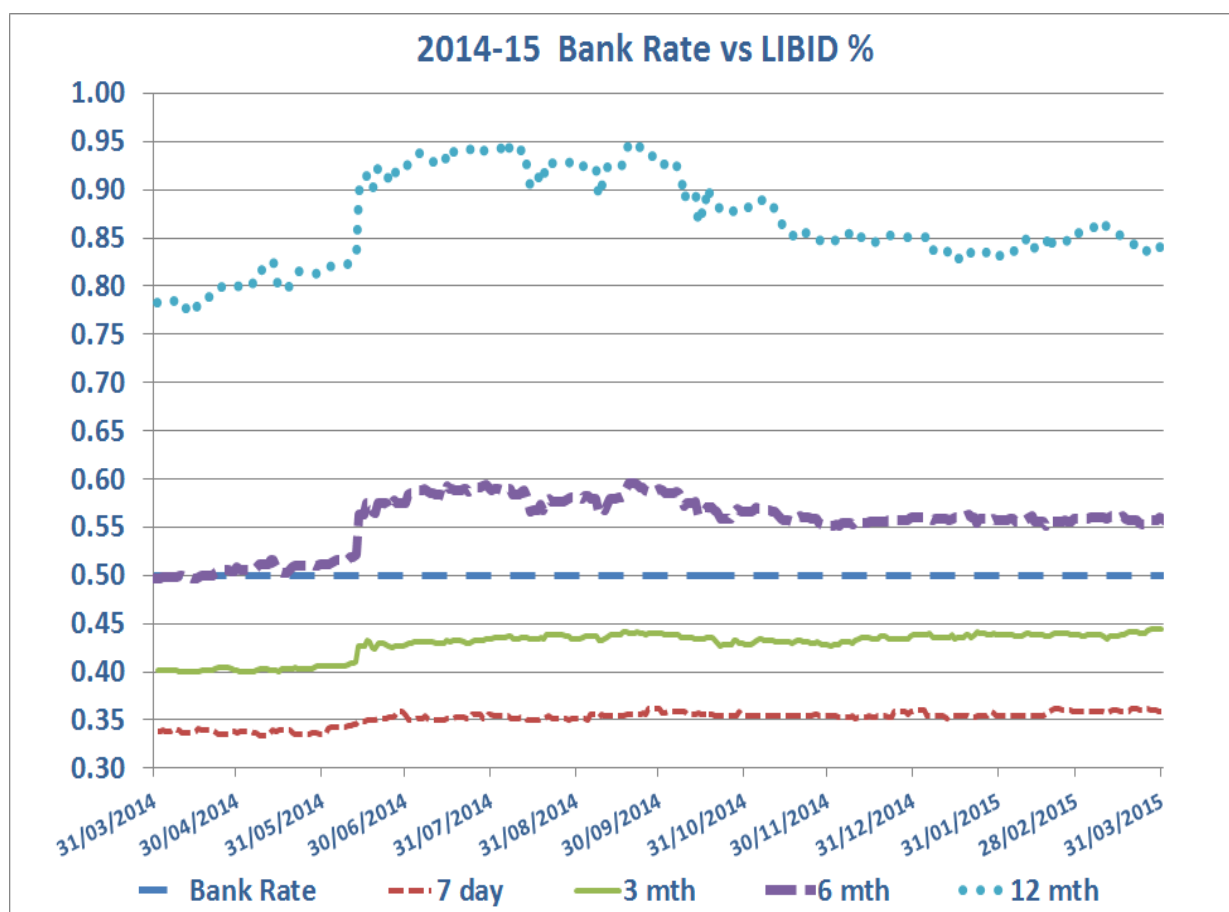
The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes require local authorities to set upper and lower limits for the maturity of borrowings in defined periods. The Council's performance against the limits set by the City Council is shown below.

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	20%	20%	30%	30%	40%	40%	60%	70%
Actual	1%	4%	3%	4%	15%	11%	20%	42%

8. INVESTMENT ACTIVITY

The Council's investments of surplus cash were higher than anticipated, principally due to the receipt of all of the £48.8m City Deal Grant on 28 March 2014 which had been expected to be received at a later date and be over the next two financial years. In addition, the proportion of the investment portfolio consisting of short term investments of under one year, which are not considered to be fixed rate because of their short term nature, has increased from 64% on 1 April to 72% on 30 September as long term investments of over a year have matured and not generally been replaced. This resulted in the variable interest rate exposure limit of (£196m - investments) being exceeded by £22m. The City Council therefore increased the variable interest rate exposure limit by (£45m) from (£196m) to (£241m), ie. from net investments of £196m to net investments of £241m on 11 November 2014.

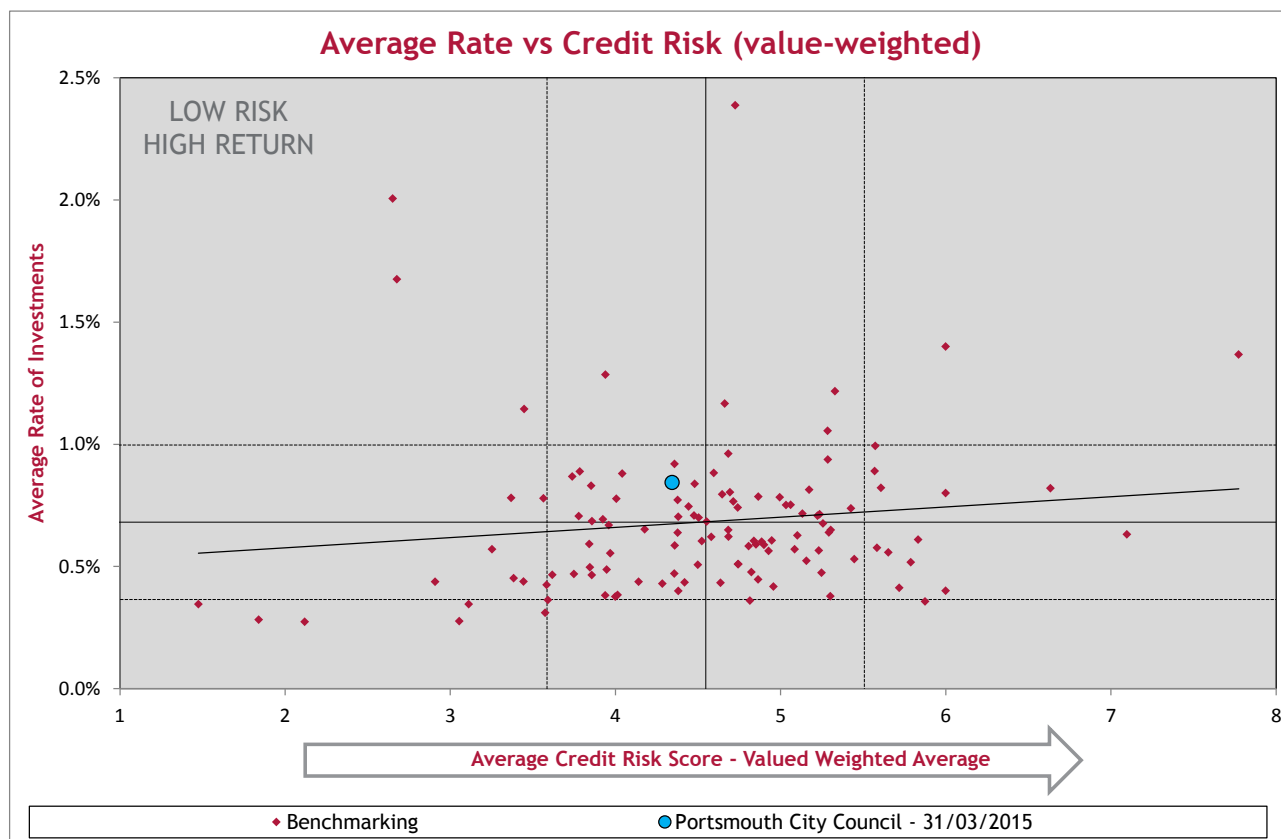
London inter-bank lending rates in 2014/15 are shown in the graph below:



Bank base rate remained at 0.5% over the financial year and has remained unchanged since March 2009.

The average return on the Council's investments was 0.76% in 2014/15 which was similar to the average return of 0.74% in 2013/14.

The City Council's investment activities are benchmarked by Arlingclose against its other clients. The graph below shows the councils' average rates of return as at 31 March 2015 against credit risk.



Portsmouth is above the line of best fit and a little to the left of the average. This indicates that Portsmouth's investment portfolio has a relatively low risk, but that its returns are above average.

9. SECURITY OF INVESTMENTS

The risk of default has been managed through limiting investments in any institution to a maximum £26m, setting investment limits for individual institutions that reflect their financial strength and spreading investments over countries and sectors.

The 2014/15 Treasury Management Policy approved by the City Council on 18 March 2014 and amended by the City Council on 6 November only permitted deposits to be placed with the Council's subsidiaries, namely MMD (Shipping Services) Ltd, the United Kingdom Government, other local authorities and institutions that have the following minimum credit ratings:

Short Term Rating

F2 (or equivalent) from Fitch, Moody's (P-2) or Standard and Poor (A-2)

Long Term Rating

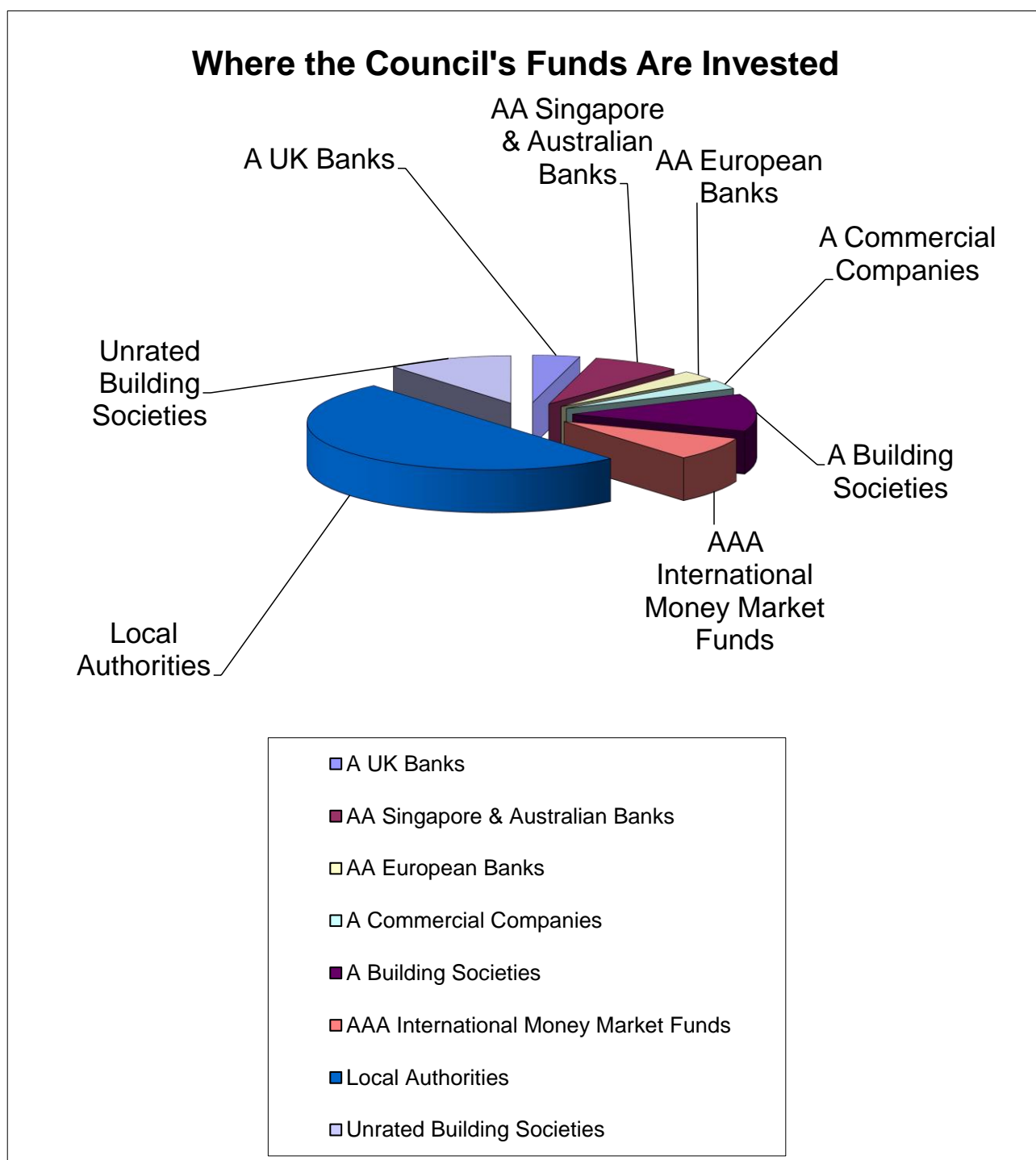
BBB (except for the Co-operative Bank who hold the Council's main current accounts) or equivalent from Fitch, Moody's or Standard & Poor

In addition the 2014/15 Treasury Management Policy approved by the City Council on 18 March 2014 and amended by the City Council on 6 November also permitted deposits to be placed with the stronger unrated building societies.

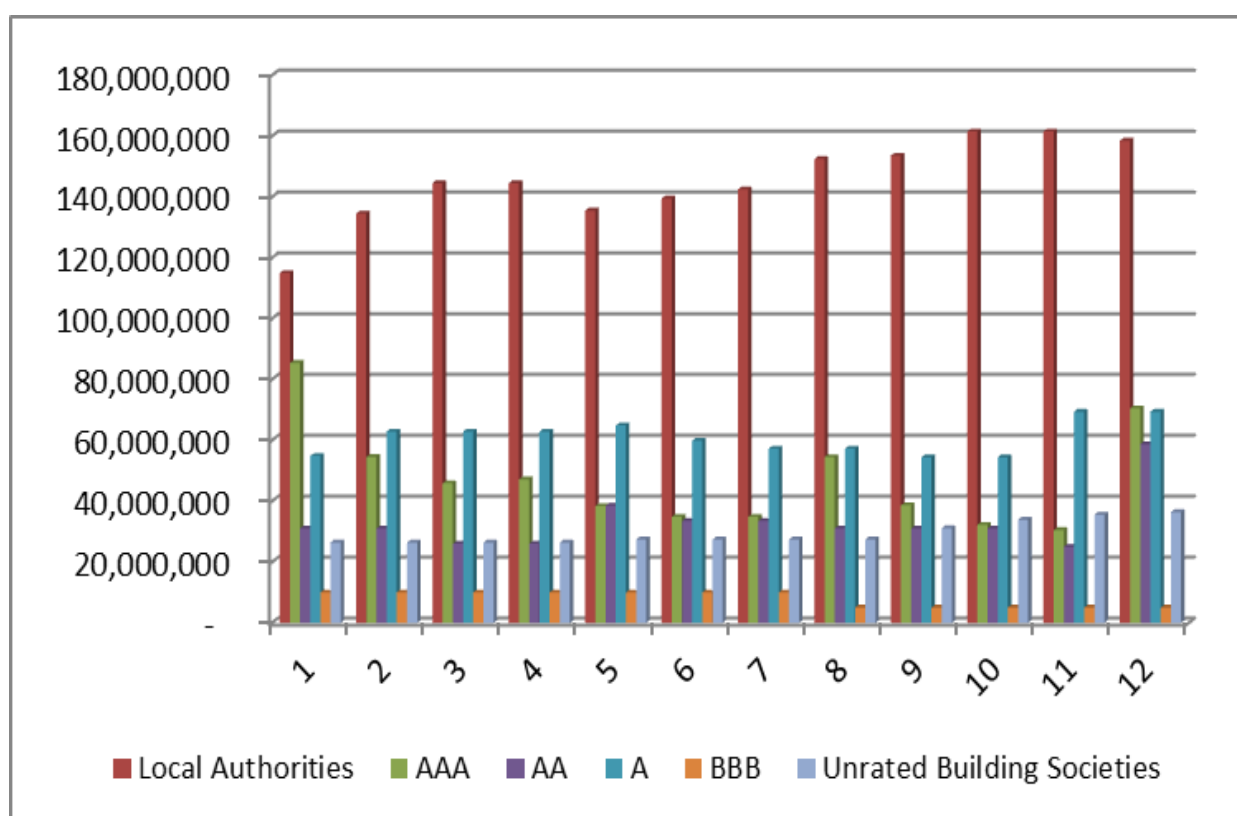
At 31 March 2015 the City Council had on average £5.7m invested with each institution.

Credit risk also exists from the Council's current bank accounts. This arises not only from the Council's overnight current account bank balances, but also from settlement risk, ie. the Council's intra-day exposure can temporarily exceed the balance on the accounts after all transactions have been processed. This counter party exposure is in addition to the Council's investment limits.

The chart below shows how the Council's funds were invested at 31 March 2015.



The chart below shows how the Council's investment portfolio has changed in terms of the credit ratings of investment counter parties over 2014/15.

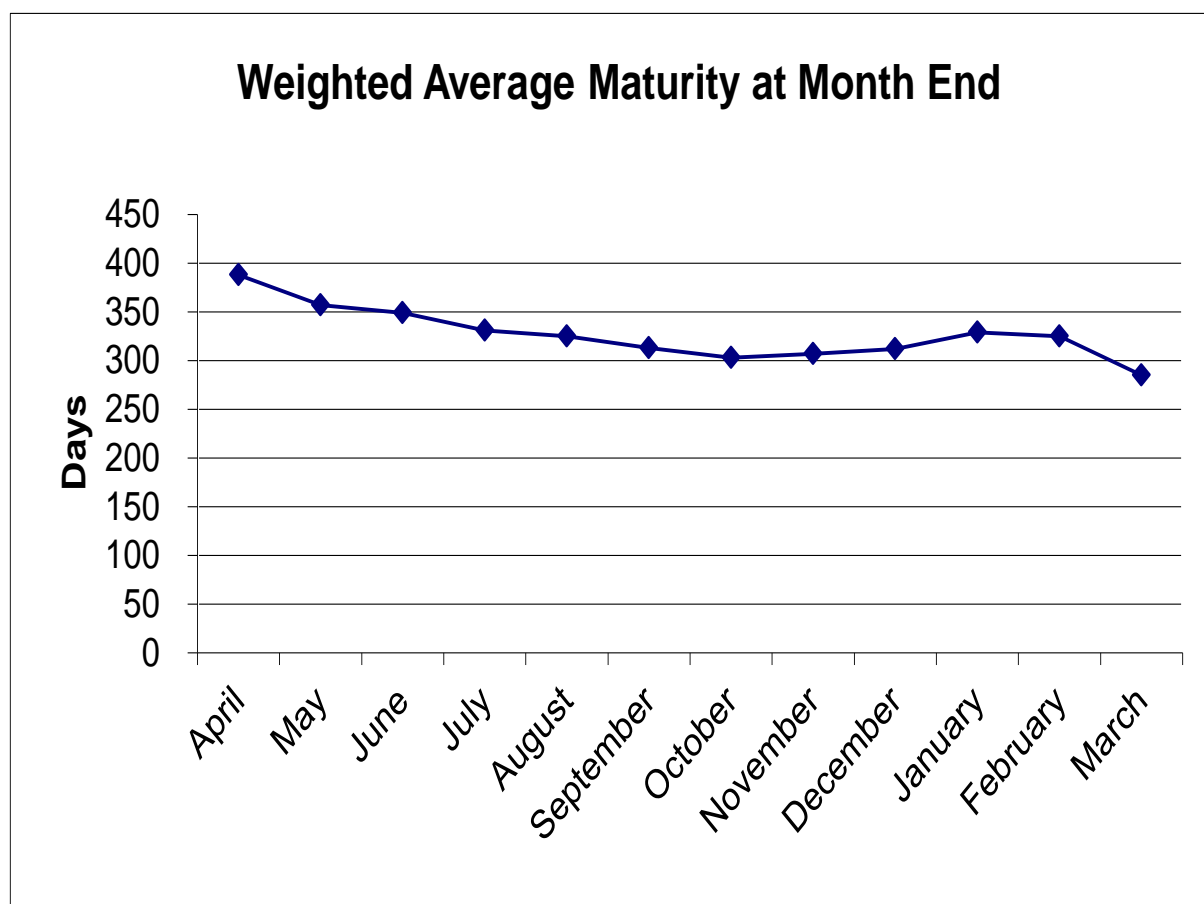


It can be seen from the graph above that investments in AAA rated counter parties, consisting of AAA rated instant access money market funds have declined over 2014/15. These investments have largely been replaced by investments in other local authorities which generally offer a better return than investments in AAA rated money market funds.

