



NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 25 SEPTEMBER 2020 AT 2.00 PM

VIRTUAL REMOTE MEETING - REMOTE

Telephone enquiries to 023 9283 4058

Email: Vicki.plytas@portsmouthcc.gov.uk

Membership

Councillor Leo Madden (Chair)
Councillor Simon Boshier (Vice-Chair)
Councillor John Ferrett
Councillor Judith Smyth
Councillor Neill Young

Standing Deputies

Councillor Matthew Atkins
Councillor Ben Dowling
Councillor Graham Heaney
Councillor Donna Jones
Councillor Terry Norton

(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

A written deputation stating to which agenda decision item it refers must be received by the officer named at the top of the agenda **by 12 noon two working days preceding the meeting.** Any written deputation received by email will be sent to the Members on the relevant decision making body and be referred to and read out at the meeting within permitted time limits.

AGENDA

1 Apologies for Absence

2 Declarations of Members' Interests

3 Minutes of the meetings held on 3 March and 24 July 2020 (Pages 5 - 24)

RECOMMENDED that the minutes of the meetings held on 3 March 2020 and 24 July 2020 each be approved and signed by the Chair as a correct record.

4 Treasury Management Outturn Report for 2019/20 (Pages 25 - 38)

The purpose of the report is to inform members and the wider community of the Council's treasury management activities in 2019/20 and of the Council's treasury management position as at 31 March 2020.

RECOMMENDED that the actual prudential and treasury management indicators based on the unaudited accounts, as shown in Appendix B, be noted (an explanation of the prudential and treasury management indicators is contained in Appendix C).

5 Treasury Management Monitoring Report for Quarter 1 of 2020/21 (Pages 39 - 52)

The purpose of the report is to inform members and the wider community of the Council's Treasury Management position, ie. its borrowing and cash investments at 30th June 2020 and of the risks attached to that position. Whilst the Council has a portfolio of investment properties and some equity shares which were acquired through the capital programme; these do not in themselves form part of the treasury management function.

RECOMMENDED that the following be noted:

- (1) That the Council's Treasury Management activities have remained within the Treasury Management Policy 2020/21 in the period up to 30 June 2020.**
- (2) That the actual Treasury Management indicators as at 30 June 2020 set out in Appendix A be noted.**

6 Corporate Complaints (Pages 53 - 66)

(For information only)

The purpose of the report is to bring to the attention of the Governance & Audit & Standards Committee the Annual Review of Complaints by the Local Government and Social Care Ombudsman (LGSCO) dated July 2020, regarding complaints it has considered against Portsmouth City Council for the year 2019/20.

This item is for noting.

7 Audit Performance Status report to 7 September (Pages 67 - 96)

The purpose of the report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2020/21 to 7th September 2020 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

RECOMMENDED that Members note

- (1) The Audit Performance for 2020/21 to 7th September 2020.**
- (2) The highlighted areas of concern in relation to audits completed from the 2020/21 Audit Plan, including follow up work performed.**

8 Political Balance Rules (Pages 97 - 98)

The purpose of the report is to ask the Committee to consider whether it wishes to disapply the political balance rules in respect of its Sub-Committees which consider complaints against Members and to agree that the same rule shall apply to the Initial Filtering Panel.

RECOMMENDED that the political balance rules are disapplied in respect of Governance and Audit and Standards Sub-Committees which are considering complaints against Members and also the same arrangement should apply in respect of Initial Filtering Panel membership.

9 Exclusion of Press and Public

In view of the contents of the appendices to the following item on the agenda the Committee is RECOMMENDED to adopt the following motion:

"That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the press and public be excluded for the consideration of the following item on the grounds that the appendices to the report contains 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 appendices are shown below.

(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 asked to dispose of exempt documentation as

confidential waste at the conclusion of the meeting.

Item	Exemption Para No.*
10. Procurement Management Information (Exempt Appendices 1, 2 and 3)	3
*3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) 10 Procurement Management ((nformation only) (Pages 99 - 110)	

The purpose of the report is to provide evidence to allow the committee to evaluate the extent that Portsmouth City Council is producing contracts for goods, works and services in a legally compliant value for money basis.

For noting.

<p>This meeting is webcast (videoed), viewable via the Council's livestream account at https://livestream.com/accounts/14063785</p>
--

Agenda Item 3

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Tuesday, 3 March 2020 at 4.00 pm in the Executive Meeting Room, Third Floor, The Guildhall, Portsmouth.

(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 Leo Madden (in the chair)

Councillor Graham Heaney
Councillor Hugh Mason
Councillor Terry Norton
Councillor Neill Young

Officers

Peter Baulf, City Solicitor and Monitoring Officer
Elizabeth Goodwin, Chief Internal Auditor
Paul Somerset, Deputy Chief Internal Auditor
Julian Pike, Deputy Head of Finance & Deputy S151 Officer
Michael Lloyd, Directorate Finance Manager
Kelly Nash, Corporate Performance Manager
Charlotte Smith, Assistant Director, Communications
Greg Povey, Assistant Director Contracts, Procurement, Commercial

External Auditors

Helen Thompson,
David White, Manager, Assurance - Government and
Public Sector, Ernst & Young

1. Apologies for Absence (AI 1)

Apologies for absence were received on behalf of Councillors Simon Boshier, John Ferrett and Judith Smyth.
Councillor Terry Norton deputised for Councillor Boshier and Councillor Graham Heaney deputised for Councillor Judith Smyth.

(The Chair agreed to vary the order of items on the agenda but these have been kept in their original place for ease of reference.)

2. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

3. Minutes of the Meeting held on 20 September 2019 (AI 3)

RESOLVED that the minutes of the meeting held on 20 September 2019 be approved and signed by the Chair as a correct record.

4. Treasury Management Monitoring Report for the Third Quarter of 2019/20 (AI 4)

(TAKE IN REPORT)

Michael Lloyd introduced the report explaining that there had been no breaches of the Treasury Management Policy. He said there had been no new borrowing in Quarter 3.

During discussion

- With regard to page 23 concerning cheaper sources of borrowing, Mr Lloyd said he considered it would be possible to find cheaper rates of borrowing in the new environment - probably around 0.3% less than borrowing from the Public Works Loan Board.(PWLB)
- In response to a query about why the PWLB had increased its rates, Mr Lloyd said that local authorities had been increasingly investing in commercial property - sometimes borrowing huge amounts of money from PWLB to do so. It seems that government was not entirely happy with this situation. Increasing the PWLB rates is a way of dissuading local authorities from acting in this way although there are likely to be other factors influencing that decision - such as the PWLB approaching the limit on what it can lend. He confirmed the increase in rates would have an impact on all borrowing - not just that for commercial purposes.
- It was confirmed that the Hampshire Community Bank had still not received its Banking Licence but that it was expected before long. Mr Lloyd said he would let Committee members know as soon as he could as to when the Banking Licence would be obtained and would also provide information on when the City Council could expect a return on its investment.

RESOLVED that the Committee noted

- (1) That the Council's Treasury Management activities have remained within the Treasury Management Policy 2019/20 in the period up to 31 December 2019**
- (2) The actual Treasury Management indicators as at 31 December 2019 set out in Appendix A.**

5. Treasury Management Policy for 2020/21 (AI 5)

(TAKE IN REPORT)

Michael Lloyd introduced the report advising that the report was before this committee for scrutiny and comment and that it would also be going on to Cabinet and then to Full Council on 17 March for approval. He detailed the recommendations in the report.

The main changes are a recommendation that preference should be given to investments that support the environment, have a beneficial social impact and good governance - provided that these do not increase the risks to the Council in terms of security of investment or liquidity nor which give lower returns.

The other main change concerns lending to the Hampshire Community Bank. Previously loans were to be secured on loans given by the bank which in turn were to be secured on tangible fixed assets. However many of the Bank's potential borrowers do not have tangible assets. A recommendation has been included this time to allow lending to HCB to be secured on loans made by HCB to small and medium sized enterprises on the highest credit quality which may not in turn be secured on tangible fixed assets. In addition it is recommended that the maximum duration of loans to HCB be reduced from 10 to 5 years.

In answer to queries

- The risk of default will be addressed by ensuring loans are given to counterparties of good credit-worthiness. In case of default, HCB will secure on personal guarantees which it is accepted are not as good as securing on tangible assets. However the risk is also mitigated by reducing the duration of the loans.
- The City Solicitor confirmed that loans secured on tangible assets are more secure, but loans secured on personal guarantees are quite common and there is no legal difference.
- It was confirmed that investing in an environmentally friendly and socially beneficial way will not necessarily produce lower returns. Environmentally harmful concerns are likely to be subject to more stringent regulations in future.

The Chair complimented the author on a well-written report.

RESOLVED that the Committee noted the recommendations in section 3 of the report that will go on to Cabinet and then to Full Council for approval.

6. External Auditors -2019/20 Audit Plan (AI 6)

(TAKE IN PLAN)

Helen Thompson and David White, external auditors, first updated the Committee on matters relating to the timing of the audit. Auditors are required to deliver quality audits both in the corporate and public sectors but there has been a shortage of suitably qualified staff across the audit profession to carry out the work required. The timing of audits to meet deadlines has become an issue given the volume of work and the shortage of staff. It has now been established that the 31 July deadline means that narrative statements have to be published by then - with or without an audit opinion.

The external auditors have been in discussion with Portsmouth City Council (PCC) and the Chair of this Committee in relation to the timing of PCC's audit and were very grateful that agreement had been reached to re schedule it to a later date. They assured the Committee that this is in no way a reflection on the quality of PCC's financial statements or officers but is a mutually agreed position. It will have no reputational impact on PCC but will allow external auditors more time to do the necessary work. External Audit is now looking to re-schedule the work to start in August/September until October aiming to report to this Committee at its November meeting.

The Chair commented that he had no issues with this provided it was above board and legal. This assurance was given.

In response to concerns that this would mean risks potentially not being identified till much later in the year, the Committee was assured that risks most likely to have an impact had already been identified as part of the interim audit and that the auditors would be in close contact with officers all the way through the work. If anything unexpected were to be identified as a risk, the External Auditors would advise PCC as soon as they became aware of that. The timing of meetings to fit in with the audit work and finance work would be reviewed by Finance staff and Democratic Services.

With regard to the Audit Plan, David White drew Members' attention to the risks set out in section 02 of the Audit Planning report. External auditors are required to include the first two risks but there is a newly identified risk relating to the acquisition of Lakeside. He advised that this would require a specialist valuation which was already underway.

David White also drew Members' attention to page 16 of the Audit Planning report in relation to IFRS 16 - Leases. Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. The Code has yet to be published although guidance to practitioners is available. The main impact of IFRS 16 is to remove (for lessees) the traditional distinction between finance leases and operating leases as detailed in the report. Assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. Work would be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.

In response to a query, it was confirmed that when the Code is published, this was not expected to cause PCC any problems as officers have the necessary work in hand.

The Committee noted the contents of the 2019/20 Audit Plan.

7. Corporate Complaints (updated)(information only) (AI 7)

(TAKE IN REPORT)

Charlotte Smith, Assistant director of Corporate Services, introduced the report which was to provide additional information requested by the Committee in relation to complaints upheld by the Local Government and Social Care Ombudsman (LGSCO).

The report concluded that the number of complaints referred to and upheld by the LGO has remained relatively static and PCC continues to compare well with other local authorities.
The Chair thanked officers for the report and asked for this level of detail to be included in future reports.

The Committee noted the updated information only report.

8. Members' Training Report (information only) (AI 8)

(TAKE IN REPORT)

The City Solicitor, introduced the report which updated the Committee on the 2020 training programme for councillors and reported on the training undertaken by elected members in 2019.

Training is provided and it is up to Members to access it as appropriate.

During discussion

- Although training is not compulsory as such, Members would not be allowed to sit on some committees/panels without first being trained.
- The Chair commented that Group Leaders could be pro-active in encouraging their members to complete relevant training.

The Committee noted the updated information only report.

9. Appointment of Independent Persons (AI 9)

(TAKE IN REPORT)

The City Solicitor introduced the report which outlined the reasons for the suggested appointment of two additional Independent Persons under the provisions of the Localism Act 2011.

There are currently two Independent Persons whose appointments expire in 2021. It is considered that the appointment of an additional two Independent Persons will assist with the complaints process.

The City Solicitor advised that following an advertisement for additional Independent Persons, interviews were held on 6 February 2020. The Member Panel (that included the Chair and Vice Chair of Governance & Audit & Standards Committee) recommended that Mark Walsh and John Young be appointed.

The Committee endorsed the Member Panel's recommendation.

RESOLVED that the Committee recommend that Council appoints Mark Walsh and John Young as Independent Persons for three years from 1 May 2020 through to 1 May 2023.

10. Quarterly Performance Management Report (AI 10)

(TAKE IN REPORT)

Kelly Nash, Corporate Performance Manager, introduced the report which is part of a regular series of quarterly reports highlighting significant performance issues across the organisation.

Appendix 1 summarises directorate issues, Appendix 2a provides a summary of performance issues, Appendix 2b provides the performance issues in detail and Appendix 3 identifies projects.

During discussion

- Members asked for more detail in relation to the Care Quality Commission service ratings percentages on the first page of Appendix 2a.in relation to nursing homes, residential homes, domiciliary and community. They asked what was included in these assessments and why community was showing red. The Corporate Services Manager said she would find out and let the Committee know.
- Under the priority headed "encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live work and visit," members suggested that the success of the Enterprise Centres measured through occupancy levels should be taken to the relevant Cabinet Member. There appears to be great demand for small affordable work space in the right location so increased supply would be of value to the City. Kelly Nash said that she would pass this on.

The Chair thanked the Corporate Performance Manager for her report.

RESOLVED that the Committee

- (1) Noted the report in the revised format**
- (2) Agreed if any further action is required in response to performance issues highlighted**

11. Code of Conduct Report re Social Media (AI 11)

The City Solicitor introduced the report which gives members the opportunity to consider the proposed wording to add to the Employees' Code of Conduct in respect of an employee's use of social media set out in Appendix A. The background is included in section 3 of the report and the reasons for the recommendations are set out in section 4.

During discussion

- It was agreed that a report would be brought back to this Committee in a year's time to consider how the introduction of the new section has worked in practice
- The City Solicitor said that although no monitoring would take place, the wording gives clarity to employees and the employer about what is expected of them in this context. If the Code is not adhered to it could become a disciplinary matter.

RESOLVED that the Committee

- (1) Noted the importance of informing an employee about personal use of social media**
- (2) Supported the wording presented in Appendix A for inclusion in the Employees' Code of Conduct**
- (3) Agreed for the revisions to be recommended to Full Council.**

12. Gifts and Hospitality report (officers and members) (AI 12)

(TAKE IN REPORT)

The City Solicitor introduced the report advising that protocol requires an annual report on compliance to enable the Committee to recommend changes if they considered that to be necessary. Details of what can and cannot be accepted are detailed in section 4 of the report. Appendices 1 to 7 provide details of gifts received.

The City Solicitor confirmed that none of the declarations gave him cause for concern.

During discussion it was confirmed

- that the register was published on the Council's website
- that the period covered ran from October one year to October the next.

RESOLVED

- (1) That the Committee considered whether or not to make any recommendations for change**
- (2) That in the absence of any changes, the report was noted.**

13. Report on Complaints Received in connection with alleged Code of Conduct breaches (AI 13)

(TAKE IN REPORT)

The City Solicitor introduced the report advising that there had not been many complaints against members during the period covered. The complaints mainly related to social media and all but one had been dealt with at the Initial Filter Panel (IFP) stage.

RESOLVED that the Committee

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

14. Constitution Part 2 Section 5 (A, B and C). (AI 14)

(TAKE IN REPORT)

The City Solicitor introduced the report advising that there had been a good level of engagement from officers and that the purpose of the changes was to update the Constitution Part 2, Section 5 Chief Officers' Delegated Authority. He drew Members' attention to the main changes explaining that they are designed to accurately reflect the scheme of delegation following directorate restructures and also includes a new Shareholder Committee Protocol. Details of the proposed changes are shown in the appendices.

The Chair thanked the City Solicitor for the report.

RESOLVED that the Committee recommended to Council the proposed amendments to Part 2 Section 5 Chief Officers' Delegated Authority for adoption into the Council's constitution.

15. Proposed revision to Standing Order 32 - Referral of Motions to other bodies of the Council (AI 15)

(TAKE IN REPORT)

The City Solicitor introduced the report advising that this would remove the option of referring Notices of Motion to other Council bodies for subsequently reporting back to Council. Effectively this would mean that all Notices of Motion would be discussed.

RESOLVED that the Committee recommended to Full Council that all the wording after the first sentence in section d of Standing Order 32 be deleted leaving "Motions included in the agenda must be formally moved and seconded."

16. Data Security Breaches (AI 16)

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report explaining that part of her role included being the Senior Information Risk Owner (SIRO). A regular report was brought to this Committee to advise of any ongoing breaches and to notify members of any new incidents. A summary of incidents is shown in Appendix A. For future reports, it was intended to change the format of the Appendix to show additional information for greater transparency. For example it was likely that the incidents would be recorded by directorate so that it would be clear if more incidents were reported in some directorates than others. This would help identify whether there were any underlying issues that needed intervention.

During discussion

- Members commented that the appendix showed that very few incidents were reported to the Information Commissioner's Office (ICO) and asked for more details on the process leading up to a decision on whether or not to report. The Chief Internal Auditor advised that the Information Governance team first assessed whether or not a breach had occurred by reference to various criteria. If in doubt, they would refer the incident to her for her decision on whether or not to report. Section 3 gave details of the Corporate Information Governance Panel meetings.
- It was confirmed that the ICO was content with how the City Council was operating. In relation to reported incidents, the ICO would request additional information if they needed it. The ICO was more concerned with being satisfied that a sound framework was in place to deal with any incidents.
- It was agreed that there was currently no comparison data year on year relating to data breaches and that this would be useful in future so that an assessment could be made as to whether things were improving or worsening. The Chief Internal Auditor would consider how this data could be provided.