10. LIQUIDITY OF INVESTMENTS

The 2014/15 Treasury Management Policy seeks to maintain the liquidity of the portfolio, ie. the ability to liquidate investments to meet the Council's cash requirements, through maintaining at least £10m in instant access accounts. At 31 March 2015 £25.6m was invested in instant access accounts. Whilst short term investments provide liquidity and reduce the risk of default, they do also leave the Council exposed to falling interest rates.

The weighted average maturity of the City Council's investment portfolio started at 388 days in April and fell to 285 days in March. Investment rates are currently low and the shorter average maturity will facilitate the Council taking advantage of any increases in investment rates. This is shown in the graph below.



Under CIPFA's 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 in order to ensure that sufficient money can be called back to meet the Council's cash flow requirements. The Council's performance against the limits set by the City Council is shown below.

	Limit (Not Exceeding) £m	Actual £m
31/3/2015	265	158
31/3/2016	243	126
31/3/2017	231	45

11. INTEREST RATE RISK

This is the risk that interest rates will move in a way that is adverse to the City Council's position.

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. Fixed interest rate borrowing exposes the Council to the risk that interest rates could fall and the Council will pay more interest than it need have done. Long term fixed interest rate investments expose the Council to the risk that interest rates could rise and the Council will receive less income than it could have received. However fixed interest rate exposures do avoid the risk of budget variances caused by interest rate movements. The Council's performance against the limit set by the City Council as at 31 March is shown below.

	Limit £m	Actual £m
Maximum Projected Gross Borrowing – Fixed Rate	395	376
Minimum Projected Gross Investments – Fixed Rate	(123)	(124)
Fixed Interest Rate Exposure	272	252

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes also require local authorities to set upper limits for variable interest rate exposures. Variable interest rate borrowing exposes the Council to the risk that interest rates could rise and the Council's interest payments will increase. Short term variable interest rate investments expose the Council to the risk that interest rates could fall and the Council's investment income will fall. Variable interest rate exposures carry the risk of budget variances caused by interest rate movements. The Council's performance against the limit set by the City Council is shown below.

	Limit £m	Actual £m
Minimum Projected Gross Borrowing – Variable Rate	-	-
Maximum Projected Gross Investments – Variable Rate	(241)	(198)
Variable Interest Rate Exposure	(241)	(198)

12. REVENUE COSTS OF TREASURY MANAGEMENT ACTIVITIES IN 2014/15

Expenditure on treasury management activities against the revised budget is shown below.

Interest 2014/15

	Revised Estimate 2014/15 £	Actual 2014/15 £	Variance +/- £
PWLB – Maturity Loans	10,863,177	10,863,177	-
PWLB - E.I.P Loans	3,850,900	3,850,900	-
Other Long Term Loans	511,500	511,500	-
HCC Transferred Debt	464,766	449,685	(15,081)
Interest on Finance Lease	189,960	188,385	(1,575)
Interest on Service	8,927,514	8,923,380	(4,134)
Concession Arrangements (including PFIs)			
Interest Payable to External Organisations	4,730	6,562	1,832
	<hr/> 24,812,547	<hr/> 24,793,589	<hr/> (18,958)
<u>Deduct</u>			
Investment Income	(2,928,747)	(2,645,913)	282,834
	<hr/> 21,883,800	<hr/> 22,147,676	<hr/> 263,876
Provision for Repayment of Debt	5,590,728	5,604,024	13,296
Debt Management Costs	324,321	374,308	49,987
	<hr/> 27,798,849	<hr/> 28,126,008	<hr/> 327,159

There is a £0.3m overspend against the revised estimate. This is principally because investment income was £0.3m less than the revised estimate due to cash balances being lower than anticipated in the final quarter.

Agenda Item 11

Agenda item:

Decision maker:	Cabinet City Council
Subject:	Revision of Investment Strategy and Treasury Management Monitoring Report for the First Quarter of 2015/16
Date of decision:	24 September 2015 (Cabinet) 25 September 2015 (Governance and Audit and Standards Committee) 13 October 2015 (City Council)
Report by:	Chris Ward, Director of Finance & Information Services and Section 151 Officer
Wards affected:	All
Key decision:	Yes
Budget & policy framework decision:	Yes

1. Purpose of report

The purpose of the report is to amend the Investment Strategy to allow the Council to invest in 5 year equity trackers and to increase the geographical investment limits and the variable interest rate exposure limit. Appendix A contains the Treasury Management Monitoring Report which aims to inform members and the wider community of the Council's Treasury Management position at 30 June 2015 and of the risks attached to that position.

2. Recommendations

- 1) That the Investment Strategy be amended to permit unsecured investments with a duration in excess of 2 years to be placed with banks
- 2) That the Director of Finance and Information Services be given delegated authority to invest the Council's funds in equity trackers which follow the developed stock markets with a floor of 100% of the capital invested, ie. the Council's capital is guaranteed.
- 3) That an investment limit of £70m be applied to equity trackers
- 4) That the variable interest rate exposure limit be increased by (£70m) from (£278m) to (£348m), ie. that the limit for net variable interest rate investments be increased to £348m

- 5) That the investment limits applied to regions outside the United Kingdom be revised as follows:

Region	Current Limit	Region	Revised Limit
Asia & Australia	£40m	Asia & Australia	£60m
Americas	£40m	Americas	£60m
Continental Europe	£30m	Eurozone	£30m
		Continental Europe outside the Eurozone	£30m

- 6) That the following actual treasury management indicators for the first quarter of 2015/16 be noted:

- (a) The Council's debt at 30 June:

Prudential Indicator	Limit £m	Actual £m
Authorised Limit	503	461
Operational Boundary	484	461

- (b) The maturity structure of the Council's borrowing was

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	10%	10%	20%	20%	40%	40%	40%	50%
Actual	1%	4%	3%	4%	15%	11%	20%	42%

- (c) The Council's sums invested for periods longer than 364 days at 30 June 2015 were:

	Prudential Limit	Quarter 3 Actual
	£m	£m
Maturing after 31/3/2016	243	126
Maturing after 31/3/2017	231	45
Maturing after 31/3/2018	228	5

- (d) The Council's fixed interest rate exposure at 30 June 2015 was £228m, ie. the Council had net fixed interest rate borrowing of £228m. This is within the Council's approved limit of £304m.
- (e) The Council's variable interest rate exposure at 30 June 2015 was (£258m), ie. the Council had net variable interest rate investments of £258m. This is within the Council's approved limit of (£278m).

3. Background

The Council's investment portfolio has increased by £83.8m from £321.9m to £405.7m. This resulted in up to £85m being invested in AAA rated money market funds and 1 month UK Government Treasury Bills which paid interest of between 0.33% and 0.42% until it was possible to invest these funds for a longer term at higher interest rates. This also resulted in the Council being invested up to its limits in Australia and Asia, and continental Europe and being within £20m of its variable interest rate exposure limit, ie. its limit for net variable interest rate investments. Despite this the Council has been able to reduce its investments in other local authorities by £32.5m from £161.5m to £129m. Local authorities are currently typically offering 0.5% for a year or 0.9% for two years compared to 1.05% for a year or 1.30% for two years from other borrowers.

4. Reasons for Recommendations

Base rate remains at 0.5% and is likely to remain so until at least the first quarter of 2016. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The Council's treasury management investment portfolio consists entirely of interest bearing deposits and tradable instruments, and generated an average return of 0.74% in 2013/14 and 0.76% in 2014/15.

There is potential to generate higher returns and to diversify the investment portfolio through the purchase commercial property either directly or through a commercial property fund. On 7 July the Council approved the creation of a £30m Property Investment Fund funded through the capital programme. It is therefore recommended that equity trackers be purchased to generate higher returns on the Council's Treasury Management investments and diversify the portfolio. This will prevent the Council becoming increasingly exposed to the commercial property market.

The Council would purchase equity trackers which follow the developed stock markets with a floor of 100% of the capital invested, ie. the Council's capital is guaranteed. In order to have the floor, these instruments would either have a cap, ie. maximum return, or a reduced participation rate, ie. the Council would only benefit from a proportion of stock market growth. It is envisaged that these investments would have a term of five years. Equity trackers have the potential to generate returns that are significantly greater than interest bearing investments, but do carry the risk of not generating a return if the value of equities does not increase and a greater credit risk due to the length of the investment which would be unsecured. It is therefore necessary to amend the investment strategy to permit investments in excess of 2 years that are unsecured. Equity trackers would be purchased from banks that meet the Council's investment criteria and the investment would count against the bank's investment limit. It is recommended that investments in equity trackers be limited to £70m to prevent the Council's exposure to the equity markets becoming excessive.

It is recommended that the variable interest rate exposure limit be increased by (£70m) from (£278m) to (£348m), ie. that the limit for net variable interest rate investments be increased to £348m. This is necessary to reflect the increased in the size of the Council's investment portfolio, and to allow equity trackers, which offer a variable return, and further floating rate notes to be purchased. Floating rate notes pay a margin over a published interest rate, often the 3 month London inter-bank offer rate (LIBOR), and allow the Council to gain exposure to any movements in interest rates. With interest rates being so low, 3 month LIBOR is currently 0.58%, there is more potential for interest rates to go up rather than down and there is only a very limited scope for interest rates to fall.

It is also proposed to increase the geographic limits in order to reflect the increasing size of the portfolio in the current and previous years.

5. Equality impact assessment (EIA)

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

6. 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.

7. Finance comments

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

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

Appendices:

Appendix A: Treasury Management Monitoring Report

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:

<u>Title of document</u>	Location
1 Treasury Management Files	Financial Services
2	

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 13 October 2015.

.....
Signed by: the Leader of the Council

**TREASURY MANAGEMENT MONITORING REPORT FOR THE FIRST QUARTER OF
2015/16**

1. GOVERNANCE

The Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council on 17 March 2015 provide the framework within which treasury management activities are undertaken.

2. ECONOMIC BACKGROUND

After strong UK GDP growth in 2013 at an annual rate of 2.7% and 3.0% in 2014, quarter 1 of 2015 was disappointing at only 0.4%, though subsequent data indicates that this could well be revised up further down the line and also indicates a return to stronger growth in quarter 2. In its May quarterly Inflation Report, the Bank of England reduced its GDP forecast for 2015 from 2.9% to 2.5% and from 2.9% to 2.7% in 2016, while increasing its forecast for 2017 from 2.4% to 2.7%.

Uncertainty around the likely result of the UK general election in May has obviously now evaporated although this has been replaced by some uncertainty around the potential impact on the UK economy of the EU referendum promised by, or in, 2017. In addition, the firm commitment of the Government to eliminating the deficit within the term of this Parliament will have an impact on GDP growth rates. However, the Monetary Policy Committee (MPC) is fully alert to this and will take that into account, and also the potential spillover effects from the Greek crisis, in making its decisions on the timing of raising Bank Rate.

As for the American economy, confidence has improved markedly in this quarter that the US will start increasing the Fed funds rate by the end of 2015 due to a return to strong economic GDP growth after a disappointing start to the year in quarter 1, (a contraction of 0.2%), after achieving 2.4% growth in 2014.

In January 2015, the European Central Bank (ECB) started unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth, though it remains to be seen whether this will have an enduring effect as strong as the recovery in the US and UK.

3. INTEREST RATE FORECAST

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%
5yr PWLB rate	2.30%	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%
10yr PWLB rate	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%
25yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%
50yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%

Capita Asset Services undertook a review of its interest rate forecasts after the May Bank of England Inflation Report. The ECB's quantitative easing programme to buy up EZ debt caused an initial widespread rise in bond prices and, correspondingly, a fall in bond yields to phenomenally low levels, including the debt of some European countries plunging into negative yields. Since then, fears about recession in the EZ, and around the risks of deflation, have abated and so there has been an unwinding of this initial phase with bond yields rising back to more normal, though still historically low yields.

The Governor of the Bank of England, Mark Carney, indicated that the first increase in Bank Rate is likely to be in quarter 1 of 2016 although he has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting a significant recovery as a result of recent increases in the rate of wage inflation, though some consumers will not have seen that benefit come through for them.

4. NET DEBT

The Council's net borrowing position excluding accrued interest at 30 June 2015 was as follows:

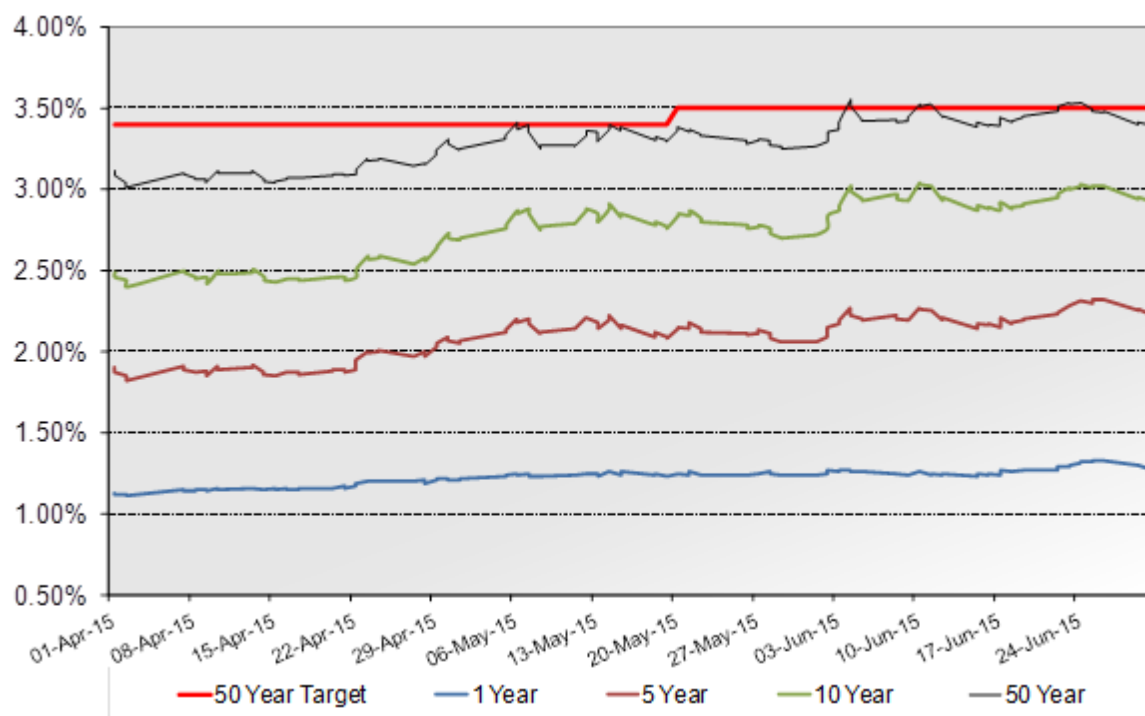
	1 April 2015	30 June 2015
	£'000	£'000
Borrowing	376,471	375,629
Finance Leases	3,027	2,862
Service Concession Arrangements (including PFIs)	83,068	82,828
Gross Debt	462,566	461,319
Investments	(321,917)	(405,708)
Net Debt	140,649	55,611

The Council has a high level of investments relative to its gross debt due to a high level of reserves, partly built up to meet future commitments under the Private Finance Initiative schemes and future capital expenditure. However these reserves are fully committed and are not available to fund new expenditure. The £84m of borrowing taken in 2011/12 to take advantage of the very low PWLB rates and the receipt of £48.8m of City Deal Grant on 28 March 2014 together with £25m of new borrowing taken out in November have also temporarily increased the Council's cash balances.

The current high level of investments increases the Council's exposure to credit risk, ie. the risk that an approved borrower defaults on the Council's investment. In the interim period where investments are high because loans have been taken in advance of need, 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. The level of investments will fall as capital expenditure is incurred and commitments under the Private Finance Initiative (PFI) schemes are met.

5. BORROWING ACTIVITY

PWLB Certainty Rates for first quarter of 2015/16 are shown in then graph below:



PWLB rates have been on a generally rising trend.

No borrowing was undertaken in the first quarter of 2015/16.

The Council's debt at 30 June was as follows:

Prudential Indicator 2015/16	Limit £m	Position at 30/6/15 £m
Authorised Limit	503	461
Operational Boundary	484	461

The operational boundary is intended to warn the Section 151 Officer and the Council if there is a possibility of the authorised limit being exceeded. The operational boundary differs from the authorised limit in that it is based on expectations of the maximum external debt of the authority according to probable, not simply possible, events and is consistent with the maximum level of external debt projected by the Council's estimates.

6. MATURITY STRUCTURE OF BORROWING

In recent years the cheapest loans have often been very long loans repayable at maturity.

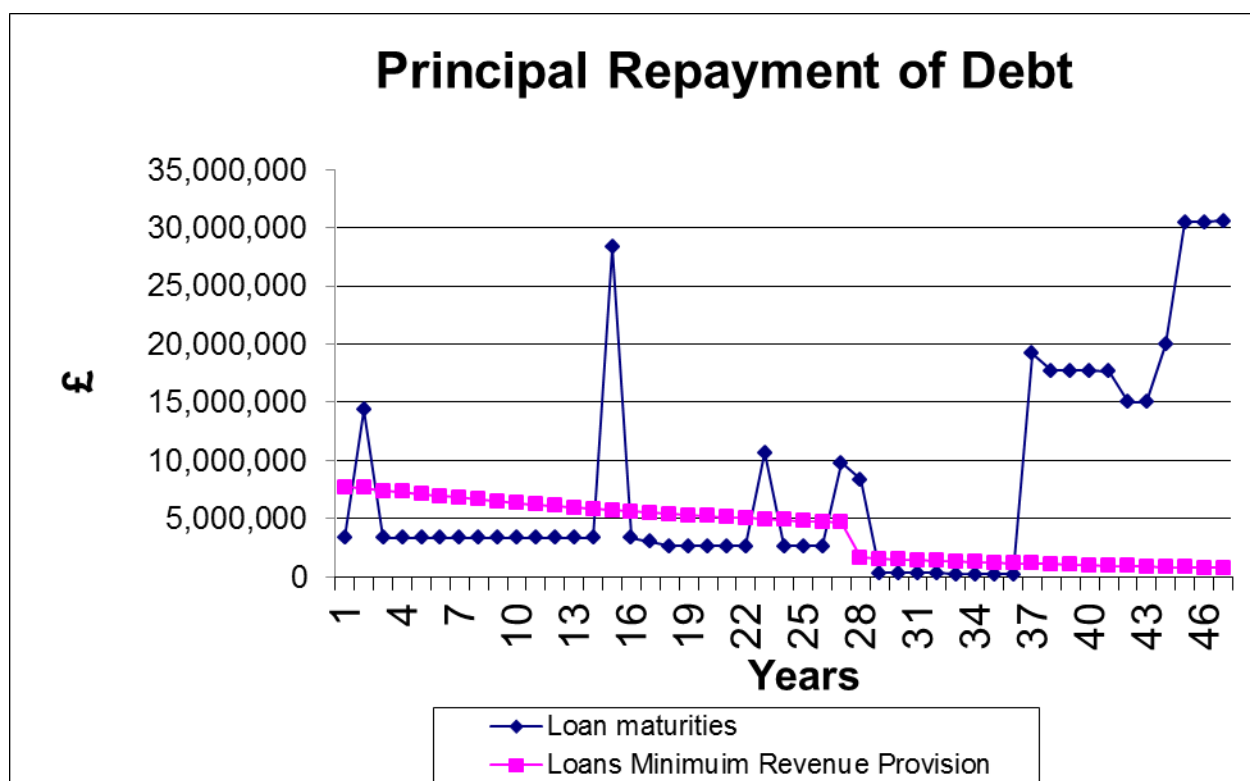
During 2007/08 the Council rescheduled £70.8m of debt. This involved repaying loans from the Public Works Loans Board (PWLB) early and taking out new loans from the PWLB with longer maturities ranging from 45 to 49 years. The effect of the debt restructuring was to reduce the annual interest payable on the Council's debt and to lengthen the maturity profile of the Council's debt.

£50m of new borrowing was taken in 2008/09 to finance capital expenditure. Funds were borrowed from the PWLB at fixed rates of between 4.45% and 4.60% for between 43 and 50 years.

A further £173m was borrowed in 2011/12 to finance capital expenditure and the HRA Self Financing payment to the Government. Funds were borrowed from the PWLB at rates of between 3.48% and 5.01%. £89m of this borrowing is repayable at maturity in excess of 44 years. The remaining £84m is repayable in equal instalments of principal over periods of between 16 and 26 years.

As a result of interest rates in 2007/08 when the City Council rescheduled much of its debt and interest rates in 2008/09 and 2011/12 when the City Council undertook considerable new borrowing 62% of the City Council's debt matures in over 30 years time.

The Government has issued guidance on making provision for the repayment of debt which the Council is legally obliged to have regard to. The City Council is required to make greater provision for the repayment of debt in earlier years. Therefore the City Council is required to provide for the repayment of debt well in advance of it becoming due. This is illustrated in graph 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 sections 8 and 10). The City Council could reschedule its debt, but unless certain market conditions exist at the time, premium payments have to be made to lenders.

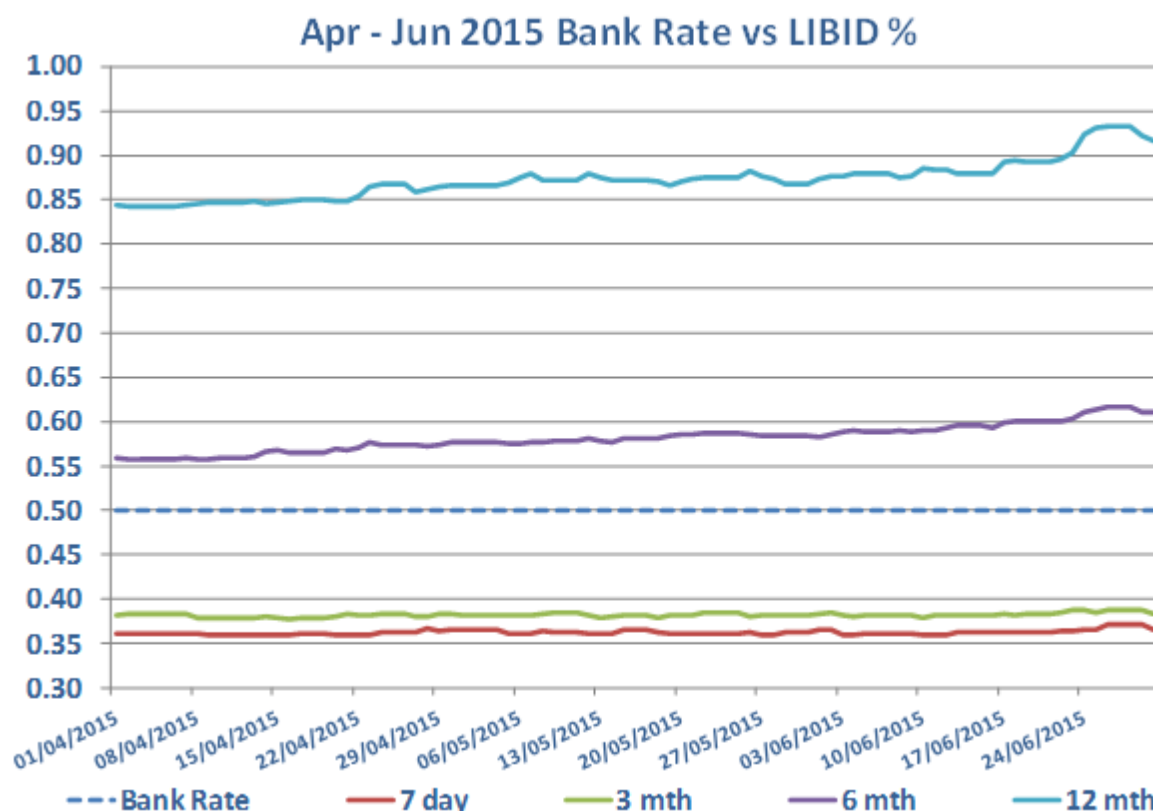
CIPFA's Treasury Management in the Public Services Code of Practice which the City Council is legally obliged to have regard to requires local authorities to set upper and lower limits for the maturity structure of their borrowing. The limits set by the City Council on 17 March 2015 together with the City Councils actual debt maturity pattern are shown below.

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	10%	10%	20%	20%	40%	40%	40%	50%
Actual	1%	4%	3%	4%	15%	11%	20%	42%

7. INVESTMENT ACTIVITY

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

Short term market interest rates for the first quarter of 2015/16 are shown in the graph below:



There has been a slight increase in short term market interest rates in excess of 6 months in the first quarter of 2015/16.

The Council's investment portfolio has increased by £83.8m from £321.9m to £405.7m. This resulted in up to £85m being invested in AAA rated money market funds and 1 month UK Government Treasury Bills which paid interest of between 0.33 and 0.42% until it was possible to invest these funds for a longer term at higher interest rates. This caused the average return on the Council's investments to fall from 0.76% in 2014/15 to 0.68% in the first quarter of 2015/16. This also resulted in the Council being invested up to its limits in Australia and Asia, and continental Europe. Despite this the Council has been able to reduce its investments in other local authorities by £32.5m from £161.5m to £129m. Local authorities are currently typically offering 0.5% for a year or 0.9% for two years compared to 1.05% for a year or 1.30% for two years from other borrowers.

The Council's budgeted investment return for 2015/16 is £2,297k, and performance for the year to date is in line with the budget.

8. SECURITY OF INVESTMENTS

The risk of default has been managed through investing only in financial institutions that meet minimum credit ratings, limiting investments in any institution to £26m and spreading investments over countries and sectors.

The 2015/16 Treasury Management Policy approved by the City Council on 17 March 2015 only permits deposits to be placed with the Council's subsidiaries, namely MMD (Shipping Services) Ltd, the United Kingdom Government, other local authorities, certain building societies, Hampshire Community Bank, and institutions that have the following credit ratings:

Short Term Rating

F2 (or equivalent) from Fitch, Moody's (P-3) or Standard and Poor (A-3)

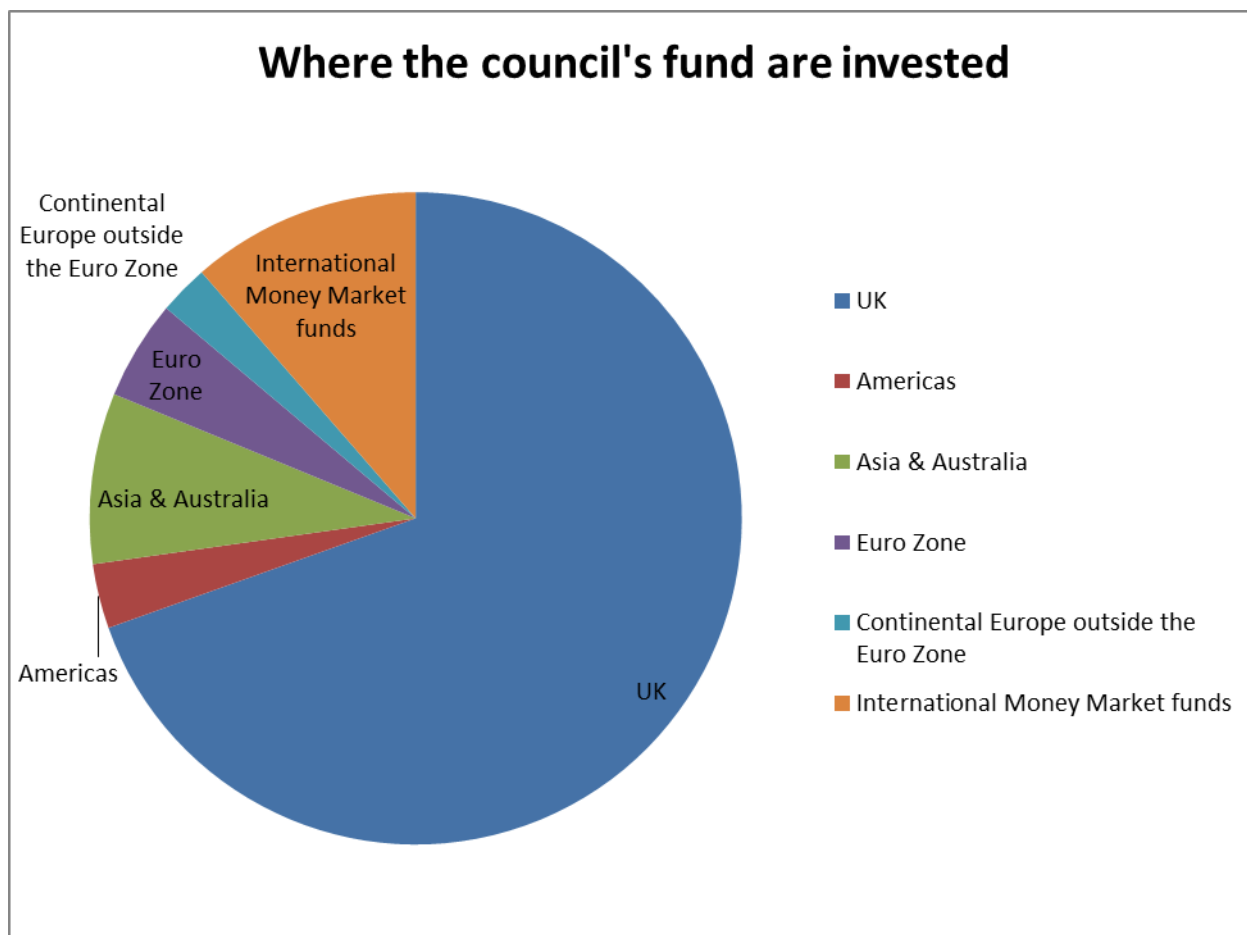
Long Term Rating

Triple B (triple BBB category) or equivalent from Fitch, Moody's or Standard & Poor

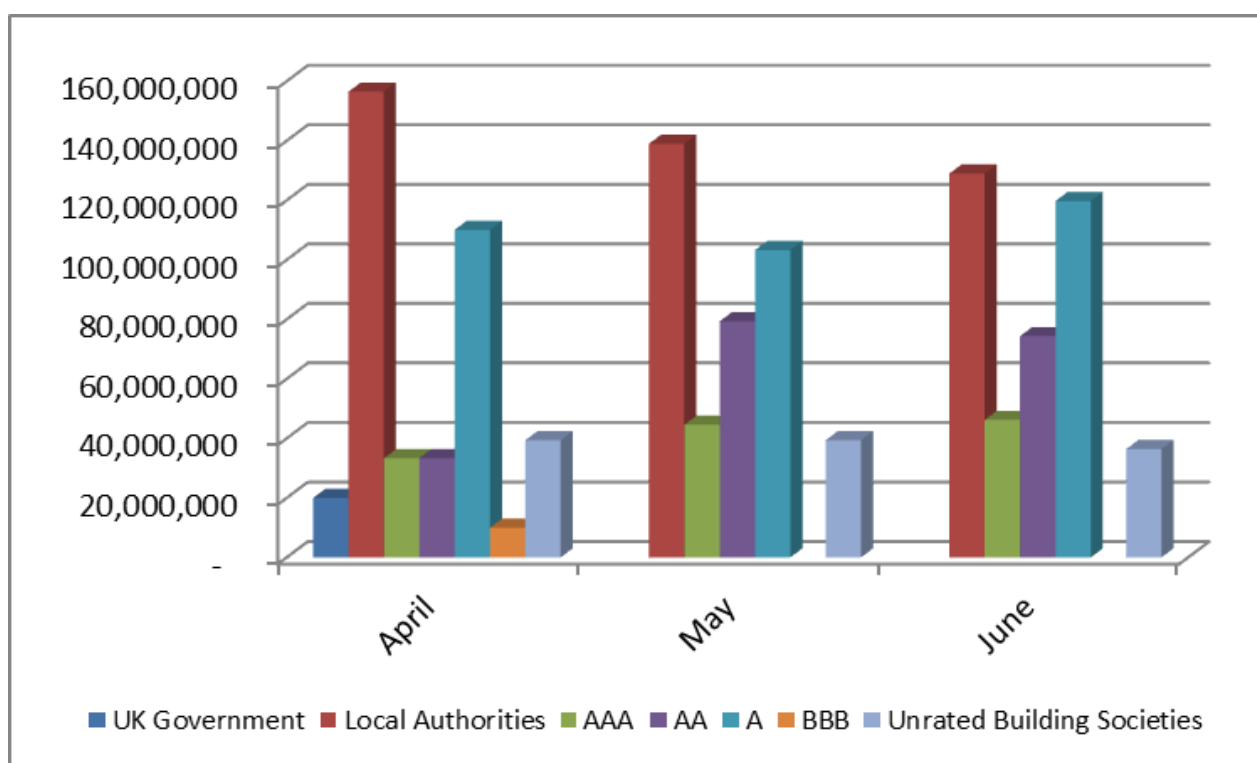
Under the Council's Annual Investment Strategy counter parties are categorised by their credit ratings for the purposes of assigning investment limits.

At 30 June 2015 the City Council had on average £6.2m invested with each institution.

The chart below summarises where the Council's funds were invested at 30 June.



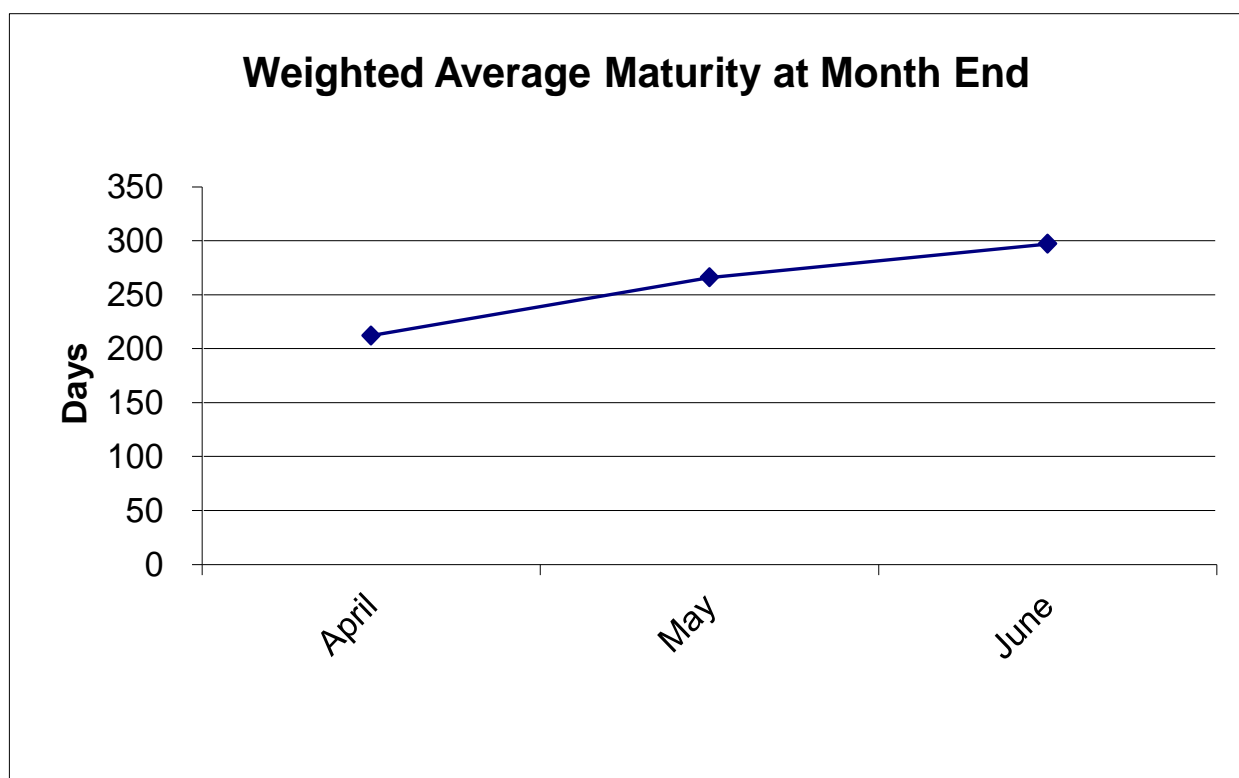
The chart below shows how the Council's investment portfolio has changed in terms of the credit ratings of investment counter parties over the first three months of 2015/16.