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

17. Whistleblowing Report (AI 17)

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report explaining that Appendix A updated the Committee on the nature and handling of whistleblowing concerns for the period from January to December 2019. Appendix B showed minor amendments to the wording of the Policy to reflect personnel changes, for approval by the Committee.

There had been three investigations in 2019 as shown in Appendix A.

During discussion

- In response to a query about whether a whistleblower could be confident that their anonymity would be preserved, the Chief Internal Auditor said that historically PCC had a reasonably good track record in this regard. However if the incident became a police matter, anonymity could not then be guaranteed. If it became necessary to divulge the person's name, they would be told before disclosure was made and would be given as much support as possible.

RESOLVED that the Committee

- (1) Noted this report and the attached Appendix A and considered whether any further action is required**
- (2) Approved the changes to the whistleblowing policy (Appendix B) which has been amended following the departure of the previous City Solicitor and the Director of HR Legal and Performance.**

18. Exclusion of Press and Public (AI 18)

RESOLVED 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 appendices to the reports contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.

The Chair advised that proceedings would be kept open until such time as there was any discussion relating to the exempt appendices included in the reports on the following items on the agenda and would move into exempt session at that point.

19. Audit Performance Status Report to 29 January 2020 (AI 19)

The Chief Internal Auditor introduced the report which updated the Committee on the Internal Audit Performance for 2019/20 to 29 January 2020 against the Annual Audit Plan, highlighted areas of concern and areas where assurance

can be given on the internal control framework. In addition the 2020/21 Annual Audit Plan was attached as Appendix C for committee approval.

Areas of concern are set out in section 5 of the Internal Audit Progress report attached as Appendix A.

Once the open part of the papers for this and the following item had been discussed, the Chair moved the meeting into exempt session. A brief explanation of the contents of the exempt appendix was given in exempt session. A further more detailed update would be provided at a future meeting.

The Chair thanked Internal Audit for their interesting and detailed report.

RESOLVED that the Committee

- (1) Noted the Audit Performance for 2019/20 to 29 January 2020**
- (2) Noted the highlighted areas of concern in relation to audits completed from the 2019/20 Audit Plan, including follow up work performed**
- (3) Endorsed the Audit Plan for 2020/21**

20. Procurement Management (information only) (AI 20)

(TAKE IN REPORT)

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

Section 1 provides details of compliance with Contract Procedure Rules. The target set by the Committee of greater than 95% conformance with contract procedure rules has been exceeded.

Section 2 shows waivers awarded this quarter.

Section 3 provides a breakdown by directorate of the actual spend during quarter 3 2019/20 on contracts which have waivers associated with them.

Section 4 shows spend by contract size.

Section 5 shows the Council's top ten suppliers.

Section 6 shows suppliers paid over £100.000 in Q3 by directorate.

Section 7 shows supplier performance.

Section 8 shows supplier performance monitoring.

During discussion

- Appendix 2 was referred to which showed that the reason for 4 waivers was reported as being "insufficient time." Members asked how it was determined that that was the case. Mr Povey explained that generally these situations tended to arise where there was a need to react to unforeseen circumstances - such as a directive from central government. In the case of the Berth 2 Boarding Bridge and Satellite reception concept engineering, a very tight timescale was necessary to meet technical requirements and customer demand. Detailed file notes were kept.

During exempt session members were given the opportunity to ask questions on the exempt appendices.

The Chair thanked Greg Povey, for his contributions to this Committee over several years and wished him every success in his new role in West Sussex.

The committee noted the information only report.

At the close of the meeting, the Chair noted that Councillors John Ferrett and Neill Young would not be standing for re-election at the May 2020 Local Elections. He expressed his thanks to them both for their valuable contributions to the Committee and wished them well for the future.

The meeting concluded at 5.45 pm.

Councillor Leo Madden
Chair

This page is intentionally left blank

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 24 July 2020 at 2.00 pm at the Virtual Meeting - Remote

(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 Leo Madden (in the chair)
Councillor Simon Boshier (Vice-Chair)
Councillor Chris Attwell
Councillor John Ferrett
Councillor Judith Smyth

Officers

Chris Ward, Director of Finance and Resources
Peter Baulf, City Solicitor and Monitoring Officer
Elizabeth Goodwin, Chief Internal Auditor
Richard Lock, Assistant Procurement Manager

External Auditors

Helen Thompson, Executive Director, Ernst & Young
David White, Manager, Assurance - Government and
Public Sector, Ernst & Young

21. Apologies for Absence (AI 1)

The Chair welcomed everyone to the meeting and explained that it was being held virtually because of restrictions imposed following the outbreak of Covid 19.

Apologies for absence were received on behalf of Councillor Neill Young.

22. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

23. Minutes of the meeting held on 3 March 2020 (AI 3)

The Chair explained that as he was the only member at the last meeting who was also present at today's meeting, the minutes could not be approved and would have to be deferred to the next meeting.

The Chair advised that the queries raised on the Hampshire Community Bank had been answered via email.

He also advised that the change to Standing Order 32d) had been approved by Council and was now part of the Constitution.

RESOLVED that approval of the draft minutes be deferred to the next scheduled meeting of the Committee.

24. Financial Impact of Covid 19 Pandemic (AI 4)

(TAKE IN INFORMATION ONLY REPORT)

Chris Ward, Director of Finance and s121 officer presented the information only report that set out the financial impact of Covid 19. He said that money was still being received from various sources and the situation was uncertain for a number of reasons. The report only considered the effect of the initial outbreak and if there was a second spike, this would have a further impact. The essence of the strategy agreed at Cabinet was that the £10m shortfall (after all government money had been received and leaving £3m in the reserve) would be met by putting a hold on some of the capital projects until such time as the situation becomes clearer.

There has been some additional funding from central government since the report was written. The first 5% of any loss has to be borne by the council. Of the remainder, government will provide 75% of any loss and Council the remaining 25%. Any deficit from business rates and council tax will not be funded by central government but they will give the council 3 years to cover any deficit.

In response to questions

- it was confirmed that PCC has operated in accordance within government guidance
- losses concerning the commercial port are sizeable and because so few local authorities have a commercial port, there is no government guidance about this. Chris Ward said PCC is seeking such guidance and is hoping for positive news
- PCC are lobbying government for a response about the Housing Revenue Account (HRA).
- There have been some savings as a result of the pandemic such as on home to school transport and waste disposal, but the savings do not amount to very much as compared with the losses. Other savings have been made in relation to the Highways pfi contract where Colas furloughed a number of staff.
- There is currently no financial modelling in the event of a second spike of Covid 19 and this is because government would be expected to intervene again.

The report was noted.

25. Draft Annual Governance Statement (AI 5)

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor introduced the report on behalf of Kelly Nash.

She advised that paragraph 3 gives the background to the report and that the authority has a duty to produce and publish an Annual Governance Statement. It sets out the systems and processes in place to ensure that Council business is conducted lawfully and in accordance with proper standards. The report highlights that the Covid 19 pandemic response had started and wider recovery will have significant implications for the governance of the organisation. As this covers the period up until the statement of accounts is submitted - expected in November, there may be a need to update the committee should there be changes in the coming months.

RESOLVED that the Committee agreed the Annual Governance Statement 2019/20 (Appendix 1)

26. External audit 2019 to 20 Audit Planning report update (AI 6)

(TAKE IN INFORMATION REPORT)

Helen Thompson and David White, external auditors introduced the report which provided an opportunity for the Council to see how the risk assessment has been updated as a result of Covid 19.

David White focused on changes in the risk assessment and referred to page 56 of the report. For the reasons stated, there could be a significant impact on investment properties and the external auditors have therefore raised a significant risk in relation to investment property valuations.

Page 58 of the report identifies other areas of the audit that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters that will be included in the audit report.

Page 59 of the report refers to external audit being obliged to report on such matters within the section 'Conclusions relating to Going Concern'. To do this, external audit must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

Page 60 of the report states that the introduction of the new accounting standard – IFRS 16 has been deferred meaning that the Council no longer needs to disclose the financial impact of the new accounting standard in the 19/20 accounts.

In response to questions

- With regard to procurement matters - Helen Thompson said that for the 2019/20 audit this would not have a significant impact. The procurement report would be looked at for the 2020/21 audit statements when it was likely to have greater impact.
- With regard to the effect of Covid 19 on the rental income from the property portfolio and the purchase of Lakeside, this will be taken into

account as at 31 March for the current audit and Ernst & Young would be using real estate specialists to help with the audit. It will impact on both the 2019/20 and 2020/21 audits but was likely to be more prominent in the 2020/21 audit.

The information only update report was noted.

27. Summary of Procurement Compliance Figures/Covid 19 impact - information report. (AI 7)

(TAKE IN REPORT)

Information only

Richard Lock introduced the report that was to provide an overview of procurement activity. The report was an interim report and a more detailed report including exempt appendices would be brought to the next meeting.

Whilst more manual updating has been required in respect of the data taken for May 2020, the raw system compliance percentage is 64%. The subsequent adjusted compliance figure has remained high at 97% which is actually higher than the 96% recorded for September 2019. There were some areas where the compliance percentage was not as high as he would have liked, but nothing was over the tender threshold of £100k and nothing was anywhere near the statutory threshold of £190k. Basically there was nothing giving him cause for concern.

In order to respond efficiently and effectively the former Procurement Manager agreed in conjunction with Legal and Audit on 1 April 2020 that the waiver and extension could be streamlined to effective summary rationale without full completion of standard forms where the need for the waiver could be directly linked to the impact of the Covid19 pandemic. This was on condition that key approvals from the Director / AD, Procurement, Legal and Finance were still obtained and recorded.

The need for emergency direct awards is reducing and is expected to reduce further due to effective build-up of PPE stock, easing of lockdown restriction in respect of shielded individuals and reduction in one off IT equipment spend. There will however still be an increased need for direct award waivers on this basis over the next quarter which may still require streamlined governance.

During discussion

- It was agreed that Richard Lock would send members of the committee the information that would normally appear in the exempt appendices.
- With regard to the large number of kpis that were never scored or have lapsed, Richard Lock said that work would be undertaken to identify those contracts that had lapsed and these would be updated.
- Members said that good management would be required to check on the performance of contractors so that not too much leeway was given to those citing Covid 19 as the reason for any performance issues. Richard Lock said that this was one of the actions identified in the recovery phase. He confirmed that letters had gone out to all

managers of strategic contracts to provide updates and these had shown a good level of co-operation and partnership.

The report was noted.

28. Audit Plan 2020/21 - Updates/changes as a result of COVID-19. (AI 8)

(TAKE IN REPORT)

The Chief Internal Auditor, Elizabeth Goodwin, introduced the report advising that the proposed Audit Plan 2020/21 was presented to this committee on 3 March 2020. Since that meeting the COVID-19 pandemic has caused significant changes in the priorities, working practices, governance arrangements and availability of staff at the Council. As such, changes have been made to the Audit Plan and these changes are presented in Appendix A.

The Committee was advised that several entries in Appendix A had been scored through which meant they were not being pursued this year. The Audit Plan had to be kept fluid and was being reassessed on a monthly basis so that anything significant could be reinstated if necessary. The key message is that as there is much uncertainty and many additional pockets of work are being requested - especially around grants - that is a new area of focus.

Risk assessments have to be carried out regularly as much audit work involves going through papers and this may be too risky in the current climate. Audit work will only be carried out where it is safe to do so.

With regard to annual governance and assurance, some rules in various areas have been waived and internal audit have been involved with checking that what has been agreed has been carried out in accordance with the terms and conditions of those agreements.

The Chair thanked the Chief Internal Auditor for her report.

RESOLVED that the Committee noted the changes to the Audit Plan 2020/21.

29. Audit Performance Status Report to 30th June 2020 & Annual Audit Opinion 2019/20. (AI 9)

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report which is the Audit Performance Status Report for the 2019-20 planned audit activities along with the overall Annual Audit Report and Opinion 2019/20.

Appendix A includes the detail of progress made against the annual plan and documents individual audit findings. Appendix B is the Annual Audit Report and Opinion 2019/20 report.

The annual opinion this time is limited assurance. There is a recurring concern that directorates are not implementing agreed actions when they say they will. To try to address this ongoing issue, any exception that is open is going to be taken to the directors of each service and a follow-up on the

follow-up will be carried out. The audit will not be closed until the actions have been completed.

Audit areas that have been completed are noted in the report from page 101 onwards. The initials NAT where they appear in Appendix A refer to matters that were not relevant for testing. There are no new areas of significant concern. One item - Victory Energy (VESL) remains open as this is still in draft.

During discussion

- The Chief Internal Auditor confirmed that although the overall opinion was still limited assurance, there had been some improvement as indicated in the tables on page 122 of the report. However, there was still a long way to go before limited assurance could be upgraded to reasonable assurance. The number of reports given a limited assurance rating would have to reduce by about a third of the current number and there would have to be nothing in the "no assurance" category. But there are also other things to be considered.
- With regard to the 3 high risk exceptions mentioned on page 103, these were predominantly concerning satellite premises where paperwork to evidence required actions relating to mitigating against fire risk was not available. Sometimes the required actions are taken initially but evidence for subsequent audits cannot be produced to show that required actions have been kept up to date. If no evidence can be produced, audit will conclude that the actions have not been taken.
- The Committee agreed that there is a recurring theme where initial progress is made but that too often this is followed by a lapse into old ways and that this is not satisfactory.
- The Committee was disappointed that Officers set their own time scales for compliance and then failed to meet their own deadlines.

Following discussion, it was noted that the Chief Internal Auditor would provide a position statement to all directors with implementation dates for actions agreed by services.

As part of the audit progress report, the Chief Internal Auditor would provide details of instances where implementation dates were not met and would show how many missed deadlines there had been by directorate. The director/ directors of the services concerned would be expected to attend the G&A&S meeting to explain the reasons for any missed deadlines.

RESOLVED that Members

- (1) Note the Audit Performance for 2019/20 to 30th June 2020.**
- (2) Note the highlighted areas of concern in relation to audits**
- (3) Note the Annual Audit Report and Opinion for 2019/20.**

30. Criminal Finance Act 2017 - Tax Evasion Policy - information report (AI 10)

(TAKE IN REPORT - information only)

The Chief Internal Auditor introduced the report which informs the Committee of the requirements placed upon the council in relation to the legislation as set out in the Criminal Finance Act 2017 with regard to Tax Evasion. The

Government has stated that councils should be criminally liable where they fail to prevent those who act for or on their behalf from criminally facilitating tax evasion.

Portsmouth City Council (PCC) therefore needs robust arrangements in place to carry out its own checks and balances - similar to those already undertaken in relation to bribery and counter fraud. The Policy sits within the Finance Directorate.

The Council's Audit Team will conduct regular compliance checks paying specific attention to areas of high risk and will report back to the Governance & Audit & Standards Committee as part of its annual reporting on counter fraud activities.

During discussion

- It was confirmed that there had been no incidents of tax evasion, but there have been incidents of fraud.
- Risk areas are covered in the Policy and include compliance checks on matters such as checking that certain clauses are included in contracts, checking there are good due diligence arrangements, checking that adequate finance processes in place and checking suppliers are bona fide.

The Chair thanked the Chief Internal Auditor for her report which was noted.

The Chair thanked everyone for their attendance.

It was agreed that where possible, future meetings should be scheduled on a Friday at 2pm.

The meeting concluded at 4pm.

Councillor Leo Madden
Chair

This page is intentionally left blank

Title of meeting:	Governance and Audit and Standards Committee Cabinet City Council
Date of meeting:	Governance and Audit and Standards Committee 25 th September 2020 Cabinet 6 th October 2020 City Council 13 th October 2020
Subject:	Treasury Management Outturn Report 2019/20
Report by:	Director of Finance and Resources (Section 151 Officer)
Wards affected:	All
Key decision:	No
Full Council decision:	Yes

1. Executive Summary

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Prudential Code of Practice requires local authorities to calculate prudential indicators before the start of and after each financial year. 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 A of the report.

2. Purpose of Report

To inform members and the wider community of the Council's treasury management activities in 2019/20 and of the Council's treasury management position as at 31st March 2020.

3. Recommendations

It is recommended that the actual prudential and treasury management indicators based on the unaudited accounts, as shown in Appendix B, be noted (an explanation of the prudential and treasury management indicators is contained in Appendix C).

4. 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.

5. Reasons for Recommendations

The net cost of Treasury Management activities and the risks associated with those activities have a significant effect on the Council's overall finances. Consequently, in accordance with good governance, the S.151 Officer is required to report to the Council on those activities.

6. Integrated impact assessment

An integrated impact assessment is not required as the recommendations do not directly impact on service or policy delivery. Any changes made arising from this report would be subject to investigation in their own right.

7. Legal implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

8. Director of Finance & Resources (Section 151 Officer) comments

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

.....
Signed by Director of Finance & Revenues (Section 151 Officer)

Appendices:

Appendix A: Treasury Management Outturn Report

Appendix B: Prudential and Treasury Management Indicators

Appendix C: Explanation of Prudential and Treasury Management Indicators

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	Information pertaining to the treasury management outturn	Financial Services
2		

TREASURY MANAGEMENT OUTTURN REPORT**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.

2. COMBINED BORROWING AND INVESTMENT POSITION (NET DEBT)

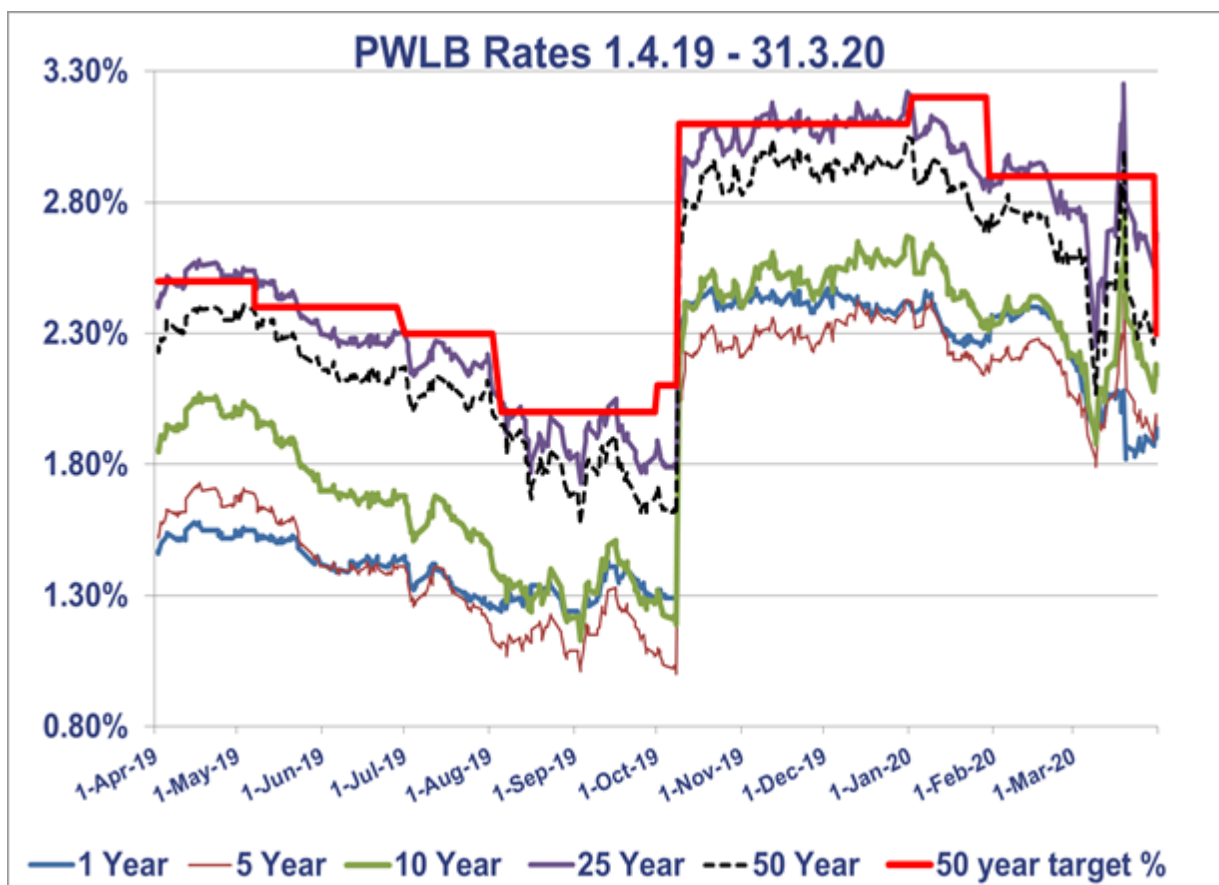
On 31 March 2020 the Council had gross debt including finance leases and private finance initiative (PFI) schemes of £764m and gross investments of £393m giving rise to a net debt of £371m. Major components of the Council's gross investments of £393m include the Council's general and earmarked reserves of £226m, and capital grants received but yet to be applied to finance capital expenditure of £115m.

3. BORROWING ACTIVITY

Gilt yields, and consequently Public Works Loans Board (PWLB) rates, were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise).

However, HM Treasury has imposed two changes in the margins over gilt yields for Public Works Loans Board (PWLB) rates in 2019/20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure.

The movements in PWLB rates can be seen in the graph below.



The Government also announced that there would be a consultation with local authorities on possibly further amending these margins; this ended on 30th July. It is also clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.

Following the changes on 11 March 2020 in the margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

The Council qualifies to borrow at the certainty rates for both the General Fund and the Housing Revenue Account.

The Council established a net loans requirement in its Capital Strategy for 2019/20. This is the Council's underlying need to borrow to fund the approved capital programme after taking account of cash backed reserves which could be used to internally fund capital expenditure financed from borrowing for a limited period. This identified that the Council will need to borrow £46m within the next 3 years.

In July 2019 the Council purchased Lakeside North Harbour Business Park. The opportunity to acquire Lakeside North Harbour Business Park was not known about when the 2019/20 Capital Strategy was approved and consequently the Council had a much higher borrowing requirement than had been anticipated.

The Council undertook long term borrowing of £90m in 2019/20 at a weighted average interest rate of 1.83% and an average weighted term of 34 years. This is detailed below.

Date of Advance	Principal	Interest Rate	Term (years)	Repayment Method
29/5/19	£20m	2.28%	35	Annuity
7/8/19	£20m	1.57%	25	Equal Instalments of Principal
20/8/19	£17m	1.67%	49	Principal Paid at Maturity
5/9/19	£20m	1.59%	45.5	Principal Paid at Maturity
11/3/20	£13m	2.07%	50	Principal Paid at Maturity

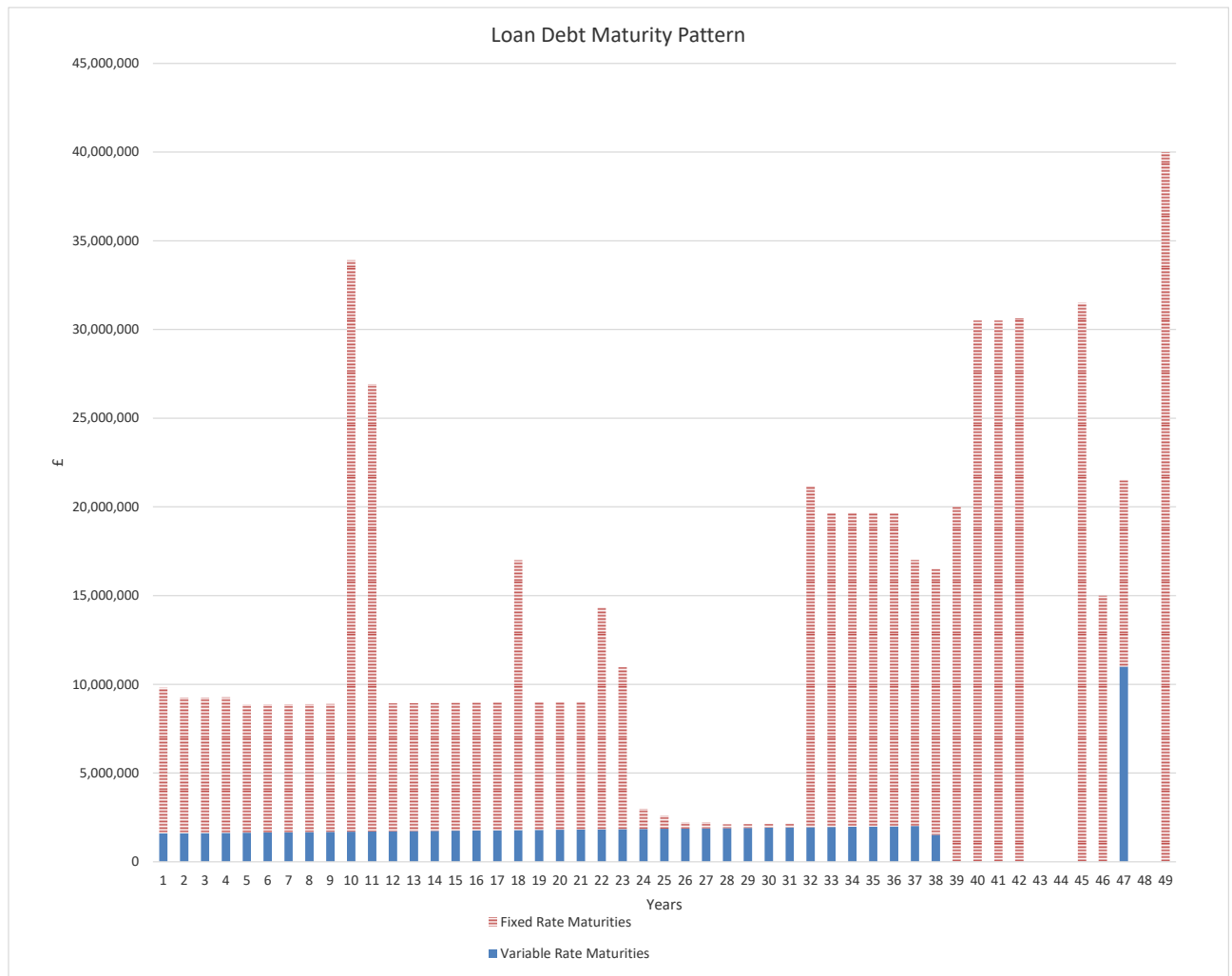
In addition, it was also necessary to undertake short term borrowing at two points in the year. £30m was borrowed in June for an average of 37 days at 0.67% in order to fund the purchase of Lakeside North Harbour Business Park. £30m was borrowed in March for an average of 50 days at 0.84% in order to fund the payment of 3 years of employer's pension contributions in advance in return for a discount. In both cases the expenditure was opportunistic (and not known sufficiently in advance) and insufficient investments matured before these large single payments had to be made.

The Council borrowed £3.6m interest free from Salix repayable over 5 years to fund energy efficiency projects including the replacement of street lighting with LED lamps. Salix is a not-for-profit organisation that is funded by the Government to promote energy efficiency within the public sector.

The Council's underlying need to borrow at 31st March 2020 was £799m, £35m in excess of its actual gross debt of £764m. This shortfall of £35m is funded by internal borrowing from the Council's reserves and will need to be borrowed externally at some point in the future.

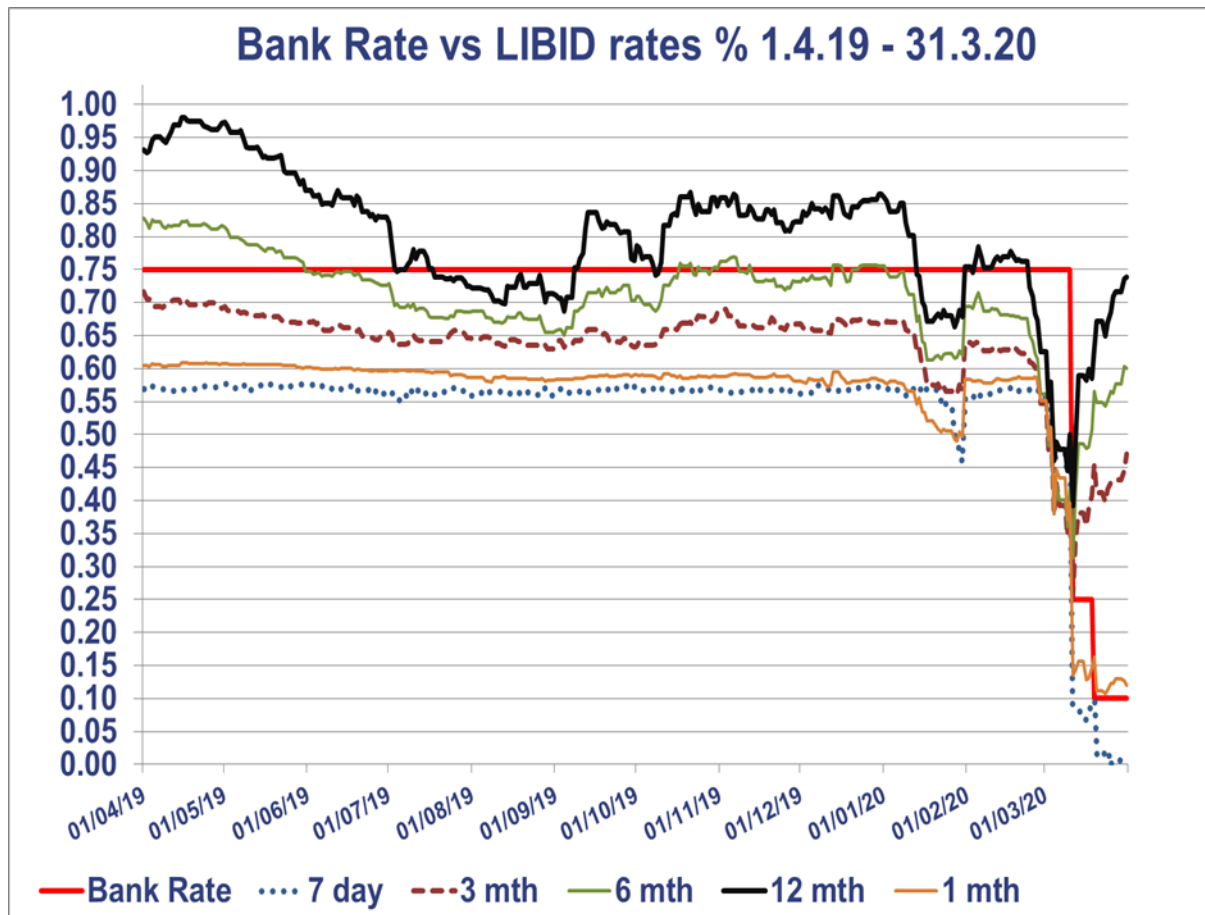
Debt rescheduling opportunities have been limited in the current economic climate and following the various increases in the margins added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling was undertaken during 2019/20.

The Council's gross debt at 31st March 2020 of £764m is within the Council's authorised limit (the maximum amount of borrowing permitted by the Council) of £807m and the Council's operational boundary (the maximum amount of borrowing that is expected) of £777m. The Council aims to have a reasonably even maturity profile so that the Council does not have to replace a large amount of borrowing in any particular year when interest rates might be high. The maturity profile of the Council's borrowing (see graph below) is within the limits contained in the Council's Treasury Management Policy.



4. INVESTMENT ACTIVITY

Bank Rate and market investment rates (London Interbank Bid (LIBID)) investment rates for 2019/20 are shown below.



Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would increase from 0.75% to 1.00% during 2019/20.

Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets.

The Council's cash investment portfolio consists of the following.

	Portfolio at 31st March 2019	Return in 2018/19	Portfolio at 31st March 2020	Return in 2019/20
Plain vanilla interest bearing deposits	£380.9m	0.39%	£375.7	0.98%
Tradable structured interest bearing deposits where the interest rate or the maturity date is determined by certain criteria	£25.2m	1.62%	£9.7m	2.05%
Externally managed corporate bonds	£8.0m	2.92%	£7.4m	-1.16%
Total	£414.1m	0.47%	£392.8m	0.99%

Returns on the Council's cash investments were adversely affected by the decision to write off the investment in Victory Energy Services Limited (VESL). £3.4m was lent to Victory Services Energy Limited (VESL) (£2.8m in 2018/19 and £0.6m 2019/20). £2.8m had been provided in 2018/19 so the charge to the General Fund in 2019/20 was £0.6m. There are no indications that any other investment will default. If it had not been necessary to provide for the default of VESL, overall returns would have been 1.12% in 2018/19 and 1.16% in 2019/20.

The shortage of liquidity in the financial markets also caused the market value of corporate bonds to fall sharply in March 2020. As a consequence of this the Council's externally managed corporate bonds made a negative return of 1.16% in 2019/20. The corporate bond portfolio has been defensively managed and has no direct exposure to the energy, travel, hospitality, or non-food retail sectors. Now that liquidity has returned to the financial markets the value of the corporate bond portfolio has recovered in the first quarter of 2020.

5. REVENUE COSTS OF TREASURY MANAGEMENT ACTIVITIES IN 2019/20

Expenditure on treasury management activities in both the General Fund and the HRA against the revised budget is shown below.

	Revised Estimate 2019/20 £000	Actual 2019/20 £000	Variance +/- £000
Interest Payable:			
PWLB	18,882	19,025	143
Other Long Term Loans	1,229	1,188	(41)
HCC Transferred Debt	379	366	(13)
Interest on Finance Lease	191	189	(2)
Interest on Service	6,071	6,017	(54)
Concession Arrangements (including PFIs)			
Interest Payable to External Organisations	1,443	1,514	71
Premiums and Discounts on Early Redemption of Debt	86	89	3
	28,281	28,388	107
<u>Deduct</u>			
Investment Income:			
Interest on Investments	(3,581)	(4,614)	(1,033)
Impairment of Investments	670	671	1
Other interest receivable	(1,358)	(1,342)	16
	(4,269)	(5,285)	(1,016)
Provision for Repayment of Debt	4,917	4,763	(154)
Debt Management Costs	511	501	(10)
	29,440	28,367	(1,073)

Net treasury management costs were £1.1m, or 3.6% below the revised budget. The principal variance was interest income which was £1.0m above the revised estimate. Higher returns and cash balances than anticipated led to more interest being earned on external lending.