It can be seen from the graph above that investments in local authorities have declined over the first three months of 2015/16. These investments have largely been replaced by investments in A and AA rated counter parties which generally offer a better return than investments in local authorities.

9. LIQUIDITY OF INVESTMENTS

The weighted average maturity of the City Council's investment portfolio started at 212 days in April and increased to 297 days in June as suitable investments opportunities became available for the increased level of cash in the first quarter of the year. This is shown in the graph below.



The 2015/16 Treasury Management Policy seeks to maintain the liquidity of the portfolio, ie. the ability to liquidate investments to meet the Council's cash requirements, through maintaining at least £10m in instant access accounts. At 30 June £46.2m was invested in instant access accounts. Whilst short term investments provide liquidity and reduce the risk of default, they do also leave the Council exposed to falling interest rates.

Under CIPFA's 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 in order to ensure that sufficient money can be called back to meet the Council's cash flow requirements. The Council's performance against the limits set by the City Council on 17 March 2015 is shown below.

Maturing after	Limit £m	Actual £m
31/3/2016	243	126
31/3/2017	231	45
31/3/2018	228	5

10. INTEREST RATE RISK

This is the risk that interest rates will move in a way that is adverse to the City Council's position.

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. Fixed interest rate borrowing exposes the Council to the risk that interest rates could fall and the Council will pay more interest than it need have done. Long term fixed interest rate investments expose the Council to the risk that interest rates could rise and the Council will receive less income than it could have received. However fixed interest rate exposures do avoid the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council on 17 March 2015 is shown below.

	Limit £m	Actual £m
Maximum Projected Gross Borrowing – Fixed Rate	395	376
Minimum Projected Gross Investments – Fixed Rate	(91)	(148)
Fixed Interest Rate Exposure	304	228

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes also require local authorities to set upper limits for variable interest rate exposures. Variable interest rate borrowing exposes the Council to the risk that interest rates could rise and the Council's interest payments will increase. Short term and variable interest rate investments expose the Council to the risk that interest rates could fall and the Council's investment income will fall. Variable interest rate exposures carry the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council on 17 March 2015 is shown below.

	Current Limit £m	Revised Limit £m	Actual £m
Minimum Projected Gross Borrowing – Variable Rate	-	-	-
Maximum Projected Gross Investments – Variable Rate	(278)	(358)	(258)
Variable Interest Rate Exposure	(278)	(358)	(258)

The City Council is particularly exposed to interest rate risk because all the City Council's debt is made up of fixed rate long term loans, but most of the City Council's investments are short term. Future movements in the Bank Base Rate tend to affect the return on the Council's investments, but leave fixed rate long term loan payments unchanged. However, this risk is limited by the very low market interest rates available for investments.

The risk of a 0.5% increase in interest rates to the Council is as follows:

<u>Effect of +/- 0.5% Rate Change</u>	2015/16 £'000	2016/17 £'000	2017/18 £'000
Long Term Borrowing	-	2	55
Investment Interest	(968)	(1,450)	(1,855)
Net Effect of +/- 0.5% Rate Change	(968)	(1,448)	(1,800)



Title of meeting: Governance and Audit and Standards

Date of meeting: 25 September 2015

Subject: Revision of the Persistent Complainants Policy

Report by: The Director of Community and Communications

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

To bring to the attention of the Governance & Audit & Standards Committee the revised Persistent Complainants Policy attached as appendix A. The policy has been updated to ensure continued best practice in complaint investigation and complaint management.

2. Recommendations

1. That the Governance & Audit & Standards Committee approve the Persistent Complainants Policy for use across Portsmouth City Council

3. Reasons for recommendations

The Persistent Complainants' Policy has been reviewed to bring it into line with current best practice and to provide greater clarity for the handling of unreasonable and unreasonably persistent and vexatious complainants.

Unreasonable and unreasonably persistent complainants can dramatically impinge on the service area's ability to investigate the complaint, the complaints made by others and the day to day functions of the service.

The revised persistent complainants' policy sets out to provide greater clarity and information for the handling of unreasonable and unreasonably persistent complainants.

Equally it will advise complainants of what to expect, and their right of appeal, when they are being managed or potentially managed through this policy.

4. Equality impact assessment (EIA)

A preliminary EIA has been completed. A full EIA was not required as the policy does not negatively impact on any of the protected characteristics as described by the Equality Act 2010.

5. Legal Implications

There are no legal implications arising out of this report. Whilst the formal approval of this report is now being sought, the Council has been acting in accordance with this policy for some time. However it is important that the policy is considered and formally adopted by the Committee to ensure that our procedures are open and transparent and accord with the wishes of Members.

6. Director of Finance's comments

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

Appendices: Appendix A - Persistent Complainants' Policy.

.....
Signed by:

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:

Background list of documents: Customer Services list of papers

Title of document	Location
None	

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

Signed by:
.....

Draft Persistent or vexatious complaints and complainants policy

June 2015

Rachel-Marie Wilson
Corporate Complaints and FOI Officer

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DRAFT

1. Introduction

- 1.1. Complaints about Portsmouth City Council are processed in accordance with the corporate complaints policy. In a minority of cases people pursue their complaints in a way that is unreasonable. They may behave unacceptably, or be unreasonably persistent in their contact and submission of information; they can take up an unwarranted amount of council resources or impede the investigation of their complaint.

The aim of this policy is to identify situations where the complainant could be considered vexatious or unreasonable or unreasonably persistent and how to deal with such situations.

This guidance also reflects the “Guidance note on ‘unreasonably persistent’ complainants and ‘unreasonable complainant behaviour’” issued by the Local Government Ombudsman in January 2007.

- 1.2. It must be recognised that complainants may sometimes act out of character at times of anxiety or distress and reasonable allowances should be made for this.
- 1.3. This policy does not apply to complaints in respect of councillors. Guidance on how to proceed with a complaint about a councillor can be found on www.portsmouth.gov.uk

2. Definition of unreasonable and unreasonably persistent complainants

- 2.1. It is important to distinguish between 'persistent' complainants and 'unreasonably persistent' complainants. People pursuing their complaint are 'persistent' because they feel the council has not dealt with their complaint properly and are not prepared to leave the matter.*
- 2.2. Unreasonable and unreasonably persistent complainants are those complainants who, because of the nature or frequency of their contacts with the council, hinder the council's consideration of their or other people's complaints.*
- 2.3. Unreasonable and unreasonably persistent complainants may have justified complaints or grievances but are pursuing them in inappropriate ways. Others may pursue complaints which appear to have no substance or which have already been investigated and determined. Their contact with the council may be amicable but still place heavy demands on staff time, or they may be very emotionally charged and this can be distressing for all involved.
- 2.4. Sometimes the situation between the council and a complainant can escalate and the behaviour moves from being unreasonable and unreasonably persistent to behaviour which is unacceptable for example, abusive, offensive or threatening.
- 2.5. Very occasionally complainants also act deceitfully by forging documents, making covert recordings of meetings, adopting false identities and so on. Such behaviour is unacceptable and managing it can become a distraction from consideration of the original substance of the complaint.*

3. Examples of unreasonable actions and behaviours

3.1. *These are some of the actions and behaviours which can be problematic. Single incidents may be unacceptable, but more often the difficulty is caused by unreasonably persistent behaviour that is time consuming to manage and interferes with proper consideration of the complaint.*

- *Refusing to specify the grounds of a complaint, despite offers of assistance.*
- *Refusing to co-operate with the complaints investigation process.*
- *Refusing to accept that certain issues are not within the scope of the complaints procedure.*
- *Insisting on the complaint being dealt with in ways which are incompatible with the adopted complaints procedure or with good practice.*
- *Making unjustified complaints about staff who are trying to deal with the issues, and seeking to have them replaced.*
- *Changing the basis of the complaint as the investigation proceeds.*
- *Denying or changing statements he or she made at an earlier stage.*
- *Introducing trivial or irrelevant new information at a later stage.*
- *Raising numerous, detailed but unimportant questions; insisting they are all answered.*
- *Covertly recording meetings and conversations.*
- *Submitting falsified documents from themselves or others.*
- *Adopting a 'scatter gun' approach: pursuing parallel complaints on the same issue through a variety of channels.*
- *Making excessive demands on the time and resources of staff with lengthy phone calls, emails to numerous council staff, or detailed letters every few days, and expecting immediate responses.*
- *Submitting repeat complaints with minor additions/variations that the complainant insists make these 'new' complaints.*
- *Refusing to accept the decision; repeatedly arguing points with no new evidence.*

4. Vexatious Complainants

4.1. Someone who causes or is likely to cause a disproportionate or unjustified level of disruption, irritation or distress.

4.2. Complainants may be deemed to be vexatious as a result of their unreasonable behaviour where current or previous contact with them shows that they have met one or more of the following criteria:

- Persisting in pursuing a complaint where the council's complaints procedure has been fully and properly implemented and exhausted, including the Local Government Ombudsman.
- The substance of a complaint is changed or new issues are raised persistently or complainants seek to prolong contact by unreasonably raising further concerns although care must be taken not to disregard new issues, which differ significantly from the original complaint.
- Complainants are unwilling to accept documented evidence of facts or deny receipt of an adequate response despite correspondence specifically answering their questions/concerns. This could also extend to complainants who do not accept that facts can sometimes be difficult to verify after a long period of time has elapsed.
- Complainants refuse to specify or do not clearly identify the precise issues or grounds they wish to be investigated despite reasonable efforts to help them.
- Complainants have, in the course of pursuing a registered complaint, had an excessive number of contacts (or unreasonably made multiple complaints) with the council placing unreasonable demands on council employees. Such contacts may be in person, by telephone, letter, fax or electronically. Discretion must be exercised in deciding how many contacts are required to qualify as excessive, using judgement based on the specific circumstances of each individual case.
- Complainants have harassed, been abusive, verbally aggressive, threatening or bullying on one or more occasions towards staff dealing with their complaint – directly or indirectly – or their families and/or associates. All incidents of harassment or aggression must be documented, dated and reported to the line manager.
- Complainants making unnecessarily excessive demands on the time and resources of the council or its staff whilst a complaint is being looked into, by excessive telephoning or sending emails to numerous council staff, writing lengthy complex letters every few days and expecting immediate responses.
- Complainant refusing to accept that issues are not within the remit of a complaints procedure despite having been provided with information about the procedure's scope.
- Complainant making what appears to be groundless complaints about the staff dealing with the complaints, and seeking to have them replaced.
- Complainant adopting a "scattergun" approach: pursuing a complaint or complaints with the authority and at the same time with a Member of Parliament/a councillor/the authority's independent auditor/ local police/solicitors/the Ombudsman.
- Combination of some or all of these.

4.3. Complaints may be deemed to be vexatious in any situation where physical violence has been used or threatened towards staff or their families/associates at any time. This will cause personal contact with the complainant to be discontinued and the complaint will, thereafter, only be pursued through written communication. All such incidents should be documented and reported in accordance with the violence at work policy.

5. Managing persistent complainants

- 5.1. If a complainant's persistence adversely affects the council's ability to do its work and provide a service to others, the council may need to manage their unacceptable behaviour by restricting their contact.
- 5.2. Any restrictions applied will be appropriate and proportionate to the nature of the complainant's contacts with the council at that time, such as:
- Placing time limits on telephone conversations and personal contacts.
 - Restricting the number of telephone calls that will be taken (for example one call on one specified morning/afternoon of any week).
 - Limiting the complainant to one medium of contact (telephone, letter, email etc).
 - Requiring a complainant to communicate only with a named employee.
 - Involving the police in cases where we believe the complainant has committed a criminal offence (for example, harassment, assault on staff or criminal damage), where assaults threatened, or where the complainant refuses repeated requests to leave council premises.
- 5.3. Wherever possible the council will seek to apply restrictions in a way which will allow a complaint to progress to completion through the complaints process.

6. Deciding to restrict complainant contact

- 6.1. Before making any decision to restrict contact the complainant will be warned that, if the specified behaviour or actions continue, it will consider applying some or all of the restrictions set out at 5.2.
- 6.2. Decisions about applying this policy will only be taken after careful consideration of the situation by the head of service.
- 6.3. The head of service will consider whether:
- the complainant is raising legitimate concerns
 - the complaint is or has been investigated properly
 - any decision reached is the right one
 - communications with the complainant have been adequate
 - any circumstances that relate to the complainants mental health, age, gender, sexual orientation, belief or disability have been considered
 - *the complainant is not now providing any significant new information that might affect the council's view on the complaint.*
- 6.4. In deciding which restrictions are appropriate, careful consideration will be given to balancing the rights of the individual with the need to ensure other complainants and employees do not suffer any disadvantage and the resources of the council are used effectively as possible.
- 6.5. Where this policy is applied the complainant will be sent a copy of the policy and told in writing why:
- a decision has been made to restrict future contact;
 - any restricted contact arrangements:
 - the length of time that these restrictions will be in place, and

- what they can do to have the decision reviewed.

7. Considerations prior to taking action under the policy

7.1 When it is necessary to designate the complainant as behaving unreasonably the following actions may be deemed appropriate;

- *Offering the complainant a meeting with an officer of appropriate seniority to explore the scope for a resolution of the complaint and explain why their current behaviour is seen as unreasonable.*
- *Sharing the policy with the complainant and warning them that restrictive actions may need to be applied if their behaviour continues.*
- *Setting up a strategy meeting to agree a cross-service approach.*
- *Designating a key officer to co-ordinate the council's response(s).*
- *Helping the complainant to find a suitable independent advocate, especially if the complainant has different needs.*

8. Appealing a decision to restrict contact

8.1. A complainant can appeal a decision to restrict contact. The appeal will be considered by a strategic director or head of service who has not been involved in the original decision. They will advise the complainant in writing whether the restricted contact arrangements still apply or a different course of action has been agreed.

9. Recording and reviewing decisions

- 10.1 When it is decided to restrict contact, a note will be sent to all services involved and a record made on the persons file and any relevant computer records.
- 10.2 Any further correspondence from the complainant will still be read to pick up any significant new information.
- 10.3 If the complainant makes any new complaints about new issues these will be treated on their merits and a decision will have to be made by the manager whether any restrictions, which have been applied before, are still appropriate or necessary.
- 10.4 A decision to restrict contact may be reconsidered if the complainant demonstrates a more acceptable approach.
- 10.5 *The decision to impose a restriction will be reviewed by the date advised to the complainant. Restrictions should be lifted and relationships returned to normal unless there are good grounds to extend the restrictions. The complainant will be informed of the outcome of the review.*
- 10.6 *If restrictions are to continue the complainant will be advised of the reasons and when the restrictions will next be reviewed.*

10. Record keeping

- 11.1 *Adequate records will be retained by the appropriate service manager of the details of the case and the action that has been taken.*
- 11.2 *The corporate complaints service must be advised:*

- *The name and address of each complainant who is treated as abusive, vexatious or persistent;*
- *When the restriction came into force and the end date;*
- *What the restrictions are;*
- *When the customer and departments were advised, and*
- *The results of any review(s).*

DRAFT



Title of meeting: Governance and Audit and Standards

Date of meeting: 25 September 2015

Subject: Revision of the Corporate Complaints Policy

Report by: The Director of Community and Communications

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

To bring to the attention of the Governance & Audit & Standards Committee the revised Corporate Complaints Policy attached as appendix A. The policy has been updated to ensure continued best practice in complaint investigation and complaint management.

2. Recommendations

1. That the Governance & Audit & Standards Committee approve the Corporate Complaints Policy for use across Portsmouth City Council

3. Reasons for recommendations

The Corporate Complaints Policy has been reviewed to bring it into line with current best practice and to provide greater clarity for the handling of unreasonably persistent complainants who place high demand on council services whilst their complaint is being investigated.

The policy sets out how complaints will be handled and details the complaints that will not be considered by Portsmouth City Council.

4. Equality impact assessment (EIA)

A preliminary EIA has been completed. A full EIA was not required as the policy does not negatively impact on any of the protected characteristics as described by the Equality Act 2010.

5. Legal implications

There are no legal implications arising out of this report. Whilst the formal approval of these reports is now being sought, the Council has been acting in accordance with this policy for some time. However it is important that the policy is considered and formally adopted by the Committee to ensure that our procedures are open and transparent and accord with the wishes of Members.

6. Director of Finance's Comments

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

Appendices: Appendix A - Corporate Complaints Policy.

.....
Signed by:

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:

Background list of documents: Customer Services list of papers

Title of document	Location
None	

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

.....
Signed by:

Draft Corporate complaints policy

June 2015

Rachel-Marie Wilson
Corporate Complaints and FOI Officer

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DRAFT

1. Introduction

- 1.1. The council recognises the right of its customers to complain and indeed welcomes complaints as a valuable form of feedback about its services. Portsmouth City Council is committed to using information gained from complaints to help drive forward improvements to services and to better meet the needs of customers.
- 1.2. This policy applies to corporate complaints made to Portsmouth City Council whether written or verbal, but excludes complaints regarding Social Care, the conduct of councillors or complaints made to schools as other policies exist to cover these.
- 1.3. Officers wishing to make a complaint about the council should refer to the Grievance Procedure and the Whistleblowing policy.

2. Definition of a complaint

- 2.1 Portsmouth City Council has adopted the following definition of a complaint:

"A complaint is any expression of dissatisfaction about a service provided by the council, a member of staff or someone acting on behalf of the council."

2.2 A justified complaint is defined as an instance where Portsmouth City Council is at fault because it has failed to do something it should have, or has done something it should not have.

2.3 A grievance is defined as an instance where the customer is dissatisfied but the council is not at fault because it is following an agreed policy or procedure.

3. Policy

- 3.1 It is the Policy of the Council to ensure that:

- 3.1.1 All complaints shall be dealt with promptly, and where possible within the published timescales in 4.3.

- 3.1.2 All complaints shall be dealt with confidentially.

- 3.1.3 Advice and assistance shall be offered to help an enquirer frame their complaint. Complaints may be accepted either verbally or in written format. Complaints made verbally will be confirmed in writing; once agreed the complaint will be processed in accordance with this policy.

- 3.1.4 All complaints are acknowledged, recorded and monitored by the corporate complaints service.

- 3.1.5 Where a complaint is made to a councillor(s) they will be referred to the corporate complaints service. The councillor will be copied into any response to the complainant.*

- 3.1.6 All complainants will be kept informed of the progress of their complaint and of any delays.

- 3.1.7 All complainants will be advised of their right to question the response and how to request a review.