APPENDIX B**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS**

1. Capital financing requirement	Original Estimate £'000	Revised Estimate £'000	Actual £'000
General Fund	505,127	633,173	621,036
Housing Revenue Account (HRA)	180,207	175,807	177,644
Total	685,334	808,980	798,680
2. Authorised Limit	Original Limit £'000	Revised Limit £'000	Actual £'000
Long Term Borrowing	674,378	744,623	701,322
Other Long Term Liabilities	62,377	62,377	62,377
Total	736,755	807,000	763,699
3. Operational Boundary	Original Limit £'000	Revised Limit £'000	Actual £'000
Long Term Borrowing	645,043	714,623	701,322
Other Long Term Liabilities	62,377	62,377	62,377
Total	707,420	777,000	763,699
4. Ratio of financing costs to net revenue stream	Original Estimate	Revised Estimate	Actual
General Fund	12.3%	12.0%	10.8%
Housing Revenue Account (HRA)	7.6%	7.4%	6.8%
5. Maturity Structure of Fixed Rate Borrowing	Lower Limit	Upper Limit	Actual
Under 12 months	0%	10%	1%
12 months and within 24 months	0%	10%	1%
24 months and within 5 years	0%	10%	4%
5 years and within 10 years	0%	20%	11%
10 years and within 20 years	0%	30%	18%
20 years and within 30 years	0%	30%	7%
30 years and within 40 years	0%	40%	31%
Over 40 years	0%	40%	27%
6. Maturity Structure of Variable Rate Borrowing	Lower Limit	Upper Limit	Actual
Under 12 months	0%	10%	2%
12 months and within 24 months	0%	10%	2%
24 months and within 5 years	0%	10%	6%
5 years and within 10 years	0%	20%	11%
10 years and within 20 years	0%	30%	22%
20 years and within 30 years	0%	30%	24%
30 years and within 40 years	0%	30%	19%
Over 40 years	0%	30%	14%
7. Principal sums invested over 365 days	Original Limit £'000	Revised Limit £'000	Actual £'000
Maturing after 31/3/2021	144,000	117,000	47,930
Maturing after 31/3/2022	117,000	50,000	18,200
Maturing after 31/3/2023	-	50,000	10,000

APPENDIX C**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS****1. 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 is increased each year by any new borrowing and reduced by any provision for the repayment of debt. Broadly, 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.

2. AUTHORISED LIMIT

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

3. OPERATIONAL BOUNDARY

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

4. RATIO OF FINANCING COSTS TO NET REVENUE STREAM 2019/20

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 as a proportion of total income received from General Government Grants, Non Domestic Rates and Council Tax.

The ratio of Housing Revenue Account (HRA) financing costs to net revenue stream is the annual cost of financing capital expenditure, as a proportion of total gross income received including housing rents and charges.

5. MATURITY STRUCTURE OF FIXED RATE BORROWING

The Council aims to have a reasonably even debt maturity profile so that it is not unduly exposed to refinancing risk in any particular year when interest rates may be high. The maturity structure of fixed rate borrowing matters less in future years as inflation will reduce the real value of the sums to be repaid.

6. MATURITY STRUCTURE OF VARIABLE RATE BORROWING

Variable rate borrowing could expose the Council to budgetary pressure if the interest rates increase. The maturity structure of variable rate borrowing matters less in future years as inflation will reduce the real value of the liability.

7. PRINCIPAL SUMS INVESTED FOR OVER 365 DAYS

Investing long term at fixed rates provides certainty of income and reduces the risk of interest rates falling.

This page is intentionally left blank

Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	25 th September 2020
Subject:	Treasury Management Monitoring Report for the First Quarter of 2020/21
Report by:	Chris Ward, Director of Finance and Resources (Section 151 Officer)
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Executive Summary

This report outlines the Council's performance against the treasury management indicators approved by the City Council on 17th March 2020.

2. Purpose of report

The purpose of the report is to inform members and the wider community of the Council's Treasury Management position, ie. its borrowing and cash investments at 30th June 2020 and of the risks attached to that position.

Whilst the Council has a portfolio of investment properties and some equity shares which were acquired through the capital programme; these do not in themselves form part of the treasury management function.

3. Recommendations

It is recommended that the following be noted:

- 3.1 That the Council's Treasury Management activities have remained within the Treasury Management Policy 2020/21 in the period up to 30th June 2020.
- 3.2 That the actual Treasury Management indicators as at 30th June 2020 set out in Appendix A be noted.

4. Background

The Council's treasury management operations encompass the following:

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

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

- Credit risk - ie. that the Council is not repaid, with due interest in full, on the day repayment is due
- Liquidity risk - ie. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs
- Interest rate risk - that the Council fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are in excess of those for which the Council has budgeted
- Maturity (or refinancing risk) - this relates to the Council's borrowing or capital financing activities, and is the risk that the Council is unable to repay or replace its maturing funding arrangements on appropriate terms
- Procedures (or systems) risk - ie. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud or error

The treasury management budget accounts for a significant proportion of the Council's overall budget.

The Council's Treasury Management Policy aims to manage risk whilst optimising costs and returns. The Council monitors and measures its treasury management position against the indicators described in this report. Treasury management monitoring reports are brought to the Governance and Audit and Standards Committee for scrutiny.

The Governance and Audit and Standards Committee noted the recommendations to Council contained within the Treasury Management Policy 2020/21 on 3rd March 2020. The City Council approved the Treasury Management Policy 2020/21 on 17th March 2020.

5. Reasons for Recommendations

To highlight any variance from the approved Treasury Management Policy and to note any subsequent actions.

To provide assurance that the Council's treasury management activities are effectively managed.

6. Integrated impact assessment

An integrated impact assessment is not required as the recommendations do not directly impact on service or policy delivery. Any changes made arising from this report would be subject to investigation in their own right

7. Legal Implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

8. Director of Finance and Resources (Section 151 Officer) comments

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

.....
Signed by Director of Finance and Resources (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 Records	Financial Services

APPENDIX A**TREASURY MANAGEMENT POSITION FOR THE FIRST QUARTER OF 2020/21****A1. SUMMARY OF TREASURY MANAGEMENT INDICATORS**

The City Council originally approved the authorised limit (the maximum amount of borrowing permitted by the Council) and the operational boundary (the maximum amount of borrowing that is expected) on 11th February 2020. The Council's debt at 30th June was as follows:

Prudential Indicator	Limit £m	Actual £m
Authorised Limit - the maximum amount of borrowing permitted by the Council	883	790
Operational Boundary - the maximum amount of borrowing that is expected	868	790

The maturity structure of the Council's fixed rate 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
Minimum proportion of loans maturing	0%	0%	0%	0%	0%	0%	0%	0%
Maximum proportion of loans maturing	10%	10%	10%	20%	30%	30%	40%	40%
Actual proportion of loans maturing	1%	1%	4%	11%	18%	7%	31%	27%

The maturity structure of the Council's variable rate 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
Minimum proportion of loans maturing	0%	0%	0%	0%	0%	0%	0%	0%
Maximum proportion of loans maturing	10%	10%	10%	20%	30%	30%	30%	30%
Actual proportion of loans maturing	2%	2%	6%	11%	22%	24%	19%	14%

Surplus cash invested for periods longer than 365 days at 30th June 2020 was:

	Limit	Quarter 1 Actual
	£m	£m
Maturing after 31/3/2021	117	66
Maturing after 31/3/2022	50	30
Maturing after 31/3/2023	50	20

A2. GOVERNANCE

The Treasury Management Policy approved by the City Council on 17th March 2020 provides the framework within which treasury management activities are undertaken.

There have been no breaches of these policies during 2020/21 up to the period ending 30th June 2020.

A3. BORROWING ACTIVITY

Gilt yields had already been on a falling trend during the last year up until the coronavirus crisis hit western economies. Since then, we have seen gilt yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies and moved cash into safe haven assets i.e. government bonds. However, major western central banks started massive quantitative easing purchases of government bonds which has acted to maintain downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds; in normal times this would have caused bond yields to rise sharply. At the close of the day on 30 June, all gilt yields from 1 to 5 years were slightly negative while even 25-year yields were at only 0.71% and 50 year at 0.54%. Equity markets have enjoyed a rebound since the lows of March as confidence has started to return among investors that the worst is over and recovery is now on the way.

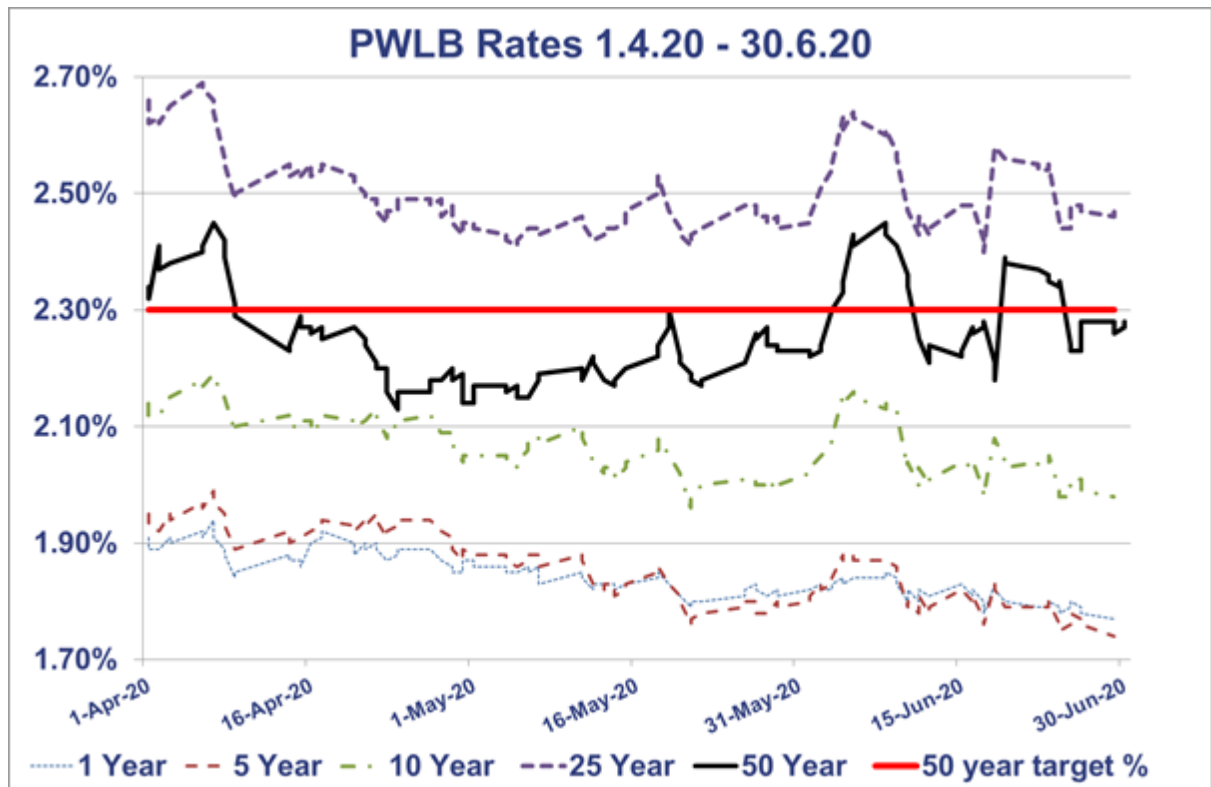
However, HM Treasury imposed two changes of margins over gilt yields for Public Works Loans Board (PWLB) rates in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then at least partially reversed for some forms of borrowing, including borrowing by the Housing Revenue Account (HRA) on 11 March 2020, but not for mainstream General Fund capital schemes. The Government also announced that there would be a consultation with local authorities on possibly further amending these margins; this ended on 31 July. The consultation also proposes that it will no longer allow local authorities to borrow money from the PWLB if their capital programme includes the purchase of assets to generate a yield. The definition of such commercial activity in the consultation is vague.

Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

The Council qualifies to borrow from the PWLB at the certainty rate for both General Fund and Housing Revenue Account purposes.

PWLB rates have fallen a little between the start and end of the quarter with not a great deal of volatility between those dates. The 50 year PWLB target rate for new long term borrowing was at 2.30% during the quarter. This is shown in the graph below.



There is likely to be little upward movement in PWLB rates over the next two years as it will take economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period.

£60m was borrowed from the PWLB at the HRA certainty rate in the first quarter of 2020/21 to fund the HRA capital programme. This was because PWLB rates were very low and because the Council may not be able to access funding from the PWLB in future because of its commercial activities. These loans were all for £20m and are repayable in 50 years at maturity. These loans have an average interest rate of 1.17%.

Whereas this authority has previously relied on the PWLB as its main source of funding, it now has to fundamentally reconsider alternative cheaper sources of borrowing. At the current time, this is a developmental area as this event has also taken the financial services industry by surprise. Various financial institutions have entered the market and made products available to local authorities. However, the market has yet to settle down. Members will be updated as this area evolves.

The Municipal Bonds Agency plans to offer loans to local authorities in 2020. This Authority may make use of this new source of borrowing as and when appropriate.

At the start of the year, the Council had £30m of short term loans to help fund the payment of 3 years' of employer's pension contributions in advance in return for a discount. These loans were repaid in the first quarter of 2020/21.

The Council's gross borrowing at 30th June 2020 of £790m is within the Council's Authorised Limit (the maximum amount of borrowing approved by City Council) of £883m and also within the Council's Operational Boundary (the limit beyond which borrowing is not expected to exceed) of £868m.

The Council plans for gross borrowing to have a reasonably even maturity profile. This is to ensure that the Council does not need to replace large amounts of maturing borrowing when interest rates could be unfavourable.

The actual maturity profile of the Council's borrowing is within the limits contained within the Council's Treasury Management Policy (see paragraph A1).

Early Redemption of Borrowing

Debt rescheduling opportunities have been limited in the current economic climate and following the various increases in the margins added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 30 June 2020 no debt rescheduling was undertaken.

With the exception of two loans all the Council's borrowings to finance capital expenditure are fixed rate and fixed term loans. This reduces interest rate risk and provides a high degree of budget certainty.

The Council's borrowing portfolio is kept under review to identify if and when it would be financially beneficial to repay any specific loans early. Repaying borrowing early invariably results in a premium (early repayment charges) by the PWLB that are sufficiently large to make early repayment of borrowing financially unattractive to the Council.

No debt rescheduling or early repayment of debt has been undertaken during the first quarter of 2020/21 as it has not been financially advantageous for the Council to do so.

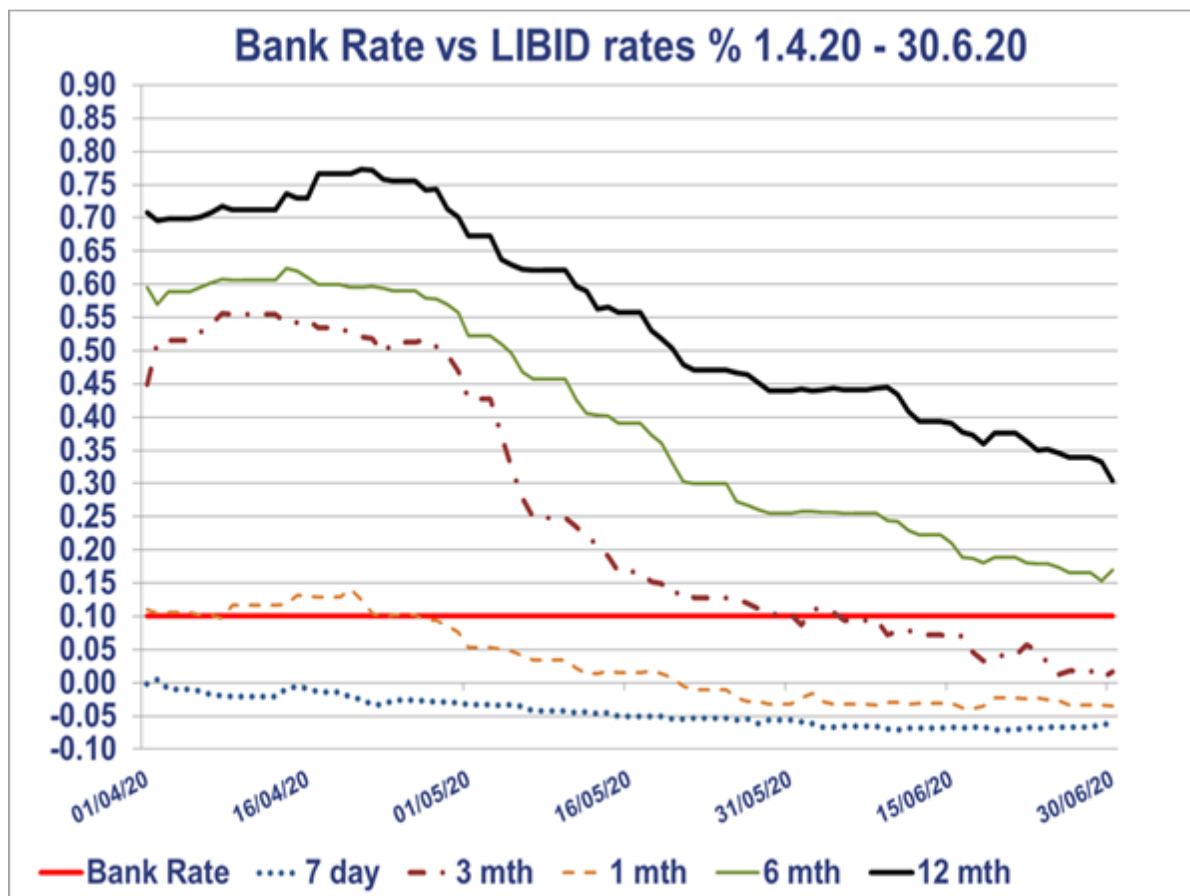
A4. INVESTMENT ACTIVITY

Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during this quarter, due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of UK banks.

Although credit default swap (CDS) prices, (these are market indicators of credit risk), for UK banks spiked upwards at the end of March due to the liquidity crisis throughout financial markets, those CDS prices have returned to more average levels since then.

Uncertainty over Brexit caused the MPC to leave Bank Rate unchanged during 2019 and at its January 2020 meeting. However, since then the coronavirus outbreak has transformed the economic landscape: in March, the MPC took emergency action twice to cut Bank Rate first to 0.25%, and then to 0.10%. It is now unlikely to rise for the next two years pending a protracted recovery of the economy from this huge set back.

Actual market investment rates (London Interbank Bid rate) are shown in the graph below.



The Council's cash investment portfolio consists of the following.

	Portfolio at 31st March 2020	Return in 2019/20	Portfolio at 30th June 2020	Annualised Return in Quarter 1 of 2019/20
Plain vanilla interest bearing deposits	£375.7	0.98%	£374.2m	0.98%
Tradable structured interest bearing deposits where the interest rate or the maturity date is determined by certain criteria	£9.7m	2.05%	£10.2m	22.55%
Externally managed corporate bonds	£7.4m	-1.16%	£8.0m	24.28%
Total	£392.8m	0.99%	£392.4m	2.02%

Plain Vanilla Interest Bearing Deposits

The return on plain vanilla interest bearing deposits in 2019/20 was reduced through the need to provide £0.6m to write off the investment in Victory Energy Services Limited (VESL). The underlying return on these deposits in 2019/20 before providing for the write off of the investment in VESL was 1.16%. Therefore the underlying return on these investments has fallen by 18 basis points in the first quarter of 2020/21. This trend is expected to continue as when the current investments mature, it is unlikely that it will be possible to replace them with new investments paying the previous rates.

Tradable Structured Interest Bearing Deposits

This now consists of a single collared floating rate note purchased in June 2018 with a nominal value of £10m maturing in June 2023. Interest is paid at the 3 month London Inter Bank Offer Rate (LIBOR) with a floor of 1.60% and a cap of 3.50%. Interest is currently being paid at 1.60%.

At the end of 2019/20 this investment had a market value of £9.7m because the financial markets had become illiquid.

However, liquidity has returned to the financial markets and the guaranteed return of at least 1.60% is very attractive against the current 3 month LIBOR rate of 0.14%. Consequently at 30th June 2020 this investment had a market value of £10.2m. The market value of this investment should be £10m when it matures in June 2023.

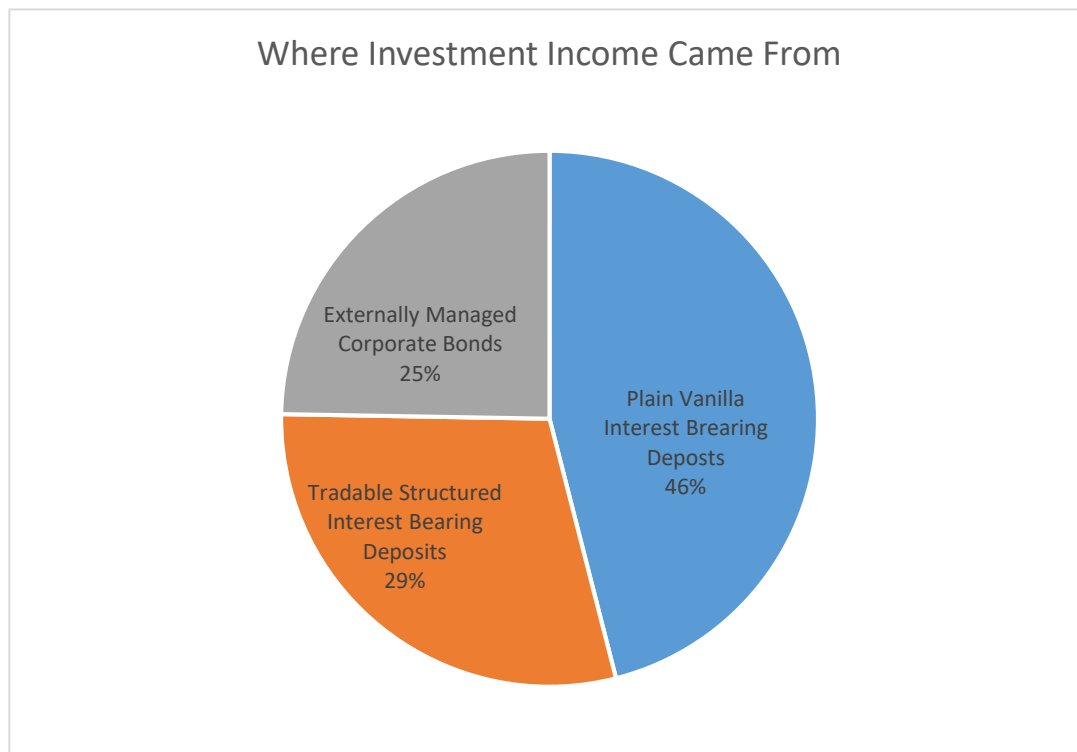
Externally Managed Corporate Bonds

The shortage of liquidity in the financial markets in March 2020 also caused the market value of corporate bonds to fall sharply. As a consequence of this the Council's externally managed corporate bonds made a negative return of 1.16% in 2019/20.

The corporate bond portfolio has been defensively managed and has no direct exposure to the energy, travel, hospitality, or non-food retail sectors. Now that liquidity has returned to the financial markets the value of the corporate bond portfolio has made a strong recovery.

Overall Return

The Council made an overall return of 2% on its cash investments in the first quarter of 2020/21. The chart below shows the source of the Council's cash investment income.



54% of the Council's investment income came from externally managed corporate bonds and tradable structured interest bearing deposits, despite these investments making up less than 5% of the investment portfolio. However, much of these gains result from a recovery in the market value of these investments and the level of returns experienced in the first quarter of 2020/21 is unlikely to be sustained.

Over the remainder of the year, the vast majority of the Council's investment returns are likely to come from plain vanilla interest bearing deposits which make up over 95% of the investment portfolio. The returns on this type of investment are falling in line with market interest rates.

Given these factors, the return on the Council's investments over the remainder of the year is likely to be less than 1%.

A5. COMBINED BORROWING AND INVESTMENT POSITION (NET DEBT)

The Councils net debt position at 30th June 2020 is summarised in the table below.

	Principal	Average Interest Rate	Interest to 30th June 2020
Borrowing (including finance leases & private finance initiative (PFI) schemes)	£790m	3.65%	£7.2m
Investments	(392m)	(2.02%)	(£1.9m)
Net Debt	£398m		£5.3m

*Although the Council's investments were £392m at 30th June 2020, the average sum invested over this period was £381m.

This page is intentionally left blank

Agenda Item 6

THIS ITEM IS FOR INFORMATION ONLY

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



Portsmouth
CITY COUNCIL

Title of meeting: Governance and Audit and Standards Committee

Subject: Overview of Portsmouth City Council complaints, including Local Government and Social Care Ombudsman Complaints 2019/20.

Date of meeting: Friday 25 September 2020

Report by: Assistant Director of Corporate Services

Wards affected: All

1. Requested by

Chief Executive.

2. Purpose

To bring to the attention of the Governance & Audit & Standards Committee the Annual Review of Complaints by the Local Government and Social Care Ombudsman (LGSCO) dated July 2020, regarding complaints it has considered against Portsmouth City Council for the year 2019/20.

3. Corporate complaints

In 2019/20, the council managed 443 stage one, stage two and stage three complaints through the corporate complaints process, set out in the corporate complaints policy (included in the background documents). This compares to 531 complaints managed through the three stage process in 2018/19.

The policy sets out a clear three stage escalation process for corporate complaints, including the timescales the council aims to adhere to when responding to complaints.

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not
require Integrated Impact Assessments, Legal or
Finance Comments as no decision is being taken)

The number of corporate complaints does not include complaints relating to Adult Social Care and Children's Social Care, which are managed in line with separate policies and referenced in section four (below).

It should be noted that a proportion of the data for 2019/20 came from the council's previous corporate complaints system, which had limited functionality, particularly around reporting. The previous database has now been replaced with a bespoke complaint management system, which went live on 8 August 2019. As a result, this report uses data from the old system for the period 1 April 2019 - 7 August 2019, alongside data from the new system for the period 8 August 2019 - 31 March 2020.

3.1. Stage one complaints

There were 383 stage one complaints in 2019/20, a reduction on the 483 from 2018/19.

Of those 383 stage one complaints, 70% were managed within the 10 working days timescale set out in the corporate complaints policy, an increase on the 66% that were managed within the timescale in 2018/19.

Corporate complaints are continuing to work to improve adherence to timescales.

There were various reasons for delays, including officer capacity to investigate and respond, as well as time taken to arrange meetings with the customer and enabling additional evidence to be provided. Where the council is unable to meet policy timelines, the customer is kept informed.

3.2. Stage two and stage three complaints

In 2019/20, 38 complaints were taken to stage two of the process compared with 32 complaints taken to stage two in 2018/19. The percentage of stage two complaints managed within the 15 working day timescale set out in the policy was 71% in 2019/20 compared to 56% in 2018/19.

In 2019/20, 18 complaints were taken to stage three of the process compared with 16 complaints taken to stage three the previous year. The percentage of stage three complaints managed within the 20 working day timescale set out in the policy was 22%, compared with 76% in 2018/19.

3.3. Complaints trends

3.3.1. stage one, two and three complaint trends

In 2019/20, the overall number of stage one complaints decreased significantly.

Since 2018, a complaints review has been underway to improve the way the council manages its corporate complaints. Part of the aim of the review was to increase the number of customer enquiries resolved in the first point of contact, reducing the need for customers to make formal complaints. It is possible changes made as a result of the review, including the introduction of new lead officer roles in directorates to ensure complaint management is overseen by a senior officer, as well as advice and guidance for staff on managing customer issues contained on the new intranet complaints hub, has made an impact on the numbers of formal complaints being made.

The complaints review also identified some complaints being escalated through the process because the responses at stage one and two had been insufficient and not all the points raised by the customer had been responded to. Work was done to improve the quality of complaint responses, including providing advice and support for managers responding to complaints, and creating response templates designed to act as a prompt to make sure all points made by customers are fully addressed. While the number of complaints escalated to stage two and stage three of the complaint process remains relatively low, the number has increased and work to improve the quality of responses at all stages is on-going.

3.3.2. policy timeline trends

Adherence to policy timelines improved for stage one and stage two complaints in 2019/20, reflecting the on-going work to by corporate complaints to monitor timelines as well as the engagement of new lead and link officers in supporting complaint management in directorates. New automated reminders are now also in place, as features of the new complaints system.

However, during the same period, the proportion of stage three complaints managed within the timescales has reduced significantly. By their nature, stage three complaints are often complex and investigation at this point in process requires a review of the original complaint and associated evidence, as well as the responses given at stage one and stage two. The complexity of the stage three complaints in 2019/20 contributed to the extended lengths of time taken to respond. In some cases, the capacity and availability of specialist council officers to provide technical information and expertise to support the complaint investigation has resulted in delays. In other cases, factors contributing to unavoidable delays have included not being able to meet with customers in a timely way as a result of their health issues or availability of their representatives, as well as delays in customers responding to requests for additional information.

Where there are delays, customers are kept fully informed.

Reducing the time taken to respond to stage three complaints had been identified as a clear area for improvement in 2020/21, and a review of stage three complaints is planned but has been delayed by the response to the coronavirus pandemic.

3.3.3. trends by service area

As in previous years and as would be expected, the services with the highest numbers of complaints are those with the highest levels of front line customer engagement.

As a result of the switchover from the old complaints database to the new Respond complaints software, the trends by service area are detailed in two sections. This is because the data from the early part of the year is aligned with the council's directorates prior to the 2019 restructure.

Although the directorate with the highest number of complaints was Housing, Neighbourhoods and Building Services, in line with overall reductions the number of complaints fell from 276 in 2018/19 to 188 in 2019/20.

Corporate complaints - 01/-04/19-08/08/19 **(Data from previous complaints database)**

Directorate/service	complaints
Chief executive	1
Children, families and education	8
Colas/PFI	4
Community and Communications (including revenues and benefits)	19
Culture, leisure and regulatory services	18
Housing, neighbourhoods and building services	78
Regeneration (including transport and planning)	56
Total	184

Corporate complaints 29/08/19 - 31/03/20 **(Data from Respond complaints system)**

Directorate/service	complaints
Adult social care	1
Children, families and education	10
Culture, leisure and regulatory services	43
Corporate services	6

Finance and PFI (including revenues and benefits and Colas/PFI)	11
Housing, neighbourhoods and building services	110
Regeneration	75
Portsmouth International Port	3
	259

3.4. Compliments

The complaints process also allows for comments and compliments. In 2019/20, the council received 146 compliments through corporate complaints, compared with 128 compliments in 2018/19. Culture, Leisure and Regulatory Services and Housing, Neighbourhood and Building Services received the most compliments, with 38 each, followed by Regeneration with 24.

4. ASC and CSC complaints and compliments

Complaints for Adult Social Care and Children's Social Care are managed by a dedicated social care complaint team, in line with specific social care complaint policies.

4.1. ASC complaints and compliments

In 2019/20, ASC received a total of 67 complaints.

Of these, 67 were recorded concerning statutory matters and eight involved an independent provider. ASC also received 26 Councilor/MP enquiries.

ASC received 22 compliments.

4.2. CSC complaints

In 2019/20, CSC received a total of 149 complaints. Of these, 49 were statutory, 100 were classed as non-procedure/corporate, 13 were representations, 15 were customer contacts, and 19 were possible complaints. There were also 4 councilor/MP enquiries. The complaints team do not usually log these enquiries, however, these were related to ongoing complaints.

CSC also received 13 compliments.

5. LGSCO complaint review information

5.1. The Ombudsman investigates complaints about all local authorities and social care providers in England. Every year it publishes the information it sends to councils to help with transparency and improve local services for residents.

5.2. While issuing the figures, the Ombudsman is keen to point out that a high number of complaints do not necessarily mean a council is performing poorly. It may indicate an authority that welcomes and encourages feedback, through a transparent system which signposts people appropriately when its own processes have been exhausted.

5.3. Complaints and enquiries about Portsmouth City Council

Directorate	Number of complaints received			
	2019/20	2018/19	2017/18	2016/17
Adult Social care	5	9	7	10
Benefits and Tax	1	2	4	3
Corporate and Other Service	5	4	3	2
Education and Children's Services	8	10	13	10
Environmental Services	3	3	4	2
Highways and Transport	6	8	4	2
Housing	5	7	7	6
Planning and Development	1	2	4	6
Other	1	0	0	1
Total	35	45	46	42

5.4. Decisions made

	2019/20	2018/19	2017/18	2016/17
Upheld	6	8	9	7
Not Upheld	5	8	3	5
Advice given	0	2	5	1
Closed after initial enquiries	15	13	13	13
Incomplete/Invalid	3	0	1	2
Referred back for local resolution	11	12	15	11
Total	40	43	46	39

5.5. The Ombudsman received 35 complaints and enquiries about PCC during 2019/20, compared with 45 in 2018/19 and 46 in 2017/18. During the same period, 40 decisions were made regarding PCC.



5.6. The six upheld cases were remedied satisfactorily following investigation by the LGSCO. In one case, the council had already provided a satisfactory remedy before the case was referred. See breakdown of upheld cases shown below at section seven.

6. LGSCO complaints: comparison to other local authorities

6.1. Number of complaints received

	Portsmouth	Brighton and Hove	Luton	Southampton
Adult Social care	5	11	13	4
Benefits and Tax	1	5	12	2
Corporate and Other Service	5	4	1	4
Education and Children's Services	8	17	10	20
Environmental Services	3	14	8	12
Highways and Transport	6	12	2	4
Housing	5	18	8	7
Planning and Development	1	6	12	4
Other	1	2	1	2
Total	35	89	67	59

6.2. Decisions made

	Portsmouth	Brighton and Hove	Luton	Southampton
Upheld	6	9	13	7
Not Upheld	5	8	11	3
Advice given	0	3	4	2



Closed after initial enquiries	15	28	13	19
Incomplete/Invalid	3	6	6	4
Referred back for local resolution	11	28	23	22
Total number of decisions made	40	82	70	57
% of upheld cases where authority provided satisfactory remedy before complaint reached the LGSCO	17%	33%	23%	14%

7. Upheld complaints

The following section includes a summary of the complaints upheld by the LGSCO.

7.1. Children's Social Care: Through Care Team

LGSCO complaint number: 18015989

<https://www.lgo.org.uk/decisions/adult-care-services/other/18-015-989>

Decision date: 15 January 2020

Summary: Mr X is a care leaver, for whom the council had responsibility to provide continuing support, including financial support, with education and training, through a personal advisor and a pathway plan. Mr X complained that the council would not add PhD study to his pathway plan, delayed repaying some expenses and refused to cover other expenses, leaving Mr X out of pocket by over £1,000.

The Ombudsman found the council did not deal adequately with Mr X's complaint and inappropriately used its vexatious complainants' policy. The Ombudsman also found the council was at fault in delay repaying Mr X.

The council has updated Mr X's pathway plan and shared it with him. The council has also developed a new protocol for communicating with Mr X that considers the reasonable adjustments needed in light of his disability, and has identified organisations that can help support Mr X in communicating with the council if he finds that difficult. The details of organisations that can provide support are now included in Mr X's pathway plan.

The council has paid Mr X interest on the money owed and has agreed to repay any shortfall on the cost of accommodation, once Mr X provides the necessary information to enable this to happen. The council has been in contact with Mr X to facilitate this.

In relation to the need for reasonable adjustments, the council implemented a new organisation wide reasonable adjustments policy in 2020, and has included a section on reasonable adjustments in the mandatory equality and diversity training completed by all staff.

7.2. Adult Social Care: domiciliary care

LGSCO complaint number: 18018200

<https://www.lgo.org.uk/decisions/adult-care-services/domiciliary-care/18-018-200>

Decision date: 8 December 2019

Summary: Mrs C complained to the Ombudsman about the quality of care the council provided to her late husband through an independent care agency.

Mrs C said carers had not provided care in accordance with the care plan, and often arrived late or left early. On one occasion, Mrs C said carers had been unable to lift Mr C from a commode, she had to call paramedics to assist and the carers left before the paramedics arrived. Mrs C also said an Occupational Therapist (OT) assessment had been delayed, and that the council had put pressure on her to sell her property to pay for her husband's care.

The Ombudsman investigated and found fault in that the care agency was unable to produce care records for three of the four months it had provided care for Mr C, resulting in uncertainty about the degree to which an acceptable level of care was provided. The Ombudsman also found a lack of adequate records relating to the incident where carers had been unable to lift Mr C and paramedics were called. The Ombudsman found the lack of adequate records resulted in more distress and frustration for Mrs C.

The Ombudsman did not find any issues with the OT assessment, nor did they find any evidence the council had put pressure on Mrs C to sell her property.

Recognising there was fault in the way care records were recorded and maintained the council has apologised and made a payment to Mrs C to remedy the injustice caused. The council has also reminded the care provider about the importance of maintaining accurate records.

7.3. Adult Social Care: Learning Disabilities

LGSCO complaint number: 18010942

<https://www.lgo.org.uk/decisions/adult-care-services/other/18-010-942>

Decision date: 17 September 2019

Summary: Mrs X complained that the care support agency commissioned by the council wrongly changed her son Y's assessed support from one to one support to two to one support, that it made the change without any reference to Mrs X or Y's social worker and that it continued to charge transport costs for Y as if the one to one support was on-going.

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not
require Integrated Impact Assessments, Legal or
Finance Comments as no decision is being taken)

Mrs X also said the agency did not act on her request to provide a different activity for Y when he was unable to continue playing football.

The Ombudsman investigated and found that when the council investigated Mrs X's complaint initially, officers relied on the care support agency's account of what had happened without requiring supporting evidence. The Ombudsman also found there had been unreasonable delays in investigating the complaint. The Ombudsman found the agency had been at fault in changing Y's support from one to one to two to one without reference to Mrs X or her son's social worker. The agency has apologised for this. The Ombudsman also found the council was at fault in failing to check invoices, which resulted in Y being overcharged.

The council has changed its processes to make sure any proposed changes to support plans are discussed with the family and with the social worker responsible for the approval of the plan. The council has also reviewed its processes to ensure invoices are checked to prevent over-arching from happening again. The council has apologised to Mrs X and her son, and has refunded Y.

7.4. Corporate Services: corporate complaints

LGSCO complaint number: 18013769

<https://www.lgo.org.uk/decisions/other-categories/other/18-013-769>

Decision date: 11 October 2019

Summary: Mr P complained to the Ombudsman that the council had not made the reasonable adjustments he needs due to his disability to enable him to contact the council. Mr P said the council was not making adjustments that would allow him to access services, particularly to make complaints and contact Adult Social Care. Mr P also said he had asked to meet the chief executive but his request had been refused, and that the council had referred him to an advice agency to provide support but that agency also did not meet his needs, defeating the purpose of the referral.

In investigating, the Ombudsman found the council had made significant efforts to meet with Mr P including contact with senior officers and with the council Leader. However, the Ombudsman found the council was at fault because it had no record that the contacts with Mr P related to its duty under the Equalities Act, and no record of discussing with Mr P whether he needed any adjustments due to disability. The Ombudsman noted that without discussing with Mr P whether he needed any adjustments due to his disability, the council could not consider if there was anything more it should reasonably be doing to proactively to help his access to council services.

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not
require Integrated Impact Assessments, Legal or
Finance Comments as no decision is being taken)

The Ombudsman found the council lacked a policy on reasonable adjustments that may have contributed to its failure to ask Mr P about reasonable adjustments in a way that had explicit regard for the Equality Act requirements.

As a result of the Ombudsman's recommendations, the council has implemented an organisation-wide reasonable adjustments policy, which has been included in mandatory equality and diversity training for all staff, and communicated through the organisation.

The council has contacted Mr P to ask specifically about any reasonable adjustments needed as a result of his disability, and has made advocacy support available to assist Mr P with any future communication with the council.

7.5. Housing: Housing Needs

LGSCO complaint number: 18015382

<https://www.lgo.org.uk/decisions/housing/homelessness/18-015-382>

Decision date: 9 July 2019

Summary: Mr D, acting on behalf of Mr P, complained to the Ombudsman about the council's handling of Mr P's homelessness application in November 2017, and about delays responding to complaints.

Mr P made a homelessness application to the council in June 2017 after receiving a Section 21 notice because his landlord was selling his property. The council issued its decision in July 2017, accepting Mr P was threatened with homelessness, that he was eligible for assistance, was not intentionally homeless and had a local connection. However, the council did not consider Mr P was in priority need as, although Mr P suffered from poor mental health, it considered this was being managed and did not make him particularly vulnerable. Mr P then made further homelessness applications based on changes to circumstances, but these were declined because the council did not consider his circumstances had changed. The council provided Mr P with information about private renting options and the council's bond scheme. Following his eviction, Mr P stayed at a homeless hostel for a few nights, before being provided with a bond for new private rented accommodation that he then moved in to.

The Ombudsman found no fault in the council's handling of Mr P's homelessness application.

The Ombudsman did find fault in the council's handling of Mr P's complaint because there were delays but the delays did not cause significant injustice. The council has acknowledged its poor performance in relation to the time taken to respond to Mr P's complaint and has apologised. The way complaints are managed within Housing,

Neighbourhoods and Building Services has been reviewed, and complaint responses are now coordinated via lead and link officers, improving adherence to timelines.

7.6. Housing: Private Sector Housing

LGSCO complaint number: 18010943

<https://www.lgo.org.uk/decisions/housing/private-housing/18-010-943>

Decision date: 24 May 2019

Summary: Ms Y, acting on behalf of Mr and Mrs X, complained about the quality of damp-proofing work completed in Mr and Mrs X's private house, for which they received a vulnerable persons' grant from the council in 2013.

The work was completed but the damp returned in 2016. The council re-inspected the property, paid for an independent surveyor to confirm the cause of the damp, and secured a refund from the original contractor. The council offered Mr and Mrs X a further grant to find a new contractor to deal with the damp and liaised with the contractor while works were completed. The remedial work did not resolve the damp problem.

Ms Y complained that Mr and Mrs X still had damp, had not been compensated following the failure of the works that had been carried out, and had to decorate the affected rooms twice. Ms Y wanted the council to cancel the grant agreement with Mr and Mrs X, and to compensate the couple for their costs and stress.

The Ombudsman concluded that although two attempts to resolve Mr and Mrs X's damp issue failed, this was not because of fault by the council. The Ombudsman noted the council was not responsible for the work carried out by the contractor who was working for Mr and Mrs X on their own private property.

The Ombudsman found fault in the way the council explained its involvement, noting that it is arguable the council blurred some lines in liaising with the contractor. However, the Ombudsman noted the council had acted in good faith and was clearly trying to help Mr and Mrs X when it was under no strict duty to do so.

The council has already offered Mr and Mrs X compensation.

8. Summary

Following a review of corporate complaints in 2018, and the implementation of a series improvements to complaints management, the number of formal complaints being processed through the corporate complaints process has reduced, and the number of stage one and two complaints being managed within policy timelines is increasing.

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

There remains work to do on improving the quality of stage one and two complaints to reduce the need for escalation through the complaint process, and corporate complaints are focusing on improving the timeliness of stage three complaint responses after a decline in performance in this area in 2019/20.

The number of complaints referred to and upheld by the LGO has reduced, and PCC continues to compare well with other local authorities.

.....
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
Portsmouth City Council: Corporate Complaints Policy	https://www.portsmouth.gov.uk/ext/documents-external/cou-corporate-complaints-policy-2018.pdf
Local Government and Social Care Ombudsman: LG data sheet complaints received	https://www.lgo.org.uk/assets/attach/5656/1-Complaints-Received.xlsx
Local Government and Social Care Ombudsman: LG data sheet complaints decided	https://www.lgo.org.uk/assets/attach/5657/2-Complaints-Decided.xlsx
Local Government and Social Care Ombudsman: remedies and compliance outcome	https://www.lgo.org.uk/assets/attach/5657/2-Complaints-Decided.xlsx

This page is intentionally left blank



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	25 th September 2020.
Subject:	Internal Audit Performance Status Report to 7 th September 2020.
Report by:	Chief Internal Auditor
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Summary

- 1.1 This is an Internal Audit Performance Status Report for the 2020-21 planned audit activities. Appendix A includes the detail of progress made against the annual plan and documents individual audit findings.

2. Purpose of report

- 2.1 This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2020/21 to 7th September 2020 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 2020/21 to 7th September 2020.
- 3.2 That Members note the highlighted areas of concern in relation to audits completed from the 2020/21 Audit Plan, including follow up work performed.

4. Background

- 4.1 The Annual Audit Plan for 2020/21 has been drawn up in accordance with the agreed Audit Strategy and was approved by this Committee on 3rd March 2020 following consultation with Directors and relevant parties. The Plan was revised and represented to this committee on 21st July 2020 following a reassessment of risk exposure and COVID 19 requirements. It is now reviewed monthly in order to take account of any further changes in risks levels or corporate priorities.

5. Integrated Impact Assessment

- 5.1 The contents of this report do not have any relevant equalities and environmental impact and therefore an Integrated Impact assessment is not required.

6. Legal Implications

- 6.1 The City Solicitor has considered the report and is satisfied that the recommendations are in accordance with the Council's legal requirements and the Council is fully empowered to make the decisions in this matter.
- 6.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

7 Finance Comments

- 7.1 There are no financial implications arising from the recommendations set out in this report.
- 7.2 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: Elizabeth Goodwin, Chief Internal Auditor

Appendices:

Appendix A – Internal Audit Progress 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:

Title of document	Location
1 Accounts and Audit Regulations	http://www.legislation.gov.uk/ukxi/2011/817/contents/made
2 Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings – reports published online.

3	Public Sector Internal Audit Standards	http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards
---	--	---

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

.....
Signed by:

This page is intentionally left blank



Portsmouth
CITY COUNCIL

Internal Audit Progress Report 25th September 2020

Elizabeth Goodwin, Chief Internal Auditor

1. Introduction

Internal Audit is a statutory function for all local authorities.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 as to:

Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

This report includes the status against the 2020/21 internal audit plan.

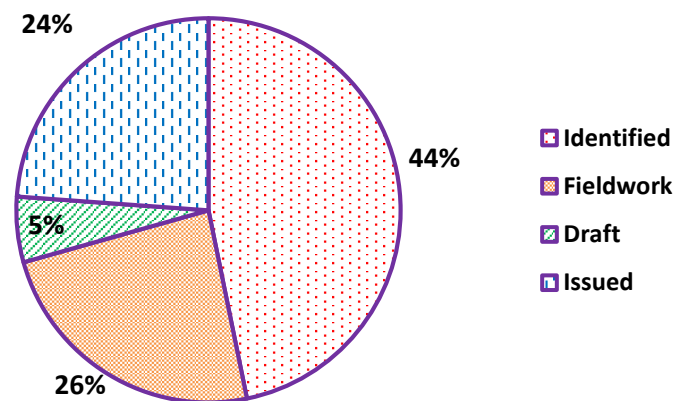
2. Audit Plan Progress as of 7th September 2020

There are 68 Full Audits, 22 Follow ups and 19 2nd Follow up reviews, in the revised plan for 2020/21, totalling 109 reviews.

To date, 58 (53%) have been completed or are in progress as at 7th September 2020. This represents 26 (24%) audits where the report has been finalised, 6 (6%) where the report is in draft and 26 (23%) audits currently in progress.

Status	Audits
Identified	51
Fieldwork	26
Draft Report	6
Final Report	26

Audit Plan Progress as of 7th September 2020



3. Ongoing Internal Audit Involvement

Internal Audit has provided advice, ongoing reviews and involvement work in the following area. (For reference, advice is only recorded when the time taken to provide the advice exceeds one hour):

- Data matching in relation to payroll records and apprentices. Work has been undertaken using data analytics software to identify potential apprentices on the wrong national insurance tax code.
- Regulation of Investigatory Powers Act (RIPA) - authorisations (if applicable) and policy review
- Anti-Money Laundering - monitoring, reporting and policy review
- Financial Rules Waivers
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
- Counter Fraud Programme - proactive work to reduce the risk exposure to the authority
- Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
- Governance & Audit & Standards Committee - reporting and attendance
- Audit Planning and Consultation
- Risk Management & Annual Governance Statement
- Performance Management
- 6 special investigations - (excludes Benefit and Council Tax Support cases)
- 13 items of advice, (where the advice exceeds an hours work)

Over the course of this financial year, Internal Audit has also been involved in supporting the organisation in maintaining critical activities during Covid-19, this has included redeployment of some staff and undertaking ad-hoc control and risk management assessments in order for the organisation to flex its governance framework.

Internal Audit & Counter Fraud has also been performed a number of assurance work in relation to COVID 19 this will be presented to committee during the next meeting unless it was included within the scope of an audit scheduled within the Audit Plan.

4. Audit Plan Status/Changes

The following changes have been made to the plan since the revised plan was presented in July 2020.

Audits added to the Audit Plan:

- Mayfield School - School determined
- St Paul's RC Primary School - School determined
- St Jude's Primary School - School determined
- Transforming City Fund - New grant verification
- Covid-19 Bus Services Revenue 31/5023 - New grant verification
- Covid-19 Bus Support Restart 31/5020 - New grant verification (Window 1)
- Covid-19 Bus Support Restart 31/5020 - New grant verification (Window 2)
- Additional Dedicated H2S & College Transport Grant - New grant verification

Amendments made to the plan:

- NHS Digital Submission - Recognised as a follow up on high risks from the 2019/20 audit rather than a full audit.

Audits removed from the Audit Plan:

- Housing & Council Tax Benefits - Assurance given in previous year and due to additional work in relation to Covid-19 this audit will be re-considered in the 2021/22 Audit Plan.
- Rents & Charges - Medium risk exceptions raised in previous year and due to additional work in relation to Covid-19 this audit will be re-considered in the 2021/22 Audit Plan.
- Sheltered Services Follow-up - No areas to follow up on as no audit was conducted during the 2019/20 financial year. This audit will be re-considered in the 2021/22 Audit Plan.

5. Areas of Concern

There are no new areas of concern to highlight for this reporting period.

6. Assurance Levels

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level	Description / Examples
Assurance	<i>No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority</i>
Reasonable Assurance	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
Limited Assurance	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
No Assurance	<i>Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit</i>
NAT	<i>No areas tested</i>

Audits rated No Assurance are specifically highlighted to the Governance and Audits and Standards Committee along with any Director's comments. The Committee is able to request any director attends a meeting to discuss the issues.

7. Exception Risk Ranking

The following table outline the exceptions raised in audit reports, reported in priority order and are broadly equivalent to those previously used.

Priority Level	Description
Low Risk (Improvement)	<i>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</i>
Medium Risk	<i>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</i>
High Risk	<i>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not 'show stopping' but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</i>
Critical Risk	<i>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the Council's objectives in relation to: The efficient and effective use of resources, The safeguarding of assets, The preparation of reliable financial and operational information, Compliance with laws and regulations and corrective action needs to be taken immediately.</i>

Any critical exceptions found the will be reported in their entirety to the Governance and Audits and Standards Committee along with Director's comments

8. 2020/21 Audits completed to date (7th September 2020)

Payroll/Pension - (Firmstep) - Director of Finance and Recourses

Exceptions Raised

Critical	High	Medium	Low
0	0	2	1

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by April 2021

Assurance Level by Scope Area

Achievement of Strategic Objectives	Assurance
Compliance with Policies, Laws & Regulations	Reasonable Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	Reasonable Assurance

Two medium risk exceptions were raised in relation to copies of planned overtime applications not being sighted for 4/8 overtime claims and the failure to monitor reoccurring overtime claims corporately. One low risk exceptions was also raised as a result of this review.

Purchase Cards - Director of Finance and Recourses

Exceptions Raised

Critical	High	Medium	Low
0	0	4	1

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by April 2021

Assurance Level by Scope Area

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	Limited Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	NAT
Post Covid-19 Related Scope	Reasonable Assurance

Four medium risk exceptions were raised in relation to non-compliance with VAT regulations for 5/25 transactions, errors identified in the administration of transaction limits for 2/25 cardholders and 1/25 cardholder self-authorising the transaction limit increase, 3/25 transactions determined as split transactions and 5/25 cardholders not having supporting evidence to suggest line managers or EBS workflow mailer has notified the Payments team of a longer term absence. In addition, testing included a 'Post Covid-19 Related Scope.' The scope included a review of the control and administration of

Purchase Cards during the business critical period and one low risk exception was raised as it was highlighted that 3/25 Covid-19 transactions was not coded to the appropriate Covid-19 account code.

Travel and Expenses - Director of Finance and Recourses

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area
Critical	High	Medium	Low	Reasonable Assurance	Achievement of Strategic Objectives
0	2	4	0	Agreed actions are scheduled to be implemented by April 2021	NAT
					Compliance with Policies, Laws & Regulations
					Reasonable Assurance
					Safeguarding of Assets
					NAT
					Effectiveness and Efficiency of Operations
					Assurance
					Reliability and Integrity of Data
					Assurance
					Post Covid-19 Related Scope
					Assurance

Two high risk exceptions were raised as a result of this review as it was highlighted from a sample of 25, 12 expense claimants have not completed the relevant iExpenses assessment and from responses received from line managers, 2 from a sample of 25 did not have valid business insurance and 3 from a sample of 25 was not able to supply the relevant information to internal audit within the timescales provided. Four medium risk exceptions were also raised as a result of this review. Expenses claimed during the business critical period was included within the scope and no exceptions were raised under this control header. Due to the momentary value of the transactions compared to the full population and the improvement from previous years, Travel and Expenses has been given a reasonable assurance rating.

Compliance Safety Checks (Council Assets - excludes Schools) - Director of Housing, Neighbourhood and Building Services

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area
Critical	High	Medium	Low	Reasonable Assurance	Achievement of Strategic Objectives
0	0	1	1	Agreed actions are scheduled to be implemented by October 2020	NAT
					Compliance with Policies, Laws & Regulations
					Reasonable Assurance
					Safeguarding of Assets
					NAT
					Effectiveness and Efficiency of Operations
					NAT
					Reliability and Integrity of Data
					NAT

One medium risk exception was raised in relation to 1 from a sample of 25 Electrical Installation Condition checks was overdue by three months. One low risk exception was also raised as a result of this review.

Milton Park Primary - Director of Children, Families and Education
Exceptions Raised

Critical	High	Medium	Low
0	0	3	0

Overall Assurance Level
Reasonable Assurance

Agreed actions are ongoing

Assurance Level by Scope Area

Achievement of Strategic Objectives	Assurance
Compliance with Policies, Laws & Regulations	Reasonable Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	Assurance

Three medium risk exceptions were raised in relation to a lack of complete management trail from receipt of income through to banking for the on-site income payments, no evidence of a Full Governing Body approval for the School Business Recovery Plan and an omission for 1 from a sample of 3 school employees on the Single Central Record - purpose. (The record of all safeguarding checks for school employees).

Cottage Grove Primary - Director of Children, Families and Education
Exceptions Raised

Critical	High	Medium	Low
0	2	2	0

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by October 2020

Assurance Level by Scope Area

Achievement of Strategic Objectives	Limited Assurance
Compliance with Policies, Laws & Regulations	Reasonable Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	Assurance

Two high risk exceptions were raised in relation to the Governing Board minutes not always reflecting the budgetary work which is being conducted outside of the committee forum, no evidence that key Governing Body annual ratification and approval duties are carried out or evidenced by the full board. In addition the retention of recruitment documents in the Single Central Record (The record of all safeguarding checks for school employees). This is a breach of the General Data Protection Regulations 2018. Two medium risk exceptions were also raised as a result of this review.

Cumberland Infant School - Director of Children, Families and Education
Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by September 2020

Assurance Level by Scope Area

Achievement of Strategic Objectives	Reasonable Assurance
Compliance with Policies, Laws & Regulations	Limited Assurance
Safeguarding of Assets	Reasonable Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	NAT

One high risk exception was raised as it was highlighted that it was not possible to locate the relevant invoices for 2/6 purchase orders at a total value of 2,535.12. A review of the EBS Payments system confirmed that both orders were paid. Two medium risk exceptions were also raised as a result of this review in relation to the Full Governing Body Annual Ratification / Approval requirements and the lack of internal control for the administration of school assets.

Brambles Infant School & Nursery - Director of Children, Families and Education
Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of Strategic Objectives	Assurance
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	Assurance

No exceptions were raised as a result of this review.

Orpheus Grant - Director of Port

Grant Verification - Testing was able to evidence sufficient capital expenditure to allow the Chief Internal Auditor to sign the declaration confirming the grant conditions had been complied with.

Department of Transport Grant - Director of Port

Grant Verification - Testing was able to evidence sufficient capital expenditure to allow the Chief Internal Auditor to sign the declaration confirming the grant conditions had been complied with.

Local Transport Capital Grant - Director of Regeneration

Grant Verification - Testing was able to evidence sufficient capital expenditure to allow the Chief Internal Auditor to sign the declaration confirming the grant conditions had been complied with.

Bus Subsidy Grant - Director of Regeneration

Grant Verification - Testing was able to evidence sufficient capital expenditure to allow the Chief Internal Auditor to sign the declaration confirming the grant conditions had been complied with.

Transforming Cities Grant - Director of Finance and Recourses

Grant Verification - Testing was able to evidence sufficient capital expenditure to allow the Chief Internal Auditor to sign the declaration confirming the grant conditions had been complied with.

Langstone Harbour Board - External

Audit Results reported to an external board

9. Follow-up Action Categorisation

The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

Follow Up Categories	Description
Open	<i>No action has been taken on agreed action.</i>
Pending	<i>Actions cannot be taken at the current time but steps have been taken to prepare.</i>
In Progress	<i>Progress has been made on the agreed action however they have not been completed.</i>
Implemented but not Effective	<i>Agreed action implemented but not effective in mitigating the risk.</i>
Closed: Verified	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: Not Verified	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: Management Accepts Risk	<i>Management has accepted the risk highlighted from the exception.</i>
Closed: No Longer Applicable	<i>Risk exposure no longer applicable.</i>

10. 2020/21 Follow-up Audits to date (7th September 2020)

Edge of Care - Director of Children, Families and Education

Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Latest implementation date scheduled during the original audit was in March 2020.

Original Assurance Level

Limited Assurance

Follow-up Assurance Level

Reasonable Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High)	0	1 (Medium)	0	0	0

Follow up testing confirmed that the medium risk has been closed and verified and the high risk remains in progress and relates to an action where refresher workshops around restorative circles are to be carried out; however, follow up testing confirmed that the workshops did not take place due to the Covid-19 lockdown. The revised implementation date is dependent on Covid-19 restrictions.

IS Helpdesk and Desktop Management - Director of Corporate Services

Original Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Latest implementation date scheduled during the original audit was in January 2020.

Original Assurance Level

Reasonable Assurance

Follow-up Assurance Level

Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	1 (High) 2 (Medium)	0	0	0

Follow up testing confirmed that all three exceptions have been closed and verified.

Learning and Development - Director of Corporate Services
Original Exceptions Raised

Critical	High	Medium	Low
0	1	0	1

Latest implementation date scheduled during the original audit was in August 2019

Original Assurance Level

Reasonable Assurance

Follow-up Assurance Level

Reasonable Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0)	0	1 (Low)	1 (High)	0	0	0	0

Follow up testing has confirmed the actions for the high risk has been implemented but not effective. This is in relation to the completion of mandatory training. In addition one low risk exception remains in progress in relation to references to the old 'Managed Learning Environment' on the intranet. The new revised implementation date for new actions is September 2020.

Apprenticeship Levy - Director of Corporate Services
Original Exceptions Raised

Critical	High	Medium	Low
0	1	4	0

Latest implementation date scheduled during the original audit was in April 2020.

Original Assurance Level

Reasonable Assurance

Follow-up Assurance Level

Reasonable Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (High) 1 (Medium)	0	2 (Medium)	0	0	1 (Medium)	0	0

Follow up testing has confirmed that one medium risk has been closed and verified. One high risk remains open and this relates to the failure to evidence complete apprenticeship application forms for 2 out of 25 apprentices within the sample. Eight out of 9 apprentices which were highlighted as not having an apprenticeship agreement form during original audit testing. This has not been actioned due to the responsible officer being redeployed during the Covid-19 business critical period. One medium risk exception also remains open and this relates to a Workforce Planning Strategy not including reference

to monitoring apprentices in line with the Council Strategy. This remains open due to the events of Covid-19 and the potential for a second wave which means the organisations position on workforce and recruitment is in review and therefore the strategy is not in a position to be finalised. Two medium risk exceptions remain in progress. The new revised implementation date for new actions is December 2020.

Guildhall - Director of Culture, Leisure & Regulatory Services

Original Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Latest implementation date scheduled during the original audit was in July 2020.

Original Assurance Level

Limited Assurance



Follow-up Assurance Level

Limited Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High) 2 (Medium)	0	0	0	0	0

Follow up testing has confirmed that one high and two medium risk exceptions remain in progress, this relates to current practices not reflecting those specified under the Partnership Funding Agreement, no Terms of References in place for a monitoring or review group and the Guildhall Trust not achieving profitability and sustainability. The actions remain in progress due to the delay in time taken to establish how the consultation with PCC Legal Services would be funded. Although meetings progressed in January 2020, there was no further progression due to the impact of the Covid-19 pandemic. The new revised implementation date for new actions is December 2020.

Modern Slavery - Executive

Original Exceptions Raised

Critical	High	Medium	Low
0	1	4	0

Latest implementation date scheduled during the original audit was in June 2020

Original Assurance Level

Limited Assurance

Follow-up Assurance Level

Limited Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High) 3 (Medium)	0	1 (Medium)	0	0	0

Follow up testing has confirmed one medium risk exception has been closed and verified. One high and three medium risk exception remains in progress. This is in relation to no evidence of Modern Slavery risks being considered across all directorates, lack of appropriate training for key areas across the council, lack of KPI inclusion specific to modern slavery and finally, non-compliance with required Act statements. Follow up testing found that due to the Covid-19 pandemic, resources were prioritised elsewhere which meant that issues around risk assessments, compliance with the Modern Slavery Act and staff / councillors training have not yet been fully addressed. The revised implementation date for new actions is December 2020.

Homes in Multiple Occupations - Director of Housing, Neighbourhood and Building Services

Original Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Latest implementation date scheduled during the original audit was in September 2019.

Original Assurance Level

Limited Assurance

Follow-up Assurance Level

Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	2 (High)	0	0	0

Follow up testing confirmed two high risks have now been closed and verified.

NHS Digital Submission - Director of Public Health
Original Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Latest implementation date scheduled during the original audit was in July 2020

Original Assurance Level

Reasonable Assurance


Follow-up Assurance Level

Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	1 (Medium)	0	0	0

Follow up testing confirmed that one medium risk exception has now been closed and verified.

11. 2020/21 2nd Follow-up Audits to date (7th September 2020)

As raised during the July 2020 Governance & Audits & Standards meeting. Internal Audit has scheduled in 2nd follow-up reviews for all areas where a 1st review highlighted risk exposure still unmitigated. The audits below detail the position as at a 2nd review. It should be noted that whilst some have moved Covid-19 has had an impact on agreed implementation date.

Appointeeships - Director of Adult Social Care

Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Original Follow-up Assurance Level

Reasonable Assurance

1st Follow-up Assurance Level

Reasonable Assurance

2nd Follow-up Assurance Level

Reasonable Assurance

Latest implementation date scheduled during the 1st follow-up was in May 2020

2nd Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High) 1 (Medium)	0	0	0	0	0

The initial follow-up confirmed that one high risk exception was in progress and one medium risk exceptions had the actions implemented but not effective. The 2nd follow up review confirmed both exceptions are in progress and have been impacted by the Covid-19 pandemic which has delayed procuring a new IT system. The new revised implementation date is October 2020.

Fostering Services - Director of Children's, Families and Education
Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Original Follow-up Assurance Level

Reasonable Assurance

1st Follow-up Assurance Level

Reasonable Assurance

2nd Follow-up Assurance Level

Reasonable Assurance

Latest implementation date scheduled during the 1st follow-up was in March 2020

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High)	0	1 (Low)	0	0	0

The initial follow up review confirmed that one high and one low risk exceptions remained open. The 2nd follow up review has now confirmed that the low risk exception has been closed and verified and that the high risk is in progress and this relates to an investigation regarding annual carer review flags. This remains in progress as a new Service Lead has been appointed for Fostering, who was unaware of an investigation that was due to be conducted. The new Service Lead will be monitoring weekly report on required statutory checks (which include annual reviews) upon the implementation of 'Mosaic.' The new revised implementation date is September 2020.

Children's Residential Homes - Director of Children's, Families and Education
Original Exceptions Raised

Critical	High	Medium	Low
0	5	1	0

Original Follow-up Assurance Level

Limited Assurance


1st Follow-up Assurance Level

Reasonable Assurance


2nd Follow-up Assurance Level

Assurance

Latest implementation date scheduled during the 1st follow-up was in August 2019

2nd Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	5 (High) 1 (Medium)	0	0	0

The initial follow up review confirmed that 2 high risk exceptions remained open. The second follow up review has evidenced that both exceptions are now closed and verified.

Contaminated Land - Director of Regeneration
Original Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

Original Follow-up Assurance Level

Limited Assurance

1st Follow-up Assurance Level

Limited Assurance

2nd Follow-up Assurance Level

Assurance

Latest implementation date scheduled during the 1st follow-up was in September 2019

2nd Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	1 (High)	0	0	0

The initial follow up review confirmed that 1 high risk exceptions remained open. The second follow up review has evidenced that the exception is now closed and verified.

12. Audits in Draft to date (7th September 2020)

Audit	Directorate	Draft	Projected Issue Date	Revised	Comments
City Twinning	Culture, Leisure & Regulatory Services	11/09/2020	31/10/2020		
International Visits	Executive	11/09/2020	31/10/2020		
Right to Buy	Housing, Neighbourhood and Building Services	20/08/2020	31/10/2020		
CCTV Portico	Portico	02/09/2020	31/10/2020		
ABP contract for Pilots	Port	11/09/2020	31/10/2020		
Hire Cars	Regeneration	21/08/2020	31/10/2020		

13. Audits in Progress to Date (7th September 2020)

Audit	Directorate	Delayed	Projected Issued Date	Revised Issued Date	Comments
Direct Payments	Adult Social Care	N/A	November 2020		
Supplier Due Diligence	Adult Social Care	N/A	November 2020		
Deprivation of Liberties	Adult Social Care	N/A	November 2020		
Troubled Families Grant	Children, Families and Education	N/A	November 2020		
No Recourse to Public Funds	Children, Families and Education	N/A	November 2020		
Care Leavers	Children, Families and Education	N/A	November 2020		
Youth Offending Team	Children, Families and Education	N/A	November 2020		
Mayfield School	Children, Families and Education	N/A	November 2020		
Information Governance (Data Security)	Corporate & IT	N/A	November 2020		
Back-up and recovery Disaster recovery/Business Continuity	Corporate & IT	N/A	November 2020		
Volunteering & Social Action	Culture, Leisure & Regulatory Services	N/A	November 2020		
Outdoor Centre	Culture, Leisure & Regulatory Services	N/A	November 2020		

Registrars	Culture, Leisure & Regulatory Services	N/A	November 2020		
Associations (Community Centres)	Culture, Leisure & Regulatory Services	N/A	November 2020		
Budget Monitoring & Delegated Authority	Finance	N/A	November 2020		
Claims Housing (Insurance)	Housing, Neighbourhood and Building Services	N/A	November 2020		
Budget Monitoring	Portico	N/A	November 2020		
Accounts Receivable	Portico	N/A	November 2020		
Training	Portico	N/A	November 2020		
Accounts Payable	Portico	N/A	November 2020		
Income Dues Brittany	Port	N/A	November 2020		
Income Dues Portico	Port	N/A	November 2020		
Alcohol Treatment Capital	Public Health	N/A	November 2020		
Ravlin	Regeneration	N/A	November 2020		
Payroll / Expenses	SLEP	N/A	November 2020		
Infection Control Grant	Finance	N/A	November 2020		

14. Exceptions

Of the 2020/21 full audits completed, 44 exceptions have been raised.

Risk	Total
Critical Risk	0
High Risk	12
Medium Risk	28
Low Risk - Improvement	4



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	25 September 2020
Subject:	Consideration of the political balance rules in relation to the constitution of Sub-Committees considering complaints against Members.
Report by:	City Solicitor
Wards affected:	N/A
Key decision:	No
Full Council decision:	No

1 Purpose of Report

The Committee is asked to consider whether it wishes to disapply the political balance rules in respect of its Sub-Committees which consider complaints against Members and to agree that the same rule shall apply to the Initial Filtering Panel.

2 Recommendation

It is recommended that the political balance rules are disapplied in respect of Governance and Audit and Standards Sub-Committees which are considering complaints against Members and also the same arrangement should apply in respect of Initial Filtering Panel membership.

3 Background

- 3.1 The Committee agreed on 26 July 2019 to "disapply" the political balance rules in respect of Sub-Committees of Governance and Audit and Standards Sub-Committees when dealing with complaints. This meant the Sub-Committees' membership would in future not be made up of Members in the same proportion as the political groups are represented on the Council. Instead it was agreed that the Sub-Committees would be "cross party as far as reasonably practicable". This was considered important to ensure the greatest transparency in the decision making of these Sub-Committees where complaints against members were considered. It was also agreed that the same rule would apply to the make-up of the Initial Filtering Panel which is not a formal Sub-Committee of Governance and Audit and Standards.
- 3.2 Section 17 (2) Local Government and Housing Act 1989¹ provides 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.

¹ <http://www.legislation.gov.uk/ukpga/1989/42/section/17>

- 3.3 The decision is one which only this Committee can make but it must be made without any of the Members present voting against it.

4 Reasons for recommendations

As there has been a change this municipal year in the political make-up of the Council, Members are asked to reconsider this decision, as the decision to disapply the political balance rules, made on 26 July 2019, is only effective for one year or until there is any change in the make-up of a committee where they have been disapplied. If Members decide to disapply the political balance rules then this shall occur only until May 2021 when the decision would again have to be reconsidered.

5 Integrated Impact Assessment

An integrated impact assessment is not required as the recommendations do not directly impact on service or policy delivery. Any changes made arising from this report would be subject to investigation in their own right.

6 Legal implications

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

7 Director of Finance's comments

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

.....
Signed by: City Solicitor

Appendices: None

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

Agenda Item 10

THIS ITEM IS FOR INFORMATION ONLY

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



Portsmouth
CITY COUNCIL

Title of meeting:	Governance and Audit and Standards Committee
Subject:	Procurement Management Information
Date of meeting:	25 th September 2020
Report by:	Richard Lock - Acting Procurement Manager
Wards affected:	N/A

1. Requested by

Governance and Audit and Standards Committee.

2. Purpose

To provide evidence to allow the committee to evaluate the extent that Portsmouth City Council is producing contracts for goods, works and services in a legally compliant value for money basis.

3. Information Requested

The report covers 3 key performance monitoring areas:

- Spend compliance
- Contract award via waiver
- Contract management performance monitoring

At the request of the committee at the last meeting on 24th July 2020 the base line data used to calculate summary figures is included as the following exempt appendixes:

- EXEMPT - G&A - Procurement MI - App 1 Spend Compliance Aug 20 - 16.09.20
- EXEMPT - G&A - Procurement MI - App 2 Waivers Jun / Jul / Aug 20 - 16.09.20
- EXEMPT - G&A - Procurement MI - App 3 Contract KPIs Jun / Jul / Aug 20 - 16.09.20

The report provides comparison between performance from the last time period reported to the committee on 24th July 2020 which covered March - June 2020 when the council was in the midst of responding to the CVD19 pandemic to the quarter covering June - August 2020 which can be viewed as the early stages of recovery from the pandemic.

Where detail is required by the committee the Procurement Manager will provide this during the committee meeting, however where questions relate to detail included within the

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not
require Integrated Impact Assessments, Legal or
Finance Comments as no decision is being taken)

exempt appendices responses cannot be provided whilst the public live streaming is in operation.

SECTION 1 - SPEND COMPLIANCE

The table on the following page provides a comparison of spend compliance from the last report taken to the committee on 24th July 2020 which covered the month of May 2020 against spend compliance covering the month of August 2020.

Compliance is measured initially by reporting on spend linked to a contract entry which has been raised on the council's InTend system. The presence of a contract entry on the InTend system implies that either:

- The contract has been awarded following a procedure which complies with the council's Contract Procedure Rules (CPRs) and wider statutory Public Contracts Regulations (2015) (PCRs)
- A waiver to depart from requirements set out within the council's CPRs and / or PCRs has been approved by the relevant director, Procurement Manager and / or Procurement Gateway Board as proportionate to the value and risk associated with the contract in question

It should be noted that as compliance is determined by the presence or not of a contract entry which may have been subject to award via waiver which approves departure from CPRs and / or PCRs, 'compliance' in this instance is defined as system compliance rather than constitutional or legal compliance.

It should also be noted that the report does not include for financial transactions from all of the council's systems and solutions. This includes for payments made via purchasing cards, utilities transactions, social care systems, CHAPS payments, cheque payments, etc.

Further analysis and subsequent updating of the report is then undertaken by the Procurement Manager to identify any spend which is actually compliant by virtue of application of competitive process, departure via waiver agreed or to be agreed and valid exemptions.

A summary of the analysis undertaken by service area is included within the report subsequent to the data table. A target of 95% compliance overall and by service has been set previously by the committee.

Compared to May where the raw system compliance was 64% the raw compliance figure for August is approx. 80%. This is largely due to Procurement requesting the information needed to create contract entries from officers which was not possible prior to the last meeting when resources were still very much focused upon responding to the challenges of the pandemic.

Following adjustment the compliance figure for August is approx. 97% which is identical to the 97% compliance figure reported for May.

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)



Portsmouth
CITY COUNCIL

Procurement will continue to focus upon improving performance in respect of recording contract information by continuing to request this from officers. Procurement will also review the level of information requested for contract entries as unnecessary complications may be a barrier to receiving prompt accurate information from services.

Procurement are continuing to participate within the Fusion project which will greatly improve data recording and retrieval from finance systems. This includes investigating how greater compliance data capture can be achieved across all council systems, through both short term workarounds and on a long term basis via the Fusion project.

Key

- **NC - Non-compliant**
- **C - Compliant**

	May 2020			August 2020		
Directorate	Total £	NC £	C %	Total £	NC £	C %
Adult Services	£284,248	£17,248	94%	£572,280	£42,767	92.5%
Children Families & Education	£1,371,641	£11,181	99%	£1,185,780	£2,879	99%
Corporate Services	£974,288	£46,323	95%	£623,450	£52,237	91.5%
Culture Leisure & Regulatory Services	£105,763	£31,873	70%	£2,991,767	£31,195	89.5%
Executive	£26,588	£1,399	95%	£8,465	£1,351	84%
Finance	£268,822	£27,430	90%	£1,070,121	£9,473	99%
Housing Neighbourhood & Building Services	£1,391,339	£27,714	98%	£3,959,733	£69,685	98%
Portsmouth International Port	£1,021,150	£12,770	99%	£655,752	£0	100%
Public Health	£239,203	£0	100%	£465,164	£0	100%
Regeneration	£444,601	£66,639	85%	£186,423	£41,494	77.5%
Capital schemes	£3,680,519	£47,042	99%	£3,163,848	£92,097	97%
Other				£11,041	£10,000	90.5%
TOTAL	£9,808,168.67	£313,413.39	97%	£12,201,233	£353,177	97%

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not
require Integrated Impact Assessments, Legal or
Finance Comments as no decision is being taken)

Below is a summary of the nature of the non-compliant spend by service area and assessment of risk by the Procurement Manager. Full details have been made available to the committee in the exempt information which accompanies this report - 'G&A - Procurement MI - App 1 Spend Compliance Aug 20 - 16.09.20'.

Adult Services

Whilst compliance has fallen below the 95% target to 92.5% risk is considered low as the total non-compliant spend is low at £42,767 and spread across a number of suppliers, with no one transaction exceeding the council's tender threshold of £100k by overall order distribution value.

However, it should be noted that as stated previously these figures do not include for payments made to social care providers which are processed via the Controc system.

Children, Families & Education

Compliance has increased through further analysis of payments made for out of area educational services which has removed this spend from the non-compliance figure. Waivers are currently being drafted on the basis that this activity is not compatible with standard competitive procurement processes and have been approved in principle.

As stated to the committee previously the services in question are sourced from specialist niche suppliers, often subject to user decisive user choice, in the case of educational services are often sourced from fellow public sector bodies and are all classed as services which fall under the light touch regime - the value for which is approx. £589k.

However, it should be noted that as stated previously these figures do not include for payments made to some children's social care providers which are processed via the Mosaic system.

Corporate Services

Whilst compliance has fallen below the 95% target to 91.5% risk is considered low as the total non-compliant spend is low at £42,767 and spread across a number of suppliers, with no one transaction exceeding the council's tender threshold of £100k by overall order distribution value.

Culture Leisure and Regulatory Services

Whilst compliance is significantly below the 95% target at 89% compliance risk is still considered low as non-compliant spend is only £31,873 and is spread across a range of suppliers. Only one transaction has an overall order distribution value in excess of £100k which is for Solent Cultural Enterprises -- the trust which operates the Guildhall. Whilst the relationship between the council and the trust should be recorded via contract entry the contract itself is not non-compliant in respect of application of the wider Public Contracts Regulations (2015).

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)



Portsmouth
CITY COUNCIL

Executive

No concerns. Below 95% target but the single non-compliant transaction has an order distribution value significantly below the council's £100k tender threshold.

Finance

No concerns.

Housing Neighbourhood and Building Services

No significant concerns.

Some non-compliant transaction have a distribution order value which is close to the £100k tender threshold with one set at exactly £100k for the use of a surveyor for property valuations. This is the only transaction which requires further investigation as for all others above £50k by distribution procurement processes to bring the contracts into full compliance are being actively planned, although some have been delayed due to strain on resources from the pandemic.

However, it should be noted that payments to utilities providers managed on behalf of the council by this service are not included, they are however known by the Procurement manager to be compliant in this area of spend.

Portsmouth International Port

No concerns.

Public Health

No concerns.

Regeneration

No significant concerns. Whilst the compliance target has been missed and is currently at 77.5% the total value of non-compliant transactions is only £41,494 and is spread across a number of suppliers.

However, one transaction has a distribution order value of £150k which is for the appointment of an interim asset manager at Lakeside. This is not considered high risk as the value is still below the £189k statutory threshold as per Public Contracts Regulations (2015). The Procurement manager will engage with the relevant service officer to put a waiver in place and put a plan in place for bringing the contract into compliance.

Capital Schemes & Other

No concerns.

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

SECTION 2 - CONTRACT AWARD VIA WAIVER

The tables below show a comparison of contracts awarded via waiver in March / April / May / June 2020 as per the report taken to committee on 24th July 2020 against those awarded via waiver for June / July / August 2020.

Whilst waivers are to be sought for any significant departure from the council's CPRs the report focuses upon waivers which have constituted a direct award without application of competition to the protocols set out within the CPRs and wider statutory PCR's.

In order to effectively respond to the Covid19 pandemic a higher number of waivers have been sought on this basis. This has been due in one hand to quickly source essential emergency supplies, services and works, but also to extend contracts outside of specified terms where council and supplier resources that would have run or responded to re-tendering processes were redeployed onto essential response activities or, in the case of some supplier bidding teams, furloughed.

There is clear provision within the PCR's to allow for direct award and contract variations in order to respond to genuine emergency situations such as the Covid19 pandemic. The Cabinet Office issued a Procurement Policy Note (PPN 01/20) on 18th March 2020 to remind public sector bodies of the flexibilities allowed for within PCR's already and as such did not introduce any new policy on this basis.

Whilst lack of resource is not usually allowed for as a valid reason to delay re-tendering processes via direct award to the incumbent supplier it is of the opinion of the Procurement Manager that this has in effect become the norm across the public sector following the introduction of stringent lockdown measures by central government on 23rd March.

This opinion is informed by continual peer review with procurement managers who represent a large number of county and unitary councils on the Central Buying Consortium, direct discussion with Cabinet Office, feedback from suppliers and engagement with QCs who specialise in procurement law cases via a number of webinars.

Use of direct awards to extend contracts on this basis is viewed as low risk in terms of potential for challenge as long as the term of the direct award is proportionate to the time required to run an effective re-tender and is not unnecessarily long to the point where it can be construed as creating an artificial barrier to competition.

Under the CPR's waivers can be approved by:

- Director including for Assistant Directors given delegated authority by the Director - up to £100k
- Procurement manager - up to £1M
- Procurement Gateway Board - above £1M

In order to respond efficiently and effectively the Procurement Manager agreed in conjunction with Legal and Audit on 1st April 2020 via email that the waiver and extension could be streamlined to effective summary rationale without full completion of standard

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)



forms where the need for the waiver could be directly linked to the impact of the Covid19 pandemic. This was on the condition that key approvals from the Director / AD, Procurement, Legal and Finance were still obtained and recorded.

The Procurement Manager also delegated approval of waivers on a procurement basis to the IT Category Manager / Assistant Procurement Manager at a limit of £500k and to Procurement Professional at a limit of £250k. It is the intention of the Procurement Manager to maintain these delegations for business as usual authorisations in the future.

Use of direct award waivers in March / April / May / June 2020

Reason for direct award waiver	Number of Contracts	Contract value
Business as Usual Direct award	21	£923,026
Waivers agreed due to Covid-19 (re-tender delay)	25	£3,563,166
Waivers in response to Covid-19 (emergency supplies / services)	45	£3,818,009
Total	92	£8,304,201

Use of direct award waivers in June / July / August 2020

Reason for direct award waiver	Number of Contracts	Contract value
Business as Usual Direct award	20	£8,935,594
Waivers agreed due to Covid-19 (re-tender delay)	2	£467,000
Waivers in response to Covid-19 (emergency supplies / services)	41	£659,947
Total	63	£10,062,541

Below is a summary level analysis undertaken by the Procurement Manager. Full details have been made available to the committee in the exempt information which accompanies this report - 'G&A - Procurement MI - App 2 Waivers Jun / Jul / Aug 20 - 16.09.20'.

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

Business as Usual Direct Awards

No significant concerns. The figures have been skewed significantly via the award of an out of term extension to Biffa for delivery of domestic waste collection services. A further 2 to 2 ½ year extension outside of the advertised term to a value of £8.25M has been granted by Procurement Gateway Board.

The rationale for the waiver is as follows:

This extension will enable the council to understand fully the impacts of the Environment Bill (explained in detail below) that is currently progressing through Parliament and carry out an effective procurement process that delivers a service that is aligned to that, further to this:

- The council are awaiting the outcomes of the consultation in relation to the waste and resources strategy. This is important as the Environment Bill is likely to legislate for separate food waste collections, consistency of materials collected, deposit return scheme, and extended producer responsibility. It may also stipulate which materials should be collected for recycling and make reference to collections models and frequency. These outcomes would impact the design of collection rounds and make it difficult to design the requirements of the domestic waste collection contract to align with those outcomes.
- The council is currently piloting food waste collections - the second food waste trial will be rolled out in September 2020 with a view to rolling this out city wide from 1 October 2021. This decision is yet to be taken and is linked to a number of other strategic projects related to the Waste Disposal Service contract and waste collections going forward.
- Waste Collections strategy - the administration is committed to reducing waste and improving recycling and as such has made changes to the refuse collection system (2018 - introduced wheeled bins and 3 standard bin bag allowance) and is now trialling separate food waste collections. The council needs to consider an improvement to the range of materials that can be collected at the kerbside (other plastics, cartons, glass). This strategy and design is intrinsically linked to provision of infrastructure to process these materials. There are a number of different permutations for the collection and disposal of these waste streams, dependent upon decisions made about the infrastructure and the outcomes of the Environment Bill. .
- Waste Disposal Service Contract - as a unitary authority, the Council is also the disposal authority and is currently working with partners on a number of strategic projects.
- The new MRF would replace the existing two MRFs provided under the WDSC. The cases for both of these projects have some dependence on the outcome of the consultations of the Environment Bill and will inform the strategic direction of waste collection and disposal going forward. These issues particularly influence collection round design and vehicle requirements.

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

Risk assessment has been informed by direct market testing with leading market suppliers who had no issues with the proposed extension and would rather bid for the contract in the future with a higher degree of specification certainty.

An OJEU Contract Award Notice was issued following approval in order to transparently inform the market of the Council's intentions and time out period for challenges. To date no enquiries have been received regarding the notice and none are expected.

As stated in the notice a formal procurement process to retender the contract will be undertaken in accordance with the following programme:

- Issue OJEU Contract Notice & SSQ - April 2021
- Establish dialogue shortlist - June 2021
- Commencement of dialogue stages - September 2021
- Contract Award - September 2022
- Mobilisation commencement - October 2022
- New service commencement - October 2023

Waivers agreed due to Covid-19 (re-tender delay)

No significant concerns and the number and value of waivers has decreased significantly. One waiver in this category is to the value of £416k and is concerned with the extension in scope of a compliantly procured school expansion contract to include for additional road and highways infrastructure works not originally included which whilst requiring a waiver under Council Contract Procedure Rules is fully compliant with the wider provisions for variation of contracts under the Public Contracts Regulations (2015).

There is still a significant backlog of tenders which were delayed due to the CVD19 pandemic, particularly in Adult Social Care and Children's Social Care where resources were reassigned to deal with the immediate impacts of the pandemic. Waivers to extend contracts were approved in the previous quarter however further direct award extensions to some contracts may be required in the coming quarter so that programmes can be staggered in view of ongoing resource pressures for the council and suppliers alike.

Waivers in response to Covid-19 (emergency supplies / services)

No significant concerns. Whilst the number of waivers is still high the value has decreased significantly. This is due to:

- Build up of buffer PPE stock in the previous quarter meaning that further high volume orders have not been required
- Demand for food supply to shielded and vulnerable individuals reducing as restrictions have been removed and normal supply has resumed
- IT equipment and licenses required to enable home working infrastructure were purchased in the previous quarter and will not require renewal for some time

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)



- Waivers for placing non-statutory homeless within hotels has reduced as better longer term alternatives have become available which can be contracted for compliantly without the need for further waivers

It is expected that the requirement CVD19 response waivers will further reduce over the next quarter although there will still be some demand.

SECTION 3 - CONTRACT MANAGEMENT PERFORMANCE MONITORING

Contract management performance is monitored at summary level by application of a set of standard KPIs which are scored and reported on via the InTend system. Contracts are reported on against the following criteria:

Key

- Gold: Outstanding performance
- Green: Performing to standard
- Amber: Some areas of improvement required
- Red: Failing to perform
- Expired KPI: a schedule is in place, and at least one KPI score has been recorded, but there has been no KPI scoring in the last 12 months
- KPI never scored: a schedule is in place, but there have been no KPI scores for the contract
- KPI not yet due: a schedule is in place, but KPI scores are not due yet. This includes contracts where KPIs are overdue by less than 3 months (grace period)
- No KPI scheduled: no KPI instances have been scheduled.

KPI performance for June / July / August 2020 is as follows:

	Value of Contracts		Number of Contracts	
RED	£0	0.00%	0	0.00%
AMBER	£37,323,250	1.93%	17	1.90%
GREEN	£1,263,725,864	65.36%	260	29.12%
GOLD	£19,690,019	1.02%	34	3.81%
KPI never scored	£147,227,339	7.61%	136	15.23%
NO KPI scheduled	£178,673,810	9.24%	157	17.58%
NOT YET DUE	£38,123,275	1.97%	182	20.38%
KPI expired	£248,806,777	12.87%	107	11.98%
Grand Total	£1,933,570,334	100.00%	893	100.00%

THIS ITEM IS FOR INFORMATION ONLY
(Please note that "Information Only" reports do not
require Integrated Impact Assessments, Legal or
Finance Comments as no decision is being taken)

Below is a summary level analysis undertaken by the Procurement Manager. Full details have been made available to the committee in the exempt information which accompanies this report - 'G&A - Procurement MI - App 3 Contract KPIs Jun / Jul / Aug 20 - 16.09.20'.

There are no red status contracts but there are a number of contracts which are amber and require improvement. Whilst this number has increased it is still relatively low in terms of both value and volume. However Procurement will find out why these contracts are not performing to full standard, support the relevant contract managers and update the committee.

What is of more concern are the number of contracts where the KPI has never been scored or has not been scored for some time. Procurement focus has been on bringing raw spend compliance up by gaining better visibility of contracts.

Over the next quarter work will be undertaken to ensure that contract performance is better reported on across all contracts by contacting the relevant contract managers and offering support.

Work will also be undertaken to begin reviewing the corporate KPI model to ensure that a relevant, proportionate approach is taken which will in turn increase take up and produce timely, accurate and comparative results.

.....
Signed by Richard Lock - (Acting) Procurement Manager

This page is intentionally left blank