- 3.1.8 All complainants will be advised of their right, if they remain dissatisfied, to take their complaint to the Local Government Ombudsman once the council process has been completed.
- 3.1.9 *The council aims to handle all complaints fairly and honestly regardless of whoever makes a complaint. The council will treat all members of the community equitably and will not show bias to any particular individual or group.*
- 3.1.10 *The council will only consider a complaint which has been made to the authority or a member of the council within twelve months of the date on which the person framing the complaint first had notice of the matters alleged in the complaint, unless it is reasonable for the council to investigate the complaint outside this timescale.*
- 3.1.11 *The complainant will notify the council within 20 working days if they remain dissatisfied with the handling of their complaint at stage one or two of the corporate complaints process.*
- 3.1.12 *The council will only consider a complaint about an on-going statutory or regulatory process (such as benefit appeals) where the complaint relates to maladministration in its operational or administrative processes.*
- 3.1.13 The council will not consider a complaint about an issue where an alternative statutory remedy for the complainant to pursue their complaint exists (e.g. school admissions, penalty charge notices etc.), or where an alternative remedy such as legal action is also being sought.
- 3.1.14 *The council will not re-address a complaint on broadly the same or similar lines where the issue has already been addressed through the complaint process and has reached a resolution, unless new evidence or information is provided or a completely new issue is raised. Such complaints may be designated persistent or vexatious and be managed in accordance with the persistent complainant's policy.*
- 3.1.15 *The council will not re-consider a complaint where a resolution has already been proposed by the Local Government Ombudsman unless requested to do so by the ombudsman's office following a review.*
- 3.1.16 *The council will not enter into protracted correspondence with the complainant between the individual stages of the complaints process.*
- 3.1.17 *The council will not normally investigate where the complainant is using their enquiry as a way of raising a wider political or community campaign.*
- 3.1.18 *The council will not normally investigate where the complainant is not the person primarily affected and is complaining about a secondary impact on them, rather than acting on behalf of the person directly affected.*
- 3.1.19 *The management of the complaints process shall be regularly audited to ensure compliance with the council's standards and procedures.*
- 3.1.20 *All complaints shall be monitored and performance indicators made available to demonstrate compliance with agreed timescales.*

4. Complaints Procedure

- 4.1 Portsmouth City Council has a three-stage complaint process. Following the completion of each stage the customer will have the right to have the complaint escalated to the next stage of the process – subject to a clear explanation as to why they were dissatisfied with the outcome of the investigation at the earlier stage and what more they think the council should do.
- 4.2 *The council will not escalate a complaint simply because the complainant disagrees with the response. Evidence of fault must be provided.*
- 4.3 The customer can complain to the ombudsman direct but the ombudsman will only deal with complaints that have been through Portsmouth City Council's three stage complaint procedure, unless there is an urgent reason for doing so.
- 4.4 The timescales for stages 1, 2 and 3 are:
- **Stage 1**
 - Acknowledgement sent within three working days
 - Investigation carried out by a manager of the service complained about
 - Response sent within 10 working days
 - **Stage 2**
 - *Clear reasons for the escalation of the complaint must be received no later than 20 working days from the date of the stage one reply*
 - Acknowledgement sent within three working days
 - Response sent from the head of service within 15 working days
 - **Stage 3**
 - *Clear explanation for the escalation of the complaint must be received no later than 20 working days from the date of the stage two reply*
 - Acknowledgement sent within three working days
 - Response sent from the chief executive within 20 working days.
- 4.5 The complainant will be kept informed of any delays and when a full response will be expected.
- 4.6 Any complaints made concerning harassment or discrimination by an employee towards a customer will use the same three stage process. The service will deal with these complaints and the equality and diversity team will be available for support and information if required.

5. Definition of harassment and discrimination

- 5.1 Harassment - This is unwanted behaviour, which has the purpose or effect of violating the dignity of a person on the grounds of racial or ethnic origin, sex, religion or belief, disability, age or sexual orientation.
- 5.2 Discrimination - Treating an individual or group differently and less favourably than others under comparable circumstances. It may be based on a person's race, ethnic origin, gender, disability, age, religious or other belief, or their sexual orientations. It may be unlawful and include harassment.

6. Subject areas falling outside of the corporate complaints policy

- 6.1 Though designed to be as comprehensive as possible it is recognised that certain types of complaint are not intended to be dealt with by the corporate complaints policy.
- Social care complaints are dealt with under their own procedure.
 - All schools have their own complaints process.
 - Investigation of complaints that a councillor may have breached the code of conduct forms part of the Governance and Audit and Standards Committee role.

7. Responsibilities of Portsmouth City Council's contractors

- 7.1 Organisations contracted to provide services on behalf of the council will be required to comply with the policy. This includes responding to council officers with information as requested concerning the complaint and providing assistance in the connection with further investigations as appropriate.
- 7.2 Portsmouth City Council will reply on behalf of the contractor. If the contractor receives a complaint direct they will ensure that it is sent to the relevant service to record and action as appropriate.

8. Review

- 8.1 *This policy will be reviewed to respond to any changes and at least every two years.*
- 8.2 *The Community and Communications Service will be responsible for reviewing and maintaining this policy.*



THIS ITEM IS FOR INFORMATION ONLY

Title of meeting: Governance and Audit and Standards Committee

Subject: Local Government Ombudsman Complaints 2014/2015.

Date of meeting: 25 September 2015

Report by: Director of Community and Communications

Wards affected: All

1. Requested by

Director of Community and Communications

2. Purpose

To bring to the attention of the Governance & Audit & Standards Committee the Annual Review by the Local Government Ombudsman dated June 2015 regarding the complaints it has considered against Portsmouth City Council for the year 2014/2015.

3. Information Requested

- 3.1. The local government ombudsman's annual review provides a summary of the complaints they have dealt with regarding Portsmouth City Council. It includes comments of the authority's performance and complaint handling arrangements, to assist with service improvements.
- 3.2. This year The Local Government Ombudsman (LGO) has warned that the complaints system in local government is under increasing pressure.
- 3.3. The LGO's *Annual Review of Local Government Complaints* suggests that many councils are dealing with increasing numbers of complaints and have less resource available to manage them due to resources being cut in complaint handling teams.
- 3.4. The warning is also backed by research that found that, on average, people spent nine months trying to resolve their complaint before coming to the LGO, and 43% of people were not told that they could approach the LGO for an independent review.
- 3.5. In 2014/15, the LGO registered 18,211 complaints and enquiries about councils, and upheld 46% of all complaints where it carried out a detailed investigation. Within its total number of complaints there was a 10% increase nationally in adult social care complaints and an 11% decrease in complaints about benefits and tax.

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Complaints about Portsmouth City Council

Directorate	Number of complaints
Adult Social care	10
Benefits and Council Tax	3
Corporate and Other Service	4
Education and Children's Services	11
Environmental Services and Public Protection	3
Highways and Transport	9
Housing	4
Planning and Development	1
Total	45

Decisions made

Upheld	9
Not Upheld	6
Advice given	1
Closed after initial enquiries	7
Incomplete/Invalid	3
Referred back for local resolution	23
Total	49

3.6 The Local Government Ombudsman received 45 complaints and enquiries about Portsmouth City Council during 2014/2015, compared with 67 in 2013/2014, of this figure, 3 were upheld. During the same period 49 decisions were made regarding Portsmouth City Council. Please see the breakdown of these cases shown above. The difference between the complaints received and decisions made are due to 4 complaints being received in one financial year, with investigations being completed in another.

3.7 The 9 upheld cases were remedied either during the investigation or as a result of an investigation by the ombudsman. These are termed as 'local settlements' and are where, during the course of an investigation the council takes or agrees to take some action which the Local Government Ombudsman considered to be a satisfactory conclusion to the complaint.

3.8 One of the upheld complaints was included in last years' LGO report submitted to Governance and Audit and Standards Committee and has not been included in the actions below.

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4. Comparison to other local authorities

Number of complaints received

Directorate	Bristol City	Brighton and Hove	Portsmouth	Southampton	Isle of Wight
Adult Social care	11	27	10	9	19
Benefits and Council Tax	34	13	3	11	3
Corporate and Other Service	11	15	4	6	5
Education and Children's Services	8	14	11	11	8
Environmental Services and Public Protection	10	19	3	7	11
Highways and Transport	13	13	9	4	9
Housing	23	25	4	10	3
Planning and Development	21	12	1	11	12
Total	131	138	45	69	70

Decisions made

Upheld	19	17	9	7	6
Not Upheld	15	16	6	8	7
Advice given	5	3	1	2	1
Closed after initial enquiries	35	39	7	17	15
Incomplete/Invalid	5	7	3	6	2
Referred back for local resolution	54	43	23	30	34
Total	133	125	49	70	65

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5. Agreed actions in response to upheld complaints

All complaints below have been anonymised.

5.1 Adult Social Care

5.1.1 Complaint 1:

The Council did not follow all of its safeguarding adults' procedures when it found Mr J at risk of harm if he stayed with his carers. The Council properly protected Mr J, but did not involve him in the relevant decision-making. This caused him avoidable distress.

5.1.2 Action 1:

Remind officers to follow the relevant adult safeguarding procedures with respect to risk and self-determination, and apologise to the complainant, acknowledging it did not take proper account of his wishes and feelings, and undertaking to do so in the future.

5.1.3 Complaint 2:

The Council did not properly involve Mr J in the decision to place his mother, Mrs L, at Care Home 2. So he lost the opportunity to identify a nearer, less expensive placement for her when she entered residential care.

5.1.4 Action 2:

Apologise to the complainant for not making more effort to resolve his complaint. Deduct from its bill for Mrs L's care £70 a week for the 24 weeks Mrs L stayed in Care Home, this being the difference between the fees for Care Home 2 and Care Home 3.

5.1.5 Complaint 3:

The Council charged Mrs K the wrong amount for the first four weeks of her residential placement and should refund the difference to her estate. But its failure to provide clear information did not cause Ms J, her daughter, an injustice, because Ms J had the opportunity to contribute to a financial assessment which would have resolved this part of her complaint.

4.1.6 Action 3:

The Council should ensure Mrs K paid only £231 a week for the first four weeks of her stay at Care Home 1, and issue a refund if necessary to her estate.

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6.2 Children's Social Care

6.2.1 Complaint 4:

The Council was correct to take action to protect D from harm, but it did not commission a specialist risk assessment quickly enough, and this delayed Mr J's return home and to normal family life.

6.2.2 Action 4:

The Council apologised to Mr and Mrs J and paid them £500.

6.2.3 Complaint 5:

The Council was at fault in the way a social worker carried out an initial assessment of Miss X's child, Y. Miss X complained. The Council accepted there was fault, apologised, carried out a fresh assessment, offered to correct its records and addressed issues of professional practice. But the Council took 13 months to deal with Miss X's complaint. Even allowing for time taken by Miss X, this was almost eight months too long.

6.2.4 Action 5:

The Council apologised and agreed to pay Miss X £250 for her time and trouble in having to pursue her complaint for almost eight months longer than necessary.

6.3 Financial Services

6.3.1 Complaint 6:

There was no fault in the decision to restrict Ms X's contact with the adult social care finance team. Ms X made unreasonable demands of council officers. Her contacts were excessive and far higher than for anyone else for whom the Council holds a deputyship. However, the Council's letter explaining the contact restriction was faulty because:

- It did not explain the restriction was only with the finance team
- It did not explain Ms X's right of appeal or state when there would be a review.

6.3.2 Action 6:

The Council has agreed to review the restriction

6.4 Licensing

6.4.1 Complaint 7:

The Council's failure to be clear about whether and where businesses may put advertising boards (A-boards) on the highway has put blind and partially sighted people at risk, and confused businesses and the public.

6.4.2 Action 7:

Apologise to the complainant for the frustration it has caused him and for the risks to which he has been put by its failure to ensure all businesses respect

THIS ITEM IS FOR INFORMATION ONLY

the rights and needs of pedestrians. A payment of £150 was made in recognition of this.

6.5 Education and Strategic Commissioning

6.5.1 Complaint 8:

There were some faults in the Council's handling of Mr B's request that the Council pay his son's school bus fares.

6.5.2 Action 8:

- a) Take a fresh application from Mr B and decide it properly, on the basis of all the information, without fettering the Council's discretion (that is, without simply refusing school transport because C is not at one of his three nearest schools). The new decision, if unfavourable, should give new appeal rights. The Council will also explain decisions fully.
- b) Review the Council's policy so it does not fetter the Council's discretion to consider exceptional circumstances.
- c) Check whether any other applications were refused in the current school year just because the parent had sent the child to a school other than one of the nearest schools.

.....
Signed by (Director)

Appendices: Nil

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
Review of Local Government Complaints 2014/15	http://www.lgo.org.uk/publications/annual-reviews/



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	25 th September 2015
Subject:	Audit Performance Status Report to 24 th August 2015
Report by:	Chief Internal Auditor
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Summary

- 1.1 One new critical risk exception from the 2014/15 Audit Plan has been highlighted in this report. A further two audits have resulted in "No Assurance" being given, one from the 2014/15 plan and one from the 2015/16 plan. Further details can be found under Section 6 of this report
- 1.2 There are now 119 planned audits for 2015/16 made up of 88 new reviews and 31 follow up audits. Of these, 56 (47%) have been completed or are in progress as at 24th August 2015. This represents 14 audits (26%) where the report has been finalised, 9 audits (16%) where the report is in draft and 33 audits (58%) 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 are shown in Appendix A. Results of completed follow up audits can be found within 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 2015/16 to 24th August 2015 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 2015/16 to 24th August 2015

- 3.2 That Members note the highlighted areas of control weakness for the 2015/16 Audit Plan

4. Background

- 4.1 The Annual Audit Plan for 2015/16 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 30th January 2015 following consultation with Heads of Services, Strategic Directors and the Chair of this Committee.

5. Audit Plan Status 2015/16 to 24th August 2015

Percentage of the approved plan completed

- 5.1 47% of the annual audit plan has been completed or is in progress as at 24th August 2015. Appendix A shows the completed audits for 2015/16. Appendix B shows the completed follow up audits for 2015/16

The overall percentage figure is made up as follows:

- 5 new reviews (4%) where the report has been issued, 5 in draft form (4%) and 30 (26%) where work is in progress
- 9 planned follow ups (8%) where the report has been issued, 4 in draft form (3%) and 3 (2%) where work is in progress

- 5.3 As requested by Members of the Committee a breakdown of the assurance levels on completed audits 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 2015/16 Audit Plan

- 5.4 Three full audits and one follow up audit have been removed since the last meeting of the Committee.
- 5.4.1 Building Control Fees - Full audit removed as the service has become a partnership with Fareham Borough Council and they will be auditing the majority of the process and providing assurance.
- 5.4.2 Emergency Planning - Full audit removed as this area is inspected by external parties, but will be reconsidered for the 2016/17 audit plan.
- 5.4.3 Business Continuity - Full audit removed as due to the recent restructuring, departments are reviewing their Business Continuity Plans to incorporate service movement. Once complete these revised plans will be collated centrally. The Audit will now be undertaken in quarter 1, of 2016/17

5.4.4 Private Foster Carers - Follow up removed as the exceptions raised in the 2014/15 audit were followed up as part of the 2014/15 Audit Plan

5.5 One full audit on Supported Living has been added to the Audit Plan since the last meeting of the Committee. There have been 8 follow up audits added to the Audit Plan which are Purchase Cards, Safer Recruitment, Data Archiving, Tipner Regeneration, School Sufficiency Programme, Port Finance, Port Maintenance and Domiciliary Care.

Reactive Work

5.6 Reactive work completed by Internal Audit in 2015/16 includes:

- 9 special investigations
- 32 items of advice

As well as the following unplanned reviews/work:

- Channel Shift Programme
- Disposal of goods found within abandoned garages
- Community Capacity Grant
- Contract Procedure Rules update
- Cash Handling Instructions update
- Solent NHS Trust Business Presentation

Exceptions

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

- 0 Critical Risk
- 15 High Risk
- 0 Medium Risk
- 1 Low Risk (Improvements)

5.8 The table below is a comparison of the audit status figures for December for this financial year and the previous two years.

	2013/14	2014/15	2015/16
% of the audit plan progressed	32%	47%	47%
No. of Critical exceptions	2	1	0
No. of High risk exceptions	58	17	15

Ongoing Areas

5.9

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 (included in the 200 days of reactive work)
- 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

5.10

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 & Updates

Updates

6.1. HR Legal & Procurement - Safer Recruitment - Unresolved

- 6.1.1 A critical risk exception had been raised as part of the 2014/15 Audit with regard to the storage of Disclosure & Barring Service (DBS) checks on a central HR database. Of a sample of 82 staff that would have required a DBS check 4 (5%) could not be found within the database. Further discussions identified that in 2014 of the 408 DBS requests sent out only 211 (52%) had been received back by the recruitment team. However this is not indicative that the DBS checks have not been carried out, just that there is no evidence to support this. By failing to adequately maintain and monitor a current DBS database the Authority may appoint an employee with a positive disclosure or relevant conviction. Should this occur the Authority may be in breach of legislation and could face

significant reputational damage. A follow up audit of this area was undertaken in July 2015.

Short Term Agreed Action

- 6.1.2.1 Recruitment managers and assistants to be reminded to follow up with managers and candidates currently undergoing a recruitment exercise to ensure DBS details are captured within the central record
- 6.1.2.2 Follow Up Testing Results: Recruitment managers have been reminded as agreed to follow up with managers currently undertaking recruitments to ensure DBS data is captured on the Single Central Record.

Medium Term Agreed Action

- 6.1.3.1 Individuals without a record within the central record are to be contacted to obtain their DBS number and expiry date. HR plan to implement a new HR Tracker Data Base which will automatically alert managers when a DBS response has not been achieved. Finally the Intranet will be updated to remind managers to contact recruitment once DBS certificates have been sighted
- 6.1.3.2 Follow Up Testing Results: The task relating to contacting staff without a DBS record should have been completed by June 2015. Due to the team dealing with other priorities this was not completed within the original time frame, a new completion date of 18th September has been agreed. The HR Tracker data base has been built and was due to be rolled out in July 2015. The Intralink pages had not been updated at the time of follow up testing; a new implementation date of 31st August 2015 has been agreed.

Long Term Agreed Action

- 6.1.4.1 HR was going to consider the implementation of the e-bulk service which would allow customers to submit and receive back multiple applications electronically.
- 6.1.4.2 Follow Up Testing Results: This agreed action is currently ongoing and reliant on attracting external clients to strengthen the business case.

Follow Up

- 6.1.5 A further follow up audit is due to take place in October 2015 to ensure the medium term agreed actions have been completed.

6.2 Finance & Information Service - Concessionary Travel Passes - Resolved

- 6.2.1 The 2014/15 audit of this area resulted in one critical risk exception being raised with regard to there being insufficient controls and record keeping surrounding parking scratch cards held by PCC. Failure to maintain adequate control over stock held could lead to scratch cards being misappropriated. This would result in a financial loss to the Authority and the potential damage to its reputation.
- 6.2.2.1 Agreed Action: The number of scratch card books held would be reduced from 1014 to 250. The remaining books would be sequentially numbered and entered into a control book which would be reconciled on a monthly basis.

- 6.2.2.2 Follow Up Testing Results: Follow up testing confirmed that the excess scratch card books had been disposed of with the authorisation of the S.151 Officer. The books have been sequentially numbered and stock records were reconciled to the control book. As a result the critical risk exception has been closed.

6.3 **Children's Social Care - Direct Payments - Unresolved**

- 6.3.1 The 2014/15 audit of this area highlighted two critical risk exceptions. These were followed up in year with the follow up report being issued in June 2015.

- 6.3.2.1 Agreed Action: The first critical risk exception related to financial returns for direct payments being incomplete or overdue. If financial returns are not submitted or returned incomplete the Authority is unable to determine if the payments are being used for their intended purpose. This could lead to fraudulent use going undetected and could place the young person at risk as their needs are not being met. In order to mitigate this risk it was agreed that a list of outstanding returns would be provided to the Children with Disabilities Team Manager on a monthly basis. Any outstanding returns would then be passed onto the relevant Social Worker to chase up

- 6.3.2.2 Follow Up Testing Results: Follow up testing confirmed that the actions have been implemented as agreed.

- 6.3.3.1 Agreed Action: The second critical risk exception related to non compliant expenditure being recorded with Direct Payments returns and as above returns not being received on time. Failure to monitor direct payment expenditure could result in an inability to detect fraudulent activity and recover the relevant funds resulting in a financial loss to the Authority. A number of actions were agreed including:

- Implementation of a new process whereby payments would be suspended should returns not be submitted
- Letters sent to parents/carers who have not submitted returns within the last 6 months
- A review of the return processing procedure
- A review of the method by which direct payments are made.

- 6.3.3.2 Follow Up Testing Results: Follow up testing confirmed the following results:
- The process for stopping payments where returns are not made has been implemented
 - Letters are now being sent to those who have not submitted a return for 6 months or more
 - Changes to the processing of client returns is currently on hold until the new system is up and running

- A review on the method of payment has been implemented and a pilot system using pre-paid cards was due to go live in the summer of 2015

6.3.4 The outstanding issues will be followed up during the 2015/16 audit of this area.

6.4 **Transport Environment & Business Support - Homecheck Telecare - Resolved**

6.4.1 The 2014/15 audit of this area was given no assurance after 5 high risk exceptions were raised.

6.4.2.1 Four high risk exceptions related to breaches of PCC Financial Rules in the following areas:

- Cash Handling Instructions being unsigned and not being followed with respect to countersigning receipts when cash is transferred.
- Compilation of paying in sheets and the frequency at which money is paid into cashiers.
- The key to a lockable safety deposit box was held in a cupboard accessible by non Telecare staff.
- Lack of formal process for stock control and inventory management

Financial rules provide a comprehensive control framework to ensure the Authority's financial transactions and records are lawful, accurate and consistent. Non compliance with financial rules increases the risk of fraud, theft and financial loss to the Authority.

6.4.2.2 Agreed Actions: The following actions were agreed to mitigate the risks highlighted above:

- All relevant staff have signed the Cash Handling Instructions and have been instructed to ensure all receipts acknowledging the transfer of cash are now countersigned
- Job numbers are now to be included within paying in sheets. All cash now paid in on at least a weekly basis
- The key to the safety deposit box be moved to a secure location
- A process for monitoring inventory was implemented during the audit which involves staff having to sign in and out stock.

6.4.2.3 Follow Up Testing Results: Testing confirmed that three of the four actions detailed above have been completed as agreed. The final agreed action relating to monitoring inventory was found to be in progress. Stock is now signed out by operatives and random stock checks are undertaken by the Team Leader. These are to continue but stock control checks are to be expanded to verify that items signed out match the needs of the job in hand.

6.4.3.1 The final exception was raised as testing found that not all of the Homecheck Telecare staff had undertaken the Authority's manual handling training. If staff have not undertaken the training and are injured whilst carrying out their duties the Authority may be subject to litigation claims.

6.4.3.2 Agreed Action: The remaining staff were to undertake the required training immediately

6.4.3.3 Follow Up Testing Results: Testing confirmed that 100% of Homecheck Telecare staff had completed the manual handling training.

6.5 **External - Manor Infant School - Resolved**

6.5.1 A full school audit of an Manor Infant School resulted in 13 high risk exceptions being raised, as such Internal Audit were unable to give any assurance as to the effectiveness of the financial management controls at the school.

6.5.2.1 The high risk exceptions related to non-compliance with the following PCC policies which has resulted in an audit opinion that the Governor's self-assessment of the financial management of the School is not in line with our findings as per the Schools Financial Value Standard (SFVS):

- Scheme for Financing Schools (Head Teacher spending limits) - Without agreed spending limits the Head may be unable to react to emergency situations that could affect business continuity.
- Financial Rules (location of safe keys, income trail from receipt to banking, administration and stock control of uniforms, administration of purchase cards, poor inventory management, breaching safe limits and petty cash administration). Financial rules provide a comprehensive control framework to ensure the Authority's financial transactions and records are lawful, accurate and consistent. Non compliance with financial rules increases the risk of fraud, theft and financial loss to the Authority.
- HR Policy (no evidence of references being sought for new employees). Failure to check references may see the school appoint someone who does not have the appropriate skills or abilities for the job.
- H&S Policy (lack of a Business Continuity Plan). Lack of a suitable business continuity plan could affect the ability of the school to remain operational in the event of an emergency.
- CCTV Policy (lack of a CCTV policy). The Information Commissioners Office CCTV Code of Practice dictates that schools must have a CCTV policy adopted by the governors. Failure to comply with this requirement could lead to a potential fine and reputational damage for the school.

6.5.2.2 Agreed Actions: Actions were agreed for the 13 exceptions, further details can be found within the follow up report.

6.5.2.3 Follow Up Testing Results: A site visit was undertaken at the school on 27th April 2015. Testing confirmed that the actions for all 13 high risk exceptions have been completed as agreed.

6.6 Finance & Information Service - Debt Recovery - Unresolved

- 6.6.1 The 2014/15 audit of Debt Recovery was given no assurance as the auditor was unable to undertake any testing regarding the effectiveness of the quality checking and performance management framework.
- 6.6.2.1 At the time of the initial audit it was explained that due to a change in team management quality checking processes were still in their infancy and therefore it was not possible to produce the data required to test against the processes. The reporting from the newly implemented W2 document management system did not provide enough detail to be used as a management tool. If work produced by debt recovery staff is not subject to quality checking there is an operational risk that processes are not being followed which in turn could result in a financial loss to the Authority as debts are not collected efficiently.
- 6.6.2.2 Agreed Action: To continue to develop a functional quality checking and performance monitoring framework
- 6.6.2.3 Follow Up Testing Results: As requested by Members of the committee a follow up audit was completed in September 2015. It was still not possible to carry out testing as the current quality checking does not provide useful information and the performance monitoring spreadsheet did not hold all the information that management require. Management have accepted that the performance management information required to monitor progress and quality of work requires improvement. The new document management system was not installed with pre written management reports and as such will require management resources to develop. Current capacity has been diverted to cover higher priority and more immediate needs such as the Revenues & Benefits transformation programme and monitoring of the in year collection rate.

New Areas of Concern

- 6.7 **2014/15 Audit - Transport Environment & Business Support - Maintenance of roads outside of the Colas PFI contract**
- 6.7.1 The Authority currently has 49 roads which are outside of the current highways PFI contract. The roads are the responsibility of a number of different directorates. The 2014/15 audit of this area resulted in 5 high risk exceptions being raised.
- 6.7.2.1 The five high risks exceptions related to:
- A lack of documented information as to the condition of the roads.
 - Differing levels of monitoring throughout the directorates
 - Inadequate budget provisions for maintenance of the roads
 - Inadequate reporting of works required and carried out
 - Failures in the above areas could see defects in the roads go unnoticed leading to a need for more major repairs in the future. Defective roads

also increase the possibility of accidents or damage to road users, both of which could leave the Authority open to litigation and insurance claims.

- A lack of corporate oversight. Until a corporate review of the management of roads outside of the contract takes place the Authority is unable to determine whether the current arrangement is achieving value for money.

6.7.2.2 Agreed Actions: The five exceptions were discussed with the relevant staff in each directorate and actions agreed to improve the various areas of weakness identified above. For the final exception it has been recommended that the Assistant Director of Contracts, Procurement & Commercial undertake a corporate review as to whether value for money could be obtained by moving all or some of the 49 roads into the Highways PFI contract.

6.7.3 This area is due to be followed up as part of the 2015/16 Audit Plan.

6.8 **2014/15 Audit - Property & Housing - Legionella**

6.8.1 A critical risk exception was raised during this audit as the Legionella Risk Assessment carried out at Springfield School in 2014 highlighted 68 areas of risk and at the time of the audit discussions were still ongoing as to how to rectify the issues. Whilst the school has responsibility for the maintenance the Authority has a duty of care to ensure the work is undertaken in a timely manner. An outbreak of Legionella could lead to the hospitalisation of an individual and ultimately their death. If the Authority were found to be negligent in respect of its duties, officers could be liable to fines and or imprisonment with the Authority suffering serious reputational damage.

6.8.2 Agreed Action: A comprehensive capital investment project is to be prepared to address the issues highlighted; this will be taken to Members for approval in September 2015. A number of other actions have been agreed to minimise the highlighted risks in the short and medium term and further details can be found within the audit report.

6.8.3 The exception will be followed up as part of the 2015/16 Audit of Legionella

6.9 **2015/16 Audit - Culture & City Development - Hillside and Wymering Community Centre**

6.9.1 The initial audit was completed in April 2015 and resulted in 8 high risk exceptions being raised; as such no assurance was given over the financial controls in place at the community centre.

6.9.2.1 The 8 high risk exceptions were breaches of the Authority's Financial Rules in the following areas:

- Failure to sign cash handling instructions
- Insufficient income trail from receipt to banking
- Incorrect storage of safe keys
- Failure to bank intact

- Exceeding safe limits
- Failure to authorise petty cash expenditure
- Non compliance with Purchase Card rules
- Lack of inventory

Financial rules provide a comprehensive control framework to ensure the Authority's financial transactions and records are lawful, accurate and consistent. Non compliance with financial rules increases the risk of fraud, theft and financial loss to the Authority.

- 6.9.2.2 Agreed Actions: The exceptions were discussed with the Centre Manager and the Community Services Manager and actions agreed to ensure the centre was compliant with Financial Rules moving forward.
- 6.9.2.3 Follow Up Testing Results: A follow up audit of this area took place in July 2015. Testing confirmed that the agreed actions for each exception had been implemented.

7. Comments on the plan to date

- 7.1 The 2015/16 Audit Plan is on course to be completed by 31st March 2016. The 47% of audits either completed or in progress matches the 2014/15 figure. No critical risk exceptions have been raised under the 2015/16 plan whilst the number of high risks (15) remains consistent with the 2014/15 figure (17).

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 Legal Services have considered the report and are 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. Director of Finance's 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.

.....
Signed by: Lyn Graham, Chief Internal Auditor

Appendices:

Appendix A – Completed audits from 2015/16 Audit Plan

Appendix B - Completed follow up audits from 2015/16 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 2015/16	http://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=148&MId=3065&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?Committeed=148

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

.....
Signed by:

Appendix A

Audits Completed between 1st April 2015-24th August 2015												
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
Stephen Bailly - Director of Culture & City Development												
1516-023 CDC - Hillside and Wymering		8			8	0	7	1	NAT	NAT	No Assurance	Eight high risk exceptions have been raised as a result of this review and, although audit testing has not highlighted any misappropriation of funds, no assurance can be given in relation to the financial processes and controls at the Wymering Community Centre until a robust financial management framework is in place and operating. This audit was followed up in year. See Appendix B for details
Di Smith - Director of Children Services & Education												
1516-039 CSE - Pupil Premium funding		1			1	0	1	NAT	0	0	Limited Assurance	One high risk exception was raised as a result of testing which relates to one school out of the sample of nine not publishing Pupil Premium Funding spend details for 2014/2015 on the school website.
Owen Buckwell - Director of Property & Housing												
1516-079 HSP - Security Passes and Building Access		1		1	2	0	2	0	NAT	0	Limited Assurance	One high risk exception was raised as testing found that swipe passes of ex-employees were not being disabled potentially allowing unauthorised access to PCC buildings
External												
1516-091 EXT - LHB											N/A	Audit completed for external client
1516-092 CSE - St Edmunds		5			5	0	4	1	0	0	Limited assurance	The Full Audit resulted in five high risk exceptions being raised for the areas tested.- the agreed actions were all addressed and evidenced before the conclusion of the report therefore mitigating the risks highlighted. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2015 is in line with Internal Audit's judgment.
Total for period	0	15	0	1	16							

For details of follow up audits completed during 2015/16 please see Appendix B

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APPENDIX B

2014/15 Followed Up Audits - Critical Risk Exceptions	Critical Risk Open		Critical Risk Closed		Total Critical Risk	Comments
Audit Title						
F1415-066 FIN - Concessionary Travel Passes	0	0%	1	100%	1	
						The agreed actions were set on a short, medium and long term basis. Due to resource pressures the medium term action was not completed on time and has been pushed back to September 2015. Further details can be found within the full September Audit Performance Report
F1415-078 H&P - Safer Recruitment	1	100%	0	0%	1	
Total	1	50%	1	50%	2	

2014/15 Followed Up Audits - High Risk Exceptions	High Risk Open		High Risk Closed		Total High Risk	Comments
Audit Title						
						A high risk exception relating to a lack of inventory management was raised during the initial audit. Follow up testing evidenced that stock control processes have been implemented and management checks enforced. However, to fully mitigate the risks identified, reconciliations are required on the stock collections and jobs completed to verify all stock is accounted for.
F1415-027 CAB - Homecheck Telecare	1	20%	4	80%	5	
F1415-067 HLP - eBay Account	0	0%	1	100%	1	
F1415-076 H&P - Claims	0	0%	2	100%	2	
						A high risk exception relating to B&B spend variances was raised during the initial audit. The agreed action to analyse the variance has not yet been completed as resources were instead used to create a process with a view to preventing future variances occurring.
F1415-077 H&P - Homelessness & Temporary Accomodation	1	100%	0	0%	1	
F1415-078 H&P - Safer Recruitment	0	0%	1	100%	1	
F1415-098 PIP - Port Finance	0	0%	1	100%	1	
F1415-123 EXT - Langstone Infant	0	0%	5	100%	5	
F1415-129 EXT - Manor Infant	0	0%	13	100%	13	
						An in year follow up was completed after 8 high risk exceptions were highlighted during the initial audit
1516-023 CUL - Hillside & Wymering Lodge	0	0%	8	100%	8	
Total	4	11%	27	73%	37	

APPENDIX B

2014/15 Followed Up Audits - Medium Risk Exceptions		Medium Risk Open		Medium Risk Closed		Total Medium Risk
Audit Title						
F1415-067	HLP - eBay Account	0	0%	1	100%	1
F1415-077	H&P - Homelessness & Temporary Accomodation	1	100%	0	0%	1
Total		1	50%	1	50%	2

2014/15 Followed Up Audits - Low Risk Exceptions		Low Risk Open		Low Risk Closed		Total Low Risk
Audit Title						
F1415-067	HLP - eBay Account	0	0%	1	100%	1
F1415-076	H&P - Claims	0	0%	1	100%	1
Total		0	0%	2	100%	2



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	25 th Sept 2015
Subject:	PCC Volunteer Policy
Report by:	City Solicitor
Wards affected	N/A
Key decision	No
Full Council decision	No

1 Purpose of Report

- 1.1 To seek the Committee's approval of the PCC Volunteer Policy

2 Recommendations

- 2.1 It is recommended that the Committee

- (1) Approve the PCC Volunteer policy (attached as Appendix A) and
- (2) Recognise the supporting PCC volunteer good practice guide to support the operational application of the policy (attached as Appendix B)

3 Background

- 3.1 Volunteers are a key resource for Portsmouth City Council as they offer an opportunity for increased involvement and diversity within the organisation. There are many services within the council that involve volunteers from a variety of backgrounds and culture their expertise complementing the skills of paid staff. There is an increased awareness of the benefits of involving volunteers in council led projects and engaging with local people. Portsmouth City Council can offer a variety of volunteering opportunities within its services and through involving volunteers can be more effective in consulting and engaging directly with the needs of local communities.
- 3.2 This Good Practice Guide recognises the valuable contribution of our volunteers and provides consistent standards for volunteering opportunities with Portsmouth City Council, which reflect PCC's [Guiding Principles](#) (attached as Appendix C)

4 Reasons for recommendations

- 4.1 To ensure consistency of approach to working with volunteers across the whole of PCC.

5 Equality Impact Assessment (EIA)

5.1 The content of this report does not have any relevant equalities impact and therefore an equalities assessment is not required.

6 Legal implications

6.1 The City Solicitor's comments are included in this report.

7 Director of Finance's comments

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

.....
Signed by: City Solicitor

Appendices:

Appendix A: PCC Volunteer Policy

Appendix B: PCC Volunteering Good Practice Guide

Appendix C: Guiding Principles

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
None	N/A

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

.....
Signed by:

Summary:

PCC Good Practice Summary:

- All volunteers must have a named supervisor and receive an induction into the organisation and their role before or on the first day of their placement.
- Volunteers must be managed by trained staff and appropriate training and development opportunities should be made available.
- Volunteers must not be used as a substitute for paid employees.
- Volunteers will be required to comply with the Council's agreed policies and procedures.
- Volunteers out of pocket, incurred expenses will be reimbursed.

ID	<i>Unique ref – need to agree naming convention within your department</i>
Last Review Date	
Next Review Date	
Approval	Governance & Audit & Standards Committee.
Policy Owner	Michael Lawther
Policy Author	Mandy Lindley
Advice & Guidance	PCC volunteer good practice guide
Location	Policy Hub
Related Documents	PCC Volunteering Code of Good Practice.
Applicability	All volunteers recruited by PCC

1. Introduction

Volunteers are a key resource for Portsmouth City Council as they offer an opportunity for increased involvement and diversity within the organisation. There are many services within the council that involve volunteers from a variety of backgrounds and culture their expertise complementing the skills of paid staff. There is an increased awareness of the benefits of involving volunteers in council led projects and engaging with local people. Portsmouth City Council can offer a variety of volunteering opportunities within its services and through involving volunteers can be more effective in consulting and engaging directly with the needs of local communities.

1.1 Definition of Volunteering

Volunteering is defined as any activity that involves spending time, unpaid, doing something that aims to benefit the environment or someone (individuals or groups) other than, or in addition to, close relatives. Central to this definition is the fact that volunteering must be a choice freely made by each individual. This can include formal activity undertaken through public, private and voluntary organisations as well as informal community participation. (Volunteering England definition)

In instances where the participation of service users, carers and local people is actively sought, such as for consultation and partnership boards, those involved are regarded as involved person or participants, rather than volunteers. This is not covered by this policy.

2. PCC Good Practice Guide

2.1 This Good Practice Guide recognises the valuable contribution of our volunteers and provides consistent standards for volunteering opportunities with Portsmouth City Council, which reflect PCC's [Guiding Principles](#)

It has been produced to provide a framework for all staff working with volunteers to:

- Promote best practice across the authority
- Provide consistent terms of engagement for volunteers across all Council Directorates.
- Ensure our work with volunteers adds value to our service delivery.
- Ensure the safety of volunteers, and those they come into contact with in the course of their volunteering.
- Support volunteers in developing their skills and knowledge.

All staff working with volunteers are encouraged to follow this guide.

Key Principles

- Each individual Directorate area will coordinate the recruitment of the Volunteers it needs, according to corporate guidelines and best practice.
- Volunteers will not be used to replace the work of paid staff.
- Volunteers will be recruited to a specific role and consulted on a regular basis regarding their involvement.

2.2 Scope

This Best Practice Guide is designed to cover volunteers providing or supporting the delivery of Council services.

It does not cover: **work experience, corporate apprenticeships and student placements and internships.**

3. Recruitment of Volunteers

3.1 Anyone approaching PCC offering their services as a volunteer should be asked to complete an application form. If suitable, they should be informally interviewed and references taken up. All documents relating to the application process can be found in the good practice guide. If it is decided that the person is not suitable for the volunteering role they have applied for, they should be given an explanation why. They should also be advised of other opportunities, as appropriate

Volunteer roles can be advertised in a variety of ways. The Portsmouth City Council website has the [Portsmouth Together](#) online volunteering hub which has been developed to inspire and mobilise greater volunteering in Portsmouth and you can advertise your vacancies there.

The Voluntary Sector Team at the city council can give you further information about these resources (contact voluntary.sector@portsmouthcc.gov.uk).

4. Volunteer Role Descriptions and Agreements

Volunteer role descriptions and agreements can help both parties to clarify intentions and expectations, lowering the chance of a grievance arising in the first place.

There is helpful information about creating volunteer role descriptions in the good practice guide.

On a practical level, a written agreement can help ensure that practice does not breach the law. Volunteer contracts must be avoided; contracts can lead to false expectations of obligation on both sides. For this reason, the setting out of the volunteer relationship in terms of rights and obligations must be avoided. Instead, express your goals as intentions, hopes, or policies; this reflects the voluntary nature of the arrangement.

No training can be offered with the proviso that the volunteer must work a minimum amount of hours for the organisation. Volunteers can't be offered recompense such as training or a job offer in return for his or her time.

A generic volunteer agreement can be found in the good practice guide or at The National Council for Voluntary Organisations website

5. Safeguarding

5.1 Because some services within PCC work with children and vulnerable people, volunteers who are based in these areas may require a Disclosure and Barring Service check (formerly Criminal Records Bureau check) as well as references. Potential volunteers' should be informed from the outset that you may be requiring this information; however convictions should not necessarily prevent someone from volunteering.

5.2 The Council has a statutory duty to ensure the safety of children, young people and vulnerable adults. The Council's Safeguarding Policies apply to volunteers who engage with children, young people and vulnerable adults in their volunteering role and should be covered within the initial induction and further training provided wherever appropriate.

5.3 Vulnerable Clients

Child Protection and Vulnerable Adult Protection Policies must be adhered to in all vulnerable client cases. Disclosure and Barring Service Checks must be obtained by all, including volunteers, working or volunteering with or around vulnerable clients where the role involves a regulated activity. These measures must be taken to protect our clients. However DBS checks only give information regarding those with an existing record and measures must be taken to monitor volunteers' relationship with the clients throughout their involvement in any project. References are an essential tool when assessing potential volunteers' suitability as it gives current and qualitative feedback. The [Safeguarding Adults Policy](#) applies to all volunteers.

5.4 Working with Children

Under the Protection of Children Act 1999 and the Care Standards Act 2000, there is legislation around obtaining DBS checks. Training must be given in Child Protection and any other necessary information given before commencing any work with children.

PCC have a responsibility under the Criminal Justice and Court Services Act 2000 for safeguarding children and promoting the welfare of children and young people. Please see the [Local Safeguarding Children Board's Procedures](#)

5.5 Young Volunteers

When involving under-16s you will need to carry out a Disclosure and Barring Service (DBS) check on the main person who will come into close contact and develop a relationship of trust with a volunteer at any given time (typically the volunteer supervisor).

If a young person aged 16-25 comes into contact with vulnerable people while they are volunteering, you may need to carry out a DBS check if the role involves a regulated activity- see the section on DBS checks for more information.

6. Induction and Training

6.1 Induction and Training are key elements to the success of any programme. Volunteers must feel welcome and accepted at all times. Their needs must be addressed in consideration of the resources available. Volunteers should be provided with all the information, equipment and skills they need to carry out their role. A number of resources to help you with the induction and training of volunteers can be found in the good practice guide.

6.2 Training and support must be offered appropriate to the nature of the role. The induction programme must be reviewed regularly following feedback from participating volunteers. A trial period may be set, if the volunteer or supervisor is unsure of the volunteer's suitability for the role. The programme must consider encompassing all types of volunteers and be flexible in its approach.

7. Supervision and Support

7.1 Support should be made widely available to all volunteers appropriate to the nature of their volunteer role. When a new volunteer joins the organisation there should be a structured one to one session with an appropriate person who will outline the role, brief the volunteer on Portsmouth City Council corporate responsibility and what expectation we have of them. There should be regular opportunities for volunteers to have monitoring sessions where their needs can be assessed. This is good practice as it ensures the service is running effectively and that the volunteers are supported correctly.

7.2 Every volunteer must have a named supervisor to serve as their main point of contact during their placement. The supervisor will be responsible for arranging any training, resources or equipment needed to fulfil agreed tasks, providing advice, guidance and opportunities for volunteers to feedback and ensuring **out of pocket expenses** are paid promptly.

7.3 The relevant service will support all volunteers and will have regular meetings with them to discuss any problems or issues that may arise. Up-to-date records must be kept of any meetings; information and current volunteer numbers, so this information is easily accessible and that PCC are promoting best practice and efficient HR processes. These elements should be incorporated in all business plans.

8. Grievance and Disciplinary Procedures

8.1 The relationship between PCC and its volunteers is entirely voluntary and does not imply any contract. However, it is important that PCC is able to maintain its agreed standards of service to its clients and it is also important that volunteers should enjoy making their contribution to the service.

8.2 Problems or dissatisfaction with a volunteer's work.

Volunteers should have regular review meetings with their supervisors, which should include discussion of any areas of dissatisfaction. If there are concerns about the

performance or conduct of a volunteer, the supervisor should arrange a supervision session to find out if there is an underlying problem or to offer further training and advice. If the volunteer's work still does not meet with PCC standards then the volunteer must be asked to leave the service.

8.3 If a volunteer's behaviour is inappropriate or equivalent to gross misconduct, their volunteer activity will be terminated immediately and relevant authorities informed if there is any illegal activity.

8.4 At all times the volunteer will be able to freely state their case and can have a friend to accompany them at all times in the process.

8.5 Complaints, or if a volunteer is unhappy.

Volunteers should be given the opportunity to discuss any issues of concern in the first instance with their supervisor, through regular meetings. An action plan should be devised to resolve the grievance. If this is not appropriate or the volunteer is not happy with how the matter is handled, they should take their complaint/concern to their volunteer coordinator and a second action plan can be drawn up. If, after this, the grievance remains unresolved, it would be inappropriate for the person to continue to be a volunteer.

At all times the volunteer will be able to freely state their case and can have a friend to accompany them at all times in the process.

9. PCC Volunteers Data Protection and confidentiality

9.1 The most basic information held about a volunteer - name, address and telephone number - must comply with the Data Protection Act and should be dealt with accordingly. Volunteers should be supplied with information to ensure that they are aware of their responsibilities under both the Data Protection and Freedom of Information Acts.

9.2 Volunteers have the same confidentiality rights and protection of any paid employee, and will be treated with the same respect and professionalism as any staff member.

10. Young People as Volunteers

There are no legal restrictions around volunteers and age. The issues, more often, are around what roles are suitable and the practicalities surrounding this. It is recommended that you discuss other commitments young people may have, such as school and employment pressures when considering the amount of volunteers time they will volunteer.

Both the young person and their parent or guardian should fully understand what the voluntary work entails.

11. Volunteers from Abroad

11.1 There are no restrictions on volunteer work for nationals of European Union countries.

People who are from outside of the European Economic Area are not allowed to take up work, paid or unpaid, without a work permit. However concessions have been made by the Home Office to allow people from outside of the European Economic Area to volunteer for a charity if they meet certain criteria (visa and entry clearance are still essential).

11.2 Following a campaign by Refugee Action that was supported by the National Council for Voluntary Organisations, the Home Office revised its guidance on 28 October 2013 to make clear that asylum seekers can volunteer for public sector bodies as well as voluntary organisations, and that it is lawful for refused asylum seekers to volunteer.

11.3 Asylum seekers have been able to volunteer for registered charities, other voluntary organisations or organisations that raise funds for them, but this has now been extended to include volunteering for public sector bodies. The rules are the same as for voluntary sector volunteering: the volunteer must receive no payment other than reimbursement for genuine expenditure on fares or meals during volunteering; there must be no arrangements between the organisation and individual that would create a contractually binding obligation on the volunteer; the volunteer must provide a service for the organisation; and the volunteering must not be for a role that would normally be filled by a paid worker.

In relation to refused asylum seekers, previous Home Office guidance stated it was unlawful for them to volunteer, now the Home Office has said that volunteering by refused asylum seekers is lawful, but that the government does not support their volunteering, it expects them to return to their home country, and volunteering will not delay their removal from the UK.

You can find more information on the [Volunteering England website](#).

12. Equality and Diversity

Portsmouth City Council is firmly committed to diversity in all areas of its work. PCC believe that there is much to learn and profit from diverse cultures and perspectives, and that diversity will make our organisation more effective in meeting the needs of all our stakeholders. PCC are committed to developing and maintaining an organisation in which differing ideas, abilities, backgrounds and needs are fostered and valued, and where those with diverse backgrounds and experiences are able to participate and contribute.

13. Equal Opportunities

Portsmouth City Council is committed as an authority to offering equal opportunity to volunteers from different backgrounds to build on establishing a diverse cohort of volunteers. PCC will strive to welcome and involve people from differing backgrounds, ages, cultures, genders and outlooks so that as an organisation we can adapt new ideas and fresh approaches.

14. Expenses and Resources

14.1 Refunding volunteer costs is a legitimate cost associated with any volunteer programme or project. Portsmouth City Council will reimburse any out of pocket expenses that the volunteer has paid themselves to make sure that volunteering is accessible to all, regardless of income. It is important that volunteers are paid actual out-of-pocket expenses only, in reference to National Minimum Wage Act legislation, and in line with Government recommendations (<https://www.gov.uk/volunteering/pay-and-expenses>). The legal implications of not doing this may result in backdating minimum wage pay, fines associated with willfully neglecting to pay the minimum wage and falsification of records and similar obstructions. If anything other than out-of-pocket expenses is paid then this would also have tax and national insurance implications.

14.2 Payment of Expenses

Expenses must be approved by a supervisor prior to any claim being made. Records must be kept of any reimbursements made and should include the necessary receipts to justify the need to claim. Portsmouth City Council reserves the right to refuse an incomplete claim or defer until resolution.

All records supporting expenses claims, such as receipts, claim forms and insurance policies, will be subject to examination from time to time by internal audit. All claims must be submitted using the **PCC Volunteering Expenses Form**, which includes information about current subsistence and mileage rates and the maximum sums that can be claimed.

Subsistence may be claimed if volunteers are attending an event, conference, meeting or training course during the course of their volunteering where the venue is over 5 hours from home. Meals and childcare expenses should only be paid if the volunteer has contributed an excess of 8 hours continuous work.

14.3 Car users and mileage

Volunteers who are required to drive should not be encouraged to use their own vehicle unless necessary as insurance and expenses issues will need to be considered. For journeys of over 60 miles a PCC hire car should normally be used.

Insurance cover is the responsibility of each car user. Volunteers are responsible for contacting their insurer to ensure that they are covered by their vehicle insurance, and the Volunteer Manager must have sight of confirmation in writing from the insurance company before the vehicle can be used. There should never be an increase in premium by insurers due to their volunteering activities if using their own vehicle.

Mileage can only be claimed in respect of journeys actually incurred: no claim can be made for estimated mileage. As a general rule, the mileage to be claimed will be that actually incurred on the approved journey, provided that the most reasonable route was taken.

Mileage for use of a vehicle for volunteering activity is based on the allowance rates currently in operation for vehicle type and size as set out by the HMRC and in line with PCC mileage rates. Volunteers must keep proper mileage records and in most cases the volunteers should notify their supervisor of the impending journey.

The driving at work policy applies equally to volunteers and staff who carry out any journey in a motor vehicle regardless of if they claim mileage allowance or not. The simple question to ask yourself is 'is that journey in a motor vehicle being undertaken as a result of the persons work or association with PCC' (paid or not).

14.4 Honorarium Payments

Honorarium payments should be avoided. An honorarium is usually a one-off payment. If the honorarium is any way expected, hinted at or regularly given it may be regarded as a payment for services, affecting the legal status of volunteers, and as taxable income.

15 Insurance Liability

Volunteers who are recruited by PCC are covered by the council's insurance policy

16. Health and Safety

Portsmouth City Council has a duty of care to avoid exposing any volunteer to risk to their health and safety. Volunteers must be made aware of health and safety arrangements as part of their initial training. This includes their duty to take reasonable care for their health and safety and that of others who may be affected by what they do, or neglect to do. Where applicable, adequate Personal Protective Equipment (PPE), and suitable safe equipment should be provided together with appropriate instruction.

17. Copyright

Copyright issues surrounding volunteers can be unclear: however in all cases a volunteer should be asked to transfer rights to the organisation or agree a license where the organisation can use the work within agreed limits. This will ensure that any work produced can be used after a volunteer leaves the organisation.

Appendix 1 - PCC Volunteer Good Practice Guide.

<https://www.portsmouth.gov.uk/intranet/hr/hr-support-and-advice/working-with-volunteers.aspx>

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Portsmouth City Council – Volunteering Good Practice Guide

Introduction

Volunteers are a key resource for Portsmouth City Council as they offer an opportunity for increased involvement and diversity within the organisation. There are many services within the Council that involve volunteers from a variety of backgrounds and cultures, who wish to gain experience or provide practical assistance across all service areas and directorates. There is an increased awareness of the benefits of involving volunteers in Council led projects and engaging with local people. Portsmouth City Council can offer a variety of volunteering opportunities within its services and through involving volunteers can be more effective in consulting and engaging directly with the needs of local communities

Definition of volunteering

Volunteering is defined as any activity that involves spending time, unpaid, doing something that aims to benefit the environment or someone (individuals or groups) other than, or in addition to, close relatives. Central to this definition is the fact that volunteering must be a choice freely made by each individual. This can include formal activity undertaken through public, private and voluntary organisations as well as informal community participation. (Volunteering England definition)

Purpose and aim of the Good Practice Guide

This Good Practice Guide recognises the valuable contribution of our volunteers and provides consistent standards for volunteering opportunities with Portsmouth City Council, which reflect PCC's [Guiding Principles](#)

It has been produced to provide a framework for all staff working with volunteers to:

- Promote best practice across the authority
- Provide consistent terms of engagement for volunteers across all Council services
- Ensure our work with volunteers adds value to our service delivery.
- Ensure the safety of volunteers, and those they come into contact with in the course of their volunteering.
- Support volunteers in developing their skills and knowledge.

All staff working with volunteers are encouraged to follow this guide, and individual services will develop their own guidelines focussing on areas particularly relevant to their volunteers.

Portsmouth City Council – Volunteering Good Practice Guide

Key Principles

- Each individual department or service will coordinate their own recruitment of Volunteers, according to specific guidelines.
- Volunteers will not be used to replace the work of paid staff.
- Volunteers will be recruited to a specific role and consulted on a regular basis regarding their involvement.

Scope

This Best Practice Guide is designed to cover volunteers providing or supporting the delivery of Council services.

It does not cover: work experience, corporate apprenticeships and student placements and internships.

This Best Practice Guide should be read in conjunction with the Portsmouth City Council Volunteer Policy

Portsmouth City Council – Volunteering Good Practice Guide

Recruitment

Volunteer roles can be advertised in a variety of ways. The Portsmouth City Council website has pages dedicated to [volunteering in Portsmouth](#): the [Portsmouth Together](#) online volunteering hub has been developed to inspire and mobilise greater volunteering in Portsmouth and you can advertise your vacancies there.

The Portsmouth Together Team at the city council can give you further information about these resources - contact volunteer@portsmouth.gov.uk

You can also use corporate publications (Flagship, Link), journals, flyers, booklets, but any external media marketing needs to be done in consultation with and approved by Corporate Communications.

Application forms can be used to record relevant contact details of the volunteer and to consider their suitability for the role they would like to volunteer for. Keeping the applications simple and easy to read will ensure that people are not excluded. You can download our generic PCC application form which can be adapted to the needs of your own service:



3.Volunteering App
Form.doc

Potential volunteers should be interviewed in an informal capacity to ensure a wider understanding of their skills or aspirations so they can be placed in a role in which they will be happy and that will match their skills.

References should be obtained by the service and must be relevant to the volunteering carried out. The supervisor of individual projects should obtain references prior to appointing an applicant. In exceptional circumstances the need for a reference might be waived; this would be assessed on an individual basis. Once the volunteer has left the service records should not be kept for any longer than 2 years. There is more information about undertaking references here: .



4. References.docx

Portsmouth City Council – Volunteering Good Practice Guide

Because some services within PCC work with children and vulnerable people, volunteers who are based in these may require a Disclosure and Barring Service check (formerly Criminal Records Bureau check) as well as references. It is fair to let people know from the outset that you will be requiring this information; however convictions should not necessarily prevent someone from volunteering. More information can be found in the following document:



5. DBS Checks.docx

If a candidate is not felt to be suitable for the role they are requesting to volunteer for, then the reasons must be explained to them. This situation must be handled with care and consideration for the person's feelings. The Equal Opportunities policy must be consulted when conducting a review feedback interview.

If paid staff 'volunteer' for PCC then the volunteer role should be substantially different from their paid role otherwise the working time directive and minimum wage legislation could be applied. The role and responsibilities must be clearly defined.

Volunteer Role Descriptions and Agreements

Volunteer role descriptions and agreements can help both parties to clarify intentions and expectations, lowering the chance of a grievance arising in the first place.

There is helpful information about creating volunteer role descriptions [here](#) and a sample role description template here:



7. Role description
template.doc

On a practical level, a written agreement can help ensure that practice does not breach the law or drift into dangerous territory - **but don't create volunteer 'contracts'**

Contracts can lead to false expectations of obligation on both sides. For this reason, you must avoid setting out the volunteer relationship in terms of rights and obligations. Instead, express your goals as intentions, hopes, or policies. This reflects the voluntary nature of the arrangement.

This means you cannot offer training with the provision that the volunteer must work a minimum amount of hours for the organisation. Nor can you promise to provide recompense such as training or a job offer for the volunteer in return for his or her time.

Portsmouth City Council – Volunteering Good Practice Guide

We have developed a generic PCC Volunteer Agreement which you can alter and use:



8. Volunteer Agreement.doc

The National Council for Voluntary Organisations' website has a useful checklist to help you with volunteer agreements [here](#)

Safeguarding

The Council has a statutory duty to ensure the safety of children, young people and vulnerable adults. The Council's Safeguarding Policies apply to volunteers who engage with children, young people and vulnerable adults in their volunteering role and should be covered within the initial induction and further training provided wherever appropriate.

Vulnerable Clients

Child Protection and Vulnerable Adult Protection Policies must be adhered to in all vulnerable client cases. Disclosure and Barring Service Checks must be obtained by all, including volunteers, working or volunteering with or around vulnerable clients where the role involves a regulated activity. These measures must be taken to protect our clients. However DBS checks only give information regarding those with an existing record and measures must be taken to monitor volunteers' relationship with the clients throughout their involvement in any project. References are an essential tool when assessing potential volunteers' suitability as it gives current and qualitative feedback. The [Safeguarding Adults Policy](#) applies to all volunteers.

Working with Children

Under the Protection of Children Act 1999 and the Care Standards Act 2000, there is legislation around obtaining DBS checks. Training must be given in Child Protection and any other necessary information given before commencing any work with children.

PCC have a responsibility under the Criminal Justice and Court Services Act 2000 for safeguarding children and promoting the welfare of children and young people. Please see the [Local Safeguarding Children Board's Procedures](#)

Young Volunteers

Portsmouth City Council – Volunteering Good Practice Guide

When involving under-16s you will need to carry out a Disclosure and Barring Service (DBS) check on the main person who will come into close contact and develop a relationship of trust with volunteer at any given time (typically the volunteer supervisor).

Contrary to popular belief, it is not necessary to perform similar checks on the entire staff or volunteers who are unlikely to end up in a one-on-one situation with a young volunteer. Don't forget that recruitment, training and supervision can act as more effective safeguarding tools than DBS disclosures.

If a young person aged 16-25 comes into contact with vulnerable people while they are volunteering, you may need to carry out a DBS check with them - see the section on DBS checks for more information.

Induction and Training

Induction and Training are key elements to the success of any programme. Volunteers must feel welcome and accepted at all times. Their needs must be addressed in consideration of the resources available. Volunteers should be provided with all the information, equipment and skills they need to carry out their role.

We have a number of resources to help you with the induction and training of volunteers – these can be adapted to suit the needs of your particular service.

- A generic guide to volunteering for PCC – information and advice for volunteers (which can be printed out as an A5 booklet)



12 Guide to
Volunteering for PCC.c

- A code of practice for volunteers based in the Civic Offices



12.4 Code of practice
for volunteers based in

Training and support must be offered appropriate to the nature of the role. The induction programme must be reviewed regularly following feedback from participating volunteers. A trial period may be set, if the volunteer or supervisor is unsure of the volunteer's suitability for the role. The programme must consider encompassing all types of volunteers and be flexible in its approach. When inter-directorate working is a possibility to use resources to the best possible advantage then this practice should be encouraged.

Income Handling Policy

Portsmouth City Council – Volunteering Good Practice Guide

All volunteers who handle cash in their volunteering role must be made aware of the PCC Income Handling Policy and Instructions for Volunteers. You should work through the policy with the volunteer and delete any paragraphs in the Policy that are not relevant to that specific role.

The volunteer must sign to acknowledge that they have received a copy of the Policy and signed copies must be retained by both the volunteer and the relevant manager.



13.0 Cash Handling
Instructions for Volunt

Supervision and Support

Support should be made widely available to all volunteers appropriate to the nature of their volunteer role. When a new volunteer joins the organisation there should be a structured one to one session with an appropriate person who will outline the role, brief the volunteer on Portsmouth City Council corporate responsibility and what expectation we have of them. There should be regular opportunities for volunteers to have monitoring sessions where their needs can be assessed. This is good practice as it ensures the service is running effectively and that the volunteers are supported correctly.

Every volunteer must have a named supervisor to serve as their main point of contact during their placement. The supervisor will be responsible for arranging any training, resources or equipment needed to fulfil agreed tasks, providing advice, guidance and opportunities for volunteers to feedback and ensuring out of pocket expenses are paid promptly.

The relevant service will support all volunteers and will have regular meetings with them to discuss any problems or issues that may arise.

Up-to-date records must be kept of any meetings; information and current volunteer numbers, so this information is easily accessible and that PCC are promoting best practice and efficient HR processes. These elements should be incorporated in all business plans.

Grievance and Disciplinary Procedures

The relationship between PCC and its volunteers is entirely voluntary and does not imply any contract. However, it is important that PCC is able to maintain its agreed standards of service to its clients and it is also important that volunteers should enjoy making their contribution to the service.

- **Problems or dissatisfaction with a volunteer's work**

Portsmouth City Council – Volunteering Good Practice Guide

Volunteers should have regular review meetings with their supervisors, which should include discussion of any areas of dissatisfaction. If there are concerns about the performance or conduct of a volunteer, the supervisor should arrange a supervision session to find out if there is an underlying problem or to offer further training and advice. If the volunteer's work still does not meet with PCC standards then the volunteer must be asked to leave the service.

If a volunteer's behaviour is inappropriate or equivalent to gross misconduct, their volunteer activity will be terminated immediately and relevant authorities informed if there is any illegal activity.

At all times the volunteer will be able to freely state their case and can have a friend to accompany them at all times in the process.

- **Complaints, or if a volunteer is unhappy**

Volunteers should be given the opportunity to discuss any issues of concern in the first instance with their supervisor, through regular meetings. An action plan should be devised to resolve the grievance.

If this is not appropriate or the volunteer is not happy with how the matter is handled, they should take their complaint/concern to their volunteer coordinator and a second action plan can be drawn up.

If, after this, the grievance remains unresolved, it would be inappropriate for the person to continue to be a volunteer.

At all times the volunteer will be able to freely state their case and can have a friend to accompany them at all times in the process.

PCC Volunteers and Data Protection

Even if you only hold the most basic information about a volunteer - name, address and telephone number - you must still comply with the Data Protection Act in the way that you deal with this information.

You should also supply volunteers with information to ensure that they are aware of their responsibilities under both the Data Protection and Freedom of Information Acts.

There is more information in this document:



14. Data protection
and volunteers.docx

Specific considerations to be aware of for:

- **Volunteers receiving State Benefits**

Volunteering should not affect entitlement to any benefit as long as volunteers keep to some basic rules.

Any volunteer who is currently receiving Job Seekers Allowance will be allowed to volunteer as long as they remain available and actively seeking paid employment, alongside their volunteering. This therefore may affect the amount of hours that any one person can volunteer if they are in receipt of Job Seekers Allowance, as it must not prevent them from seeking paid employment or being available to work at once.

For more information go to <http://www.dwp.gov.uk/docs/dwp1023.pdf>

- **Young People as Volunteers**

There are no legal restrictions around volunteers and age. The issues, more often, are around what roles are suitable and the practicalities surrounding this. It is recommended that you discuss other commitments young people may have, such as school and employment pressures when considering the amount of volunteers time they will volunteer.

Both the young person and their parent or guardian should fully understand what the voluntary work entails.

- **Volunteers from Abroad**

There are no restrictions on volunteer work for nationals of European Union countries.

People who are from outside of the European Economic Area are not allowed to take up work, paid or unpaid, without a work permit. However concessions have been made by the Home Office to allow people from outside of the European Economic Area to volunteer for a charity if they meet certain criteria (visa and entry clearance are still essential).

Following a campaign by Refugee Action that was supported by the National Council for Voluntary Organisations, the Home Office revised its guidance on 28 October 2013 to make clear that asylum seekers can volunteer for public sector bodies as well as voluntary organisations, and that it is lawful for refused asylum seekers to volunteer.

Asylum seekers have been able to volunteer for registered charities, other voluntary organisations or organisations that raise funds for them, but this has now been extended to include volunteering for public sector bodies. The rules are the same as for voluntary sector volunteering: the volunteer must receive no payment other than

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reimbursement for genuine expenditure on fares or meals during volunteering; there must be no arrangements between the organisation and individual that would create a contractually binding obligation on the volunteer; the volunteer must provide a service for the organisation; and the volunteering must not be for a role that would normally be filled by a paid worker.

In relation to refused asylum seekers, previous Home Office guidance said it was unlawful for them to volunteer, and Refugee Action has been aware of individuals being threatened with imprisonment and fines unless they stopped volunteering. Now the Home Office has said that volunteering by refused asylum seekers is lawful, but that the government does not support their volunteering, it expects them to return to their home country, and volunteering will not delay their removal from the UK.

You can find more information on the [Volunteering England website](#).

Equality and Diversity

Portsmouth City Council is firmly committed to diversity in all areas of its work. PCC believe that we have much to learn and profit from diverse cultures and perspectives, and that diversity will make our organisation more effective in meeting the needs of all our stakeholders. PCC are committed to developing and maintaining an organisation in which differing ideas, abilities, backgrounds and needs are fostered and valued, and where those with diverse backgrounds and experiences are able to participate and contribute. We will regularly evaluate and monitor our progress towards diversity.

Equal Opportunities

Portsmouth City Council is committed as an authority to offering equal opportunity to volunteers from different backgrounds to build on establishing a diverse volunteer 'workforce'. PCC will strive to welcome and involve people from differing backgrounds, ages, cultures, genders and outlooks so that as an organisation we can adapt new ideas and fresh approaches. For more information search for **Equality and Diversity** on Intralink

Expenses and Resources

Refunding volunteer costs is a legitimate cost associated with any volunteer programme or project. Portsmouth City Council will reimburse any out of pocket expenses that the volunteer has paid themselves to make sure that volunteering is accessible to all, regardless of income. It is important that volunteers are paid actual out-of-pocket expenses only, in reference to National Minimum Wage Act legislation, and in line with Government recommendations (<https://www.gov.uk/volunteering/pay-and-expenses>). The legal implications of not doing this may result in backdating

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minimum wage pay, fines associated with wilfully neglecting to pay the minimum wage and falsification of records and similar obstructions. If anything other than out-of-pocket expenses is paid then this would also have tax and national insurance implications.

Payment of Expenses

Expenses must be approved by a supervisor prior to any claim being made. Records must be kept of any reimbursements made and should include the necessary receipts to justify the need to claim. Portsmouth City Council reserves the right to refuse an incomplete claim or defer until resolution.

All records supporting expenses claims, such as receipts, claim forms and insurance policies, will be subject to examination from time to time by internal audit. All claims must be submitted using the PCC Volunteering Expenses Form, which includes information about current subsistence and mileage rates and the maximum sums that can be claimed.

Subsistence may be claimed if volunteers are attending an event, conference, meeting or training course during the course of their volunteering when the volunteer is away from their normal volunteering base for more than 5 hours. Meals and childcare expenses should only be paid if the volunteer has contributed an excess of 8 hours continuous work at their volunteering base.

A procedure has been agreed for the payment of volunteer expenses and this form should be used. You should follow your service/department's normal process for having the expenses form authorised and signed; the volunteer can then take the form to Cashiers or to the appropriate payment team for the reimbursement of their expenses



17 Expenses Claim
Form.doc

Car users and mileage

Volunteers who are required to drive should not be encouraged to use their own vehicle unless necessary as insurance and expenses issues will need to be considered. For journeys of over 60 miles a PCC hire car should normally be used.

Insurance cover is the responsibility of each car user. Volunteers are responsible for contacting their insurer to ensure that they are covered by their vehicle insurance, and the Volunteer Manager must have sight of confirmation in writing from the insurance company before the vehicle can be used. There should never be an increase in premium by insurers due to their volunteering activities if using their own vehicle.

Mileage can only be claimed in respect of journeys actually incurred: no claim can be made for estimated mileage. As a general rule, the mileage to be claimed will be that

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actually incurred on the approved journey, provided that the most reasonable route was taken.

Mileage for use of a vehicle for volunteering activity is based on the allowance rates currently in operation for vehicle type and size as set out by the HMRC and in line with PCC mileage rates. Volunteers must keep proper mileage records and in most cases the volunteers should notify their supervisor of the impending journey.

The driving at work policy applies equally to volunteers and staff who carry out any journey in a motor vehicle regardless of if they claim mileage allowance or not. The simple question to ask yourself is 'is that journey in a motor vehicle being undertaken as a result of the persons work or association with PCC (paid or not).

Honorarium Payments

Honorarium payments should be avoided. An honorarium is usually a one-off payment. If the honorarium is any way expected, hinted at or regularly given it may be regarded as a payment for services, affecting the legal status of volunteers, and as taxable income.

Insurance Liability

Volunteers who are recruited by PCC are covered by the council's insurance policy

Health and Safety

As an organisation we have a duty of care to avoid exposing any volunteer to risk to their health and safety. Volunteers must be made aware of **health and safety** arrangements as part of their initial training (for more information about PCC Health and Safety Policies search for **Health and Safety** on Intralink). This includes their duty to take reasonable care for their health and safety and that of others who may be affected by what they do, or neglect to do. Where applicable, adequate Personal Protective Equipment (PPE) and suitable safe equipment should be provided together with appropriate instruction.

Copyright

Copyright issues surrounding volunteers can be unclear: however in all cases a volunteer should be asked to transfer rights to the organisation or agree a license where the organisation can use the work within agreed limits. This will ensure that any work produced can be used after a volunteer leaves the organisation.

Confidentiality

Volunteers should have the same rights and protection of any paid employee. They must be treated with the same respect and professionalism as any staff member.

Portsmouth City Council – Volunteering Good Practice Guide

Data Protection and Corporate Policies on confidentiality must be clearly outlined to any volunteer. Personal information about volunteers, such as name, contact details and records of volunteering for the organisation, must be stored in line with the Data Protection Act.

Appendix 1.

PCC Good Practice Summary:

- All volunteers must have a named supervisor and receive an induction into the organisation and their role before or on the first day of their placement.
- Volunteers must be managed by trained staff.
- Volunteers must not be used as a substitute for paid employees.
- Volunteers will be required to comply with the Council's agreed policies and procedures.
- A safe, inclusive working environment must be provided for all volunteers, making reasonable adjustments to meet individual needs.
- Volunteers should be made aware of health and safety arrangements as part of their initial training.
- Risk assessments must be carried out for any activity involving the public, including volunteers, contractors and commissioned agencies.
- Appropriate training and development opportunities should be made available to volunteers.
- Information about volunteers must be stored in line with the Data Protection Act 1988

Volunteers' commitments:

- To accept the organisations and services aims, objectives and standards.
- To do what is reasonably requested of them in line with their volunteer role description, to the best of their ability and within the remit of the organisations policies and procedures.
- To treat all information obtained whilst volunteering in a confidential manner.
- To recognise the need to maintain a quality of service.
- To recognise that they need to act in an appropriate manner and be aware that they are representing the organisation and it's reputation.
- To honour any commitment made and notify the organisation in good time if they are unable to fulfil their commitment.

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- To be willing to participate in the necessary induction, training and support system appropriate to the volunteering undertaken.
- To share any suggestions for change in working practices.

Appendix 2: Checklist

Recruitment	Do you:	
	Have a written role description outlining responsibilities?	
	Have an application form which is simple and easily to read?	
	Interview potential volunteers?	
	Take up written references?	
	Identify whether you need to carry out a Disclosure & Barring Service check (formerly a CRB check) for volunteers working with children or vulnerable clients?	
Induction and Training	Do you:	
	Have an Induction programme, with all the information, equipment and skills volunteers need to carry out their role?	
	Issue all relevant copies of PCC corporate policies in relation to the volunteer role?	
	Brief the volunteer on Portsmouth City Council corporate responsibility and what expectation we have of them?	
	Brief the volunteer on PCC's Health and Safety policies and make the policies available?	
	Make the volunteers aware of Data Protection and Corporate policies on confidentiality?	
	Give training in Child Protection and any other necessary information before commencing any volunteering with children or vulnerable adults?	
	Have a trial period?	
	Review the induction programme regularly following feedback from participating volunteers?	
	Have processes in place to undertake Disclosure & Barring Service checks (formerly CRB checks) on a three year cycle?	
Supervision	Do you:	

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and support	Have a named supervisor who the volunteer can contact?	
	Have regular opportunities for volunteers to have monitoring sessions?	
Expenses	Do you pay out of pocket expenses?	
Volunteer Drivers	Do you ensure the volunteer has contacted their insurer to confirm they are covered by their vehicle Insurance?	

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Our goal



**working together to shape
the great waterfront city**

Our guiding principles



put customers first



provide value for money



be ambitious



use evidence to shape services



simplify, strengthen and share processes



get it right first time



support councillors as strategic leaders



value and support staff



listen and learn

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Title of meeting: Governance & Audit & Standards Committee

Date of meeting: 25 September 2015

Subject:: Data Security Breach Report

Report by: Michael Lawther, City Solicitor/Senior Information Risk Owner

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

To inform the Committee of any Data Security Breaches and actions agreed/taken since the last meeting.

2. Recommendations

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

3. Background

The Corporate Information Governance Panel, formed of representatives from across the authority and chaired by Michael Lawther in the role of Senior Information Risk Owner (SIRO) meets every other month to

- establish policy and procedures for Information Governance;
- maintain a log of data breaches and determine and monitor onward action.

The Senior Information Risk Owner will update the Committee on any ongoing breaches and notify the members of any new incidents.

4. Reasons for recommendations

To ensure the Governance & Audit & Standards Committee has an oversight of the Data Security Breaches to be able to determine whether any trends appear and any further actions should be recommended

5. Equality impact assessment

An equality impact assessment is not required as the recommendation does not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

6. Legal implications

The Council is required to ensure that it has robust procedures in place to comply with its obligations under the Data Protection Act. Bringing this report to the Committee's attention will assist in meeting those requirements.

7. Director of Finance's comments

The ICO can issue fines of up to £500,000 for serious breaches of the Data Protection Act and Privacy and Electronic Communications Regulations. The size of any monetary penalty is determined by the Commissioner taking into account the seriousness of the breach and other factors such as the size, financial and other resources of the data controller. Any breaches put the City Council at risk of the unbudgeted cost of a financial penalty which would have to be met from the service responsible for the breach.

.....
Signed by:

Appendices: One Exempt Appendix

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
None	

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

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Signed by: