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# NOTICE OF MEETING

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## GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 5 MARCH 2021 AT 2.00 PM

### VIRTUAL REMOTE MEETING - REMOTE

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

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#### Membership

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

#### Standing Deputies

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

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

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

#### Deputations

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 Meeting held on 15 January 2021 (Pages 7 - 12)**

**RECOMMENDED that the minutes of the meeting held on 15 January 2021 be approved and signed by the Chair as a correct record.**

**4 Elected Member's Training Report and Calendar (Pages 13 - 42)**

The purpose of this information only report is to advise members of the Committee of the planned elected members training calendar for 2021.

The report is for noting.

**5 Internal Audit Plan 2021/22 (Pages 43 - 54)**

The purpose of the report is to present the proposed Internal Audit Plan for 2021/22 to the committee for approval, as set out in Appendix A.

**RECOMMENDED that the Committee approve the proposed Internal Audit Plan for 2021/22 as set out in Appendix A.**

**6 Audit Performance Status Report (Pages 55 - 88)**

The purpose of the report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2020/21 to 18<sup>th</sup> February 2021 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 the Audit Performance and results for 2020/21 to 18<sup>th</sup> February 2021.**

**7 Data Security Breaches (Pages 89 - 102)**

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

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

**8 External Auditors outline indicative 2020/21 Audit Plan (Pages 103 - 122)**

External Auditors Outline Audit Plan 2020 -21 for noting.

**9 External Auditors 2019/20 Annual Audit Letter (Pages 123 - 160)**

External Auditors Annual Audit Letter.  
This item is for noting.

**10 Treasury Management Monitoring Report Qtr 3 (Pages 161 - 170)**

- (1) The purpose of the report is to inform members and the wider community of the Council's Treasury Management position, i.e. its borrowing and cash investments at 31 December 2020 and of the risks attached to that position.
- (2) Whilst the Council has a portfolio of investment properties and some equity shares that were acquired through the capital programme; these do not in themselves form part of the treasury management function and are not considered as part of this report.

**RECOMMENDED**

- (1) That it be noted the Council's Treasury Management activities have remained within the Treasury Management Policy 2020/21 in the period up to 31 December 2020.**
- (2) That the actual Treasury Management indicators as at 31 December 2020 set out in Appendix A be noted.**

**11 Treasury Management Policy 2021/22 (Pages 171 - 208)**

The purpose of this report is to obtain the Council's approval of the updated Treasury Management Policy Statement (attached) which includes the Annual Investment Strategy. It is before this Committee for scrutiny and comment before going on to Cabinet and then to Full Council for approval.

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

**12 Appointment/re-appointment of Independent Persons (Pages 209 - 212)**

The purpose of the report is to outline the requirements for and consider the reappointment of two Independent Persons whose terms are coming to an end and to add an additional Independent Person, pursuant to the provisions of Section 28 of the Localism Act 2011.

**RECOMMENDED that Governance and Audit and Standards Committee recommend that;**

- 1) The Council increases the number of Independent Persons to up to five (from up to four);**
- 2) The Council reappoint Carole Damper and Diana Turner as**

Independent Persons for a further three years from 1 May 2021 through to 30 April 2024, and;

- 3) The Council appoint Chris Rider as an Independent Person for three years from 1 May 2021 through to 30 April 2024 (subject to 1 above being agreed).

**13 Members Allowances Report (Pages 213 - 224)**

The purpose of the report is

- (1) To seek approval for the review process from the Governance & Audit & Standards Committee
- (2) To recommend to Council the findings of the Independent Remuneration Panel in respect of the Members' Allowances Scheme.

**RECOMMENDED**

**To Governance & Audit & Standards Committee**

That it approves the review process.

**To Council (via Governance & Audit & Standards Committee)**

- (1) That no change should be made at present to any of the various elements comprising the Members' Allowances Scheme ("the Scheme") attached as Appendix 1 on the basis that the existing index linked arrangement should continue to be applied.
- (2) To note that the Panel aims to revisit the Scheme in around one year's time to consider any possible changes the Panel may deem appropriate at that time
- (3) Note in any event a further review will be required within four years of the last review taking place
- (4) That the existing Independent Review Panel be retained as a Standing Panel in the interim period, to consider any issues that arise in connection with the Scheme before the next review, either by email or in meetings.
- (5) The members of the Independent Review Panel be thanked for their time and attention in undertaking the Review.

**14 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.**

<b>Item</b>	<b>Exemption Para No.*</b>
<b>15. Procurement Management Information (Exempt Appendices 1, 2 and 3)</b>	<b>3</b>

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

**15 Procurement report (Pages 225 - 238)**

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.

The report is for noting.

This meeting is webcast (videoed), viewable via the Council's livestream account at <a href="https://livestream.com/accounts/14063785">https://livestream.com/accounts/14063785</a>
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# Agenda Item 3

## GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE VIRTUAL MEETING of the Governance & Audit & Standards Committee held remotely on Friday, 15 January 2021 at 2.00 pm.

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

### Present

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

### Officers

Julian Pike, Deputy Director of Finance and S151 officer  
Michael Lloyd, Directorate Finance Manager  
Paul Somerset, Deputy Chief Internal Auditor  
Peter Baulf, City Solicitor

### External Auditor

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

#### 1. Apologies for Absence (AI 1)

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

There were no apologies for absence.

The Chair varied the order of the agenda to allow items 5 and 6 to be dealt with first. For ease of reference, the minutes will follow the order of the original agenda.

#### 2. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

#### 3. Minutes of the Meeting held on 20 November 2020 (AI 3)

With regard to Minute 44, Julian Pike confirmed that the wording of the explanation referred to had been shared with the Committee before publication on the website.

With regard to Minute 47 Resolution (2), the Chair confirmed he had signed off the Statement of Accounts and Julian Pike confirmed that final sign off had happened this morning (15 January 2021).

With regard to Minute 49, Peter Baulf confirmed he would ask Sophie Mallon to contact Councillor Judith Smyth to discuss the contents of the report in more detail.

**RESOLVED that the minutes of the meeting held on 20 November 2020 be approved and signed by the Chair as a correct record.**

**4. 2019 to 2020 Audit Results report (AI 4)**  
(TAKE IN REPORT)

Helen Thompson and David White introduced the report.

Ms Thompson advised that all outstanding work has been completed and an unqualified audit opinion has been issued on the financial statements in the form at section 3. It includes an Emphasis of Matter paragraph to draw the attention of readers of the financial statements to the disclosures regarding the valuation material uncertainty arising due to Covid-19. This is not a qualification of the audit opinion.

Ms Thompson also advised that they have no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Mr White then referred to page 22 of the agenda pack that sets out the areas of risk focused on and advised that with reference to:-

- **Risk of fraud in revenue and expenditure recognition:** inappropriate capitalisation of revenue expenditure - no issues or indications of fraud have been identified from their work to address this risk.
- **Misstatements due to fraud or error** - no issues or indications of fraud have been identified from their work to address this risk.
- **Valuation of Lakeside North Harbour** – their work to address this risk, with input from their internal valuation specialists, has not identified any issues with the valuation of Lakeside North Harbour at 31 March 2020.
- **Valuation of Land and Buildings and Investment Property** – no issues have been identified from their work to address this risk, which was undertaken with input from their internal valuation specialists. Mr White reiterated that the audit opinion will include an Emphasis of Matter paragraph to draw the attention of readers of the financial statements to the disclosures regarding the valuation material uncertainty arising due to Covid-19 and that this is not a qualification of their audit opinion.
- **Going concern** - External Auditors are satisfied that management's going concern assessment is appropriate. They held discussions with management and shared examples of disclosure wording to enable an initial disclosure to be included in the draft financial statements. Following their internal consultation process, they agreed further amendments to the disclosures, and were satisfied that the wording included in the final financial statements was sufficient and appropriate.



- **PFI accounting** - no issues have been identified from their work to address this risk.
- **Pension Liability Valuation** – one unadjusted audit difference has been identified from their work on this risk and is set out in Section 4. This is covered in the Letter of Representation and does not affect the Audit Opinion. No other issues have been identified.
- **Minimum Revenue Provision** - no issues have been identified from their work to address this risk.
- **Restatement of the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis, and related notes** - no issues have been identified from their work to address this risk.
- **Group Accounts Assessment** - no issues have been identified from their work to address this risk.

In conclusion, Mr White advised that there are no matters, apart from those reported by management or disclosed in this report, which they believe should be brought to the attention of the Governance and Audit and Standards Committee.

With regard to Value for Money, Mr White referred to page 23 of the documents pack and advised that they have considered PCC's arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. They identified one significant risk to their value for money conclusion, in relation to informed decision making, and specifically to the purchase of Lakeside North Harbour. They have completed their planned procedures with regard to this risk and have not identified any issues with the related arrangements.

Mr White reiterated that the External Auditors have no matters to report about PCC's arrangements to secure economy, efficiency and effectiveness in its use of resources.

In response to questions

- With regard to the unadjusted audit difference of £7.7m relating to the pension liability in the balance sheet, the auditors advised that this is not a gap in funding and members should not be concerned about this. Basically it is a comparison between a complex valuation carried out by the actuary to estimate the value of the pension fund assets and the notional actual amount that would appear in the Council's balance sheet.
- With regard to the valuation of land and buildings and property investment, it was confirmed that the impact of Covid was limited in this report given that the current audit results report relates to the year ended in March 2020. The 2020 to 2021 Audit Results Report will show the impact of Covid 19. Julian Pike said that the feedback so far is that the property market appears to be faring relatively well as have income streams, but it is impossible to say what the longer term impact will be. Michael Lloyd agreed especially as the Covid 19 pandemic is still continuing. Ms Thompson said that PCC are doing what they should be doing which is to closely monitor the impact of Covid. She said that PCC's going concern assessment was good and that the

external auditors would continue to review the impact of the pandemic on the Council in their 2020/21 audit.

- With reference to page 36 of the documents pack stating "group accounts not required for 2019/20" -David White explained that this just means that there is no need for separate group accounts for that year. If there was a significant change in the council's subsidiaries this may need to change so it is kept under review.
- With reference to page 41 referring to being unable to certify that the audit of accounts had been completed, the External Auditors said this would be updated as soon as the assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack had been issued
- With reference to the last sentence on page 58 - summary of key changes - it was confirmed that although clarification is still awaited, this would be unlikely to be relevant to PCC.
- With reference to page 66 Related Parties and non- disclosure by management, it was agreed that this would be difficult to discover other than by way of a whistle-blower or a very diligent auditor. However the external auditors said they had no knowledge of any instance where non-disclosure was deliberate.

Helen Thompson and David White took this opportunity to express thanks to the PCC Finance Team and all those who supported the audit. They had carried out significantly more work than in previous years and had achieved a great deal.

The Chair thanked the external auditors for their report which was noted.

## **5. RIPA Inspection 2020 (AI 5)**

(TAKE IN REPORT)

Paul Somerset, Deputy Chief Internal Auditor, introduced the report which updated Members on the inspection results and the Authority's use of Regulatory Powers for the period from 6<sup>th</sup> July 2019 to 6<sup>th</sup> January 2021.

In February 2020 the Authority were inspected by the Investigatory Powers Commissioner's Office (IPCO) to assess the arrangements in place relating to Regulatory Investigative Powers Act 2000 (RIPA) and Investigatory Powers Act 2016. The results were positive with no recommendations proposed. In addition to this and since the last reporting period, there had been no RIPA application.

**RESOLVED that Members of the Governance and Audit and Standards Committee**

- (1) Noted that there have not been any RIPA applications authorised since the last report to this Committee on the 29<sup>th</sup> July 2019**
- (2) Noted the inspection carried out by the IPCO Surveillance Inspector and results presented**

## **6. Whistleblowing Report (AI 6)**

(TAKE IN REPORT)

Paul Somerset introduced the report which updated Members of this Committee on the nature and handling of any concerns raised under the Whistleblowing Policy for the period January 2020 to December 2020. In addition, the report highlighted the review of the Whistleblowing policy, although there were no current amendments.

In response to a query, it was confirmed by Mr Somerset that the number of reports was usually low and was not a matter for concern in his view.

**RESOLVED that Members of the Governance and Audit and Standards Committee:**

- (1) Noted this report and the attached Appendix A and considered whether any further action is required**
- (2) Noted that a review of the Whistleblowing policy has taken place resulting in no proposed amendments. (Appendix B)**

**7. Complaints received into alleged breaches of the Code of Conduct by Members of the Council for the calendar year 2020 (AI 7)**

(TAKE IN REPORT)

Peter Baulf, City Solicitor and Monitoring Officer, introduced the report which updated Members of the Committee in relation to complaints which have been progressed within the calendar year 2020 and which allege that Councillors may have breached the Code of Conduct.

During discussion

- The City Solicitor confirmed that the expected national revision of the complaints process relating to the Code of Conduct had been delayed and agreed that currently the process lacked strong sanctions
- The City Solicitor confirmed that all complaints had ended after the Initial Filter Panel stage which indicated that the behaviour complained about was fairly low-key
- Members commented that those on the panels and members of the public who would see this annual report would want to see that any actions agreed after any complaints meeting had been followed up. The City Solicitor suggested that an extra sentence could be added to the decision notice sent to the subject member of the complaint to make clear that the Governance & Audit & Standards Committee have determined that failure to engage with the recommendations in a timely manner could expose the subject member to investigation under a new separate complaint. This was agreed.
- The City Solicitor apologised that one gender pronoun appeared in the summary table and he would do his best to ensure that gender pronouns did not appear in the summary table in future.
- Members were encouraged that there had been relatively low numbers of complaints and that they had been fairly low-key.
- Members commented that the Independent Persons appointed by PCC were excellent, had a good understanding of the process and were very diligent. Members asked that Independent Persons should be formally thanked by including an additional recommendation to that effect.

**RESOLVED that the Committee**

- (1) Noted the report**
- (2) Considered whether any further action was required by them**
- (3) Placed on record their thanks for the high standard of work carried out by the Independent Persons**

The meeting concluded at 2.55 pm.

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Councillor Leo Madden  
Chair

# Agenda Item 4



## **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)**

<b>Title of meeting:</b>	Governance & Audit & Standards Committee
<b>Subject:</b>	Elected Member's Training Calendar 2021
<b>Date of meeting:</b>	5 <sup>th</sup> March 2021
<b>Report by:</b>	City Solicitor
<b>Wards affected:</b>	None

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### **1. Requested by**

Governance & Audit & Standards Committee.

### **2. Purpose**

To advise members of the Committee of the planned elected members training calendar for 2021.

### **3. Information Requested**

3.1 The 2021 training calendar for elected members is attached as Appendix 1 and shows the training offer that is specific to members. This calendar includes key training support for newly elected members and those taking on committee responsibilities as well as developmental training courses. For ease of understanding, the training calendar has been split into five sections:

- Induction training
- Committee training
- Priority training
- E-learning
- Personal development training

All councillors are welcome to attend any training event within this calendar. Due to the COVID-19 pandemic face to face training in 2020 was replaced with online content and the success of that mode of training is reflected in this calendar enabling elected members to attend training remotely and at more convenient times of the day. Members have full access to the PCC training offer through the Portsmouth Learning Gateway (PLG) and Workforce Development Officers are available to develop any bespoke training to support them in their role.

**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)**

3.2. As in previous years we have increased the number of 'Skills Boosters' (video-based e-learning) courses available through the PLG to provide greater flexibility and easier access to training topics for elected members. There has been an increase in the number of courses around 'equalities' which includes mental health. A number of 'Mental Health First Aid' briefing workshops have also been scheduled to further support in this area. We have also introduced an online library of e-books and mini podcasts that cover a wide range of topics that is accessed through the PLG. The PLG can be accessed via any computer, tablet or smartphone and 'user' training sessions are available for anyone needing support in accessing the system.

3.3 There are also a number of elected members training resources available through the Local Government Association (LGA) and these links have been added to the calendar to aid members in their development. We will continue to schedule training flexibly and online in order to enable elected members to attend. Officers will continue to evaluate the effectiveness of these approaches over the year with members and this will inform the 2022 training offer.

3.4 Appendix 1 shows the elected members' training calendar for 2021.

.....  
Signed by (City Solicitor)

**Appendices:** Appendix 1 Elected Members' Training Calendar 2021

**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

## Elected Member Training Calendar - 2021



## Training calendar

Welcome to the elected member training calendar for 2021.

### Overview

For ease of understanding, the training calendar has been split into five sections:

- Induction training
- E-Learning for Councillors
- Priority training
- Committee training
- Personal development training

Any councillor is welcome to attend any training event within this calendar. Wherever possible, training will be offered with a variety of dates and times via Microsoft teams (with an online e-learning option available for a selection of the courses).



When you see this symbol by the title of a course, this indicates that it is of high importance and it is essential that you attend the virtual session via Microsoft teams or complete the e-learning course via Portsmouth Learning Gateway (PLG)

All other training is offered for your personal development. In addition the full range of learning & development opportunities are available via Portsmouth Learning Gateway (PLG).

If you would like to book a place on any of the training events in this calendar, or you have particular training or development needs that are not covered in this directory, please get in touch and we will try to find a solution for you.

Roland Bryant  
HR Business Partner - Learning & Development  
HR - Floor 1, Core 5-6  
Roland.Bryant@portsmouthcc.gov.uk  
Tel: 023 9284 1092



## Contents

### For new councillors:

- Code of Conduct
- Induction for new councillors
- Local Government Association (LGA) - online Councillors Guide
- Finance
- Challenging Conversations and Conflict Resolution
- Enhanced skills for councillors
- Introduction to Portsmouth Learning Gateway (PLG)

### E-Learning for Councillors:

- Information Governance & GDPR for Councillors
- Health and Safety: Induction for Members
- Safeguarding Children
- Cyber Security Awareness
- Modern Day Slavery
- ACT Awareness (Action Counter Terrorism)
- Anti-fraud, bribery and corruption
- Anti-fraud, bribery and corruption for managers
- Equality and Diversity
- Prevent
- Hidden Disabilities Awareness

### Priority training:

- Safeguarding Children & Adults
- Looked after Children
- Homelessness
- Integrated Impact Assessments

### Committee training:

- Governance & Audit & Standards Committee
- Planning Committee
- Employment Committee
- Licensing Committee

### Personal development opportunities:

- Mental Health Awareness
- Systems Development Service
- Social media
- PREVENT (preventing violent extremism)
- Restorative Practice Awareness
- Local Government Association (LGA) - online workbooks



## Induction for new councillors

### (Member Induction Training)

#### **Who is this course for?**

Newly elected and re-elected members

#### **Who is running this course?**

This course is run in-house and will be facilitated by a range of officers including David Williams, Chief Executive, Peter Baulf, City Solicitor and Stewart Agland, Local Democracy Manager.

#### **What will it cover?**

This session has been designed based on feedback from members elected in previous years. It will act as a welcome and orientation into Portsmouth City Council, provide invaluable information about the practicalities of council meetings / decision making and outline legal responsibilities

#### **When and where?**

TBC  
TBC  
TBC

Please can new members contact the Chief Executive's PA, Karen Brown, on 023 9283 4010 or email [karen.brown@portsmouthcc.gov.uk](mailto:karen.brown@portsmouthcc.gov.uk) to advise which one of the above sessions you wish to attend?

If none of the offered dates is suitable, please contact Karen to arrange a mutually convenient time for training.



## Code of Conduct

### (Induction Training)

#### **Who is this course for?**

New councillors

#### **Who is running this course?**

This session will be facilitated by Peter Baulf (City Solicitor)

#### **What will it cover?**

It is **essential** that all new councillors have received their Code of Conduct training prior to the Annual Council meeting on the 18 May 2021

#### **When and where?**

TBC

TBC

TBC

Please can new members contact the Legal Services Interim Business Manager, Peter Smith-Parkyn, on (023) 9268 8361 or email [Peter.Smith-Parkyn@portsmouthcc.gov.uk](mailto:Peter.Smith-Parkyn@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?

## Local Government Association Guide for New Councillors (Induction Learning)

### Who can benefit from the resources?

New councillors

### Resource information

The Local Government Association (LGA) offer a wide range of learning resources that can be downloaded onto your iPad or tablet or as a PDF for your laptop or desktop.


The councillors' Guide online resource has been designed as a quick reference guide to provide essential information that you need to know as a new councillor and is a useful addition to support you will receive from Portsmouth City Council. Please click on the link below to access the resources.

[Link to LGA Guidance for New Councillors 2019/20](#)

## Guidance for new councillors 2019/20

This guide is designed to provide you with the key information you need to know as a new councillor and is a useful addition to the support and guidance you will receive from your own council.

Councillor development | 23 Apr 2019



Published by: **LGA**  
Reference code: **11.166**

[Download](#)



## Finance Briefing (Induction Training)

### Who is this course for?

New councillors

### Who is running this course?

This session will be facilitated by Chris Ward (Director of Finance)

### What will it cover?

This briefing session is designed to provide an overview of the city council's financial processes and position. Briefly it will include:

- Local Government Finance and Framework
- Financial Cycle and Process
- Financial Challenge
- Council Plan

### Where and when?

Tuesday 11<sup>th</sup> May at 12noon on Microsoft Teams

Thursday 13<sup>th</sup> May at 3pm on Microsoft Teams

Monday 17<sup>th</sup> May at 10am on Microsoft Teams

Wednesday 19<sup>th</sup> May at 2pm on Microsoft Teams

Thursday 20<sup>th</sup> May at either 11am or 4pm on Microsoft Teams

Friday 21<sup>st</sup> May at 2pm on Microsoft Teams

Please can new members contact Rhian Edwards, Executive Assistant to Director of Finance, on 023 9284 1342 or email [rhian.edwards@portsmouthcc.gov.uk](mailto:rhian.edwards@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?

## Introduction to Portsmouth Learning Gateway & Using Microsoft Teams

### (Induction Training)

#### **Who is this course for?**

Although designed for new councillors, all members are welcome to attend this training.

#### **Who is running this course?**

This course will be facilitated internally by the Learning and Development Team.

#### **What will it cover?**

A practical introduction to accessing e-learning & course booking for members via Portsmouth Learning Gateway (PLG) and how to use Microsoft teams from Portsmouth City Council computers and via home computer devices including smart phones.

#### **At the end of the session participants will be able to;**

- Access Portsmouth Learning Gateway (PLG) with individual username and password
- Access and book Elected Members designated courses
- Access Elected Members designated e-learning
- Top tips for using Microsoft teams for meetings

#### **Where and when?**

On application, please contact Joe Henry Workforce Development Officer

E: [Joe.Henry@portsmouthcc.gov.uk](mailto:Joe.Henry@portsmouthcc.gov.uk)

## Challenging Conversations and Conflict Resolution (Induction Training)

### **Who is this course for?**

Although designed for new councillors, all members are welcome to attend this training.

### **Who is running this course?**

This course will be facilitated internally by the Learning and Development Team.

### **What will it cover?**

When working with constituents, conflicts and challenging conversations sometimes arise. This session is designed to equip participants with the skills to approach these conversations with confidence and positivity, working with constituents to seek resolutions.

### **At the end of the session participants will be able to;**

- Approach conflict and challenging conversations with confidence
- Use skills to diffuse conflict and to hear the issue being presented
- Work with constituents to identify a way forwards

### **Where and when?**

On application, please contact Vincent Driscoll Workforce Development Officer

E: [Vincent.Driscoll@portsmouthcc.gov.uk](mailto:Vincent.Driscoll@portsmouthcc.gov.uk)

## Enhanced Skills for New Councillors

### (Induction Training)

#### **Who is this course for?**

Although designed for new councillors, all members are welcome to attend this training.

#### **Who is running this course?**

This course will be facilitated internally by officers from Democratic Services.

#### **What will it cover?**

This session is designed to support you to get the most from council meetings. It will build on knowledge gained at the induction session, plus experience from the first few months after election.

Indicative content:

- The function of committees
- Decision making
- Getting the most from council meetings (e.g. using Standing Orders, Notices of Motion etc.)
- Practical skills of being a councillor (including contacts for residents' enquiries and problems)

#### **Where and when?**

On application, please contact Stewart Agland Local Democracy Manager

E: [stewart.agland@portsmouthcc.gov.uk](mailto:stewart.agland@portsmouthcc.gov.uk)



## E-Learning for Councillors

All e-learning courses can be accessed via the Portsmouth Learning Gateway (PLG) under the courses for councillors tab. Please contact the Learning and Development team on E: [LearningandDevelopment@portsmouthcc.gov.uk](mailto:LearningandDevelopment@portsmouthcc.gov.uk) if you require PLG log-in information.

### **Information Governance & GDPR for Councillors**

This training session aims to provide Councillors with an introduction to information governance, outlining statutory requirements and how you can ensure compliance with the law.

**This course is recommended for all Councillors and should be refreshed every year.**

### **Health and Safety: Induction for Members**

This course is for elected Members and provides an insight into health and safety (H&S) management in Portsmouth City Council, detailing why Members need to get H&S management right (corporately and personally) and the consequences of getting it wrong.

This course is based around the Institute of Occupational Safety and Health's (IOSH) presentation titled: 'Think about health and safety - What elected members of local authorities need to know'.

### **Safeguarding Children & Safeguarding Adults**

Children deserve the opportunity to achieve their full potential. Most do so when brought up by parents or carers who provide warmth and love as well as clear boundaries to behaviour.

Children who suffer abuse or neglect may not reach their full potential. Identifying and protecting those children is a shared responsibility:

**This is a mandatory course and must be repeated every 3 years**

### **Cyber Security Awareness**

As a Government organisation we handle a lot of client data, personal information, and sensitive documents.

Our computer systems come under attack from hackers and cyber criminals on a regular basis, and it could be you as an individual who is targeted in order to find a way in.

It is important that we know how to handle and protect the data we work with (as well as our own personal data), and how to recognise an attack or attempts to compromise our data security.

## E-Learning for Councillors

### Modern Day Slavery

This course sets out the key provisions of the Modern Slavery Act and looks at what organisations doing business in the UK need to do to comply.

Click [here](#) to download the LGA Councillors guide to tackling modern slavery.

### ACT Awareness (Action Counter Terrorism)

ACT Awareness eLearning is a new Counter Terrorism awareness product created by National Counter Terrorism Security Office for all UK based companies and organisations.

### Anti-fraud, bribery and corruption

This module provides an overview of fraud, bribery and corruption and explains how they affect employees, Councillors and Portsmouth City Council as a whole. It will also cover how to report fraud, bribery and corruption if you suspect it.

**This is a mandatory course and must be repeated every 3 years**

### Anti-fraud, bribery and corruption for managers

The aim of this course is to raise awareness of areas of possible fraudulent activity, to help you prevent, detect and report it as part of your role as a manager at PCC in protecting the public purse.

This course should be completed by managers after completing Anti-Fraud, Bribery and Corruption for all staff module. **This is a mandatory course and must be repeated every 3 years**

### Equality and Diversity and the Hidden Disabilities Awareness ELearning

This short e-learning has been created to help you understand how you need to work with other people - whether they are customers or colleagues. We want to make sure that PCC is a safe and inclusive place to work and to ensure that our services are fair and accessible to all customers. **This is a mandatory course and must be repeated every 3 years**

### Prevent

This course offers an introduction to the Prevent duty, and explains how it aims to safeguard vulnerable people from being radicalised to supporting terrorism or becoming terrorists themselves.

This is introductory training. It will provide an important foundation on which to develop further knowledge around the risks of radicalisation and the role that you can play in supporting those at risk.



## Safeguarding Adults (Priority Training)

### Who is this course for?

All councillors need to attend this training every 3 years.

### Who is running this course?

This course will be facilitated internally by experts from the adult safeguarding teams.

### What will it cover?

- The Care Act and its implication for safeguarding adults
- The aims of adult safeguarding
- Portsmouth's approach to safeguarding adults
- The role of the Adult Safeguarding Board
- Roles and responsibilities in safeguarding adults
- Actions to take if you have a concern

### Where and when?

TBC

TBC

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?



## Safeguarding Children (Priority Training)

### Who is this course for?

All councillors need to attend this training every 3 years. The part of this training that relates to children's safeguarding has been commissioned in response to an Ofsted recommendation.

### Who is running this course?

This course will be facilitated internally by experts from the children teams.

### What will it cover?

- Roles and responsibilities in safeguarding children
- The legal aspects of safeguarding children
- The role of the Children's Safeguarding Board
- Actions to take if you have a concern

### Where and when?

TBC

TBC

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?



## Looked After Children (Priority Training)

### Who is this course for?

All councillors need to attend this training every 3 years

### Who is running this course?

This course will be facilitated internally by the Head of Looked After Children Services and supported by foster carers.

### What will it cover?

- The demographics of children in care in Portsmouth
- Improving the life chances of those leaving care (e.g. around employability, education etc.)
- Portsmouth's strategy for Looked After Children
- Your responsibility towards Looked After Children as a Corporate Parent

### Where and when?

13th May at 12:00pm - 13:30pm via Microsoft Teams

18th May at 17:00pm - 18:30pm via Microsoft Teams

21st May at 09:00pm - 10:30pm via Microsoft Teams

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?



## Homelessness (Priority Training)

### Who is this course for?

All councillors need to attend this training every year

### Who is running this course?

This course will be facilitated internally and delivered by Teresa O'Toole, Operational Support Manager, Housing, Neighbourhood and Building Services

### What will it cover?

This session will cover the following topics:-

- Street homelessness and rough sleeping. (prevention & support)
- The statutory responsibilities for the Local Authority, which includes new legislation around the Homeless Reduction Act.

### Where and when?

TBC

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?



## Integrated Impact Assessment (Priority Training)

### Who is this course for?

All members are strongly encouraged to attend this training.

### Who is running this course?

This training will be run in-house in partnership with McKenzies, who are a leading provider of Equality and Diversity Consultancy in the UK. They have a client base of over two hundred organisations across the public and private sector.

This training programme is designed exclusively around the needs of elected members. Training for officers in this area is also being delivered to complement this training.

### What will it cover?

The aim of this training is to provide you with the information you need about IIAs to enable you to ask the right questions. It aims to help ensure that the needs of all parts of the community have been considered in proposals, proper consultation has taken place and that assessments are not a 'tick-box' exercise. It aims to support you to identify inequality and discrimination by using a comprehensive assessment process.

- The purpose of IIAs
- A refresher on legislation
- Questions and considerations when an IIA has taken place
- Understanding positive and negative impacts
- Statutory roles and responsibilities

### Where and when?

TBC

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to book your place.



## Governance & Audit & Standards (Committee Training)

### Who is this course for?

This session is for members of the Governance & Audit & Standards Committee and their Standing Deputies.

All members, however, are welcome to attend this training to enhance their knowledge about this committee.

### Who is running this course?

This training will be offer in-house in partnership with Ian Fifield of LG Futures. Ian is a very experienced trainer in this area, who has been supporting our development for a number of years.

### What will it cover?

- The role of the Governance & Audit & Standards Committee
- How the committee fits into the overall governance framework
- The role of the committee in governance, risk management, internal control, audit and financial management
- Key ways that the committee can make a positive difference
- Treasury Management Focus
- Key opportunities, risks and challenges for Portsmouth City Council
- Adding organisational value

### Where and when?

TBC

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to book your place.





## Planning Committee (Committee Training)

### Who is this course is for?

This course is for members of the Planning Committee and their Standing Deputies.

All members however, are welcome to attend this training to enhance their knowledge about this committee.

### Who is running this course?

This course will be facilitated by Ian Maguire, Assistant Director Planning & Economic Growth, Regeneration.

### External

### What will it cover?

- The significance of the authorities development plan
- Key concepts of planning [e.g. viability]
- Listed buildings
- Conservation areas
- Standards and governance for planning committee members
- Understanding the planning code of conduct
- Appropriate responses to residents and developers
- Committee members conduct
- The wider agenda of planning for all members e.g. representations; planning issues for residents

### Where and when?

TBC  
TBC

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?

[Follow Link](#) to a useful LGA Councillor Resource "How planning works introductory guide"



## Employment Committee Training (Committee Training)

### Who is this course for?

This course is for members of the Employment Committee and their Standing Deputies.

All members are welcome to attend this training to enhance their knowledge about the role of the committee.

### Who is running this course?

This course will be facilitated by Rochelle Kneller, Assistant Director of HR.

### What will it cover?

- Role & purpose of the Employment Committee
- Introduction to HR policies
- Overview of Job Evaluation
- Process of Senior Officer appointments

### When and Where?

Please contact Rochelle Kneller, Assistant Director of HR

E: [Rochelle.Kneller@portsmouthcc.gov.uk](mailto:Rochelle.Kneller@portsmouthcc.gov.uk)



## Licensing Committee (Committee Training)

### Who is this course for?

This course is for members of the Licensing Committee.

All members, however, are welcome to attend this training to enhance their knowledge about this committee.

### Who is running this course?

This training will be facilitated internally by Nickii Humphreys (Licensing Manager)

### What will it cover?

- The role of the Licensing Committee
- Responsibilities and decision making for members of the committee
- The quasi-judicial role of the committee
- The principles of natural justice
- The role and function of the licensing authority under the various statutory provisions
- Decision making
- Member conduct
- Human rights

### Where and when?

TBC

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?



## Mental Health Awareness (Personal Wellbeing Training)

### Who is this course for?

All members are welcome to attend this course.

### Who is running this course?

This course will be facilitated by members of PCC's by Health Development Officers Housing, Neighbourhood and Building Services.

### What will it cover?

The aim of this four hour introduction session raises awareness of mental health.

Participants will gain:

- An understanding of what mental health is and how to challenge stigma
- A basic knowledge of some common mental health issues
- An introduction to looking after their own mental health and maintaining wellbeing
- Confidence to offer support someone in distress or who may be experiencing a mental health issue

### Where and when?

TBC

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?

## Systems Development Service briefing (Personal Development Training)

### **Who is this course for?**

All members are welcome to attend this course.

### **Who is running this course?**

This course will be facilitated by members of PCC's Systems Development Service

### **What will it cover?**

The aim of this session is to provide an overview of the Systems Development Service, who are a team of in-house consultants. The Service works in partnership with Portfolio Holders and Directors to identify efficient ways of working and the improvement of customer service standards.

Briefly it will cover:

- The method used for identifying and streamlining processes
- The leadership mindset changes needed to work to this method
- Review of the outcomes of interventions taken within PCC
- Overview of current interventions
- Invitation to find out more and become involved

### **Where and when?**

Please contact David Adams (Lead Interventionist) on  
E: [David.Adams@portsmouthcc.gov.uk](mailto:David.Adams@portsmouthcc.gov.uk) to arrange bespoke one to one sessions.

## Social Media (Personal Development Training)

### **Who is this course for?**

All members are welcome to attend this course.

### **Who is running this course?**

This course will be facilitated by Lee Todd (Communications Manager) of PCC's Community and Communication team.

### **What will it cover?**

The aim of this course is to outline and explore safe, effective and lawful use of Social Media (e.g. Facebook, Twitter etc.)

### **Where and when?**

Please contact on Lee Todd (Communications Manager)

E: [Lee.Todd@portsmouthcc.gov.uk](mailto:Lee.Todd@portsmouthcc.gov.uk) to arrange bespoke one to one sessions.

Social Media guides and information are available via Portsmouth City Council Intranet and Local Government Association website links are as follows:

[LGA Social Media Guidance for Councillors](#)

## PREVENT (preventing violent extremism) Training (Personal Development Training)

### Who is this course for?

All members are welcome to attend this course.

### Who is running this course?

This course will be facilitated internally by Charlie Pericleous, Prevent Coordinator for Portsmouth.

### What will it cover?

Prevent is part of the UK's counter terrorism strategy. This workshop will help participants to identify the issues and preventative measures from the Government strategy aimed at tackling the radicalisation of individuals, both in the UK and elsewhere (stopping people from becoming a terrorist or supporting terrorists or violent extremists).

### Briefly it will cover:

- The current risk level and local/national context
- The Prevent Strategy and its aims
- Recognise individuals / groups who may be vulnerable to terrorism and the influence of extremist groups
- Explain why some people are able to influence and manipulate others to commit crimes
- Recognise when a vulnerable individual may be in need of help and describe what support is available to vulnerable individuals
- The referral procedure for those that may be vulnerable to extremism and what interventions are possible

### Where and when?

15<sup>th</sup> June at 9am to 10.30am via Microsoft teams

14<sup>th</sup> September 12pm to 1.30pm via Microsoft teams

Please can members contact Learning and Development, on 023 9284 1963 or email [learninganddevelopment@portsmouthcc.gov.uk](mailto:learninganddevelopment@portsmouthcc.gov.uk) to advise which of the above sessions you wish to attend?

## Local Government Association Workbooks (Personal Development Learning)

As part of our programme of supporting political leadership development we have developed a range of online learning modules.

Our new e-learning platform enables councillors to deepen their knowledge of local government and develop the essential leadership skills needed to work more effectively with their communities.

Through the platform, users can create a bespoke learning programme, choosing the modules most relevant to their individual needs and interests, and allowing them to fit their learning around work or other commitments.

We encourage this online learning to be combined with our [workbooks](#) and [webinars](#), where knowledge and experience can be shared with other councillors.

### Modules include

- Holding council meetings online
- Facilitation and conflict resolution
- Effective ward councillor
- Scrutiny
- Influencing skills
- Local government finance
- Supporting mentally healthier communities

### Highlighting Political Leadership

LGA programmes to support and develop councillors ensuring our local politicians are confident and capable.

### LGA COVID-19 refocused support offer

The majority of the LGA's operation is now focused on supporting local government and communities to address COVID-19 and its consequences.

Please access via the LGA website: [Councillor Development LGA E-learning Platform](#)



## Portsmouth City Council

### Learning and Development Courses (Personal Development Learning)

Portsmouth City Council Learning and Development Team offer a wide range of courses which are open to councillor's to book via the Portsmouth Learning Gateway (PLG).

Please see below a small sample of the courses that are available to book via Portsmouth Learning Gateway (PLG).

- Chairing Sensitive Meetings
- Effective Report Writing Skills
- Conflict management
- Building Assertiveness Skills
- Time Management Skills
- Facilitation Skills
- Resilience Awareness
- Introduction to Project Management
- Restorative Practice

If you wish to explore Personal Development Learning opportunities please contact Roland Bryant, HR Business Partner Learning & Development,  
E: [Roland.Bryant@portsmouthcc.gov.uk](mailto:Roland.Bryant@portsmouthcc.gov.uk)



# Agenda Item 5



Portsmouth  
CITY COUNCIL

**Title of meeting:** Governance & Audit & Standards Committee

**Date of meeting:** 5<sup>th</sup> March 2021

**Subject:** Internal Audit Plan 2021/22

**Report by:** Chief Internal Auditor

**Wards affected:** All

**Key decision:** No

**Full Council decision:** No

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**1. Purpose of report**

1.1 To present the proposed Internal Audit Plan for 2021/22 to the committee for approval, as set out in Appendix A.

**2. Recommendations**

2.1 The members approved the proposed Internal Audit Plan for 2021/22 as set out in Appendix A.

**3. Background**

3.1 The Annual Audit Plan for 2021/22 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 8<sup>th</sup> June 2018 following consultation with Directors and the Chief Executive. The Plan is revised quarterly to take account of any changes in risks/ priorities, in accordance with the Strategy.

**4. Reasons for recommendations**

4.1 To ensure compliance with the Public Sector Internal Audit Standards and the Local Government Act, the Authority is required to create an annual audit plan and seek approval from the audit committee.

**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. Director of Finance's comments**

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

7.2 The S151 Officer is content of the proposed audit plan for 2021/22 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 - Proposed Internal Audit Plan 2021/22

**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	<a href="http://www.legislation.gov.uk/uksi/2011/817/contents/made">http://www.legislation.gov.uk/uksi/2011/817/contents/made</a>
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	<a href="http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards">http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards</a>

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

.....  
Signed by:



**Portsmouth**  
CITY COUNCIL

## 2021/22 Internal Audit Plan

Elizabeth Goodwin, Chief Internal Auditor

## Executive Summary

This document sets out Internal Audit's programme of work for 2021/22, to provide Audit Committee with the opportunity to comment on the proposed coverage.

The Plan is informed by:

- Legal requirements, specifically including grant sign offs by Internal Audit.
- Industry good practice and sector trends.
- Outcomes of prior Internal Audit reviews, for example all 2020/21 higher risk expectations will be followed up during 2021/22.
- Consultation with the Council's senior management, including the Chief Executive, Deputy Chief Executive and Director of Finance and Section 151 Officer.

Primarily the Plan is risk based, although a number of fundamental areas, for example key financial processes such as Payroll, Accounts Payable and Receivable, and are reviewed every year.

Detail regarding the standards applicable to Internal Audit are set out in the Public Sector Internal Audit Standards:

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

## Proposed Audits

Audits	Type	Provisional Scope	Strategic Risks	Corporate Outcomes
<b>Adult Social Care</b>				
Residential Units	Follow-up	Follow up on previous audit exceptions	RISK03, RISK04, RISK11	PCC01, PCC02, PCC04
System One	Full	New system review covering security and use	RISK01, RISK04	PCC01
Self-Directed Support -Direct Payments	Follow-up	Follow up on previous audit exceptions	RISK03, RISK04	PCC03, PCC04
Domiciliary Care	Full	Review of key controls and processes	RISK03, RISK04, RISK11	PCC01, PCC02, PCC04
Contract Management	Full	Review of key controls and processes	RISK03, RISK04	PCC01, PCC05
Fieldwork Services	Full	Review of key controls and processes	RISK01, RISK03	PCC01, PCC05
Harry Sotnick house	Full	Review of key financial controls and use of agency staff	RISK03, RISK11	PCC05
Deprivation of Liberty	Follow-up	Follow up on previous audit exceptions	RISK04	PCC01
Orpheus Grant	Full	Grant certification	RISK11	PCC01
<b>Children, Families and Education</b>				
Child Care Development and Early Years education	Full	Review of key controls and processes in relation to legislation	RISK01, RISK11	PCC01, PCC04
Educational Health Care Plans for up to 25 years old	Full	Review of key controls and processes in relation to legislation	RISK01, RISK04, RISK11	PCC01, PCC02, PCC04
Children with Disabilities	Full	Review of key controls and processes in relation to legislation	RISK01, RISK11	PCC01, PCC02, PCC04
Independent Reviewing & Child Protection - Officer & Inspections	Full	Review of key controls and processes in relation to legislation	RISK01, RISK11	PCC01, PCC04

Troubled Families Grant	Full	Grant certification	RISK01, RISK04, RISK11	PCC01, PCC02, PCC04
Care Leavers	Follow-up	Follow up on previous audit exceptions	RISK11	PCC04, PCC05
St Judes Primary	Full	Review of key controls and processes	RISK11	PCC04
St Pauls Primary	Full	Review of key controls and processes	RISK11	PCC04
School 3	Full	Review of key controls and processes	RISK11	PCC04
School 4	Full	Review of key controls and processes	RISK11	PCC04
School 5	Full	Review of key controls and processes	RISK11	PCC04
<b>Corporate Services</b>				
Sweeps Information Governance/ Data Protection/ Data security	Follow-up	Follow up on previous audit exceptions	RISK07, RISK08	PCC01, PCC02, PCC03, PCC04, PCC05
Corporate Complaints	Full	Review of key controls and processes	RISK11	PCC05
Website and other communications	Full	Review of key controls and processes relating to legislation	RISK06	PCC01
Shared Services	Full	Review of key controls and processes	RISK10, RISK11	PCC01, PCC02, PCC03, PCC04, PCC05
Microsoft Teams	Full	New system review covering security and use	RISK07	PCC05
Learning and Development	Follow-up	Follow up on previous audit exceptions	RISK11	PCC05
Apprenticeship Levy	Follow-up	Follow up on previous audit exceptions	RISK02, RISK11	PCC04
<b>Executive</b>				
Covid Assurance overall	Full	Strategic review	RISK06	PCC05
Gosport Borough Council Partnership	Full	Strategic review	RISK10	PCC05
Covid Response Processes	Full	Strategic review	RISK12	PCC05



<b>Culture, Leisure and Regulatory Services</b>				
Guildhall	Follow-up	Follow up on previous audit exceptions	RISK04, RISK09, RISK10	PCC01, PCC02, PCC04, PCC05
International Visits	Follow-up	Follow up on previous audit exceptions	RISK06, RISK13	PCC01, PCC03, PCC05
Water Safety	Full	Review of key controls and processes	RISK04, RISK09	PCC01, PCC03, PCC04, PCC05
Trading Standards	Full	Review of key controls and processes	RISK09	PCC03
HIVE	Full	Review of key controls and processes	RISK10	PCC01, PCC05
Residents Parking	Follow-up	Follow up on previous audit exceptions	RISK11	PCC03
Volunteering	Follow-up	Follow up on previous audit exceptions	RISK10	PCC01
<b>Finance and Resources</b>				
Claims Handling	Full	Review of key controls and processes	RISK08	PCC05
Council Tax and NNDR	Full	Fundamental review	RISK02, RISK07, RISK08	PCC01, PCC02, PCC03, PCC04, PCC05
Housing & Council Tax Benefits	Full	Fundamental review	RISK02, RISK06, RISK07, RISK08	PCC01, PCC02, PCC04, PCC05
Accounts Payable	Full	Fundamental review	RISK04, RISK07, RISK08, RISK11	PCC01, PCC02, PCC04, PCC05
Accounts Receivable	Full	Fundamental review	RISK04, RISK07, RISK08, RISK12	PCC01, PCC02, PCC04, PCC06
Purchase Cards	Full	Fundamental review	RISK08, RISK11	PCC01, PCC02, PCC04, PCC05
Payroll/ Pension	Full	Fundamental review	RISK08, RISK11	PCC01, PCC02, PCC04, PCC05

Recovery of Debts (including external bailiffs)	Full	Review of key controls and processes	RISK06, RISK11	PCC05
Fusion	Full	New system review covering security and use	RISK07	PCC03
Council Tax Support Grant	Full	Grant certification	RISK11	PCC05
Test and Trace Payment checks	Full	Grant certification	RISK06, RISK11	PCC05
COVID Income Loss Claim Grant	Full	Grant certification	RISK11	PCC05
Infection Control Grant	Full	Grant certification	RISK11	PCC03, PCC05
<b>Housing Neighbourhood and Building Services</b>				
Rent Income	Full	Fundamental review	RISK07, RISK08, RISK11, RISK13	PCC01, PCC02, PCC04, PCC05
Estates Services	Follow-up	Follow up on previous audit exceptions	RISK08, RISK11, RISK13	PCC01, PCC02, PCC04, PCC05
Sheltered Housing	Follow-up	Follow up on previous audit exceptions	RISK08, RISK11, RISK14	PCC01, PCC02, PCC04, PCC06
Homelessness and Temporary Accommodation	Follow-up	Follow up on previous audit exceptions	RISK04, RISK11	PCC01, PCC02, PCC04, PCC05
Right to Buy	Follow-up	Follow up on previous audit exceptions	RISK04, RISK11	PCC01, PCC02, PCC04, PCC05
Emergency Procedures	Follow-up	Follow up on previous audit exceptions	RISK07, RISK08, RISK11, RISK12, RISK13	PCC01, PCC04, PCC05
Health & Safety	Full	Review of key controls and processes	RISK09, RISK12	PCC01, PCC05
Gas Services (includes servicing & certification)	Full	Review of key controls and processes	RISK10	PCC04

Energy Management	Full	Review of key controls and processes	RISK05, RISK07, RISK09	PCC01, PCC04, PCC05
Disabled Facilities Grant	Full	Grant certification	RISK04, RISK11	PCC01, PCC04, PCC05
Depot Services (includes public convenience cleaning & bulk refuse)	Full	Review of key controls and processes	RISK09, RISK11	PCC03
Out of Hours Service	Full	Review of key controls and processes	RISK04, RISK11	PCC01, PCC03, PCC05
Coffee Shops	Follow-up	Follow up on previous audit exceptions		PCC01, PCC05
Community Centres	Follow-up	Follow up on previous audit exceptions	RISK10	PCC01
Housing Claims	Follow-up	Follow up on previous audit exceptions	RISK11	PCC05
<b>Port</b>				
Port Health	Full	Review of key controls and processes	RISK09	PCC03
Marine M	Full	New system review covering security and use	RISK07, RISK08	PCC05
Pilotage	Follow-up	Follow up on previous audit exceptions	RISK02, RISK11	PCC04
Port Grant	Full	Grant certification	RISK07, RISK09, RISK11	PCC01, PCC03
2SEAS SPEED Grant	Full	Grant certification	RISK11	PCC02, PCC03
2SEAS PECS Grant	Full	Grant certification	RISK11	PCC02, PCC03
<b>Public Health</b>				
Public Health Intelligence	Full	Review of data reliability and integrity	RISK12	PCC04
Business Planning & Risk Management	Full	Strategic review in relation to decision making processes	RISK06, RISK09, RISK12	PCC01
<b>Regeneration</b>				
CIL Community Infrastructure Levy	Full	Review of key controls and processes	RISK11	PCC02

Commercial Rents	Full	Review of key controls and processes	RISK08, RISK11	PCC01, PCC02, PCC03, PCC04, PCC05
RAVELIN	Follow-up	Follow up on previous audit exceptions	RISK10	PCC02
Local Transport Capital	Full	Grant certification	RISK11	PCC01, PCC03, PCC04
Home to school transport	Full	Review of key controls and processes	RISK01, RISK04, RISK11	PCC01, PCC03, PCC04, PCC05
Sea Defences Grant	Full	Grant certification	RISK11, RISK12	PCC02, PCC03
Transforming City Fund	Full	Grant certification	RISK10, RISK11	PCC03
Air Quality Grant	Full	Grant certification	RISK09, RISK13	PCC03
Future High Street Funding	Full	Grant certification	RISK10, RISK11	PCC02
Poverty Grant	Full	Grant certification	RISK11	PCC01
Green Homes Grant 1	Full	Grant certification	RISK05, RISK11	PCC03
Hire Cars	Follow-up	Follow up on previous audit exceptions	RISK11	PCC03
Green Homes Grant 2	Full	Grant certification	RISK05, RISK11	PCC03
Bus Subsidy Grant	Full	Grant certification	RISK11	PCC03

## Risks

Ref	Risk
RISK01	Pressures lead to increased caseloads and therefore reduced practice quality in children's social care, increasing vulnerability of children and leading to a preventable incident.
RISK02	Challenges in recruiting and retaining key staff and skills into the city, meaning that key services are compromised.
RISK03	Pressures in the local market for care services, including residential and domiciliary care, mean that care of vulnerable adults is compromised, leading to a preventable incident.
RISK04	Reduction in services for vulnerable people, such as domestic violence and substance misuse service, lead to poorer outcomes and increased demand for other services.
RISK05	Failure to protect the city environment, including in relation to air quality, flood defence and natural and heritage assets.
RISK06	Exposure to national level political and legislative change (such as welfare reform) including impact on scope of duties, powers, responsibilities and service demand.
RISK07	Exposure to system failure, including support expiry, single points of failure, cyber
RISK08	Failure to ensure the City Council's information is held and protected in line with Information Governance policies and procedures
RISK09	Failure to fulfil health and safety responsibilities, including in respect of operational and heritage buildings.
RISK10	Increased partnering, alternative delivery models and commercial approaches increase pressure on capacity, challenge governance arrangements, and increase risk of income loss if arrangements cease.
RISK11	Addressing underlying budget pressures and delivering effective and sustainable services, particularly in children's and adults' services.
RISK12	Major incident or service disruption (including serious health protection threats) leading to delivery failure that significantly impairs or prevents the Council's ability to deliver key services and/or statutory functions.
RISK13	Failure to deliver strategic improvements for the city, due to wider market factors

## Objectives

Ref	Outcome
PCC01	Make Portsmouth a city that works together, enabling communities to thrive and people to live healthily, safe and independent lives.
PCC02	Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit.
PCC03	Make our city cleaner, safer and greener.
PCC04	Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures.
PCC05	Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do.



<b>Title of meeting:</b>	Governance & Audit & Standards Committee
<b>Date of meeting:</b>	5 <sup>th</sup> March 2021
<b>Subject:</b>	Internal Audit Performance Status Report to 18 <sup>th</sup> February 2021
<b>Report by:</b>	Chief Internal Auditor
<b>Wards affected:</b>	All
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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## 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 18<sup>th</sup> February 2021 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 and results for 2020/21 to 18<sup>th</sup> February 2021.

## 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 3<sup>rd</sup> March 2020 following consultation with Directors and relevant parties. The Plan was revised and represented to this committee on 21<sup>st</sup> 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	<a href="http://www.legislation.gov.uk/ukxi/2011/817/contents/made">http://www.legislation.gov.uk/ukxi/2011/817/contents/made</a>
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	<a href="http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards">http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards</a>



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

.....  
Signed by:

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Portsmouth  
CITY COUNCIL

## Internal Audit Progress Report 5<sup>th</sup> March 2021

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.

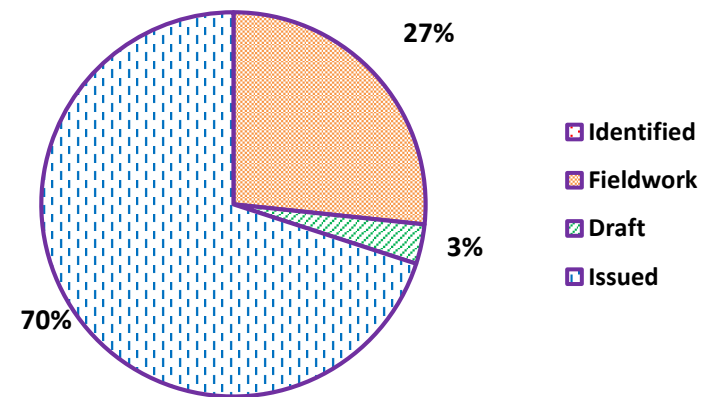
## 2. Audit Plan Progress as of 18<sup>th</sup> February 2021

There are 43 Full Audits, 15 Follow ups, 15 2<sup>nd</sup> Follow up reviews and 17 grants, in the revised plan for 2020/21, totalling 90 reviews.

To date, 90 (100%) have been completed or are in progress as at 18<sup>th</sup> February 2021. This represents 63 (70%) audits where the report has been finalised, 3 (3%) where the report is in draft and 24 (27%) audits currently in progress.

Status	Audits
Identified	0
Fieldwork	24
Draft Report	3
Final Report	63

**Audit Plan Progress as of 18<sup>th</sup> February 2021**



### 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
- 14 special investigations - (excludes Benefit and Council Tax Support cases)
- 16 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.

## 4. Covid-19 Assurance Reporting

Internal Audit & Counter Fraud have been performing a number of assurance work in relation to COVID 19. A break-down of activities performed in addition to bespoke COVID 19 audit testing contained in normal audits and as at 18<sup>th</sup> February 2021 has been detailed below. There are a number of areas outstanding i.e. in progress and these will be reported as part of the annual reporting period.

### Infection Control Grant

In 2020/21 Portsmouth City Council was awarded £1,521,275.00 as part of the Adult Social Care Infection Control Fund Ring-Fenced Grant 2020. Internal Audit performed a number of tests on the framework established to meet the grant conditions which relate to payments to Adult Social Care Providers during the COVID 19 pandemic. No issues have been raised and as a result, it is Internal Audit's opinion that the framework established to meet the grant conditions have been complied with. In addition to the above, a random sample of service providers have been contacted to obtain copies of supporting documentation to evidence that expenditure is compliant with the conditions set out in the individual grant agreements. The results of this review are pending. As the government have now extended the Infection Control Fund to ensure care homes have the resources they need to halt transmission of COVID-19 throughout winter, Internal Audit will continue to work collaboratively with Finance over the duration of the grant extension, to ensure that providers are able to supply appropriate evidence to support payments made using the grant funding

### Discretionary Grants

To ensure that Discretionary COVID19 grants supported businesses through the pandemic and to prevent fraud, all councils needed to implement robust control frameworks. Internal Audit plays its role in any framework, both to confirm controls functioned effectively and to act as an additional 'check', to further detect and respond to potential fraud. This summary provides the results of the testing programme carried out by Internal Audit, to provide assurance to the Council that grants were processed correctly. The Council was given £1.97m to distribute to local businesses who were not eligible for the Small Business and Retail, Hospitality and Leisure Grants. Based on the testing conducted the controls in place to assess and determine eligibility for the Discretionary Grant Fund worked well. However sample testing of 40 applications did note 3 errors in assessment relating to Market Traders. Of the 371 grants paid including the top up, it is estimated 14 (3.7%) were to market traders therefore this error rating does not present a major issue. Similarly testing noted that 6 businesses were awarded both a discretionary and NNDR grant, two of which have been repaid, this represents a low error rate of 1.6%. Overall based on the testing conducted Internal Audit can give reasonable assurance that the Discretionary Grant funding has been processed accurately.

### Income Loss Compensation

As part of its COVID-19 response central government launched a Local Government Income Compensation scheme. The purpose of the scheme is to compensate authorities for lost income from sales, fees and charges that have been impacted by lockdown, government restrictions and social distancing measures. There is no requirement for Internal Audit to verify the amounts or type of income losses claimed however the following review has taken place:

- Evidenced where the figures have been drawn from and how the return has been compiled
- Confirmed that the 2020/21 base budget figures have been used in the calculations
- Reviewed the income areas being claimed, challenged on their appropriateness and sought to confirm that any mitigations have been considered.

Having completed the above review Internal Audit have not found any issues with the Authority's return. No testing has been completed to verify the accuracy of the figures being claimed as these are estimated figures as the final return will be subject to a full reconciliation exercise when actual figures are known. A further review by Internal Audit will therefore be performed as part of the 2021/22 audit plan.

### Business Rate Verification

This summary narrates the results of the testing programme carried out by Internal Audit, to provide assurance to the Council that Business Grants were processed correctly. Councils were responsible for administering two grant schemes to support business:

- Small Business Grant Fund (SBGF): a one-off grant of £10,000
- Retail, Hospitality and Leisure Grant Fund (RHLGF): a one-off grant of £10,000 or £25,000, dependent on rateable value

Both grants were payable by local authorities in England fully reimbursed by central government. Both grants had a list of eligibility criteria and were only available to active businesses, who were occupying an eligible hereditament as at 11th March 2020.

As at 15<sup>th</sup> July 2020 the Council had processed 2058 SBGF grants, totalling £20.58m and 857 RHLGF grants, totalling £16.13m. Audit fieldwork was carried out between 18<sup>th</sup> May and 25<sup>th</sup> May 2020, using the IDEA data analytics system. At the time of testing 1964 SBGF (£19.6m) and 796 RHLGF (£15.05m) had been processed. Testing aimed to confirm that only eligible grants were processed by the Council and to detect fraudulent claims.

In total there were 443 results were flagged for investigation by Internal Audit of which 15 were passed to the Revenues Technical Support Manager to review. In total the IDEA testing highlighted £55,000 of grants as ineligible where the service had already begun the process of reclaiming the funding. In addition a further £30,000 of grants were subsequently reclaimed as a result of the testing. Full results for each area of testing can be found below.

Overall £85,000 across 7 ineligible grants were highlighted as part of the testing. At the time of testing 2760 grants had been processed worth £34.7m. This equates to a failure rate of 0.25% of grants or 0.245% of money awarded. This shows that the processes in place to ensure that applicants fulfilled the



criteria worked effectively. Two grants totalling £20,000 were paid to dissolved companies, these accounts were at the time of testing under investigation and therefore maybe subsequently reclaimed.

Additional testing for grants paid post our original testing will be performed in due course and reported at its conclusion.

### Commercial Rents

Including its national tenants Portsmouth City Council has a commercial property portfolio of approximately 550 units/buildings with an annual rental income of £13m. In response to the COVID 19 pandemic the government created the Coronavirus Act 2020. The Act created a moratorium on forfeiture of commercial leases for non-payment of rent. The moratorium was at the time of testing in place until 31st December 2020. This means that Portsmouth City Council as a commercial landlord cannot take any action to evict its tenants for non-payment of rent whilst the moratorium is in place.

In addition the Ministry of Housing, Communities & Local Government (MHCLG) issued a "Code of Practice for commercial property relationships during the COVID-19 pandemic". The document was intended to reinforce and promote good practice amongst landlord and tenant relationships. It should be noted that the code is voluntary and has no bearing on the contents of a lease or the legal relationship it forms between landlord and tenant.

In response to the guidance the Authority decided to launch its Commercial Tenant support scheme whereby tenants could apply for a rent deferral or a change to their payment frequency. The Authority opted not to offer any rental reductions. Rent deferrals would only be permitted within lease period in order to protect the Authority.

Based on the testing conducted Internal Audit can give assurance that the Authority designed and implemented a suitable process for the Commercial Rent Support Scheme. Assurance can also be given that applications received by the Authority were processed in line with the parameters of the scheme.

## 5. Audit Plan Status/Changes including impact of COVID 19 on resources.

At the beginning of last year when the country went into lockdown and only critical council services were maintained, a number of the officers in the Audit and Counter Fraud Service were redeployed. There was also restriction on IT access during core times, physical access to records and a significant increase in advice and general support. As a result Internal Audit and Counter Fraud officers spent 346 days on work not relating to Internal Audit and Counter Fraud. The main areas where this time was spent was in the redeployment of seven officers to process Business Grants, one officer performing help Desk Duties or and one officer providing Domestic duties at Shearwater Residential home. Where possible internal audit work continued for both PCC and for our external clients to whom we are under contract.

In addition to the impact noted above, there has been a significant increase in the number of grant verifications and fraud work required in this financial year which contributes to the overall review of PCC internal control framework. The Internal Audit coverage of activities for 2020/21 has therefore been reduced, in agreement with the s151 Officer. Individual reviews were re-scoped in order to balance coverage and impact on client services. A sound level of both audit and counter fraud work has been performed across the year. No significant detrimental adverse implications from the reduced coverage is envisaged as the plan is almost complete and significant work has been undertaken on new risk areas highlighted as a result of the pandemic.

### Audits added to the Audit Plan:

- Additional Dedicated H2S & College Transport No 31/5137 - New Grant Verification (Tranche 1)
- Additional Dedicated H2S & College Transport No 31/5137 - New Grant Verification (Tranche 2)
- Covid-19 Travel Demand No 31/5127 - New Grant Verification.
- SLEP - Isle of Wight and New Forest Business Resilience Funds - Covid-19 Response Activity
- SLEP - Restart and Recovery & Kick-starting Tourism Grant Fund - Covid-19 Response Activity
- SLEP - Pay it Forward Fund - Covid-19 Response Activity
- SLEP - Summary report to bring together four Covid-19 response audits - Covid-19 Response Activity

### Audits removed from the Audit Plan:

- City Twinning Follow Up - Amalgamated with the International Visits audit.

- St Jude's Primary School - Deferred to the 2021/22 audit plan due to pressure on audit resources incurred from additional Covid-19 activities.
- St Paul's RC Primary School - Deferred to the 2021/22 audit plan due to pressure on audit resources incurred from additional Covid-19 activities.
- Substance Misuse Follow Up - Deferred to the 2021/22 audit plan due to pressure on Public Health resources incurred from additional Covid-19 activities.
- Water Safety Follow Up - Deferred to the 2021/22 audit plan due to inability to perform work in accordance with Government guidelines.
- COVID Bus Support Grant No 31/5020 Period 1 - Deferred to the 2021/22 audit plan as the sign off date will now fall into the 2021/22 financial year, due to extended payments.
- Estate Services Follow Up - Removed from the 2020/21 audit plan due to inability to perform work in accordance with Government guidelines.
- Health and Safety 2<sup>nd</sup> Follow Up - Removed from the 2020/21 audit plan due to inability to perform work in accordance with Government guidelines.
- Home to School Transport - Deferred to the 2021/22 audit plan due to pressure on client and audit resources incurred from additional Covid-19 activities.
- IT Procurement, Inventory and Disposal Follow Up - Removed from the 2020/21 audit plan due to inability to perform work in accordance with Government guidelines.
- SLEP Local Growth Deal grant sign off - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- SLEP Local Growth Hub - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- Port CCTV - Removed from the 2020/21 audit plan due to inability to perform work in accordance with Government guidelines.
- SLEP Recruitment and Retention of Staff - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- Shared Services - Deferred to the 2021/22 audit plan due to pressure on audit resources incurred from additional Covid-19 activities.
- SLEP Local Growth Hub (Process Review) - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- SLEP Centenary Quay Grant - Removed from the 2020/21 audit plan due to no additional expenditure to audit in the 2020/21 financial year. Will be deferred to the 2021/22 Audit Plan.
- SLEP Compliance with Financial Framework - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- SLEP Foundations for Growth - Removed from the 2020/21 audit plan due to no additional expenditure to audit in the 2020/21 financial year. Will be deferred to the 2021/22 Audit Plan.

- Portico Customs Agency - Deferred to the 2021/22 audit plan due to inability to perform work in accordance with Government guidelines.
- Portico Fixed Assets - Deferred to the 2021/21 audit plan due to inability to perform work in accordance with Government guidelines.

## 6. Areas of Concern

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

## 7. 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
<b>Assurance</b>	<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>
<b>Reasonable Assurance</b>	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
<b>Limited Assurance</b>	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
<b>No Assurance</b>	<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>
<b>NAT</b>	<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.*

## 8. 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
<b>Low Risk (Improvement)</b>	<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>
<b>Medium Risk</b>	<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>
<b>High Risk</b>	<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>
<b>Critical Risk</b>	<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*

## 9. 2020/21 Audits completed to date (18<sup>th</sup> February 2020)

**Care Leavers - Director of Children, Families and Education**
**Exceptions Raised**

Critical	High	Medium	Low
0	5	0	0

**Overall Assurance Level**
**Limited Assurance**

**Agreed actions are scheduled to be implemented by January 2021**

**Assurance Level by Scope Area**

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

Five high risk exceptions were raised in relation to; the lack of evidence of any local procedures in place for the guidance of staff processing Care Leavers cases, 14/25 Pathway Plans (which is a requirement from the Children's Act 1989) not being conducted or reviewed within a timely manner i.e. conducted within three months of a child turning 16 or three months from entering care, by an average delay of 9.7 months. Failure to upload Personal Education Plans a requirement from the Children's Act 1989, into the Mosaic system used by Care Leaves practitioners. A lack of consistency and guidance in terms of Care Leavers expenditure as well as the lack of and timeliness of case supervisions evidenced by Internal Audit for 14/25 sampled cases.

**Mayfield School - Director of Children, Families and Education**
**Exceptions Raised**

Critical	High	Medium	Low
0	2	0	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	Limited Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Assurance

Reliability and Integrity of Data

**NAT**

Two high risk exceptions were raised in relation to; non-compliance of financial rules for the use of Petty Cash as a cheque payment was 'split' across two transactions to circumvent the £200 petty cash expenditure limit as well as payments made to a supplier which should be not be paid via the petty cash method. As this payment was made to a sole trader the school should have completed an IR35 document before payment. The second high risk was in relation to 5/25 transactions at a total value of £1,305.93 where VAT to the value of £217.66 has been reclaimed without a valid VAT receipt.

**No Recourse to Public Funds - Director of Children, Families and Education**
**Exceptions Raised**

Critical	High	Medium	Low
0	0	3	0

**Overall Assurance Level**
**Reasonable Assurance**

Agreed actions are scheduled to be implemented by May 2021

**Assurance Level by Scope Area**

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

Three medium risk exceptions were raised in relation to incorrect coding for expenditure. This relates to a possible 43% of the total 2018/19 No Recourse to Public Funds spending which should have come out of other budgets but had not because of errors in coding and 56% for 2019 /2020. Verification checks not being carried out as part of the No Recourse to Public Funds process and a delay of 2 weeks to fulfil a timely case supervision for 1/10 cases sampled.

**Information Governance (Data Security) - Director of Corporate Services**

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Limited Assurance</b>	Achievement of Strategic Objectives	<b>Limited Assurance</b>
0	3	0	0	<b>Agreed actions are scheduled to be implemented by June 2021</b>	Compliance with Policies, Laws & Regulations	<b>Assurance</b>
					Safeguarding of Assets	<b>NAT</b>
					Effectiveness and Efficiency of Operations	<b>Limited Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

Three high risk exceptions have been raised in relation to; the lack of decrease in the number of electronic records held on the W:Drive and an out of date 'Electronic Information Asset Register.' The final exception highlighted across directorates, mandatory training for information governance not being completed, four policies in relation to data protection not being updated and no clear consistency to manage and delete data across directorates.

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Limited Assurance</b>	Achievement of Strategic Objectives	<b>Limited Assurance</b>
0	5	1	0	<b>Agreed actions are scheduled to be implemented by March 2021</b>	Compliance with Policies, Laws & Regulations	<b>NAT</b>
					Safeguarding of Assets	<b>Limited Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Reasonable Assurance</b>
					Reliability and Integrity of Data	<b>Assurance</b>

Five high risk exceptions were raised in relation to; the formation of 6/12 PCC's international partnerships not being transparent and aligned with the strategic aims of the organisation. Within a sample of 26 twinning visit's testing could not sight evidence of clear rationale or scrutiny of their cost and benefit to the authority for 10 visits. Appropriate insurance declarations not being made prior to travelling abroad for one PCC delegate and the lack of declaration of gifts and hospitalities submitted to the Governance and Audits and Standards committee. One medium risk exception was also raised as a result of this review.

### Homelessness - Director of Housing, Neighbourhood and Building Services



Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Reasonable Assurance</b>	Achievement of Strategic Objectives	<b>Assurance</b>
0	1	0	0	<b>Agreed actions are scheduled to be implemented by May 2021</b>	Compliance with Policies, Laws & Regulations	<b>Assurance</b>
					Safeguarding of Assets	<b>Limited Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Assurance</b>
					Reliability and Integrity of Data	<b>Assurance</b>

One high risk exception was raised as payments could not be reconciled to actual services. It should be noted that this area has been heavily impacted by Covid-19. Internal Audit has recognised that the service has had to safely accommodate a significant number of rough sleepers under emergency plan requirements, testing in the above areas indicate that the service has managed to deliver the expected services in addition to implementing emergency plans at short notice.

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Reasonable Assurance</b>	Achievement of Strategic Objectives	<b>Reasonable Assurance</b>
0	0	2	0	<b>Agreed actions are scheduled to be implemented by December 2021</b>	Compliance with Policies, Laws & Regulations	<b>Assurance</b>
					Safeguarding of Assets	<b>Reasonable Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

Two medium risk exceptions were raised in relation to the Asset Management Strategy no being regularly reviewed or updated and condition surveys not being undertaken across all of its housing / dwelling assets, although there is a plan in place to address this.

#### ABP Contract for Pilots - Director of Port

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Reasonable Assurance</b>	Achievement of Strategic Objectives	<b>Reasonable Assurance</b>
<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>Agreed actions are scheduled to be implemented by January 2021</b>	Compliance with Policies, Laws & Regulations	<b>Reasonable Assurance</b>
					Safeguarding of Assets	<b>Reasonable Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

One high risk exception was raised in relation to an un-signed contract between the Associated British Ports and Portsmouth International Port. One medium risk exception in relation to inaccurate KPI's completed for the ABP contract and a low risk exception was also raised as a result of this review.

Page 74

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Assurance</b>	Achievement of Strategic Objectives	<b>NAT</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>The Port have accepted this exception on the basis that this will be followed up on during the next Internal Audit.</b>	Compliance with Policies, Laws & Regulations	<b>NAT</b>
					Safeguarding of Assets	<b>NAT</b>
					Effectiveness and Efficiency of Operations	<b>Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

One low risk exceptions was raised as during testing of the Income Dues return against the sailing manifests for each of the sailings within the sample, it was noted that one of the sailings included in the Income Dues report was declaring one more adult passenger than the number shown on the manifest.

**Accounts Receivable - Portico**

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Limited Assurance</b>	Achievement of Strategic Objectives	<b>Reasonable Assurance</b>
<b>0</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>Agreed actions are scheduled to be implemented by January 2022</b>	Compliance with Policies, Laws & Regulations	<b>Reasonable Assurance</b>
					Safeguarding of Assets	<b>Reasonable Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Limited Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

Two high risk exceptions were raised in relation to inadequate documentation and/or insufficient authorisation of credit notes as well as no documented debt recovery processes in place. Three medium risk exceptions were also raised as a result of this review.

#### Travel Demand Management Grant No 31/5127 - Director of Finance and Recourses

Grant Verification - Sample testing was able to evidence that the terms and conditions had been met which allowed the Chief Internal Auditor to sign the declaration confirming compliance.

#### 2SEAS Speed Grant - Director of Port

Grant Verification - Sample testing was able to evidence that the terms and conditions had been met which allowed the Chief Internal Auditor to sign the declaration confirming compliance.

#### PECS Grant - Director of Port

Grant Verification - Sample testing was able to evidence that the terms and conditions had been met which allowed the Chief Internal Auditor to sign the declaration confirming compliance.

#### VESL - Executive (2019/20)

This audit review had taken part as part of the 2019/20 Internal Audit Plan. The scope of this audit was specific and was outlined in the introduction of the exceptions report. No judgement has been made on the Cabinet decisions surrounding the project or the expenditure incurred by VESL as a company. The

findings above show that the project proceeded in accordance with law and the decisions were made by the appropriate delegated officers or Members as defined by the City Constitution. The audit did however identify 3 key areas where due process and procedure were not followed. These were around clear budget setting, adherence to internal procurement framework and appropriate due diligent employment checks/references. During the review, which included audit interviews with senior officers and councillors, along with a significant review of records and documentation, no evidence of impropriety was found.

## 10. 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>

## 11. 2020/21 Follow-up Audits to date (18<sup>th</sup> February 2021)

### Claims Housing (Insurance) - Director of Housing, Neighbourhood and Building Services

**Original Exceptions Raised**

Critical	High	Medium	Low
0	4	3	0

Latest implementation date scheduled during the original audit was in February 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	2 (High) 1 (Medium)	0	2 (High) 2 (Medium)	0	0	0

Follow up testing confirmed that two high and two medium risk exceptions have now been closed and verified. Two high risk exceptions remains in progress and this relates to the investigation of claims where only 3/14 ex-gratia payments have been investigated since the circulation of the updated guidance. Although all three claim investigation files were complaint with the procedure document the sample size was not large enough to be able to place full assurance. The restrictions for access permissions on Northgate. Although a review was conducted on Northgate permissions and the transaction limits was set as £500, it was highlighted that there is no physical restriction in Northgate to prevent credits being processed without authorisation. One medium risk exception also remains in progress in relation to the escalation of claims. The new latest implantation date is March 2021.

Page 78

**Residential Parking - Director of Regeneration**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	1	0

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

**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
2 (High) 1 (Open)	0	0	0	0	0	0	0

Follow up testing confirmed that two high exception remains open. This is in relation to a two month backlog of temporary permits where the supporting documentation has not been received and the six week time period has elapsed. This is due to; parking office staff not having IT access from home during the COVID-19 pandemic lockdown period and the increased workload following the introduction of two new residential parking zones. Weakness in the storage and issue of visitor permits. This remains open as follow up testing highlighted no current agreement between PCC and non-authority outlets in relation to the expected requirements in relation to the security of stock, fees, charges and commission and no reconciliations being carried out to ensure that the permits issued equate to the cash received due to the high volume of visitor permits sold. One medium risk exception also remains open as there was no evidence that the documentation to support permit applications could not be sighted for 2/25 permit applications tested. The new revised implementation date is February 2021.

Page 79

**IT Security - Director of Port**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	0	0

Latest implementation date scheduled during the original audit was in June 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 (High)	0	0	0

One high risk has been closed and verified. The remaining high risk remains in progress, this is in relation to the completion of mandatory training. The new revised implementation date is June 2021.

## 12. 2020/21 2<sup>nd</sup> Follow-up Audits to date (18<sup>th</sup> February 2021)

As raised during the July 2020 Governance & Audits & Standards meeting. Internal Audit has scheduled in 2<sup>nd</sup> follow-up reviews for all areas where a 1<sup>st</sup> review highlighted risk exposure still unmitigated. The audits below detail the position as at a 2<sup>nd</sup> review.





Latest implementation date  
 scheduled during the 1<sup>st</sup> follow-up  
 was in June 2020

**2<sup>nd</sup> 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	2 (High)	0	0	0

The initial follow-up confirmed that three high risks remain open. The second follow up confirmed two high risks have now been closed and verified. One high risk remains in progress as the software to monitor provider work hours is still being procured. The new revised implementation date is unknown at the time of follow-up testing as it is pending financial approval.

Page 81

**Modern Records - Director of Culture, Leisure and Regulatory Services**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	3	1	0

**Original Follow-up Assurance Level**

Limited Assurance

**1<sup>st</sup> Follow-up Assurance Level**

Limited Assurance

**2<sup>nd</sup> Follow-up Assurance Level**

Reasonable Assurance

Latest implementation date  
 scheduled during the 1<sup>st</sup> follow-up  
 was in October 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	2 (High) 1 (Medium)	0	0	0	0	0

The initial follow up review confirmed that two high and one medium risk exception remains open. The 2<sup>nd</sup> Follow up testing confirmed that the 2 high risk exceptions remain in progress. This is in relation to no confirmed strategy to digitally preserve the authority's records (this remains in progress as at the time of follow up testing. The report was with Finance and Legal for their comments, and they will be formally submitted after the new Cabinet Member for Resources has been briefed. The conditions of the store, as significant water ingress to the store had resulted in damage to records and undesirable levels of humidity, remains in progress as the Records Manager and Building Surveyor that funding has now been allocated to the project. An options appraisal is underway. It is estimated that the work will go out to tender during the third quarter of 2020, with activity beginning on site early in 2021). One medium risk exception remains in progress in relation to the out of date Corporate Retention Schedule. The new revised implementation date is April 2021.

Page 82

**Youth Offending Team - Director of Children's, Families and Education**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	1	1

**Original Follow-up Assurance Level**

Limited Assurance

**1<sup>st</sup> Follow-up Assurance Level**

Limited Assurance

**2<sup>nd</sup> Follow-up Assurance Level**

Reasonable Assurance

Latest implementation date scheduled during the 1<sup>st</sup> follow-up was in August 2019

**2<sup>nd</sup> 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 (Medium)	0	2 (High)	0	0	0

The initial follow up review confirmed that the agreed actions to the two high risk exceptions were in progress. The actions to the medium risk exception had been implemented but not effective and the low risk exception had been closed and verified. The 2<sup>nd</sup> follow up review confirmed that the agreed actions to the two high risk exceptions had been closed and verified and the medium risk exception remains in progress. This is in relation to the absence of target dates for intervention plan. The Youth Offending Team Leader was unable to identify or recall any specific reason as to why target dates were not entered for the final case tested. The new revised implementation date is June 2021.

Page 83

**Contaminated Land - Director of Regeneration**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	4	2	1

**Original Follow-up Assurance Level**

Limited Assurance

**1<sup>st</sup> Follow-up Assurance Level**

Limited Assurance

**2<sup>nd</sup> Follow-up Assurance Level**

Limited Assurance

Latest implementation date scheduled during the 1<sup>st</sup> follow-up was in December 2019.

**2<sup>nd</sup> 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	2 (High)	0	1 (High) 2 (Medium) 1 (Low)	0	0	0

The initial follow up review confirmed that three high-risk exceptions and one medium-risk exception remained open and a further medium-risk and low risk exceptions were noted to be in progress. The 2<sup>nd</sup> follow up confirmed one high, one low and two medium risk exceptions have been closed, and two high risk exceptions remain in progress at the conclusion of testing. This is in relation to no evidence of stock reconciliations being undertaken. This remains in progress as stock takes were not completed from March-July 2020, due to the team maintaining only a skeleton staff, and the associated pressures of carrying out the service during the Covid-19 pandemic. And no evidence of KPI monitoring detail, although evidence was provided to show that review meetings had been arranged with the provider; however, these are informal, and are not minuted.

### 13. Audits in Draft to date (18<sup>th</sup> February 2021)

Audit	Directorate	Draft	Projected Issue Date	Revised	Comments
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Back up and recovery Disaster recovery/Business Continuity	Corporate & IT	08/02/2021	28/02/2021		
Ravelin	Regeneration	28/01/2021	28/02/2021		
Insurance	SLEP	28/01/2021	28/02/2021		

## 14. Audits in Progress to Date (18<sup>th</sup> February 2021)

Audit	Directorate	Delayed	Projected Issued Date	Revised Issued Date	Comments
Direct Payments	Adult Social Care	N/A	March 2021		
Troubled Families Grant	Children's Families and Education	N/A	March 2021		
Budget Monitoring	Portico	N/A	March 2021		
Additional Dedicated H2S & College Transport No 31/5137 Tranche 1	Finance	N/A	March 2021		
Additional Dedicated H2S & College Transport No 31/5137 Tranche 2	Finance	N/A	March 2021		
COVID Assurance Reporting PCC	Finance	N/A	March 2021		
Test and Trace Grant PCC	Finance	N/A	March 2021		
Accounts Payable	Finance	N/A	March 2021		
Accounts Receivable	Finance	N/A	March 2021		
Income Dues Portico	Port	N/A	March 2021		
Distribution	Portico	N/A	March 2021		
Repairs and Maintenance	Portico	N/A	March 2021		

Workforce Planning and Policy	Portico	N/A	March 2021		
Alcohol Treatment Capital	Public Health	N/A	March 2021		
Highways Permit Scheme	Regeneration	N/A	March 2021		
COVID Bus Services Revenue Grant No 31/5023	s151	N/A	March 2021		
Grant Awards including due diligent checks. Claims Processing	SLEP	N/A	March 2021		
Isle of Wight and New Forest Business Resilience Funds	SLEP	N/A	March 2021		
IT Infrastructure	SLEP	N/A	March 2021		
Loans	SLEP	N/A	March 2021		
Projects (Strategy Work)	SLEP	N/A	March 2021		
Restart and Recovery & Kickstarting Tourism Grant Fund	SLEP	N/A	March 2021		
Solent LEP Pay It Forward Fund	SLEP	N/A	March 2021		
Summary report to bring together four	SLEP	N/A	March 2021		

Covid-19 Response audits					
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## 15. Exceptions

Of the 2020/21 full audits completed, 77 exceptions have been raised.

Page 88

Risk	Total
Critical Risk	0
High Risk	27
Medium Risk	41
Low Risk - Improvement	9



# Agenda Item 7



Portsmouth  
CITY COUNCIL

<b>Title of meeting:</b>	Governance & Audit & Standards
<b>Date of meeting:</b>	5 March 2021
<b>Subject:</b>	Data Security Breach Report
<b>Report by:</b>	Elizabeth Goodwin, Senior Information Risk Owner
<b>Wards affected:</b>	All
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

---

**1. Purpose of report**

To inform the Committee of any Data Security Breaches and actions agreed/taken since the last meeting.

**2. Recommendations**

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

**3. Background**

The Corporate Information Governance Panel is formed of representatives from across the authority. It is chaired by Helen Magri in the role of Data Protection Officer and attended by Elizabeth Goodwin in the role of Senior Information Risk Owner and meets every other month. The Panel's responsibilities include

- Establishing policy and procedures for Information Governance;
- Maintaining a log of data breaches and determining and monitoring onward action.

The Senior Information Risk Owner will update the Committee on any ongoing breaches and notify the members of any new incidents.

The appendix provides an overview of the breaches as well as details of each individual incident. In 75% of cases, the incident was as a result of human error, with a further 15% being as a result of inappropriate action by staff (i.e. not following policy or procedures). No incidents in the reporting period reached the threshold for reporting to the Information Commissioner's Office.

**4. Reasons for recommendations**

To ensure the Governance & Audit & Standards Committee has oversight of the Data Security Breaches to be able to determine whether any trends appear and any further actions should be recommended.

**5. Integrated impact assessment**

This report does not recommend any changes to services or policies and therefore an integrated impact assessment has not been required"

**6. Legal implications**

The Council is required to ensure it has robust procedures in place to comply with its obligations under the General Data Protection Regulation (GDPR). Bringing this report to the Committee's attention will assist in meeting those requirements.

**7. Director of Finance's comments**

The Information Commissioner's Office can issue fines of up to €20 million or 4% of the authority's annual turnover for serious breaches of the GDPR. Breach of the Privacy and Electronic Communications Regulations also incurs a financial penalty. The size of any monetary penalty is determined by the Commissioner, taking into account the seriousness of the breach and other factors (such as the size, financial and other resources of the data controller). Any serious breaches put the City Council at risk of the unbudgeted cost of a financial penalty, which would have to be met from the service responsible for the breach.

.....  
Signed by:

**Appendices:** One Appendix - Appendix A

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

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

Title of document	Location
None	

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

.....  
Signed by:

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Portsmouth  
CITY COUNCIL

## **Data Security Breaches Report – Appendix A**

# Executive Summary

This report has been prepared to provide an update on data breach incidents for the period 7<sup>th</sup> November 2020 to 24<sup>th</sup> February 2021.

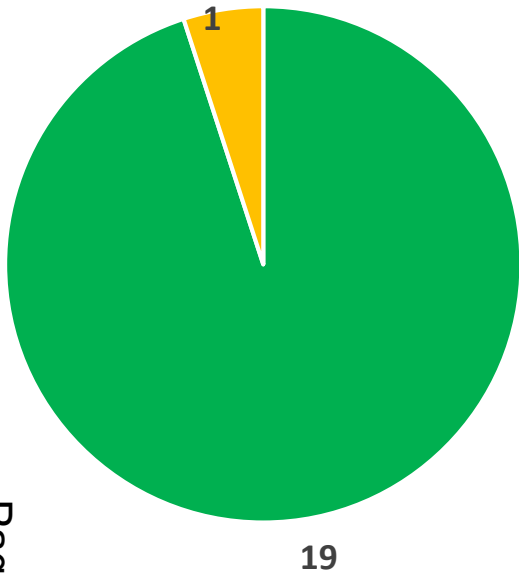
Clear guidance is provided to staff, via training and Policy Hub, regarding what constitutes a potential data breach and the steps they should take when a potential data breach is identified.

The Council's response to potential data breaches is managed by a central team, following the stages summarised below:

- Notification to central team.
- Initial assessment by central team.
- Escalation to the Senior Information Risk Owner - SIRO (Chief Internal Auditor) if necessary; this may lead to the Information Commissioner (ICO) being notified, dependent on the severity of the incident.
- Remedial action, for example corrective action, training, revised processes and potential disciplinary action.

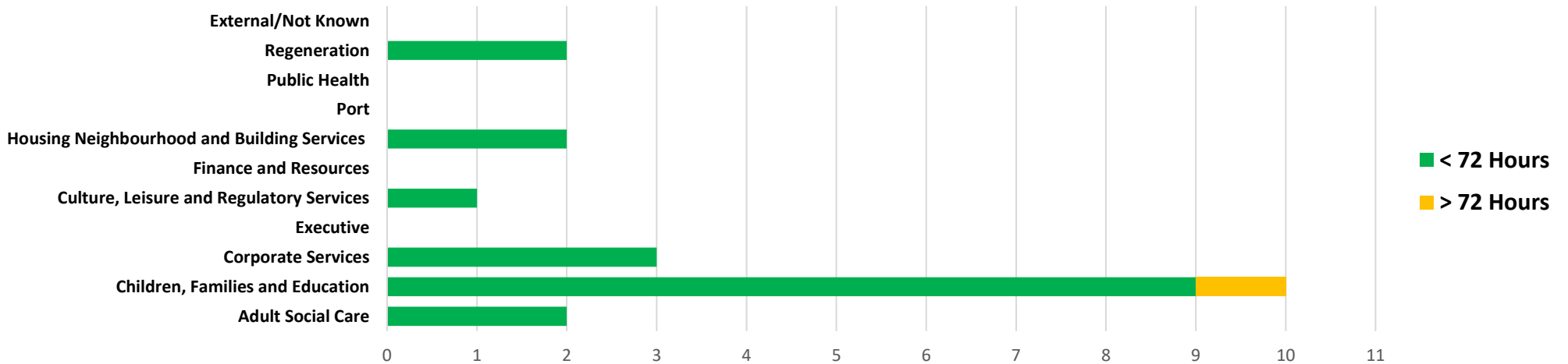
Overall, there have been 20 breaches for the period noted, none of which required reporting to the Information Commissioner's Office.

# Response Time

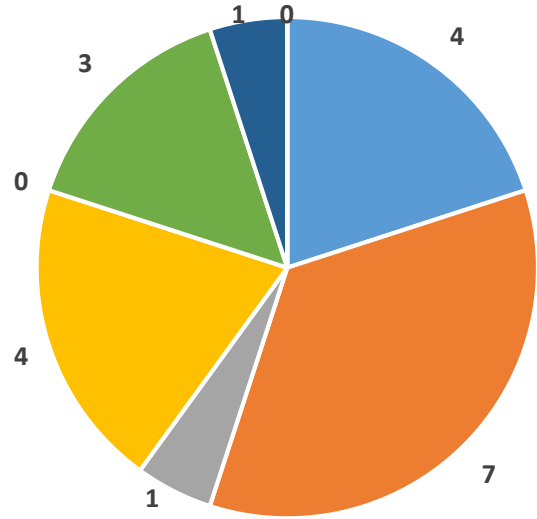


	< 72 hours	> 72 hours	TOTAL
Adult Social Care	2	0	2
Children, Families and Education	9	1	10
Corporate Services	3	0	3
Executive	0	0	0
Culture, Leisure and Regulatory Services	1	0	1
Finance and Resources	0	0	0
Housing Neighbourhood and Building Services	2	0	2
Port	0	0	0
Public Health	0	0	0
Regeneration	2	0	2
External/Not Known	0	0	0
<b>TOTAL</b>	<b>19</b>	<b>1</b>	<b>20</b>

Response time is the time taken for the central team to be notified by the service within which the breach has taken place. ICO guidance is that this should take place within a maximum 72-hour timeframe.

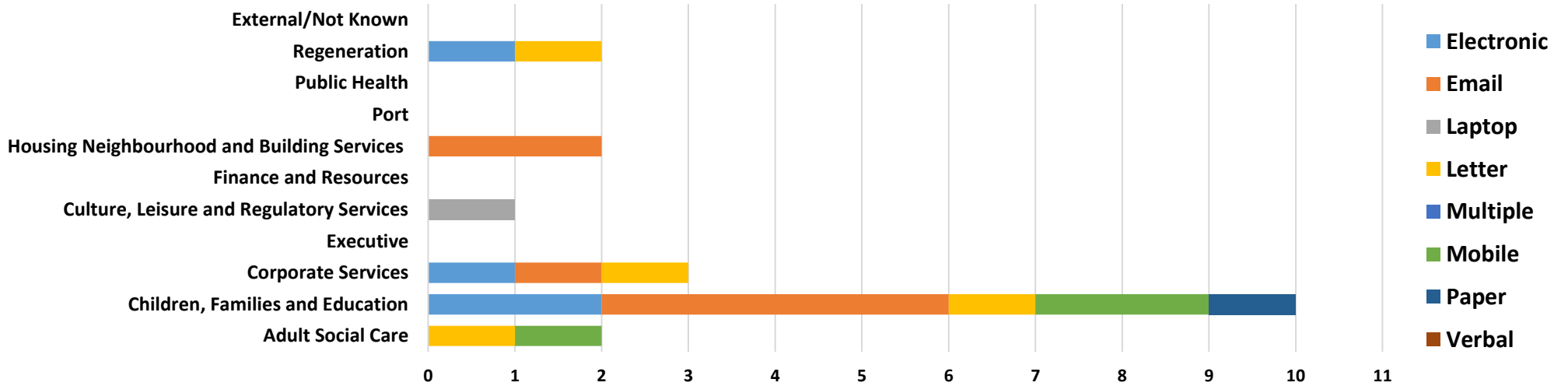


# Medium



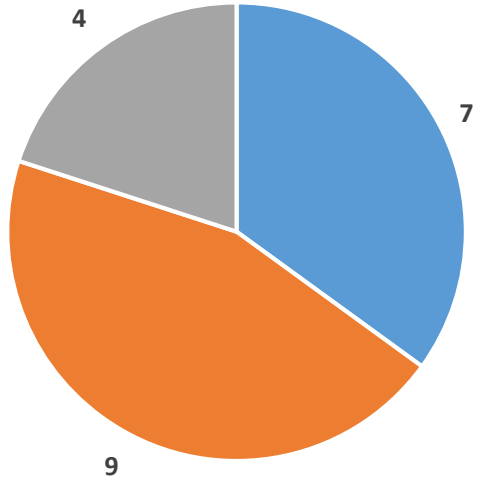
	Electronic	Email	Laptop	Letter	Multiple	Mobile	Paper	Verbal	TOTAL
Adult Social Care	0	0	0	1	0	1	0	0	2
Children, Families and Education	2	4	0	1	0	2	1	0	10
Corporate Services	1	1	0	1	0	0	0	0	3
Executive	0	0	0	0	0	0	0	0	0
Culture, Leisure and Regulatory Services	0	0	1	0	0	0	0	0	1
Finance and Resources	0	0	0	0	0	0	0	0	0
Housing Neighbourhood and Building Services	0	2	0	0	0	0	0	0	2
Port	0	0	0	0	0	0	0	0	0
Public Health	0	0	0	0	0	0	0	0	0
Regeneration	1	0	0	1	0	0	0	0	2
External/Not Known	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>4</b>	<b>7</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>20</b>

These refer to the format in which the data breach occurred. Often data breaches can occur across multiple mediums. Where this is the case data breaches are recorded against 'multiple' on this page, with more detail provided on the detail summary, towards the back of this report.





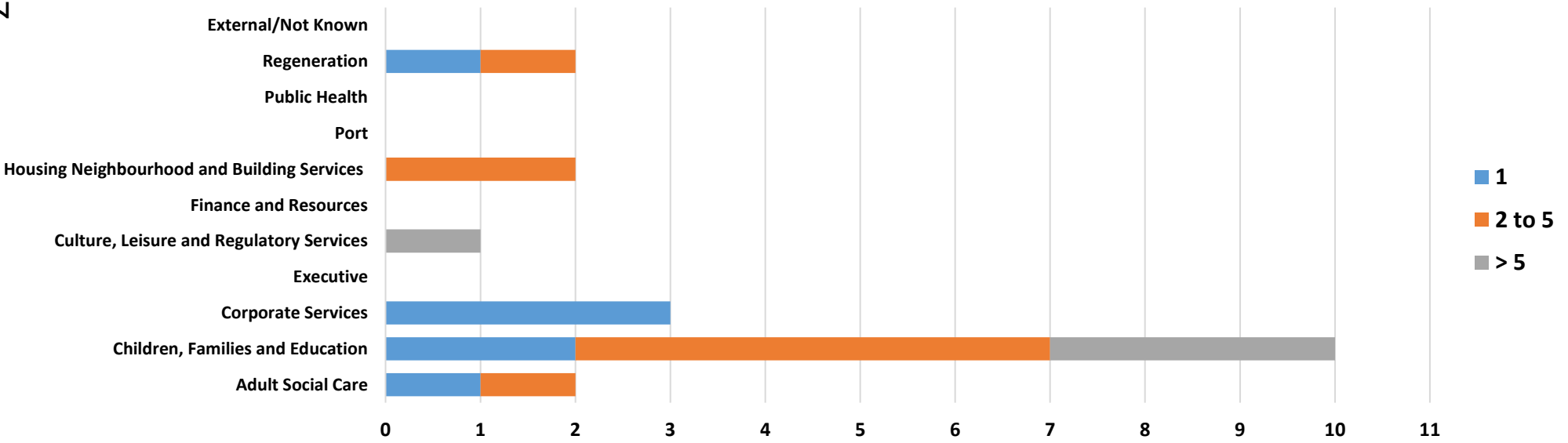
# Number Impacted



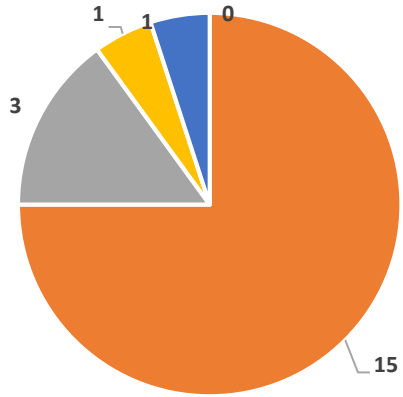
	1	2 to 5	> 5	TOTAL
Adult Social Care	1	1	0	2
Children, Families and Education	2	5	3	10
Corporate Services	3	0	0	3
Executive	0	0	0	0
Culture, Leisure and Regulatory Services	0	0	1	1
Finance and Resources	0	0	0	0
Housing Neighbourhood and Building Services	0	2	0	2
Port	0	0	0	0
Public Health	0	0	0	0
Regeneration	1	1	0	2
External/Not Known	0	0	0	0
<b>TOTAL</b>	<b>7</b>	<b>9</b>	<b>4</b>	<b>20</b>

Totals refer to the number of individuals either confirmed or likely to have been impacted.

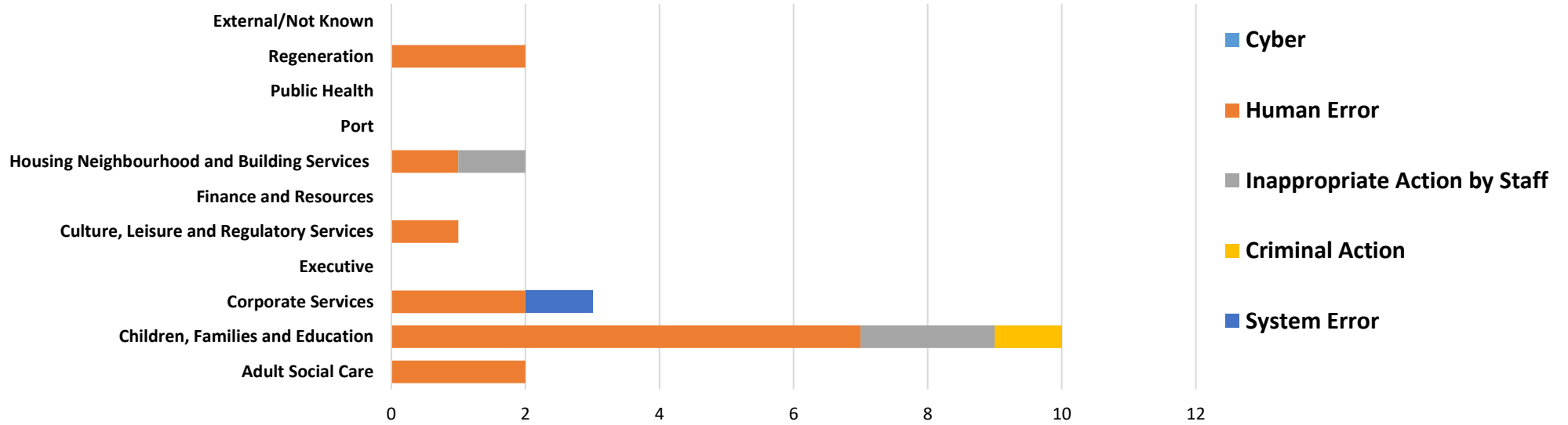
Page 97



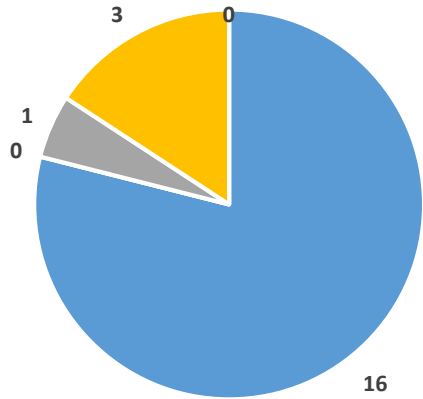
# Root Cause



	Cyber	Human Error	Inappropriate Action by Staff	Criminal Action	System Error	TOTAL
Adult Social Care	0	2	0	0	0	2
Children, Families and Education	0	7	2	1	0	10
Corporate Services	0	2	0	0	1	3
Executive	0	0	0	0	0	0
Culture, Leisure and Regulatory Services	0	1	0	0	0	1
Finance and Resources	0	0	0	0	0	0
Housing Neighbourhood and Building Services	0	1	1	0	0	2
Port	0	0	0	0	0	0
Public Health	0	0	0	0	0	0
Regeneration	0	2	0	0	0	2
External/Not Known	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>15</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>20</b>



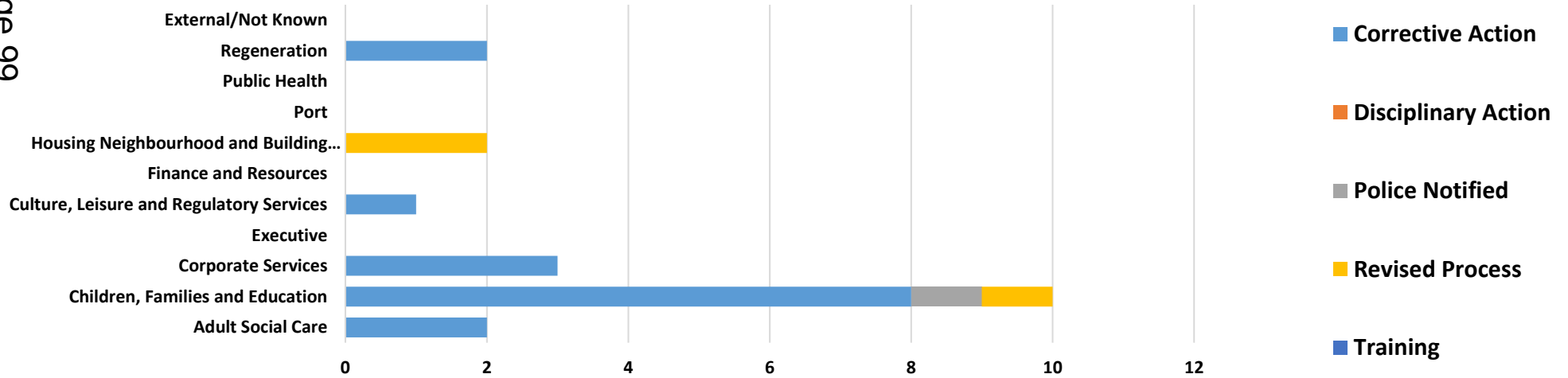
# Action Taken



	Corrective Action	Disciplinary	Police Notified	Revised Process	Training	TOTAL
Adult Social Care	2	0	0	0	0	2
Children, Families and Education	8	0	1	1	0	10
Corporate Services	3	0	0	0	0	3
Executive	0	0	0	0	0	0
Culture, Leisure and Regulatory Services	1	0	0	0	0	1
Finance and Resources	0	0	0	0	0	0
Housing Neighbourhood and Building Services	0	0	0	2	0	2
Port	0	0	0	0	0	0
Public Health	0	0	0	0	0	0
Regeneration	2	0	0	0	0	2
External/Not Known	0	0	0	0	0	0
<b>TOTAL</b>	<b>16</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>20</b>

Apologies are routinely given, to data subject(s) and to others adversely impacted by data breaches.

Page 99



## Data Breaches Summary

Reference No.	Directorate	Response in 72 Hours	Reported to ICO	Root Cause	Action	Comments, including detail where a breach spans multiple mediums
DB2020056	Corporate Services	Y	N	Human Error	Corrective Action	Letter containing personal data about a member of staff sent to wrong manager
DB2020057	Housing Neighbourhood and Building Services	Y	N	Human Error	Revised Process	Personal data disclosed in error by email
DB2020058	Children, Families and Education	Y	N	Human Error	Revised Process	Personal data disclosed in error by letter due to an error when printing
DB2020059	Corporate Services	Y	N	System Error	Corrective Action	System error on EBS caused information to be sent to the wrong employee
DB2020060	Regeneration	Y	N	Human Error	Corrective Action	Personal data sent to the wrong recipient
DB2020061	Children, Families and Education	Y	N	Criminal Action	Police Notified	PCC mobile stolen from car
DB2020063	Children, Families and Education	Y	N	Human Error	Corrective Action	Personal data disclosed in error by email
DB2020064	Culture, Leisure and Regulatory Services	Y	N	Human Error	Corrective Action	Missing/stolen laptop (encrypted)
DB2020065	Children, Families and Education	Y	N	Human Error	Corrective Action	Personal and sensitive data disclosed in error by email
DB2020066	Children, Families and Education	Y	N	Human Error	Corrective Action	Personal data disclosed in error by letter due to an error when filling envelopes

Reference No.	Directorate	Response in 72 Hours	Reported to ICO	Root Cause	Action	Comments, including detail where a breach spans multiple mediums
DB2020067	Housing Neighbourhood and Building Services	Y	N	Inappropriate Action by Staff	Revised Process	Inappropriate process for handling enquiries containing personal sensitive data
DB2020068	Children, Families and Education	Y	N	Inappropriate Action by Staff	Corrective Action	Pupils' personal data scanned and sent in error to an unknown third party
DB2020069	Adult Social Care	Y	N	Human Error	Corrective Action	PCC mobile phone lost, believed to be somewhere in officer's home
DB2021001	Children, Families and Education	Y	N	Inappropriate Action by Staff	Corrective Action	Families' names and phone numbers inadvertently shared through the prohibited creation of a WhatsApp group
DB2021002	Regeneration	Y	N	Human Error	Corrective Action	Penalty Charge Notice (PCN) sent to wrong person
DB2021003	Corporate Services	Y	N	Human Error	Corrective Action	Court application from an Adult Social Care case sent to a party in another Adult Social Care case
DB2021004	Adult Social Care	Y	N	Human Error	Corrective Action	Occupational Therapy Assessment letter sent to the wrong care home address in error
DB2021005	Children, Families and Education	N	N	Human Error	Corrective Action	Information about the wrong pupil sent to SENCOs in error
DB2021006	Children, Families and Education	Y	N	Human Error	Corrective Action	Letters concerning Children's Social Care client scanned and sent in error with other papers to Planning
DB2021007	Children, Families and Education	Y	N	Human Error	Corrective Action	Lost PCC mobile

# Glossary

## Information Commissioner's Office (ICO)

The Information Commissioner's Office is a non-departmental public body which reports directly to the United Kingdom Parliament and is sponsored by the Department for Digital, Culture, Media and Sport. Its role is to uphold information rights in the public interest.

<https://ico.org.uk/>

## Response time/Notifying the ICO of Data Breaches

The ICO needs to be notified of more serious data breaches. A self-assessment is available on the ICO's website, to identify if it needs to be notified of a data breach. This needs to be done within 72 hours, which is the key response metric monitored by the internal team.

<https://ico.org.uk/for-organisations/report-a-breach/personal-data-breach-assessment/>

## Medium

This is the format of the information constituting the data breach. In the summary graph towards the beginning of the report where a breach occurs in multiple formats this is categorised as 'multiple'; more detail is provided in the comments column of the data breaches detail page within this report.

## Number Impacted

This is the number of individuals whose personal information was potentially compromised through a data breach.

## Root Cause

The categories of root cause are based on guidance for the NHS Security Toolkit; this is widely used across the public sector, to assess arrangements against good practice.

## Action Taken

These are the primary actions taken to respond to/rectify a data breach; all breaches result in an apology to those impacted.

# Portsmouth City Council

## Outline Audit Plan

Year ended 31 March 2021

February 2021

Page 103

Agenda Item 8



Building a better  
working world

23 February 2021



Portsmouth City Council  
Civic Offices  
Guildhall Square  
Portsmouth  
PO1 2BG

Dear Governance & Audit & Standards Committee Members

Outline Audit Plan

We are pleased to attach our Outline Audit Plan.

Its purpose is to provide the Governance & Audit & Standards Committee with an overview of our plans and fee for the 2020/21 audit, as well as to ensure our audit is aligned with the Committee's service expectations. We have not yet completed our detailed planning procedures, and we will provide a more detailed and comprehensive audit plan for the Committee at the next meeting. This report sets out the areas which we consider will be a focus for our 2020/21 plan, and provides Members with an update on the new value for money requirements.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

Enc

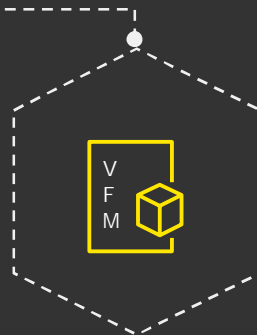


# Contents

01 2020/21 Audit



02 VFM



03 Fee



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance & Audit & Standards Committee and management of Portsmouth City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance & Audit & Standards Committee, and management of Portsmouth City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance & Audit & Standards Committee and management of Portsmouth City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Page 106

01 2020/21 Audit 

## 2020/21 financial statements audit

### Planning for 2020/21

We have a meeting with Chris Ward (Director of Finance and Resources) on 25 February 2021 to discuss the conclusion of our 2019/20 audit and initial planning for the 2020/21 audit.

We have agreed with officers when our key meetings should be and have regular touch points set up throughout the year, these include

- Bi-monthly meetings with Chris Ward (Director of Finance and Resources); and
- Regular meetings with Michael Lloyd (Finance Manager Technical and Financial Planning) and Steven Belshaw (Group Accountant - Technical and Financial Planning) to discuss audit progress and any issues arising.

We have planned these meetings based on the timetable as published in the draft Accounts and Audit (Amendment) regulations 2021 which extends the publication date for audited local authority accounts from 31 July to 30 September.

Due to the ongoing impact of later deadlines and completion of audits from 2019/20, we have yet to start our planning for the 2020/21 audit. We set out in this report our initial considerations of the risks for the audit - these are broadly similar to those identified in 2019/20. We will update these risks as our planning progresses and take into account the risks suggested by the NAO in the Auditor Guidance Note 06 - Local Government Audit Planning, which has not yet been released for 2020/21.

### Wider public sector audit context

There is increasing pressure on all auditors in the current climate. There have been a number of reviews of the wider audit market, and local government audit in particular. The Government has yet to confirm which recommendations from these reviews they will seek to put in place. However, the consistent themes across the reviews are:

- The level of fees and sustainability of the market
- Competence and capability - skills, capability and capacity of auditors, finance teams and audit committees
- Timetable for audits

This, alongside new accounting and auditing regulations, places increasing pressure on auditors. The specific areas we would draw to your attention are:

- The introduction of ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures and ISA 570 (Revised), Going Concern which will increase the work required in these areas of the audit
- A new Value for Money approach, including changes to the reporting (see section 2)

# Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition, through appropriate capitalisation of revenue expenditure	Fraud risk/ Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of Investment Property and Property Plant and Equipment (valued using EUV method)	Significant risk	No change in risk or focus	The fair value of Investment Property (IP) and Property, Plant and Equipment valued with reference to market factors (existing use value – EUV - assets) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Due to continued uncertainties in the market, we have kept this risk as significant in our initial planning risk assessment.
Lakeside North Harbour	Significant risk	No change in risk or focus	Portsmouth City Council completed the purchase of the Lakeside North Harbour office complex located in Portsmouth in August 2019, as part of their regeneration policy for the area. The asset continues to be highly material to the financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end valuation for this asset, which is valued through reference to market factors (existing use value).
Valuation of Property Plant and Equipment (excluding asset valued using EUV /FV method)	Inherent risk	No change in risk or focus	The value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

## Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Pension Liability Valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Going Concern Disclosure	Inherent risk	No change in risk or focus	<p>Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Authority has incurred additional expenditure in a number of areas of its operations and has experienced income losses in parking, commercial and leisure services. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.</p> <p>However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p>

# Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Group accounts assessment	Inherent risk	No change in risk or focus	IFRS 10, 11 and 12 set out the requirements which must be followed when assessing and disclosing group and joint arrangements. Where the Council has interests in other entities, it needs to undertake qualitative and quantitative assessments to inform its decisions as to whether group accounts are required. This is an area of potential complexity and judgment requiring annual review.
PFI Accounting	Inherent risk	No change in risk or focus	The Council has four PFI arrangements, two of which are material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal specialist in 2016/17. We will review the accounting entries and disclosures in relation to PFI in detail in 2020/21, with a focus on any significant changes since the specialist's review.

# Overview of our 2020/21 audit strategy

Risks to Delivery		
Risk	Mitigation (EY)	Mitigation (Council)
Impact of continuing restrictions in movement because of Covid-19	<p>Early agreement of workplans and flexibility arrangements to ensure work can be delivered in the agreed timescales</p> <p>Regular communication with the Council to ensure issues are addressed quickly</p>	<p>Early agreement of workplans and flexibility arrangements to ensure work can be delivered in the agreed timescales</p> <p>Regular communication with EY to ensure issues are addressed quickly</p>



02

# Value for Money





# Value for money

## Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

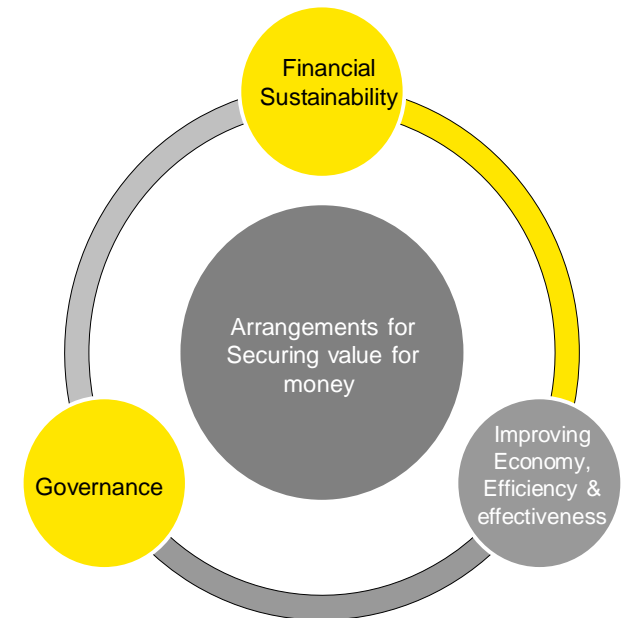
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer one overall evaluation criterion on which we need to conclude. Instead the 2020 Code requires the Auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability  
How the Council plans and manages its resources to ensure they can continue to deliver its services;
- Governance  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





# Value for money risks

## Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes, where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's Annual Governance Statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as Ofsted and CQC) and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



## Value for money risks

### Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Governance & Audit & Standards Committee.

### Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we issue our Audit Results Report on the audit of the statement of accounts.

### Summary of changes in VFM requirements between the 2015 and 2020 Codes of Audit Practice

We set out a summary of key changes in VFM requirements between the 2015 and 2020 Codes in tabular form over-page.



## Value for money – Code requirements

2015 Code requirement	2020 Code requirement
<p><b>Overall requirement</b> For auditors to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>	<p><b>Overall requirement</b> No change in requirement.</p>
<p><b>Design of work</b> The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report by exception if the auditor concludes that they are not satisfied that the audited body has put in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p> <p>Where required, the auditor should report their conclusion on the audited body's arrangements having regard to specific reporting criteria.</p>	<p><b>Design of work</b> The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body a commentary against the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.</p> <p>Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception in their audit report on the financial statements.</p>
<p><b>Assurance given</b> In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period.</p>	<p><b>Assurance given</b> No change in requirement. Our work remains arrangements based.</p>
<p><b>Other sources of relevant information</b> Auditors need to consider:</p> <ul style="list-style-type: none"> <li>• The audited body's governance statement</li> <li>• Evidence that the audited body's arrangements were in place during the reporting period;</li> <li>• Evidence obtained from the auditor's other work</li> <li>• The work of inspectorates and other bodies and</li> <li>• Any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties</li> </ul>	<p><b>Other sources of relevant information</b> No change in requirement.</p>



# Value for money – Code requirements

2015 Code requirement	2020 Code requirement
<p>Quantum of work Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement.</p>	<p>Quantum of work Determining how much work to do on arrangements to secure value for money remains a matter of auditor judgement, but we expect the enhanced risk assessment process and reporting requirements to require more time to be input.</p>
<p>Reporting criteria The NAO’s supporting Auditor Guidance Note 3 defines proper arrangements as:</p> <ol style="list-style-type: none"> <li>1. Informed decision making <ul style="list-style-type: none"> <li>• Acting in the public interest, through demonstrating and applying the principles and values of sound governance</li> <li>• Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management</li> </ul> </li> <li>Reliable and timely financial reporting that supports the delivery of strategic priorities</li> <li>Managing risks effectively and maintaining a sound system of internal control</li> <li>Sustainable resource deployment <ul style="list-style-type: none"> <li>• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li> <li>• Managing and utilising assets effectively to support the delivery of strategic priorities</li> <li>• Planning, organising and developing the workforce effectively to deliver strategic priorities</li> </ul> </li> <li>3. Working with partners and other third parties <ul style="list-style-type: none"> <li>• Working with third parties effectively to deliver strategic priorities</li> <li>• Commissioning services effectively to support the delivery of strategic priorities</li> <li>• Procuring supplies and services effectively to support the delivery of strategic priorities</li> </ul> </li> </ol>	<p>Reporting criteria The Code specifies that auditors need to focus on these reporting criteria:</p> <ol style="list-style-type: none"> <li>1. Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services. Specifically: <ul style="list-style-type: none"> <li>• How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;</li> <li>• How the body plans to bridge its funding gaps and identifies achievable savings;</li> <li>• How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;</li> <li>• How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and</li> <li>• how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.</li> </ul> </li> <li>2. Governance: how the body ensures that it makes informed decisions and properly manages its risks. Specifically: <ul style="list-style-type: none"> <li>• How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;</li> <li>• How the body approaches and carries out its annual budget setting process;</li> </ul> </li> </ol>



# Value for money – Code requirements

Page 118

2015 Code requirement	2020 Code requirement
<p>Reporting criteria (continued) See previous page</p>	<p>Reporting criteria (continued)</p> <ul style="list-style-type: none"> <li>• How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee; and</li> <li>• How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).</li> </ul> <p>3. Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services. Specifically:</p> <ul style="list-style-type: none"> <li>• How financial and performance information has been used to assess performance to identify areas for improvement;</li> <li>• How the body evaluates the services it provides to assess performance and identify areas for improvement;</li> <li>• How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and</li> <li>• Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.</li> </ul>
<p>Risk assessment As part of planning, auditors should consider the risk of reaching an incorrect conclusion in relation to the overall criterion.</p>	<p>Risk assessment The auditor will need to gather sufficient evidence and document their evaluation of it in order to enable them to draft their commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.</p>



## Value for money – Code requirements

2015 Code requirement	2020 Code requirement
<p><b>Reporting</b> The auditor should report to the audit committee the results of their work. The Annual Audit Letter should provide a clear, readily understandable commentary on the results of the auditor's work and highlight any issues that the auditor wishes to draw to the attention of the public.</p>	<p><b>Reporting</b> Auditors are required to report in a commentary each year under the specified reporting criteria and the Code expects that where auditors identify significant weaknesses in arrangements as part of their work, they will raise them promptly with the audit committee. The auditor's annual report should bring together all of the auditor's work over the year. A core element of the report will be the commentary in accordance with the specified reporting criteria. The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.</p>



Page 120

# 03

## Fees





# Fees

## Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
PSAA Scale Fee	115,067	115,067	115,067
Covid 19 - Going Concern and consultation (1)	7,000	N/A	7,092
Covid 19 - increased property valuation risk (1)	9,000	N/A	9,716
Lakeside valuation significant risk (1)	5,000	N/A	4,916
Value for Money significant risk (1)	-	N/A	4,784
Pensions - IAS19 data (1)	800	N/A	801
CIES Restatement (1)	-	N/A	1,731
Correspondence from the public (1)	.*	N/A	980
Scale fee plus in-year variations	136,867	115,067	145,087
Scale fee rebasing (2)	80,727	80,727	80,727
<b>Total fees</b>	<b>217,594</b>	<b>195,794</b>	<b>225,814</b>

All fees exclude VAT

(1) The 2019/20 Code work includes an additional fee of £30,020, for additional work undertaken in relation to going concern, property valuations, a value for money risk, IAS19 pensions, CIES/EFA restatement and correspondence from the public. This additional fee is subject to approval from PSAA.

(2) Changes in work required to address professional and regulatory requirements and scope associated with risk with risk (see page 20). This was also communicated in our 2019/20 Annual Audit Letter.

For 2020/21, the scale fee will be further impacted by a range of factors which may result in additional work. We set out an estimate of the potential additional fee for this below based on the fee charged in 2019/20. However, this could go up or down. The issues we have identified at the initial planning stage which could impact on the fee include:

- The need to engage EY Real Estate to review a sample of valuations of investment properties and EUV assets (including Lakeside), and for additional work in this area by the audit team c.£14,000
- Review of additional disclosures that will be required in relation to going concern and our internal consultation process, c.£7,000

Other additional fees may arise, for example we cannot yet quantify the level of work to complete the additional work in relation to the new value for money approach. We are also driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

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

- Officers meet the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

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

\* Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Fees (continued)

Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk

Janet Dawson, our Government & Public Sector Assurance Lead, wrote to all Chief Finance Officers and Audit Committee (or equivalent) chairs on 11 February 2020 on the subject of the sustainability of UK local public audit. Amongst other issues her letter stated that we did not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity, and the audit profession's context for cost and fee increases, including the attractiveness of audit, investment in technology, innovation and the regulatory environment.

Around the same time, PSAA consulted on its 2020/21 audit fees ([PSAA fee consultation](#)), discussing the challenging environment, new standards and regulatory requirements. They noted an appropriate forum for fee discussions from these impacts would be between the auditor and Chief Financial Officer, to take place as soon as possible as part of planning discussions for 2019/20 audits.

The subsequent review by Sir Tony Redmond ([Redmond Review](#)) has also highlighted that audit fees in the local authority sector have dropped significantly at the same time that audit fees in other sectors have significantly risen, and that no assessment of the amount it would cost to audit each local authority based on their level of audit risk has been made in the past ten years due to the methods applied by the Audit Commission and then PSAA. As such there is no guarantee that the fee paid by each local authority accurately reflects the risk profile or amount of audit work required for their external audit.

To address these issues we undertook an analysis of the changes in professional and regulatory requirements since our last tender to PSAA was submitted, and any other known changes in audit risk. For instance, where applicable, significant commercial property investments, creation of joint ventures, subsidiaries and other similar arrangements.

We identified the proposed fee rebasing under the headings of:

- Changes in risk;
- Increased regulatory requirements; and
- Client readiness and ability to support a technologically enabled audit.

As requested by PSAA, we discussed this with management on 9 June 2020. This discussion was delayed due to the Covid-19 pandemic.

We did not reach agreement. While management recognised many of these pressures and can see how they are reflected in the changes in the audit work, their view was that this is a decision for PSAA.

Having not reached agreement, and in light of managements comments, we will now submit the proposed rebasing to PSAA for their review and decision. We would like to thank management for their contribution to this debate and the positive manner in which they engaged with us.

# Portsmouth City Council

Annual Audit Letter for the year  
ended 31 March 2020

February 2021

Page 123

Agenda Item 9

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the top right corner of the logo.

Building a better  
working world

# Contents

		Page
Section 1	Executive Summary	3
Section 2	Purpose and Responsibilities	8
Section 3	Financial Statement Audit	11
Section 4	Value for Money	24
Section 5	Other Reporting Issues	28
Section 6	Focused on your future	31

Appendices		
Appendix A	Audit Fees	33

Page 124

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

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

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



Section 1

# Executive Summary

Page 125

# Executive Summary

We are required to issue an annual audit letter to Portsmouth City Council (the Council) following completion of our audit procedures for the year ended 31 March 2020.

Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
Impact on the delivery of the audit	
▶ Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. Due to resourcing constraints in the audit team, we completed our financial statements audit in January 2021.
Impact on our risk assessment	
▶ Valuation of Property Plant and Equipment and Investment Property	<p>The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end. Since late March 2020 in the UK, Covid-19 has had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents or seek to negotiate rent reductions as they can no longer trade effectively.</p> <p>These issues could have a significant impact on investment properties and property, plant and equipment valued with reference to market factors (existing use value – EUV - assets) and we therefore raised a significant risk in relation to investment property and EUV valuations due to the materiality of these balances.</p>
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
▶ Adoption of IFRS 16	The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of local authority financial statements has been deferred until 1 April 2022. The Council was therefore no longer required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements did not need to be financially quantified in 2019/20. We therefore no longer considered this to be an area of audit focus for 2019/20.

# Executive Summary (cont'd)

Area of impact	Commentary
Impact on our risk assessment	
▶ Consultation requirements	Additional EY consultation requirements were implemented concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.
Impact on the scope of our audit	
▶ Information Produced by the Entity (IPE)	<p>We identified an increased risk around the ability of the audit team to verify the completeness, accuracy, and appropriateness of information produced by the entity, due to the team working remotely and therefore being unable to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:</p> <ul style="list-style-type: none"> <li>• Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and</li> <li>• Agree IPE to scanned documents or other system screenshots.</li> </ul>

Page 127

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	
▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you had put in place proper arrangements to secure value for money in your use of resources.

# Executive Summary (cont'd)

Results and conclusions on the significant areas of the audit process continued:

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Page 128

Area of Work	Conclusion
Reporting to the National Audit Office on our review of the Council's Whole of Government Accounts (WGA) return.	Our work on the Council's Whole of Government Accounts return was completed on 11 February 2021. There are no matters to report arising from this work.  The audit certificate was issued upon completion of this work.



# Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Reports was issued on 5 January 2021 and presented to the Governance and Audit and Standards Committee on 15 January 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We issued our audit completion certificate on 11 February 2021 following completion of our work on the Council's Whole of Government Accounts submission.

Page 129

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work and in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic. Their collaborative approach enabled us to complete the 2019/20 audit by working remotely.

Helen Thompson  
Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

# Purpose and Responsibilities

Page 130



# Purpose

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council .

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Reports to the 15 January 2021 Governance and Audit and Standards Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council .

# Responsibilities

## Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 20 February 2020 and Audit Plan Update issued on 13 July 2020, and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2019/20 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit

Page 133



# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 15 January 2021.

Our detailed findings were reported to the 15 January 2021 Governance and Audit and Standards Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We also focused specifically on capitalisation of expenditure as a potential area of manipulation, which is recorded as a separately identified significant risk on the next page of this report.</p> <p>Our work on estimates focussed on Investment Property and EUV assets valuation (identified as a significant risk estimate), PPE valuation, PFI valuation, IAS19 pension and Minimum Revenue Provision estimates (identified as high risk estimates). Our findings on these areas are set out on subsequent pages in this section of our report.</p> <p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>• Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>• Assessing accounting estimates for evidence of management bias.</li> <li>• Evaluating the business rationale for significant unusual transactions.</li> </ul> <p>Further to this, we:</p> <ul style="list-style-type: none"> <li>• Inquired of management about risks of fraud and the controls put in place to address those risks, as well as gaining an understanding of the oversight given by those charged with governance of management's processes over fraud.</li> <li>• Considered the effectiveness of management's controls designed to address the risk of fraud.</li> </ul> <p>Our audit work has provided assurance that:</p> <ul style="list-style-type: none"> <li>• We have not identified any evidence of material management override.</li> <li>• We have not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.</li> <li>• We have not identified any other transactions which appeared unusual or outside the Council's normal course of business</li> </ul>

# Financial Statement Audit (cont'd)

## Significant Risk

### Risk of fraud in revenue and expenditure recognition

Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

The value of Property, Plant & Equipment (PPE) additions in 2019/20 was £211m (£69m excluding Lakeside purchase), and the value of Investment Property (IP) additions was £11m.

The value of revenue expenditure funded from capital under statute (REFCUS) was £29.4m.

## Conclusion

Our approach was as follows:

- We selected a sample of additions, using lowered testing thresholds, to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations.
- We selected a sample of REFCUS expenditure, using lowered testing thresholds, to confirm it was appropriate for the expenditure incurred to be funded from capital sources.
- When performing journals testing, we challenged entries that could be indicative of inappropriate capitalisation, such any significant journals transferring expenditure from non-capital codes to PPE/IP additions or from revenue to capital codes on the general ledger at the end of the year.

Our testing of additions, REFCUS expenditure and journals did not identify any indications of inappropriate capitalisation of revenue expenditure; or inappropriate classification of transactions as REFCUS.

# Financial Statement Audit (cont'd)

## Significant Risk

### Valuation of Lakeside North Harbour

During the 2019/20 financial year, Portsmouth City Council purchased the Lakeside North Harbour office complex located in Portsmouth as part of their regeneration policy for the area.

The business campus sits in a 120-acre site, located to the north of Portsmouth City Centre, and comprises 594,000 sq ft of offices, 3,000 parking spaces, a day nursery and 8.7 acres of development land.

This is a highly significant and material property, plant and equipment asset. The valuation of the asset is carried out in accordance with the methodologies and bases for estimation set out in relevant professional standards. However, a number of key inputs into the valuation are judgmental and subjective.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet in respect of this asset.

## Conclusion

Our approach was as follows. We:

- Commissioned an EY specialist (EY Real Estates) to review the valuation and specifically to:
  - consider the competence, capability and objectivity of the Council's valuers;
  - consider the scope of valuers' work; and
  - challenge the assumptions and methodology used by the valuers by reference to external evidence.

We also:

- Tested the specific journals for the valuation to confirm that they have been accurately processed in the financial statements.

We concluded as follows:

- Our work and the work of our internal specialists to address this risk did not identify any issues with the valuation of Lakeside North Harbour in the financial statements.
- Please see the following page for our additional considerations around asset valuations as a result of Covid-19. These are also relevant to Lakeside, which is valued at existing use value.



# Financial Statement Audit (cont'd)

## Significant Risk

### Valuation of Land and Buildings (existing use value) and Investment Property

The value of Investment Property (IP) and Land and Buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews, depreciation and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end. Since late March 2020 in the UK, Covid-19 has had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents or seek to negotiate rent reductions as they can no longer trade effectively. This could have a significant impact on investment properties and we therefore raised a significant risk in relation to investment property valuations. Since our update was issued, we have also judged it necessary to associate this risk with property, plant and equipment valued on the basis of market information (existing use value).

The value of IP in the accounts at 31 March 2020 was £188m. The value of PPE valued at existing use value was £348m (of which Lakeside was £138m).

## Conclusion

Our approach was as follows. We:

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuers in performing their valuation and challenge the key assumptions used by the valuers.
- Tested whether accounting entries have been correctly processed in the financial statements.
- Ensured that appropriate disclosure has been made in the financial statements concerning the material uncertainty.
- Obtained input from EY Real Estates, our internal specialists on asset valuations for Investment Properties and PPE valued at existing use value, including inputs on market sentiment and how it has been reflected in the valuations.

We concluded as follows:

- No issues were identified through our work on existing use value PPE or investment property valuations, which was informed by a review of the valuation methodology and results by our internal specialists.
- No issues were identified through our consideration of the work of the Councils' valuers, or through our review of accounting entries.
- The Council appropriately disclosed a material valuation uncertainty paragraph included by its valuers in their valuation reports. We highlighted this disclosure by including an emphasis of matter paragraph in our audit report. This was not a modification of the audit report.

# Financial Statement Audit (cont'd)

## Other Risk

### Valuation of Land and Buildings (excluding existing use value)

The value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The net book value of PPE in the accounts at 31 March 2020 was £1.44bn. Of this total, £0.75bn is subject to revaluation on bases other than EUV.

## Conclusion

Our approach was as follows. We:

- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Tested on a sample basis the accuracy of information used by the valuer in performing their valuations and challenged the valuer's key assumptions.
- Considered the annual cycle of valuations to ensure that assets have been valued within a suitable rolling programme as required by the Code for PPE.
- Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated.
- Confirmed that accounting entries have been correctly processed in the financial statements

We concluded as follows:

- No issues were identified through our testing of PPE (excluding EUV) valuations.
- No issues were identified through our consideration of the work of the Councils' valuers, review of the cycle of valuations and assets not revalued in-year, or through our review of accounting entries.

# Financial Statement Audit (cont'd)

## Other Risk

### Going Concern Disclosure

Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced income losses in parking, commercial and leisure services. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in chief financial officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

## Conclusion

Our approach was as follows:

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we sought a documented and detailed consideration to support management's assertion regarding the use of the going concern basis of preparation. Our audit procedures to review this included consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

Due to the impact of Covid-19, we also consulted internally with our risk department over the level of disclosure.

We concluded as follows:

The Council has sufficient reserves to cope with the expected impact of Covid-19, and sufficient liquidity. We did not identify indications of material uncertainty, and were satisfied with the Council's disclosure that had been added to the final version of the accounts. There were no matters to be emphasised in our audit report.

# Financial Statement Audit (cont'd)

## Other Risk

### PFI Accounting

The Council has four PFI arrangements, two of which are material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal specialist in 2016/17. We will review the accounting entries and disclosures in relation to PFI in detail in 2019/20, with a focus on any significant changes since the specialist's review.

The total finance lease liability for PFIs was £62m at 31/03/2020, and the net book value of PFI assets was £140m.

## Conclusion

To gain assurance in this area we:

- Reviewed assurances brought forward from prior years regarding the appropriateness of the PFI financial models.
- Reviewed the PFI financial models for any significant changes.
- Ensured the PFI accounting models had been updated for any service or other agreed variations and confirmed consistency of current year models with prior year brought forward assurances.
- Agreed outputs of the models to the accounts, and reviewed the completeness and accuracy of disclosures.

We concluded as follows:

We assessed brought forward assurances, reviewed the PFI models for significant changes, and ensured appropriateness of any updates and consistency of current year models with the prior year. We also agreed the outputs of the models to the accounts.

No issues were identified with PFI accounting through the work performed.

# Financial Statement Audit (cont'd)

## Other Risk

### Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme, administered by Hampshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The net pension liability in the accounts at 31 March 2020 was £427m.

## Conclusion

To gain assurance in this area we:

- Liaised with the auditors of Hampshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Portsmouth City Council.
- Assessed the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team. This included reviewing the actuary's treatment of specific developments in relation to the McCloud and Goodwin cases, to confirm these had been appropriately considered, and to ensure the resulting treatment within the overall liability estimate was materially correct.
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We concluded as follows:

As a result of our work, we identified one audit difference which management chose not to adjust. This was in relation to the assumptions used by the actuary of Hampshire Pension Fund to determine their estimate of the Council's defined benefit pension liability. This difference was not material.

No other issues were identified from our work to address this risk.

# Financial Statement Audit (cont'd)

## Other Risk

### Minimum Revenue Provision (MRP)

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The calculation of MRP is inherently complex.

## Conclusion

Our approach was as follows. We:

- Used the completed outputs of the review undertaken in 2018/19 by our internal specialist of the Council's MRP calculations to inform our assessment of the material accuracy of the Council's MRP estimate and release of its historic overprovision in 2019/20.
- Considered any changes in the Council's approach to MRP since the review was completed.
- Considered the impact of changes in the Council's asset base on the MRP charge for the year.

We concluded as follows:

No changes to the Council's approach to calculating MRP in 2019/20 were identified. We used the completed outputs of the review undertaken by our specialist, and understood the impact of changes in the asset base on the current year MRP calculation.

No issues were identified with the minimum revenue provision through the work performed.

# Financial Statement Audit (cont'd)

## Other Risk

Restatement of Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, and related disclosure notes

Under CIPFA's "Telling the Story" agenda, the Council is required to disclose its income and expenditure in accordance with the structure used for internal reporting, rather than the previous presentation as prescribed by SERCOP.

The Council has changed its internal reporting structure in 2019/20, which will mean the prior period comparators in the Comprehensive Income and Expenditure Statement, the supporting Expenditure and Funding Analysis, and related disclosure notes, will need to be restated in line with the new structure.

## Conclusion

Our approach was as follows. We:

- Agreed the restated comparative figures back to the Council's prior year financial statements and supporting working papers.
- Reviewed the analysis of how these figures are derived from the Council's ledger system.

We concluded as follows:

We were satisfied that the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis, and related disclosure notes, were restated appropriately following the change to internal reporting structures.

# Financial Statement Audit (cont'd)

## Other Risk

### Group Accounts Assessment

IFRS 10, 11 and 12 set out the requirements which must be followed when assessing and disclosing group and joint arrangements. Where the Council has interests in other entities, it needs to undertake qualitative and quantitative assessments to inform its decisions as to whether group accounts are required. This is an area of potential complexity and judgement requiring regular review.

## Conclusion

Our approach was as follows. We:

- Asked the Council to update its qualitative and quantitative group accounts assessment for all relevant entities and critically evaluated this as early in the audit cycle as possible.
- Undertook our own assessment and compared this with the Council's review, to identify any areas where additional work may have been required to form a conclusion on whether group accounts are required under the accounting standards.

We concluded as follows:

We reviewed the Council's updated group accounts assessment, and undertook our own review to assess whether the Council has any arrangements which would require the production of group accounts.

We were satisfied that group accounts were not required for 2019/20.



# Financial Statement Audit (cont'd)

## Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality for the Council to be £11.08m (2019: £10.64m), which is based on 1.8% of gross revenue expenditure reported in the accounts.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Governance and Audit and Standards Committee that we would report to the Committee all audit differences in excess of £0.554m (2019: £0.528m)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: These were tested in detail as part of our audit.
- ▶ Related party transactions: These were tested in detail as part of our audit.

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

Section 4

# Value for Money



# Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

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

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 Value for Money arrangements conclusion.

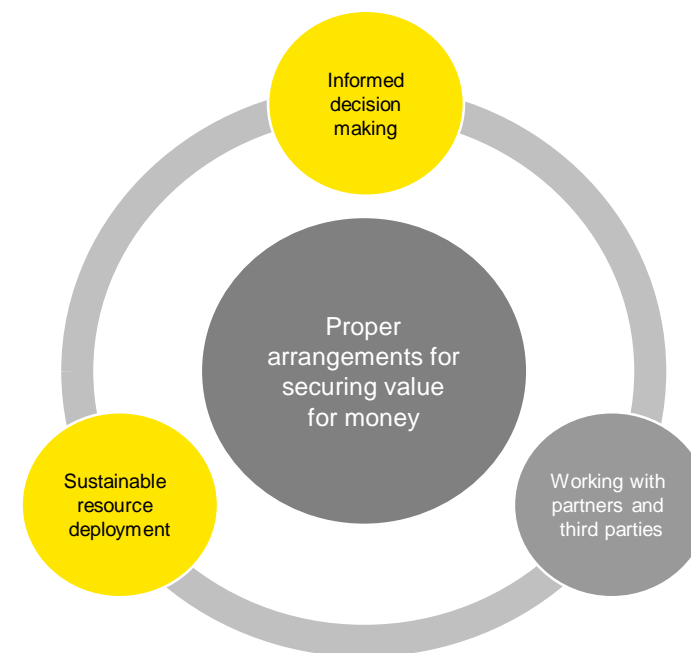
Page 147

We identified one significant risk around these arrangements. The tables below present our findings in response to the risk in our audit planning report.

No further risks were identified during the course of our audit. This includes thorough consideration of the impact of Covid-19 as noted above.

We had no matters to report about the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore issued an unqualified value for money conclusion on 15 January 2021.



# Value for Money (cont'd)

## Significant Risk

During the 2019/20 financial year, Portsmouth City Council purchased the Lakeside North Harbour office complex located in Portsmouth as part of their regeneration policy for the area.

The business campus sits in a 120-acre site, located to the north of Portsmouth City Centre, and comprises 594,000 sq ft of offices, 3,000 parking spaces, a day nursery and 8.7 acres of development land.

The Lakeside site was purchased for £138m in 2019/20. The purchase was funded through external borrowing, requiring an extension to the Council's maximum borrowing levels in its Treasury Management policies to facilitate the acquisition. The borrowing will lead to increased Minimum Revenue Provision charges and interest payments in future years.

The financial outcomes relating to the asset are contingent in part on occupancy levels of the on-site premises.

Page 148

## What did we do?

We:

- Reviewed the robustness of the financial appraisals supporting the purchase of Lakeside, including consideration of the expected financial outcomes from the site and the related impact on the Council's finances.
- Reviewed the process undertaken to evaluate and approve the purchase, including understanding the involvement of officers, members and external experts at key stages.

We note that our VFM conclusion is required to cover the period 1 April 2019 to 31 March 2020. As such, the period covered was not significantly impacted by Covid-19. We assessed the Council's arrangements in the period during the year on which the pandemic impacted (late March), and no new risks or need to modify our approach in respect of the risk from our audit planning report were identified.

# Value for Money (cont'd)

## Conclusion

In our judgment, the arrangements underpinning the decision making process which supported the purchase of Lakeside North Harbour were appropriate. The process included the expected elements with regard to financial appraisal, scenario planning and due diligence. There was appropriate involvement of external experts, members and officers throughout the process. Our responsibilities with regard to the identified risk are limited to assessing the appropriateness of arrangements to enable informed decision making with respect to the purchase, which was completed in August 2019, and we have not identified any issues in this regard. We therefore have no matters to report about the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources in 2019/20.

Given the significance of Lakeside in the context of the overall value of the Council's land and buildings, we will keep under review in 2020/21 the development of arrangements put in place by the Council to manage the asset going forward.

A photograph of a business meeting in progress. Several people are gathered around a large wooden conference table. In the foreground, a woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at a document on the table. To her right, a man in a light blue shirt and red tie is also looking at the document. Other people's hands and arms are visible around the table, some pointing at the paper. The background is slightly blurred, showing a bright, modern office environment with large windows and greenery.

Section 5

# Other Reporting Issues

# Other Reporting Issues

## Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

Our work on the Council's WGA submission was completed on 11 February 2021. The reporting date was as a result of needing to perform the WGA review after completion of the statutory financial statements audit, and as a result of technical issues with HM Treasury's OSCAR system. These issues impacted a number of authorities and were not specific to Portsmouth City Council. They were outside of the control of officers and the EY audit team. The audit certificate was issued upon completion of this work.

## Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

## Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

## Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public. We did receive 3 items of correspondence from members of the public during the course of our audit. These were not objections to the financial statements and 2 were treated as information received. There are no additional matters to report as a result of this correspondence.

## Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

# Other Reporting Issues (cont'd)

## Independence

We communicated our assessment of independence in our Audit Results Reports to the Governance and Audit and Standards Committee on 15 January 2021. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Governance and Audit and Standards Committee.



Section 6

# Focused on your future



# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2022/23 financial year, following a recent further deferral announced in December 2020.	Whilst the adoption of IFRS 16 has been deferred for a further year, we encourage the Council to use that time to undertake a detailed exercise to identify all of its leases during 2021/22 and capture the relevant information for them. The Council must ensure that all lease arrangements are fully documented.



Appendix A  
Audit Fees

Page 155

# Audit Fees

Our fee for 2019/20 is set out in the table below.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Scale Fee	115,067	115,067	115,067	115,067
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (see page 36)	80,727			N/A
Revised Proposed Scale Fee	195,794			115,067
COVID 19 - Going Concern and consultation (2)	7,092			N/A
COVID 19 - increased property valuation risk (2)	9,716			N/A
Lakeside valuation significant risk (2)	4,916	5,000		N/A
Value for Money significant risk (2)	4,784	5,000		N/A
Other (2) :				N/A
• CIES Restatement	1,731	1,750		
• Pensions - IAS19 data	801			
• Correspondence from the public	980			
Total Scale Fee Variation	30,020	11,750		382 (1)
Total Audit Fee	225,814	126,817		115,449

Note 1 - 2018/19 scale fee variation of £382 has been approved by PSAA.

Note 2 - Please see next page for further explanation of these items.

# Audit Fees (cont'd)

An additional scale fee of £30,020 has been applied to the planned fee based on the following items:

- The identification of Going Concern as an additional risk due to Covid-19 resulted in additional work including discussions, review/challenge of documents and cash flow forecasts, and consideration of proposed disclosure. This additional time has been recorded at £4,312. An additional cost of £2,780 has also been charged as we were required to consult with our professional practise department over the going concern disclosure in the accounts, and over the material uncertainty disclosed with regard to PPE and investment property valuations (see also next point).
  - The identification of the Valuation of Investment Properties and EUV PPE assets as a significant risk, and increased focus on valuations more generally, resulted in additional work, notably larger sample sizes to be tested. This additional time has been recorded at £6,532.
  - As part of the significant risk work over Investment property and EUV PPE valuation, we were required to engage with our internal valuations specialists, EY Real Estates, to test a sample of assets. Based on the number of hours charged by EYRE, the additional cost is £3,184.
  - Additional work, including the further use of our internal valuation specialists, was required to address the identified significant risk regarding the valuation of Lakeside North Harbour, as set out on page 14. An additional fee of £4,916 has been charged for this work.
- Additional work was required to address the identified significant risk to our value for money conclusion, as set out on pages 26/27. An additional fee of £4,784 has been charged for this work.
- Additional work was required in relation to the CIES/EFA Restatement, as set out on page 21, and in relation to the work performed on the data used in calculating the pension liability in the financial statements. Additional fees of £1,731 and £801 respectively have been charged for this work.
- Additional work performed to consider and respond to three pieces of correspondence from the public received during the course of the 2019/20 audit. This included the necessary related internal consultations and documentation on the audit file. An additional fee of £980 has been charged for this work.

These items are not included within the PSAA scale fee. They have been agreed with the Director of Finance and Resources but remain subject to agreement with PSAA.

# Audit Fees continued

Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk

Janet Dawson, our Government & Public Sector Assurance Lead, wrote to all Chief Finance Officers and Governance and Audit and Standards Committee (or equivalent) chairs on 11 February 2020 on the subject of the sustainability of UK local public audit. Amongst other issues her letter stated that we did not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity, and the audit profession's context for cost and fee increases, including the attractiveness of audit, investment in technology, innovation and the regulatory environment.

Around the same time, PSAA consulted on its 2020/21 audit fees ([PSAA fee consultation](#)), discussing the challenging environment, new standards and regulatory requirements. They noted an appropriate forum for fee discussions from these impacts would be between the auditor and Chief Financial Officer, to take place as soon as possible as part of planning discussions for 2019/20 audits.

The subsequent review by Sir Tony Redmond ([Redmond Review](#)) has also highlighted that audit fees in the local authority sector have dropped significantly at the same time that audit fees in other sectors have significantly risen, and that no assessment of the amount it would cost to audit each local authority based on their level of audit risk has been made in the past ten years due to the methods applied by the Audit Commission and then PSAA. As such there is no guarantee that the fee paid by each local authority accurately reflects the risk profile or amount of audit work required for their external audit.

To address these issues we undertook an analysis of the changes in professional and regulatory requirements since our last tender to PSAA was submitted, and any other known changes in audit risk. For instance, where applicable, significant commercial property investments, creation of joint ventures, subsidiaries and other similar arrangements.

We identified the proposed fee rebasing under the headings of:

- Changes in risk;
- Increased regulatory requirements; and
- Client readiness and ability to support a technologically enabled audit.

As requested by PSAA, we discussed this with management on 9 June 2020. This discussion was delayed due to the Covid-19 pandemic.

We did not reach agreement. While management recognised many of these pressures and can see how they are reflected in the changes in the audit work, their view was that this is a decision for PSAA.

Having not reached agreement, and in light of management's comments, we will now submit the proposed rebasing to PSAA for their review and decision. We would like to thank management for their contribution to this debate and the positive manner in which they engaged with us.

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# Agenda Item 10



<b>Title of meeting:</b>	Governance and Audit and Standards Committee
<b>Date of meeting:</b>	05 March 2021
<b>Subject:</b>	Treasury Management Monitoring Report for the Third Quarter of 2020/21
<b>Report by:</b>	Chris Ward, Director of Finance and Resources (Section 151 Officer)
<b>Wards affected:</b>	All
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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## 1. Executive Summary

- 1.1 This report outlines the Council's performance against the treasury management indicators approved by the City Council on 17 March 2020.
- 1.2 The Council borrowed £60m in quarter 1 of 2020/21. No further borrowing was undertaken in 2020/21.
- 1.3 Investment returns have continued to be on a downward trend in line with the likelihood that increases in Bank of England Base Rates are unlikely to occur before 2024.

## 2. Purpose of report

- 2.1 The purpose of the report is to inform members and the wider community of the Council's Treasury Management position, i.e. its borrowing and cash investments at 31 December 2020 and of the risks attached to that position.
- 2.2 Whilst the Council has a portfolio of investment properties and some equity shares that were acquired through the capital programme; these do not in themselves form part of the treasury management function and are not considered as part of this report.

## 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 31 December 2020.

3.2 That the actual Treasury Management indicators as at 31 December 2020 set out in Appendix A be noted.

#### **4. Background**

4.1 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)

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

- Credit risk - i.e. that the Council is not repaid, with due interest in full, on the day repayment is due
- Liquidity risk - i.e. 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 - i.e. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud or error

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

#### **5. Reasons for recommendations**

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

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

**6. Integrated impact assessment**

6.1 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**

7.1 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's comments**

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

.....  
Signed by:

**Appendices:**

Appendix A: Treasury Management Monitoring Report for the Third Quarter of 2020/21

**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 Treasury Management Records	Financial Services

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**TREASURY MANAGEMENT - QUARTER 3 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 11 February 2020. The Council's debt at 31 December was as follows:

<b>Prudential Indicator</b>	<b>Limit £m</b>	<b>Actual £m</b>
Authorised Limit - the maximum amount of borrowing permitted by the Council	883	774
Operational Boundary - the maximum amount of borrowing that is expected	868	774

The maturity structure of the Council's fixed rate borrowing was:

	<b>Under 1 Year</b>	<b>1 - 2 Years</b>	<b>3 - 5 Years</b>	<b>6 - 10 Years</b>	<b>11 - 20 Years</b>	<b>21 - 30 Years</b>	<b>31 - 40 Years</b>	<b>41 - 50 Years</b>
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%	10%	16%	6%	27%	35%

The maturity structure of the Council's variable rate borrowing was:

	<b>Under 1 Year</b>	<b>1 - 2 Years</b>	<b>3 - 5 Years</b>	<b>6 - 10 Years</b>	<b>11 - 20 Years</b>	<b>21 - 30 Years</b>	<b>31 - 40 Years</b>	<b>41 - 50 Years</b>
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 31 December 2020 was:

	<b>Limit</b> £m	<b>Quarter 2 Actual</b> £m
Maturing after 31/3/2021	117	81
Maturing after 31/3/2022	50	40
Maturing after 31/3/2023	50	20

## A2. GOVERNANCE

The Treasury Management Policy approved by the City Council on 17 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 31 December 2020.

## A3. BORROWING ACTIVITY

Gilt yields were on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields initially spiked upwards in March, we have seen yields fall sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put 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. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close on 31 December, all gilt yields from 1 to 8 years were in negative territory, while even 25-year yields were only at 0.84% and the 50 year at 0.64%.

From the local authority borrowing perspective, HM Treasury imposed two changes of margins over gilt yields for Public Works Loans Board (PWLB) rates in a little over a year, the first without any warning. The first took place on 09 October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11 March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows:

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **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 (HRA) purposes.

There is likely to be little upward movement in PWLB rates over the next three years as it will take the UK a prolonged period to eliminate spare capacity in the economy so that inflation might start to become a sufficient concern for both the MPC to consider raising Bank Rate, and for gilt holders to require a higher yield.

£60m was borrowed from the PWLB at the HRA certainty rate in the first quarter of 2020/21 to fund the HRA capital programme. These loans were all for £20m and are repayable in 50 years at maturity. These loans have an average interest rate of 1.17%. No further long-term borrowing has been undertaken in 2020/21.

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

The Council's gross borrowing at 31 December 2020 of £774m 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.

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 three quarters 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 financial institutions from Stable to Negative during the quarter ended 30 June 2020, the majority of ratings were affirmed due to the continuing strong credit profiles and wider government support provided to financial markets and economies in general. During Quarter 1 and Quarter 2 2020, banks did make provisions for expected credit losses, while the most recent set of quarterly reports saw a number of entities revise down provisions in light of better economic outlooks. As we move into the next quarters ahead, more information will emerge on actual levels of credit losses. This has the potential to cause rating agencies to revisit their initial rating adjustments if they are found to be misaligned. These adjustments could be negative or positive, although it should also be borne in mind that UK banks, among others, went into this pandemic with strong balance sheets.

It is possible to insure deposits with banks against the risk of the bank defaulting through a financial instrument known as a credit default swap (CDS). CDS prices are therefore market indicators of credit risk. The CDS prices for UK banks spiked upwards at the end of March / early April as the crisis unfolded. They had returned to near pre-pandemic levels by the close of the year. However, sentiment can easily shift.

It is now impossible to earn the level of interest rates commonly seen in previous decades as all short term money market investment rates are barely above zero now that the Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this environment and the fact that increases in the Bank Rate are unlikely to occur before March 2024, investment returns are expected to remain low.

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

	Portfolio at 31 <sup>st</sup> March 2020	Return in 2019/20	Portfolio at 30 <sup>th</sup> June 2020	Annualised Return to 30 <sup>th</sup> June 2020	Portfolio at 30 <sup>th</sup> September 2020	Annualised Return to 30 <sup>th</sup> September 2020	Portfolio at 31 <sup>st</sup> December 2020	Annualised Return to 31 <sup>st</sup> December 2020
Plain vanilla interest bearing deposits	£375.70	0.98%	£374.2m	0.98%	£415.0m	0.92%	£419.1m	0.93%
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%	£10.3m	13.88%	£10.3m	9.80%
Externally managed corporate bonds	£7.4m	-1.16%	£8.0m	24.28%	£8.0m	18.92%	£7.9m	10.81%
<b>Total</b>	<b>£392.8m</b>	<b>0.99%</b>	<b>£392.4m</b>	<b>2.02%</b>	<b>£433.3m</b>	<b>1.58%</b>	<b>£437.3m</b>	<b>1.31%</b>

#### Plain Vanilla Interest Bearing Deposits

The returns on these investments are expected to continue to follow a generally downwards trend 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 because of the start of the coronavirus pandemic.

However, liquidity has returned to the financial markets following action by the central banks, and the guaranteed return of at least 1.60% is very attractive against the current 3 month LIBOR rate of 0.03%. Consequently, at 31 December 2020 this investment had a market value of £10.3m reflecting the two and a half years of above market returns that this investment will generate. The market value of this investment should be £10m when it matures in June 2023. It is currently intended to hold this investment until maturity so that the Council will continue to benefit from the above market returns generated by this investment.

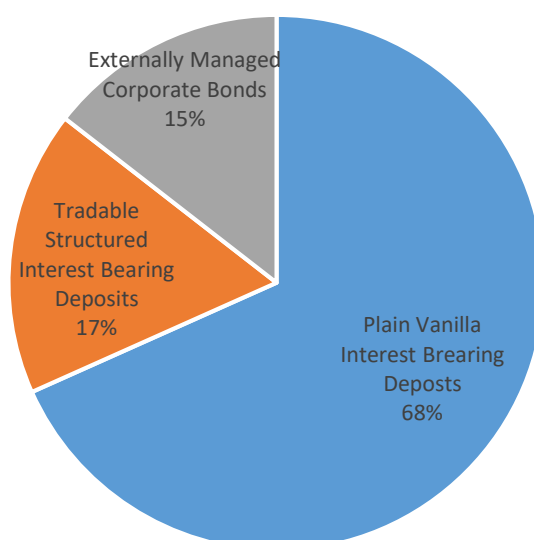
### **Externally Managed Corporate Bonds**

The shortage of liquidity in the financial markets in March 2020 also caused the market value of corporate bonds to fall sharply. Because 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 because many of the corporate bonds pre-date the current ultra-low investment rates and are now generating above market returns. It is currently intended to retain the corporate bonds so that the Council will continue to benefit from the above market returns generated by these investments.

### **Overall Return**

The Council made an overall return of 1.31% on its cash investments in the first three quarters of 2020/21. The chart below shows the source of the Council's cash investment income.

## Where Investment Income Came From



32% 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 bounce back in the market value of these investments.

Over the remainder of the year, the vast majority of the Council's investment returns will come from plain vanilla interest bearing deposits, which make up over 95% of the investment portfolio.

Given these factors, the return on the Council's investments over the remainder of the year is likely to be around 1%, well above the current 6 month London Inter Bank Bid (LIBID) bench mark rate of -0.09%.

### A5. COMBINED BORROWING AND INVESTMENT POSITION (NET DEBT)

The Council's net debt position at 31 December 2020 is summarised in the table below:

	Principal	Average Interest Rate	Interest to 31 December 2020
Borrowing (including finance leases & private finance initiative (PFI) schemes)	£774m	3.17%	£18.4m
Investments	(£437m)	(1.31 %)	(£4.1m)
Net Debt	£337m		£14.3m

\*Although the Council's investments were £437m at 31 December 2020, the average sum invested over this period was £421m.

# Agenda Item 11



<b>Title of meeting:</b>	Governance and Audit and Standards Committee Cabinet City Council
<b>Date of meeting:</b>	05 March 2021 (Governance and Audit and Standards Committee) 09 March 2021 (Cabinet) 16 March 2021 (City Council)
<b>Subject:</b>	Treasury Management Policy 2021/22
<b>Report by:</b>	Chris Ward, Director of Finance and Resources (Section 151 Officer)
<b>Wards affected:</b>	All
<b>Key decision:</b>	Yes
<b>Full Council decision:</b>	Yes

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## 1. **Executive Summary of the Treasury Management Policy Statement**

### 1.1. Treasury Management Policy

The attached Treasury Management Policy sets out the Council's policies on borrowing and investing surplus cash for 2021/22.

The Prudential Code produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires the City Council to approve a Capital Strategy (reported elsewhere on the Cabinet Agenda for 9 March 2021) providing an overview of the Council's plans for capital expenditure, its borrowing and its investments.

The Treasury Management Policy also sets a number of treasury management indicators that will establish the boundaries within which treasury management activities will be undertaken. These are contained in paragraph 4.7 and appendix 5.1 of the Treasury Management Policy attached.

### 1.2. Annual Investment Strategy

The Treasury Management Policy includes the strategy for the investment of surplus cash, known as the Annual Investment Strategy, which establishes the types of investment, investment counter parties and investment durations that the Council will operate within.

## **2. Purpose of report**

- 2.1. The purpose of this report is to obtain the Council's approval of the updated Treasury Management Policy Statement (attached) which includes the Annual Investment Strategy.

## **3. Recommendations**

- 3.1. That the upper limit for principal sums invested for longer than 365 days contained in paragraph 4.7 of the attached Treasury Management Policy Statement be approved;
- 3.2. That the upper and lower limits on the maturity structure of borrowing contained in appendix 5.1 of the attached Treasury Management Policy Statement be approved;
- 3.3. That the attached Treasury Management Policy Statement including the Treasury Management Strategy and Annual Investment Strategy for 2021/22 be approved;
- 3.4. That the following change compared to the previous Annual Investment Strategy be noted:
- (i) that a second loans pool be established in 2020/21 consisting of the three £20m loans that were taken from the Public Works Loans Board (PWLB) at the Housing Revenue Account (HRA) Certainly Rate, and that the borrowing costs on these loans be charged to the HRA in their entirety.
- 3.5. As set out in paragraph 1.4 of the Treasury Management Policy Statement, the Director of Finance and Resources (Section 151 Officer) and officers nominated by him have delegated authority to:
- (i) invest surplus funds in accordance with the approved Annual Investment Strategy;
  - (ii) borrow to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt of £963m approved by the City Council on 9 February 2021;
  - (iii) reschedule debt in order to even the maturity profile or to achieve revenue savings;
  - (iv) to buy and sell foreign currency, and to purchase hedging instruments including forward purchases, forward options and foreign exchange rate swaps to mitigate the foreign exchange risks associated with some contracts that are either priced in foreign currencies or where the price is indexed against foreign currency exchange rates;

- 3.6. That the Director of Finance and Resources (Section 151 Officer) has the power to delegate treasury management operations to relevant staff;
- 3.7. That the Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee be informed of any variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (paragraph 1.2.2 of Treasury Management Policy Statement).

#### **4. Background**

4.1. The Council's treasury management operations cover the following:

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

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

- Credit risk - i.e. that the Council is not repaid, with due interest in full, on the day repayment is due;
- Liquidity risk - i.e. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs;
- Interest rate risk - that the Council fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are in excess of those for which the Council has budgeted;
- Exchange rate risk - the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately;
- Inflation risk, i.e. the chance that cash flows from an investment won't be worth as much in future because of changes in purchasing power due to inflation;

- 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 - i.e. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud, error or corruption.

4.3. The total borrowings of the Council at 1 April 2021 are estimated to be £778m. The Council's investments at 1 April 2021 are estimated to be £387m. The cost of the Council's borrowings and the income derived from the Council's short-term treasury investments (i.e. excluding commercial property investments) are included within the Council's treasury management budget of £32.5m per annum. The Council's treasury management activities account for a significant proportion of the Council's overall budget. As a consequence the Council's Treasury Management Policy aims to manage risk while optimising costs and returns. The Council will monitor and measure its treasury management position against the indicators contained in the Treasury Management Policy.

4.4. The City Council has adopted CIPFA's Treasury Management in the Public Services Code of Practice. The Code of Practice requires the City Council to approve a Treasury Management Strategy before the start of the financial year.

4.5. In addition the Government has issued statutory guidance that requires the Council to approve an Annual Investment Strategy before the start of the financial year.

4.6. The Treasury Management Strategy, and the Annual Investment Strategy are all contained within the attached Treasury Management Policy Statement.

## **5. Reasons for recommendations**

5.1. The recommendations provide assurance that the Council's attached Treasury Management Policy Statement reflects CIPFA's Treasury Management Code of Practice and have regard to statutory guidance issued by the Government. These are designed to:

- Enable the Council to borrow funds as part of managing its cash flow or to fund capital expenditure in a way that minimises risk and costs;
- Provide for the repayment of borrowing;
- Ensure that the Council's investments are secure;
- Ensure that the Council maintains sufficient liquidity;

- Maximise the yield on investments in a way that is commensurate with maintaining the security and liquidity of the investment portfolio;
- Allow the Housing Revenue Account (HRA) to have the full benefit of borrowing from the Public Works Loans Board (PWLB) at the lower HRA Certainty Rate.

5.2. Until 2019/20, the Council operated a single loans pool with a share of borrowing costs being charged to the HRA.

5.3. Between 11 March 2020 and 25 March 2020 the PWLB introduced an HRA Certainty Rate that was 1% below the General Fund Certainty rate. In the first quarter of 2020/21 the Council borrowed £60m from the PWLB at the HRA Certainty Rate to finance the HRA capital programme. In order to allow the HRA to have the whole benefit of this lower rate, it is recommended that these loans are placed in a second loans pool and charged to the HRA in their entirety. The cost of the Council's other borrowing will continue to be apportioned between the General Fund and the HRA.

5.4. There are no other changes to the Treasury Management Policy.

## **6. Integrated impact assessment**

6.1. The contents of this report does not significantly impact Portsmouth's communities (other than through the finances of the City Council), or equality and diversity.

## **7. Legal implications**

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

## **8. Director of Finance's comments**

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

.....  
Signed by:

**Appendices:** Treasury Management Policy Statement 2021/22

**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:

<b>Location:</b>	<b>Location</b>
Information pertaining to the Treasury Management Strategy	Financial Services



# **TREASURY MANAGEMENT POLICY STATEMENT FOR 2021/22 INCLUDING:**

- **TREASURY MANAGEMENT STRATEGY**
- **ANNUAL INVESTMENT STRATEGY**

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

**INDEX**

Para	Contents	Page
1	INTRODUCTION	3
1.1	Background	3
1.2	Reporting Requirements	4
1.3	Treasury Management Strategy for 2021/22	6
1.4	Treasury Management Staff	6
1.5	Treasury Management Consultants	6
2	THE CAPITAL PRUDENTIAL INDICATORS 2020/21 - 2024/25	8
2.1	Capital Expenditure	8
2.2	The Council's Borrowing Need (the Capital Financing Requirement)	9
2.3	Core Funds and Expected Investment Balances	10
3	BORROWING	11
3.1	Current Borrowing Position	11
3.2	Treasury Indicators: Limits to Borrowing Activity	12
3.3	Prospects for Interest Rates	13
3.4	Bond yields / Public Works Loans Board (PWLB) Rates	13
3.5	Investment and Borrowing Rates	14
3.6	Borrowing Strategy and Risk Appetite	15
3.7	Policy on Borrowing in Advance of Need	16
3.8	Debt Rescheduling	16
3.9	Approved Sources of Long and Short Term Borrowing	16
3.10	Apportionment of Borrowing Costs to the Housing Revenue Account (HRA)	17
4	ANNUAL INVESTMENT STRATEGY	18
4.1	Investment Policy - Management of Risk	18
4.2	Creditworthiness Policy	19
4.3	Other Limits	23
4.4	Environmental, Social and Governance Factors	23
4.5	Investment Strategy and Risk Appetite Statement	23
4.6	Investment Return Expectations	25
4.7	Investment Treasury Indicator and Limit	25
4.8	Investment Performance	25
4.9	End of Year Investment Report	25
5	APPENDICES	26
5.1	Maturity Structure of Borrowing	27
5.2	Credit and Counterparty Risk Management	28
5.3	Sector and Geographic Investment Limits	33

## 1. INTRODUCTION

### 1.1 Background

- 1.1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.
- 1.1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.1.4 Whilst any commercial initiatives or loans to third parties will affect the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
- 1.1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

*“The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

## 1.2 Reporting requirements

### 1.2.1 Capital Strategy

The revised CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this Capital Strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements and governance procedures.

This Capital Strategy (reported elsewhere on the Cabinet Agenda for 9 March 2021) is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, as distinct from the policy on commercial investments usually driven by expenditure on an asset. The Capital Strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The debt payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

### 1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Treasury Indicators and Treasury Strategy** (this report) - The first, and most important report is forward looking and covers:
  - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an investment strategy, (the parameters on how investments are to be managed).
- b. **A Mid-year Treasury Management report** – This is primarily a progress report and will update members on the treasury management position, amending prudential and treasury management indicators as necessary, and revising any policies if required. In addition, the Governance and Audit and Standards Committee will receive quarterly update reports.
- c. **An Annual Treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### 1.2.3 Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit and Standards Committee.

In addition, the Governance and Audit and Standards Committee receives quarterly treasury management monitoring reports.

The Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee will be informed of any variances from the Treasury Management Policy when they become apparent, and the Leader of the City Council will be consulted on remedial action.

### **1.3 Treasury Management Strategy for 2021/22**

The strategy for 2021/22 covers:

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy including the risk appetite;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy including the risk appetite;
- creditworthiness policy; and
- the policy on use of external service providers.

### **1.4 Treasury Management Staff**

1.4.1 The treasury management function is undertaken by the Director of Finance and Resources (Section 151 Officer). This includes (i) investing surplus funds in accordance with the approved Annual Investment Strategy; (ii) borrowing to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt; (iii) rescheduling debt in order to even the maturity profile or to achieve revenue savings and; (iv) to buy and sell foreign currency and hedge against currency movements to fulfil contracts priced in or indexed against foreign currencies. The Director of Finance and Resources will have the power to delegate authority to undertake these functions to relevant officers including the Deputy Director of Finance and Section 151 Officer, the Finance Manager (Technical and Financial Planning), the Treasury Manager and various back up cash dealers drawn from the Finance Directorate. The Director of Finance and Resources (Section 151 Officer), the Deputy Director of Finance and Section 151 Officer, and the Finance Manager (Technical and Financial Planning) are all qualified Chartered Public Finance Accountants.

### **1.5 Treasury Management Consultants**

1.5.1 The Council uses "Link Asset Services, Treasury Solutions" as its external treasury management advisors.

1.5.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including from, but not solely, our treasury advisers.

1.5.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

- 1.5.4 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council uses Avison Young in relation to this activity.

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

The capital programme approved by the City Council on 11 February 2021 can be summarised in table A as follows:

<b>Table A</b>	<b>2019/20 Actual</b>	<b>2020/21 Revised Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
	£m	£m	£m	£m	£m	£m	£m
Investment Properties	12	11	-	-	-	-	-
Other Non - Housing Revenue Account (HRA)	219	204	211	108	66	39	37
<b>Sub - Total</b>	<b>231</b>	<b>215</b>	<b>211</b>	<b>108</b>	<b>66</b>	<b>39</b>	<b>37</b>
Housing Revenue Account (HRA)	25	50	71	56	52	49	31
<b>Total</b>	<b>256</b>	<b>265</b>	<b>282</b>	<b>164</b>	<b>118</b>	<b>88</b>	<b>68</b>
<b>Element financed from borrowing</b>	<b>177</b>	<b>56</b>	<b>110</b>	<b>53</b>	<b>26</b>	<b>27</b>	<b>-</b>



Capital expenditure on commercial activities / non-financial investments including investment properties is entirely financed from borrowing.

## 2.2 The Council's borrowing need (the Capital Financing Requirement)

2.2.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and therefore its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital funding resource, will increase the CFR.

2.2.2 The CFR does not increase indefinitely, and is reduced by the minimum revenue provision (MRP) which is a statutory annual revenue charge that reduces the indebtedness broadly in line with each assets life, thus the economic consumption of capital assets as they are used is charged to the Council's Revenue Budget.

2.2.3 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £62m of such schemes within the CFR.

The projected CFR is shown below:

<b>Table B</b>	<b>2019/20 Actual</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
<b>Capital Financing Requirement (£m)</b>							
Investment Properties	160	171	171	171	171	171	171
Other Non - Housing Revenue Account (HRA)	461	474	549	568	567	569	561
<b>Sub - Total</b>	<b>621</b>	<b>645</b>	<b>720</b>	<b>739</b>	<b>738</b>	<b>740</b>	<b>732</b>
Housing Revenue Account (HRA)	178	200	224	244	261	275	272
<b>Total CFR</b>	<b>799</b>	<b>845</b>	<b>944</b>	<b>983</b>	<b>999</b>	<b>1,015</b>	<b>1,004</b>
<b>Movement in CFR</b>	<b>172</b>	<b>46</b>	<b>99</b>	<b>39</b>	<b>16</b>	<b>16</b>	<b>(11)</b>

<b>Movement in CFR represented by (£m)</b>							
Net financing need for the year (above)	177	56	110	53	26	27	-
Less MRP	(5)	(10)	(11)	(14)	(10)	(11)	(11)
<b>Movement in CFR</b>	<b>172</b>	<b>46</b>	<b>99</b>	<b>39</b>	<b>16</b>	<b>16</b>	<b>(11)</b>

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these sums; consider the scale proportionate to the Authority's remaining activity.

### 2.3 Core funds and expected investment balances

2.3.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

<b>Table C Year End Resources £m</b>	<b>2019/20 Actual</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
Fund balances / reserves	244	268	230	205	200	194	191
Capital grants unapplied	58	58	58	58	58	58	58
Capital receipts	17	19	21	23	25	27	29
Provisions	13	13	13	13	13	13	13
Other	29	29	29	29	29	29	29
<b>Total core funds</b>	<b>361</b>	<b>387</b>	<b>351</b>	<b>328</b>	<b>325</b>	<b>321</b>	<b>320</b>
Working capital*	67	67	67	67	67	67	67
Over / (under) borrowing - see overleaf	(36)	(67)	(182)	(236)	(264)	(294)	(294)
<b>Expected investments</b>	<b>392</b>	<b>387</b>	<b>236</b>	<b>159</b>	<b>128</b>	<b>94</b>	<b>93</b>

\*Working capital balances shown are estimated year-end; these may be higher mid-year

### 3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

#### 3.1 Current borrowing position

3.1.1 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

<b>Table D</b>	<b>2019/20 Actual</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
<b>External Debt (£m)</b>							
Debt at 1 <sup>st</sup> April	590	701	721	711	701	692	683
Expected change in Debt	111	20	(10)	(10)	(9)	(9)	(9)
Other long-term liabilities (OLTL) at 1 <sup>st</sup> April	66	62	57	51	46	43	38
Expected change in OLTL	(4)	(5)	(6)	(5)	(3)	(5)	(2)
<b>Actual gross debt at 31 March</b>	<b>763</b>	<b>778</b>	<b>762</b>	<b>747</b>	<b>735</b>	<b>721</b>	<b>710</b>
<b>The Capital Financing Requirement</b>	<b>799</b>	<b>845</b>	<b>944</b>	<b>983</b>	<b>999</b>	<b>1,015</b>	<b>1,004</b>
Over / (under) borrowing	(36)	(67)	(182)	(236)	(264)	(294)	(294)

Within the above figures the level of debt relating to commercial activities / non-financial investment is:

<b>Table E</b>	<b>2019/20 Actual</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
<b>External Debt for investment properties</b>							
Actual debt at 31 March £m	160	171	171	171	171	171	171
Percentage of total external debt %	21%	22%	23%	23%	24%	24%	25%

3.1.2 Within the range of prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.1.3 The Director of Finance and Resources (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and proposals in the budget.

### 3.2 Treasury Indicators: limits to borrowing activity

3.2.1 **The operational boundary.** This is the limit, set as part of the capital programme, beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and of other cash resources (as described in Table B).

<b>Table F</b>	<b>2020/21 Estimate (£m)</b>	<b>2021/22 Estimate (£m)</b>	<b>2022/23 Estimate (£m)</b>	<b>2023/24 Estimate (£m)</b>	<b>2024/25 Estimate (£m)</b>	<b>2025/26 Estimate (£m)</b>
Commercial activities/ non-financial investments	160	171	171	171	171	171
Other Debt	629	723	766	786	805	808
Other long term liabilities	57	51	46	42	38	35
<b>Total</b>	<b>846</b>	<b>945</b>	<b>983</b>	<b>999</b>	<b>1,014</b>	<b>1,014</b>

3.2.2 **The authorised limit for external debt.** This is a key prudential indicator, set as part of the capital programme, and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

<b>Table G</b>	<b>2020/21 Estimate (£m)</b>	<b>2021/22 Estimate (£m)</b>	<b>2022/23 Estimate (£m)</b>	<b>2023/24 Estimate (£m)</b>	<b>2024/25 Estimate (£m)</b>	<b>2025/26 Estimate (£m)</b>
Commercial activities/ non-financial investments	160	171	171	171	171	171
Other Debt	647	742	785	805	825	828
Other long term liabilities	57	51	46	42	38	35
<b>Total</b>	<b>864</b>	<b>964</b>	<b>1,002</b>	<b>1,018</b>	<b>1,034</b>	<b>1,034</b>

### 3.3 Prospects for interest rates

3.3.1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 27<sup>th</sup> November 2020. However, following the conclusion of the review of PWLB margins over gilt yields on 25<sup>th</sup> November 2020, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View		9.11.20												
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

3.3.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5<sup>th</sup> November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

### 3.4 Bond yields / Public Works Loans Board (PWLB) rates.

3.4.1 There was much speculation during the second half of 2019 that bond markets were in a bubble, which was driving bond prices up, and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be

expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

3.4.2 Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these 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 took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put 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. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

3.4.3 As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geopolitical, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9<sup>th</sup> November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

### 3.5 Investment and borrowing rates

3.5.1 **Investment returns** are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

3.5.2 **Borrowing interest rates** fell to historically very low rates because of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019 required an initial major rethink of local authority treasury management strategy and risk management. It also introduced the following rates for borrowing for different types of capital expenditure:

- **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)

3.5.3 However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. Because of these increases in margins, the Council has only borrowed for HRA financing so far in 2020/21.

3.5.4 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority, which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows:

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **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)

3.5.5 **Borrowing for capital expenditure.** As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows.

3.5.6 There will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### 3.6 Borrowing strategy and risk appetite

3.6.1 It is often possible to borrow money short term at lower rates than it is possible to borrow long term. This often leaves the Council with two choices:

- Borrowing at either short term or variable interest rates. This would often enable the Council to borrow relatively cheaply, but the Council would need to accept that its borrowing costs might be volatile, as it exposes the Council to the benefits and dis-benefits of interest rate movements that can give rise to budget variances. This is a major risk when interest rates are expected to increase.
- Borrowing long term at fixed rates. This provides stable and predictable revenue costs of borrowing. Fixed interest rates avoid the risk of budget variances caused by interest rate movements but prevent the council from benefiting from falling interest rates on its borrowing. There is a risk that the Council could become locked into relatively high rates of interest if interest rates fall.

3.6.2 The Council attaches a high priority to a stable and predictable revenue cost of borrowing in the long term. This reflects the fact that debt servicing represents 18.9% of the General Fund net revenue budget and 7.0% of the HRA net revenue budget.

3.6.3 The Council's objective in relation to debt is as follows:

- To borrow as cheaply as possible for the long-term at a fixed rate

This means that the Council is not totally risk averse, and the Council may borrow either short term or at variable rates if long-term interest rates are expected to fall.

Treasury management staff will act flexibly to actively manage treasury risks within the scope of the Council's treasury management policy and strategy.

### 3.7 Policy on borrowing in advance of need

- 3.7.1 Section 12 of the Local Government Act 2003 gives a local authority the power to invest for “any purpose relevant to its functions under any enactment or for the prudent management of its financial affairs”. While the speculative procedure of borrowing purely to invest at a profit is clearly unlawful, there is no legal obstacle to the temporary investment of funds borrowed for the purpose of funding capital expenditure incurred in the reasonably near future.
- 3.7.2 Borrowing in advance of need may enable the City Council to obtain cheaper loans than those available at the time when expenditure is incurred, although the consequent investment of funds borrowed in advance of need does expose the City Council to credit risk. The interest payable on funds borrowed in advance of need is likely to exceed the interest earned on the investment of those funds in the current economic climate. The Council may determine to borrow in advance of need in circumstances where it is reasonably expected that the total cost of borrowing over the whole life of the loan in present value terms is lower by borrowing in advance of need.

### 3.8 Debt rescheduling

- 3.8.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as PWLB new borrowing rates exceed PWLB premature debt repayment rates by around 0.80%.

### 3.9 Approved Sources of Long and Short Term Borrowing

	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)		●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	n/a	n/a
Finance leases	●	●



### **3.10 Apportionment of Borrowing Costs to the Housing Revenue Account (HRA)**

- 3.10.1 From 2020/21 the Council will operate two loans pools for the purposes of apportioning borrowing costs to the HRA.
- 3.10.2 The first loans pool will consist of all the Council's loans taken out prior to 2020/21 for both General Fund and HRA purposes. The Council will continue to operate this loans pool and apportion costs according to locally established principles. The principles upon which the apportionment of borrowing costs should be based are as follows:
- The apportionment is broadly equitable between the HRA and the General Fund, and is detrimental to neither;
  - The loans portfolio is managed in the best interests of the whole authority;
- 3.10.3 It is recommended that a second loans pool is established in 2020/21 consisting of the three £20m loans that were taken from the PWLB at the HRA Certainty Rate which was 1.0% below the PWLB General Fund Certainty Rate. The borrowing costs on these loans will be charged to the HRA in their entirety.
- 3.10.4 From 25 November 2020 the PWLB General Fund Certainty Rate was reduced by 1.0%, thereby removing the differential between the General Fund and HRA PWLB rates. Any future borrowing will therefore be included in the first loans pool covering both the HRA and the General Fund.

## 4. ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy – management of risk

4.1.1 The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

4.1.2 The Council’s investment policy has regard to the following:

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

4.1.3 The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite.

4.1.4 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk that is measured by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings including outlooks and credit watches.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
3. **Other information** sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.2 under the categories of ‘specified’ and ‘non-specified’ investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £200m, (see paragraph 4.3).
  6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
  7. This authority will set a limit for its investments that are invested for **longer than 365 days**, (see paragraph 4.7).
  8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
  9. This authority places **sector and geographical limits** on its investment portfolio in order to avoid the concentration of risk, (Appendix 5.3).
  10. Because of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments, which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, (MHCLG), concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.

## 4.2 Creditworthiness policy

- 4.2.1 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
  - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
  - It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 4.2.2 The Director of Finance and Resources (Section 151 Officer) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality that the Council may use, rather than defining what types of investment instruments are to be used.

- 4.2.3 Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
- 4.2.4 The criteria for providing a pool of high quality investment counterparties, (both specified and non-specified investments) is:
- Banks 1 - good credit quality – the Council will only use banks which:
    - i. are UK banks; and/or
    - ii. are non-UK and domiciled in a country which has a double A sovereign Long Term ratingand have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):
    - i. Short Term - F1, P-2, or A-2
    - ii. Long Term – A-
  - Banks 2 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
  - Banks 3 - Secured lending to banks partly owned by the City Council.
  - Building societies. The Council will use all societies which:
    - i. Meet the ratings for Banks 1 outlined above or;
    - ii. Have assets in excess of £350m;or meet both criteria.
  - Money Market Funds (MMFs)
  - UK Government (including gilts, Treasury Bills and the DMADF)
  - Local authorities
  - Housing associations. In addition to ratings from the credit agencies, housing associations will only receive investments if they have a viability rating of V1 and a governance rating of G1 from Homes England.
  - Supranational institutions that meet the ratings for banks outlined above
  - Corporate Bonds. The Council will invest in corporate bonds which:
    - i. Meet the ratings for Banks 1 outlined above or;
    - ii. Have a credit rating of BBB+ or;
    - iii. Have a credit rating of BBB- but form part of a portfolio managed by professional fund managers
  - Universities that meet the ratings for Banks 1 outlined above

- Pooled investment vehicles including equity funds, property funds, corporate bond funds and multi asset funds
- Subsidiary companies of the City Council

A limit of £200m will be applied to the use of non-specified investments

**4.2.5 Use of additional information other than credit ratings.** Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

**4.2.6 Time limits** are applied to most investment categories to limit credit risk as the longer the duration of an investment is, the more time there is for the credit quality of the counter party to deteriorate. There are no time limits applied to corporate bonds managed by a professional fund manager, pooled investment vehicles, and subsidiary companies of the Council. Corporate bonds can be sold if there is a need to disinvest and a professional fund manager will have more resources to assess credit quality. Investments in pooled investment vehicles often do not have a predetermined maturity; the Council would withdraw its investment at the appropriate time. The Council controls its subsidiary companies and therefore is in a position to have a considerable influence on their credit quality.

4.2.7 **Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

<b>Table H</b>	<b>Fitch Long term Rating (or equivalent)</b>	<b>Money Limit</b>	<b>Time Limit</b>
Banks 1 highest quality	AA-	£26m	6yrs
Banks 1 higher quality	A+	£20m	6yrs
Banks 1 medium quality	A	£15m	6yrs
Banks 1 lower quality	A-	£10m	6yrs
Banks 2 the Council's own banker if the criteria for Banks 1 is not met	-	Minimised	Minimised
Banks 3 partly owned by the Council	-	£10m	5yrs
UK Government including DMADF	UK sovereign rating	unlimited	6yrs
Local authorities	N/A	£30m	6yrs
Housing associations higher quality	AA-	£30m	10yrs
Housing associations lower quality	A-	£20m	10yrs
Corporate bonds purchased by City Council but not meeting criteria for Banks 1 above	BBB+	£7m	365 days
Corporate bonds managed by a professional fund manager	BBB-	£0.32m per bond up to a limit of £8m	Unlimited
Pooled investment vehicles	-	£50m	Unlimited
Subsidiary companies of the Council	-	£30m	Unlimited
	<b>Fund rating</b>	<b>Money Limit</b>	<b>Time Limit</b>
Money Market Funds	AAA	£26m	liquid
Enhanced Money Market Funds	AA	£20m	liquid

4.2.8 The proposed criteria for specified and non-specified investments are shown in Appendix 5.2 for approval.

### 4.3 Other limits

4.3.1 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £200m.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of double A** from Fitch or equivalent.
- c) **Other limits.** In addition:
  - limits in place above will apply to a group of companies;
  - sector and geographic limits will be monitored regularly for appropriateness.

### 4.4 Environmental, Social and Governance Factors

4.4.1 The Council will seek to move towards investments that improve the environment, bring wider social benefits, and are with organisations with good governance.

4.4.2 The Council will avoid investments in fossil fuel extraction unless they are making substantial investment into renewable energy technologies as part of a strategy to move to becoming a clean energy supplier.

4.4.3 The Council will give weight to the environmental, social and governance elements of credit ratings in making investment decisions, provided that the overall risk profile of the investment portfolio (including liquidity risk) is not compromised, and that decisions remain consistent with responsible financial management and stewardship.

### 4.5 Investment Strategy and Risk Appetite Statement

4.5.1 All the investment guidance available, both statutory and from the Chartered Institute of Public Finance and Accountancy (CIPFA), makes it clear that all investing must follow SLY principles - security, liquidity, yield. In accordance with the guidance issued, the Council's first priority in investing is security, followed by liquidity. After these priorities are met, the Council will seek to maximise yields. The Council will consider the environmental and social implications of its investments once SLY principles have been met.

- 4.5.2 The Council's objectives in relation to investment can accordingly be stated as follows:

*Sums are invested with a diversified range of counter parties using the maximum range of financial instruments\* consistent with a low risk of the capital sum being diminished through movements in market prices.*

\* Financial instruments include term deposits, certificates of deposits, corporate bonds, money market funds, structured notes and shares in pooled investment funds

- 4.5.3 This means that the Council is not totally risk averse. Treasury management staff have the capability to actively manage treasury risks within the scope of the Council's treasury management policy and strategy.
- 4.5.4 In particular, when investing surplus cash, the Council will not necessarily limit itself to making deposits with the UK Government and local authorities, but may invest in other bodies including unrated building societies, Registered Social Landlords (RSLs), universities and corporate bonds. The Council may invest surplus funds through tradable instruments such as treasury bills, gilts, certificates of deposit, corporate bonds, covered bonds and repos / reverse repos.
- 4.5.5 The Council will invest its surplus cash to provide sufficient liquidity to meet its cash flow needs, but is mindful that the value of its investments will fall in real terms unless investment returns are at least equal to inflation. In order to earn investment returns in excess of inflation on as much of its surplus cash as possible, the Council will invest as much as it can in longer-term higher yielding investments whilst maintaining sufficient liquidity to meet its cash flow needs.
- 4.5.6 The Council may invest in lower risk structured investment products that follow the developed equity and other market indices where movements in prices may diminish the capital sum invested. These investments, and indeed any other investment, could also be diminished if the counter party defaults. Although the Council only invests in counter parties offering good credit quality, the credit quality of an investment counter party can decline during the life of the investment. This is particularly the case with long-term investments.
- 4.5.7 The Council may invest in externally managed pooled investment vehicles such as corporate bond funds, equity funds, property funds and multi asset funds, if the Council has cash for a term that is sufficient to cover cyclical movements in prices.
- 4.5.8 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed:
- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments short term or variable.



- Conversely, if it is thought that Bank Rate is likely to fall, consideration will be given to locking in higher rates currently obtainable, for longer periods.

#### 4.6 Investment return expectations.

4.6.1 The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population.

4.6.2 There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter-term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations.

#### 4.7 Investment treasury indicator and limit - total principal funds invested for greater than 365 days.

4.7.1 These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

4.7.2 The Council is asked to approve the following treasury indicator and limit:

<b>Table I - Upper limit for principal sums invested for longer than 365 days</b>			
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current investments as at 31 March in excess of 1 year maturing in each year	200	134	103

#### 4.8 Investment performance

4.8.1 This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, 1, 3, 6 or 12 month LIBID. The Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation and will report back to members accordingly.

#### 4.9 End of year investment report

4.9.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## **5. APPENDICES**

**5.1 Maturity structure of borrowing**

**5.2 Credit and counterparty risk management**

**5.3 Sector and Geographic Investment Limits**

**APPENDIX 5.1****Maturity Structure of Borrowing**

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

<b>Table J</b>		
<b>Maturity structure of fixed interest rate borrowing 2020/21</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	10%
12 months to 2 years	0%	10%
2 years to 5 years	0%	10%
5 years to 10 years	0%	20%
10 years to 20 years	0%	30%
20 years to 30 years	0%	40%
30 years to 40 years	0%	40%
40 years to 50 years	0%	50%
<b>Maturity structure of variable interest rate borrowing 2020/21</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	10%
12 months to 2 years	0%	10%
2 years to 5 years	0%	10%
5 years to 10 years	0%	20%
10 years to 20 years	0%	30%
20 years to 30 years	0%	40%
30 years to 40 years	0%	40%
40 years to 50 years	0%	40%

**APPENDIX 5.2****CREDIT AND COUNTERPARTY RISK MANAGEMENT**

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Director of Finance and Resources (Section 151 Officer) has produced its treasury management practices (TMPs).

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the Treasury Strategy Statement.

**Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments that would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Office deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Bonds issued by supranational banks of less than one year's duration.
3. A local authority, housing association or university.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This covers pooled

investment vehicles, such as money market funds, rated AA by Standard and Poor's, Moody's and / or Fitch rating agencies.

5. A body that is considered of a high credit quality (such as a bank or building society) with a minimum Short Term rating of A-2 / P-2 / F1 as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are contained in Table H.

**Non-specified investments** – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any investments with:

	<b>Non Specified Investment Category</b>	<b>Limit £</b>
a.	<p><b>Supranational bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds with a AAA long-term rating</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. National Rail)</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p><b>£26m for up to 6 years</b></p> <p><b>£26m for up to 6 years</b></p>
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p><b>Unlimited investments for up to 6 years</b></p>
c.	<p><b>The Council's own banker</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	<p><b>£10m for up to 1 day</b></p>
d.	<p><b>Building societies not meeting the basic security requirements under the specified investments.</b> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies that have a minimum asset size of £350m.</p>	<p><b>£6m for up to 2 years</b></p>
e.	<p>All <b>banks and building societies</b> that have a minimum long-term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	<p><b>Up to £26m (depending on credit quality) for up to 6 years</b></p>

	<b>Non Specified Investment Category</b>	<b>Limit £</b>
f.	<b>Loan capital</b> in a body corporate with a credit rating of at least BBB+. This will enable investments to be made in large commercial companies such as British Telecom. A short-term investment in a BBB+ rated counterparty may be less likely to default than a long-term investment with an A- rated counterparty.	<b>£7m for 365 days</b>
g.	<b>Corporate bonds</b> bought on the Council's behalf by professional fund managers who will target an average credit rating of at least BBB+ for the corporate bond fund. The average credit rating of the corporate bond fund may fall to BBB if there was a downgrade to a single issue or a broad downgrade. We would not want the fund manager to be a forced seller in this situation. If this situation arises, a strategy will be agreed with the fund manager to return the average rating of the portfolio to BBB+.	<b>£8m for an unlimited duration</b>
h.	<b>Pooled investment vehicles including equity funds, property funds and multi asset funds</b> with the potential to generate returns in excess of inflation and thus maintain the value of the principal invested in real terms. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting requires movements in the market value of pooled investments to be charged to General Fund balances.	<b>£50m for an unlimited duration</b>
i.	<b>Subsidiary companies of the Council.</b> In particular, funds could be invested to facilitate the establishment of a subsidiary company to develop housing in the greater Portsmouth area on a commercial basis.	<b>£30m for an unlimited duration</b>
j.	<b>Banks partly owned by the City Council.</b> The Council is an equity shareholder in Hampshire Community Bank (HCB). Purchasing bonds in HCB would contribute to the regeneration of Hampshire and offer interest of up to 3.5%. Investing in HCB carries greater risk than the other approved investments contained in the Council's Annual Investment Strategy, as HCB is a new entity that is in the process of developing its business, and currently has neither a banking license nor a credit rating. However, HCB will be able to offer assets as security to cover a bond. These assets would consist of loans of the highest credit quality to the small and medium enterprise (SME) sector. The loan assets offered as security would pass to the Council in the event of HCB defaulting.	<b>£10m for 5 years</b>

**The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately.

**APPENDIX 5.3****SECTOR AND GEOGRAPHIC INVESTMENT LIMITS****Sector Investment Limits**

AA money market funds offer security and same day access. By aggregating investments they can also invest in financial institutions that may not be interested in the relatively small sums that the Council can invest. Although AA money market funds are well diversified in their investments, there is a risk that more than one fund could have investments with the same bank or that the Council may also have invested funds in the same bank as a money market fund. Therefore it is proposed that the Council should aim to have no more than £80m invested in money market funds.

Most building society lending is secured against residential properties. If property prices fall there may be inadequate security to support building societies lending giving rise to a systemic risk.

As RSL's offer one principal service and their assets principally consist of residential properties, excessive investments in RSLs would also expose the Council to a systemic risk.

Excessive investments in investment products tracking equity, property or other markets could also expose the Council to a systemic risk.

In order to minimise systemic credit risk in any sector the following limits will be applied:

Money market funds	£80m
Building societies	£155m
Registered Social Landlords	£80m
Investments tracking the equity, property or other markets	£70m

**Geographic Investment Limits**

In order to minimise systemic credit risk in any region, the following limits will be applied to the geographic areas where investments can be made in foreign countries.

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



# Agenda Item 12



**Title of meeting:** Governance & Audit & Standards Committee

**Date of meeting:** Friday, 5 March 2021

**Subject:** Appointment of Independent Persons

**Report by:** City Solicitor

**Wards affected:** Not applicable

**Key decision:** No

**Full Council decision:** Yes

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## 1. Purpose of report

To outline the requirements for and consider the reappointment of two Independent Persons whose terms are coming to an end and to add an additional Independent Person, pursuant to the provisions of Section 28 of the Localism Act 2011.

## 2. Recommendations

**That Governance and Audit and Standards Committee recommend that;**

- 1) The Council increases the number of Independent Persons to up to five (from up to four);**
- 2) The Council reappoint Carole Damper and Diana Turner as Independent Persons for a further three years from 1 May 2021 through to 30 April 2024, and;**
- 3) The Council appoint Chris Rider as an Independent Person for three years from 1 May 2021 through to 30 April 2024 (subject to 1 above being agreed).**

## 3. Background

3.1 The Localism Act only requires that we appoint one Independent Person however, the Council has locally determined to appoint more than one to both provide resilience and also as at least two Independent Persons are required to consider complaints by a Councillor against another Councillor, as per the policy agreed by Council in October 2016.

3.2 Following consideration by Governance and Audit and Standards Committee and Council in March 2020, the Council agreed to the appointment of two new Independent Persons for a period of 3 years, increasing from two to four Independent Persons.

3.3 The two standing Independent Persons' term of appointment will expire this May 2021, unless reappointed.

3.4 In autumn 2019 an advertisement was placed for applications to be submitted for the role of Independent Person and following interviews on 6 February 2020, two were appointed, with one placed in reserve. Increasing the number of Independent Persons from four to five will enable the Council to formally appoint the reserve.

3.5 Independent Persons do not receive any remuneration for this role but may be reimbursed for travelling expenses, which are covered from within existing budgets.

**4. Reasons for recommendations**

Independent Persons are required under the Council's Arrangements for Assessment, Investigation and Determination of Complaints made against Councillors. It is considered that the reappointment of two Independent Persons with the additional appointment of an Independent Person who was originally held in reserve, will aid and provide resilience to the complaints process.

**5. Integrated impact assessment**

An integrated impact assessment is not required as the report does not propose any new or changed services, policies or strategies.

**6. Legal implications**

The legal implications are within this report.

**7. Director of Finance's comments**

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

.....  
Signed by:

**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
Nil	

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

.....  
Signed by:

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# Agenda Item 13



<b>Title of meeting:</b>	Governance & Audit & Standards Committee Council
<b>Date of meeting:</b>	5 March 2021 16 March 2021
<b>Subject:</b>	Review of Members' Allowance Scheme
<b>Report by:</b>	Chief Executive
<b>Wards affected:</b>	n/a
<b>Key decision:</b>	No
<b>Full Council decision:</b>	Yes

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## 1. Purpose of report

The purpose of the report is

- (1) To seek approval for the review process from the Governance & Audit & Standards Committee
- (2) To recommend to Council the findings of the Independent Remuneration Panel in respect of the Members' Allowances Scheme.

## 2. Recommendations

### To Governance & Audit & Standards Committee

That it approves the review process.

### To Council (via Governance & Audit & Standards Committee)

- (1) That no change should be made at present to any of the various elements comprising the Members' Allowances Scheme ("the Scheme") attached as Appendix 1 on the basis that the existing index linked arrangement should continue to be applied.
- (2) To note that the Panel aims to revisit the Scheme in around one year's time to consider any possible changes the Panel may deem appropriate at that time
- (3) Note in any event a further review will be required within four years of the last review taking place



- (4) **That the existing Independent Review Panel be retained as a Standing Panel in the interim period, to consider any issues that arise in connection with the Scheme before the next review, either by email or in meetings.**
- (5) **The members of the Independent Review Panel be thanked for their time and attention in undertaking the Review.**

### 3. Background

- 3.1. Under the Local Authorities (Members Allowances) (England) Regulations 2003, Portsmouth City Council is required to have an Independent Remuneration Panel to review the Members' Allowance Scheme. The last review took place in 2017.
- 3.2. PCC Members' Allowances are index-linked, which means that instead of an annual review (which the Regulations would otherwise require) the Council must review the scheme every 4 years.
- 3.3 In order to ensure impartiality, an Independent Remuneration Panel (IRP) was formed to review the Portsmouth City Council Members' Allowances Scheme.
- 3.4. The 2021 Independent Remuneration Panel comprised representatives of the local Business, Public, Voluntary/Community sectors:
  - Brian Johnson - BAE Systems (Chair)
  - Michael Dyer - Verisona
  - Mark Waldron - The News
  - Sue Dovey - Action Hampshire
- 3.5 The Panel met on 14 January 2021 and considered the documents pack comprising -  
  
Comparator overview dated October 2020  
South East Employers (SEE) Members Allowances Surveys for 2019 and 2020  
Unitary Authorities Comparison Document  
Councillor Questionnaire and five anonymised responses received
- 3.6 Members of the Panel discussed all the information before them and concluded that the current Members' Allowances Scheme should remain in its existing form for the time being as, given the current climate and the hardship caused by the Covid 19 pandemic, they did not feel it was appropriate to recommend any changes. However they recognised that the role of councillors was onerous and they had noted several areas that

they would like to look at in the future and therefore they would aim to consider the scheme again in approximately one year's time

**4. Reasons for recommendations**

- 4.1 The Regulations state that where an authority has regards to an index for the purpose of an annual adjustment of allowances it must not rely on the index for longer than a period of 4 years before seeking a further recommendation from the Independent Remuneration Panel established in respect of the authority on the application of an index to its scheme.
- 4.2. The Council is required by law to consult with the Independent Remuneration Panel, prior to making any decision to replace, amend or not implement the existing scheme of allowances. The recommendations of the Independent Remuneration Panel are therefore set out above.

**5. Integrated impact assessment**

An integrated impact assessment is not required as the recommendations do not directly or immediately impact on service or policy delivery.

**6. Legal implications**

Under the Local Authorities (Members Allowances) (England) Regulations 2003, Portsmouth City Council is required to have an Independent Remuneration Panel to review the Members' Allowance Scheme. This review is compliant with these regulations.

**7. Director of Finance's comments**

The recommendations contained in the report have no impact on the existing budget.

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Signed by:

**Appendices:**

Appendix 1 - current Members' Allowance Scheme 2020/21

Appendix 2 - Notes from the Independent Remuneration Panel Meeting held on 14 January 2021

**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
Information Pack for Panel	Directorate of Corporate Services

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

.....  
Signed by:



## Members' allowances scheme 2020-2021

Payment of allowances

### Basic Allowance

The annual basic allowance is £11,483, payable to each member in monthly instalments, in arrears.

### Special Responsibilities Allowances

The following are specified as the positions carrying special responsibilities, for which special responsibility allowances are payable. Payments will be made in monthly instalments, in arrears.

(A Member may claim only one such allowance, which, in the case of ambiguity, is the special responsibility allowance with the highest value):-

Role	Multiple of basic allowance	SRA
Leader	1.8	£20,669
Cabinet member	0.7	£8,038
Leader of the main opposition group	0.6	£6,890
Other group leader (5 or more members)	0.3	£3,445
Other group leader (2 to 4 members)	0.2	£2,297
Chair of a regulatory committee	0.35	£4,019
Chair of a scrutiny panel	0.25	£2,871
Shadow Cabinet Spokesperson	0.1	£1,148
*Lord Mayor	0.7	£8,038
*Deputy Lord Mayor	0.1	£1,148

The basic allowance is index linked to any annual pay adjustment that may be awarded to local government officers, and does not constitute an amendment to this scheme.

\* Recognising the roles of Lord Mayor and Deputy Lord Mayor are greater than is required normally of a councillor, as per The Local Authorities (Members' Allowances) (England) Regulations 2003, Special Responsibility Allowances.

### Technical Additions

1. Members' allowances will be annually adjusted in accordance with average percentage pay award figures applicable to local government employees from 1<sup>st</sup> April of each year (or from whenever implemented).
2. When the term of office for a member begins or ends other than at the beginning or end of a financial year, entitlement shall be to payment of part of the basic or special responsibility allowance as is proportionate to the number of days served as a member/holding the relevant special responsibility allowance in that year.
3. A member may elect to forgo an allowance or any part of an allowance by giving notice of such intention in writing to the Payroll and Pensions Manager.

### Travel rates

Travel allowance is claimable by members at the same rate as officers, and these will be updated in line with such rates. The private motor vehicle business mileage rate will be updated when HM Revenue and Customs review the rate.

### Travelling Allowance

Travelling expenses cannot be claimed for business journeys within the city as these expenses are covered by the members' basic allowance with the exception of late night taxis (see note below). Travel claims to a destination outside the City must be from a member's Portsmouth registered address, (or from the Council's Civic Offices if that is the member's starting point and is nearer to the destination). Claims from another location can be made if it is nearer to the destination outside the City.

Where expenditure is necessarily incurred on travelling away from the city on formally approved city council business within the United Kingdom a member may claim an allowance not exceeding the following:-

<b>Public Transport – The ordinary fare</b>	
<b>Rail – Standard (non first class) fare</b>	
<b>Private Motor Vehicles</b>	45p per mile (Max of 60 miles per claim and 10,000 miles per year) 25p per mile there after
<b>Private Motor Cycles</b>	24p per mile
<b>Bicycles</b>	20p per mile

## Taxis

- When engaged on city council business within the city after 11 pm and where no alternative means of transport are reasonably available, Members may claim the actual expenditure incurred.

**NB: Receipts for expenditure incurred where taxis or public transport must be retained and submitted with the members' claim. In addition a VAT receipt for at least 50% of the total claim is required when claiming motor vehicle/cycle mileage.**

- When engaged on city council business out of the city and in cases of urgency or where no public transport is reasonably available, Members may claim the amount of the actual fare and any reasonable gratuity.

**A claim for travel under this scheme shall be made within two months of the date of the meeting.**

## Subsistence Allowance

Subsistence is not claimable.

## Carers' Allowance

This allowance is to enable a carer to be employed to look after a child or an elderly or disabled person who normally resides with a councillor and cannot be left alone. This allowance can only be claimed when the Member concerned is required to attend approved meetings as per Appendix 1.

A carers' allowance is not applicable for party group meetings, canvassing or electioneering, but is available for ward work, advice centres and civic functions. Reimbursement for meetings is allowed beyond the actual duration of the meeting, given that care must usually be booked in advance for a fixed period. The allowance will not be payable to the claimant's own household.

The rate of reimbursement for carers' allowance is equivalent to the Living Wage Foundation rate of £9.50 per hour. This is per person cared for and is unlimited.

Records of any payments made must be submitted to the local democracy manager. No payment under this scheme can be made without receipts.

**NB: Any claim for carers' allowances made under this scheme shall be made within two months of the meeting.**

## IT Allowance

An IT allowance is not claimable.

## Attendance Allowances

In accordance with Section 99(4) of the Local Government Act 2000, attendance allowances are no longer payable.

## **Private telephones and private telephone usage**

The costs involved in the installation of a telephone line at a member's private address, the costs of council related calls made from such a telephone and the monthly line rental for the telephone are not claimable.

## **Mobile phone allowance**

All Members are entitled to the use of a council-owned mobile phone, and may receive reimbursement for all council business calls made.

## **Local Government Pension Scheme (LGPS)**

In accordance with The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, members can no longer join the LGPS.

## **Outside bodies appointments**

Any remuneration received through representing the Council on any Outside Body sits outside the Scheme.

## **Date of the next remuneration panel review of members' allowances**

Annual adjustments are in place but notwithstanding the index-linked arrangement, a further review of the Scheme be carried out to be completed in time for the start of the 2021-2022 financial year to meet the 4-yearly review requirement.

## **Appendix 1 (to the Members' Allowances Scheme)**

Approved duties for the purposes of claiming carer's and travel allowances:

- a meeting of the Cabinet (including informal Cabinet meetings).
- a meeting of a committee of the Cabinet.
- a meeting of the authority.
- a meeting of a committee, panel or sub-committee of the authority.
- a meeting of some other body to which the authority make appointments or nominations, or
- a meeting of a committee or sub-committee of a body to which the authority make appointments or nominations
- ward advice centres, and other ward work.
- civic functions.
- a meeting which has both been authorised by the authority, a committee, or sub-committee of the authority or a joint committee of the authority and one or more other authorities, or a sub-committee of a joint committee and to which representatives of more than one political group have been invited (if the

authority is divided into several political groups) or to which two or more councillors have been invited (if the authority is not divided into political groups).

- a meeting of a local authority association of which the authority is a member.
- duties undertaken on behalf of the authority in pursuance of any standing order requiring a member or members to be present while tender documents are opened.
- duties undertaken on behalf of the authority in connection with the discharge of any function of the authority conferred by or under any enactment and empowering or requiring the authority to inspect or authorise the inspection of premises.
- duties undertaken on behalf of the authority in connection with arrangements made by the authority for the attendance of pupils at a school approved for the purposes of section 342 of the Education Act 1996.
- any other duty approved by the authority in connection with discharging the duties of the authority or its committees or sub-committees.

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## Independent Remuneration Panel (IRP)

# Meeting Notes

Thursday 14 January 2021

A virtual meeting of the Independent Remuneration Panel (IRP) was held at 2pm on Thursday 14 January 2021

### Panel:-

Michael Dyer - Director, Head of Business Law, Verisona  
Sue Dovey - Chief Executive, Action Hampshire  
Brian Johnson - BAE Systems  
Mark Waldron, Editor of The News

### Officers:-

Peter Baulf, City Solicitor and Monitoring Officer  
Stewart Agland, Local Democracy Manager  
Karen Kenneally, Finance  
Vicki Plytas, Senior Local Democracy Officer  
Peter Smith-Parkyn, Governance and Democratic officer

Stewart Agland welcomed everyone to the virtual meeting and invited everyone to introduce themselves. He thanked the Panel Members for being willing to assist in the Members' Allowances Scheme process.

Brian Johnson agreed to Chair the meeting and this was supported by the other panel members.

### Apologies

There were no apologies for absence.

### Declaration of Interests

There were no declarations of interest.

### Summary of discussion

The Panel members confirmed they had received and read the documents for the meeting (listed below) and confirmed they had a broad understanding of the roles of councillors.

- Comparator Overview dated October 2020
- South East Employers (SEE) Members Allowances Survey 2019
- SEE Members Allowances Survey 2020
- Unitary Authorities Comparison Document
- Questionnaire and anonymised responses received

### Background

Stewart Agland advised that PCC Members' Allowances are index-linked, which means that instead of an annual review (which the Regulations would otherwise require) the Council must review the scheme every 4 years and the meeting today was to fulfil that requirement. He referred to the questionnaire that had been circulated to councillors to seek their views on any aspects of the scheme and the 5 responses received had been circulated to the panel.

The purpose of the Panel meeting was to review the Scheme having regard to the comparator information provided and the responses received from Members, with a view to agreeing recommendations on it (via Governance & Audit & Standards Committee) to a future Full Council meeting.

A general discussion then took place during which it was agreed by panel members that being a councillor was very demanding and the remuneration should be sufficient to encourage participation in local democracy.

The Panel noted that of the 5 responses received 4 considered that allowances should not be increased at this time, other than in line with the index-linked amount.

Although the Panel thought that responder 5 had some comments that they would like to look at in greater depth, they agreed that at the moment given the current climate and the hardship caused by the Covid 19 pandemic, they did not feel comfortable about recommending any changes.

Members of the panel acknowledged that trying to decide on a pecking order in respect of the various panels and committees was very difficult and were not inclined to make any changes to the Special Responsibilities Allowances at this time.

During discussion

- In relation to the separate remuneration of members appointed on to Outside Bodies, it was noted these positions, which are funded by the external bodies concerned, are outside the remit of the scheme, and there is already a footnote to that effect within the existing scheme.
- It was confirmed that the panel had never before considered whether there should be an aspiration to pay median or upper quartile members' allowances. Members of the panel considered that benchmarking against other authorities was useful but only to determine whether PCC's allowances were broadly in line with those of other authorities. They did not consider that there should be a competitive element.
- It was confirmed that the differentials in the SRAs had been changed before and this option was open to the panel to recommend again.

Members of the Panel discussed all the information before them and concluded that the current Members' Allowances Scheme should remain in its existing form for the time being as, given the current climate and the hardship caused by the Covid 19 pandemic, they did not feel it was appropriate to recommend any changes. However they recognised that the role of councillors was onerous and they had noted several areas that they would like to look at in the future and therefore they would aim to consider the scheme again in approximately one year's time.

#### **RECOMMENDATIONS to Council (via Governance & Audit & Standards Committee)**

- (1) That no change should be made at present to any of the various elements comprising the Members' Allowances Scheme ("the Scheme") attached as Appendix 1 on the basis that the existing index linked arrangement should continue to be applied.**
- (2) To note that the Panel aims to revisit the Scheme in around one year's time to consider any possible changes the Panel may deem appropriate at that time**
- (3) Note in any event a further review will be required within four years of the last review taking place**
- (4) That the existing Independent Review Panel be retained as a Standing Panel in the interim period, to consider issues that arise in connection with the Scheme before the next review, either by email or in meetings.**

The meeting ended at 14.40.



# Agenda Item 15

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Portsmouth  
CITY COUNCIL

<b>Title of meeting:</b>	Governance and Audit and Standards Committee
<b>Subject:</b>	Procurement Management Information
<b>Date of meeting:</b>	5 <sup>th</sup> March 2021
<b>Report by:</b>	Richard Lock - Acting Procurement Manager
<b>Wards affected:</b>	N/A

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### 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 24<sup>th</sup> 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 Jan 21 - 24.02.20
- EXEMPT - G&A - Procurement MI - App 2 Waivers Nov 20 - Jan 21 - 25.02.20
- EXEMPT - G&A - Procurement MI - App 3 Contract KPIs Nov 20 - Jan 21 - 24.02.20

The report provides comparison between performance from the last time period reported to the committee on 20<sup>th</sup> November 2020 which covered August - October 2020 when the council had moved from responding to the CVD19 pandemic to the early stages of recovery from the pandemic to the last quarter covering November 2020 - January 2021 which has shown a continued recovery in respect of Council operations, albeit to an adjusted manner of operations and under pressures from the second CVD19 peak and the impacts of Brexit.



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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 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 20<sup>th</sup> November 2020 which covered the month of September 2020 against spend compliance covering the month of December 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 September 2020 the raw system compliance for December 2020 has fallen from approx. 80% to 71%. This reduction may be explained by the departure of the Contract Management Business Partner from the Procurement Department with a replacement yet to be recruited as well as the significant resource pull that the FUSION project is putting on finance officers.

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It is disappointing and work will be undertaken immediately to address this and ensure that above £5k contracts are properly recorded and published in accordance with Transparency Code 2015 requirements.

Following adjustment the compliance figure for December 2020 is approx. 90% which is down significantly from the 96% compliance figure reported for September 2020 and below the 95% target which is of concern.

Procurement will continue to focus upon improving performance in respect of recording contract information by continuing to request this from officers and providing assistance, although it should be noted that the absence of a Contract Management Business Partner and diversion of Procurement administrative support onto the FUSION project will limit the assistance that can be provided in the short term.

Procurement have also reviewed the level of information requested for contract entries as unnecessary complications may be a barrier to receiving prompt accurate information from services. A simplified request form will be launched in March 2021.

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**

Directorate	September 2020			December 2020		
	Total £	NC £	C %	Total £	NC £	C %
Adult Services	£566,292	£16,586	97%	£521,046	£19,496	96%
Children Families & Education	£1,155,645	3,144.00	100%	£2,368,953	£507,666	79%
Corporate Services	£500,131	£49,801	90%	£929,608	£49,011	95%
Culture Leisure & Regulatory Services	£187,368	11,041.36	94%	£256,848	£45,759	82%
Executive	£0	£0	100%	£0	£0	100%
Finance	£116,808	£8,257	93%	£164,192	£20,475	97%

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Housing Neighbourhood & Building Services	£4,943,930	£108,759	98%	£5,367,562	£606,728	89%
Portsmouth International Port	£884,833	£0	100%	£492,284	£0	100%
Public Health	£185,153	£8,088	96%	£591,829	£0	100%
Regeneration	£422,159	£117,401	72%	£423,297	£151,906	64%
Capital schemes	£2,660,257	£110,432	96%	£3,860,845	£99,599	97%
Other	£7,474	£360	95%	£16,800	£0	100%
<b>TOTAL</b>	<b>£11,630,054</b>	<b>£433,873</b>	<b>96%</b>	<b>£15,028,303</b>	<b>£1,532,884</b>	<b>90%</b>

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 Dec 20 - 24.02.20'.

### **Adult Services**

No significant concerns and above 95% compliance figure. Some work required to review food supply contracts although all spend is below PCC tender threshold of £100k and significantly below £189k threshold for supplies under Public Contracts Regulations (2015).

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**

As per the previous report compliance was increased through further analysis of payments made for out of area educational services which has removed this spend from the non-compliance figure. Waivers have been 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.



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There are a number of purchases beyond out of area placements which require investigation and have brought the service's compliance figure down significantly to 79%. None of these purchases are close to the Council's tender threshold of £100k and are significantly below statutory threshold which start at £189k for supplies and priority services contracts.

The purchases in question are concerned with IT equipment purchases, educational equipment & materials purchases and supply staff. There is one purchase concerned with supply of a temporary structure which equates to approx. £50k.

It should also 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**

Compliance has increased and is now at the 95% target. Risk is considered low as the total non-compliant spend is low at £49,011 and spread across a number of suppliers, with no one transaction exceeding the council's tender threshold of £100k by overall order distribution value. Work will need to be undertaken to review arrangements for public notices and advertising space although it should be stressed that the values fall below the PCC tender threshold of £100k and the £189k service threshold under Public Contracts Regulations (2015). The other higher value but still less than £100k order value transactions are mainly concerned with the securing of specialist support via fixed term consultancy arrangements.

**Culture Leisure and Regulatory Services**

Whilst compliance is below the 95% target at 82% compliance risk is still considered low as non-compliant spend is only £45,759 and is spread across a range of suppliers with no one transaction having a distribution value in excess of £15k.

**Executive**

No spend.

**Finance**

No concerns.

**Housing Neighbourhood and Building Services**

Compliance levels have fallen significantly from 98% to 89%.

This is largely driven by arrangements with a supplier who used to act as term provider for electrical maintenance, servicing and projects. The total distribution value is in excess of £100k. The Procurement Manager will discuss this situation with the service and agree a course of action to bring the transactions into compliance.



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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**

Some concerns. Compliance has fallen further below target to 64%. The total value of non-compliant transactions is only £151,906 and is spread across a number of suppliers.

The majority of the transactions concerned have distribution values that fall below the Council's tender threshold of £1000k by a significant margin.

Two transactions have a distribution order value of over £150k, one for the appointment of an interim asset manager at Lakeside and the other for the appointment of a design consultancy in respect of a planned development. Neither are considered high risk as the values are still below the £189k statutory threshold as per Public Contracts Regulations (2015).

The Procurement manager will engage with the relevant service officers to put waivers in place and put a plan in place for bringing the contract into compliance.

**Capital Schemes & Other**

No concerns. Some capital transactions are over £5k but all fall well below £100k and all major transactions can be linked to compliant contracts.

**SECTION 2 - CONTRACT AWARD VIA WAIVER**

The tables below show a comparison of contracts awarded via waiver in August / September / October 2020 as per the report taken to committee on 20<sup>th</sup> November 2020 against those awarded via waiver for November / December 2020 & January 2021.

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 were 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-

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tendering processes were redeployed onto essential response activities or, in the case of some supplier bidding teams, furloughed.

There is clear provision within the PCRs 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 18<sup>th</sup> Marc 2020 to remind public sector bodies of the flexibilities allowed for within PCRs 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 23<sup>rd</sup> 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.

The impact of CVD19 in respect of entering into new / extending existing contracts has now lessened considerably. However, the impacts of Brexit are now beginning to be felt, particularly in respect of Port operations and corresponding impact onto transport networks which is requiring the Council on occasion to have to enter into contracts via waiver in order to maintain critical operations and ensure public safety.

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 CPRs 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

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**Use of direct award waivers**

	Aug / Sept / Oct 2020		Nov 2020 / Dec 2020 / Jan 2021	
Reason for direct award waiver	Number of Contracts	Contract value	Number of Contracts	Contract value
Business as Usual Direct award	29	£ 9,785,001	44	£3,031,093
Waivers agreed due to Covid-19 (re-tender delay)	1	£51,000	5	£867,665
Waivers in response to Covid-19 (emergency supplies / services)	36	£981,708	2	£1,500,000
Waivers in response to Brexit (emergency supplies / services)			2	£1,183,323
<b>Total</b>	<b>66</b>	<b>£10,817,709</b>	<b>53</b>	<b>£7,078,841</b>

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 Aug / Sep / Oct 20 - 11.11.20'.

**Business as Usual Direct Awards**

No significant concerns.

One transaction of approx. £650k is concerned with continuation of a major software application which is due for renewal under the coming years capital programme. Due to the significant costs of replacement and associated switching costs there was no option than to enter into a short term extension via waiver as the required finances were not available prior to contract expiry.

Another transaction of approximately £570k concerns the securing of a partner organisation to assist in the securing and delivery of significant warm homes funding made available by central government under extreme application time pressures. The only way in which the Council could secure significant funding which will help reduce carbon emissions and alleviate fuel poverty was through partnering with a 3<sup>rd</sup> party who could assist in business case development and scheme delivery. An Award Notice has been issued in order to meet transparency requirements and mitigate risk of challenge, no challenges have been received.





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A transaction of £280k is concerned with roll out of AMR meters across the Council's property portfolio which enables significant improvements in respect of utilities consumption, reducing costs and carbon emissions. The waiver is concerned with increasing the volume of meters, services and associated costs let via an existing contract. This contract was let compliantly and with options for significant scope increases, however in the interests of transparency and mitigating challenge risk and Award Notice has been issued, again no challenges have been received.

Another transaction of approx. £660k is concerned with allocation of funds via strategic grant to The HIVE. The allocation of grant, whilst requiring a waiver under the Council's own rules, is not covered by the Public Contracts Regulations (2015) and as such does not put the Council at risk of challenge on this basis.

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

No significant concerns and the number and value of waivers has decreased significantly. There is still a significant backlog of tenders which were delayed due to the CVD19 pandemic.

The 2 waivers which have been approved on this basis are concerned with the Council's lift maintenance contracts which have had to be extended outside of term for an additional year as it was not possible to effectively run a tender process which would require significant levels of site access by bidders to residential properties during lock down. Bidding capacity in the market was also significantly impacted due to furloughing of staff.

A re-tender process for a long term contract will commence in April this year. An award notice will be issued for reasons of transparency which will also alert the market to the forthcoming tender opportunity. On this basis risk of challenge is deemed to be low.

**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 and a move towards central government supply through PPE portal
- 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
- 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

The waivers that have been approved in this quarter relate to allocation of grants aimed at supporting the vulnerable through the pandemic, funding testing initiatives run by the University and provision of food vouchers during the school holiday periods. Risk of

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challenge is considered low by virtue of application of grants rather than contracts and the use of central government endorsed sourcing routes.

**Waivers in response to Brexit (emergency supplies / services)**

The two waivers relate to contracts required for traffic management security and associated welfare which have been required in order to ensure effective operation of the city's transport infrastructure in view of the increased checks required at the Port due to Brexit. The contracts in question relate to suppliers who worked on an emergency basis with the Council and other partners last year to be ready for stand up in case of no deal being reached with the EU.

The withdrawal period was extended and it was the Council's intention to procure these contracts compliantly in this period. However, all resource that could have been assigned to this has been significantly compromised by having to respond to the CVD19 pandemic at the time in which tenders could have been issued.

Due to this the Council has had to enter into above threshold direct award contracts with these providers as there was not sufficient time to effectively tender and subsequently integrate new suppliers into the wider operations. Whilst there is procurement risk this was considered to be significantly outweighed by the operational risks which would have been incurred if supply was not promptly secured. Award notices will be issued for transparency and challenge mitigation purposes.

**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 are 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.

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KPI performance is as follows:

	Aug / Sept / Oct 2020				Nov 2020 / Dec 2020 / Jan 2021			
	Value of Contracts		Number of Contracts		Value of Contracts		Number of Contracts	
<b>RED</b>	£0	0.00%	0	0.00%	£103,000	0.00%	2	0.15%
<b>AMBER</b>	£24,246,888	1.56%	18	1.90%	£32,909,822	1.47%	19	1.42%
<b>GREEN</b>	£1,126,291,985	72.66%	240	25.40%	£33,912,973	1.52%	54	4.04%
<b>GOLD</b>	£26,637,050	1.72%	38	4.02%	£414,562,229	18.55%	285	21.30%
KPI never scored	£144,788,562	9.34%	129	13.65%	£154,829,522	6.93%	220	16.44%
NO KPI scheduled	£225,119,310	14.52%	166	17.57%	£269,863,940	12.08%	341	25.49%
NOT YET DUE	£889,292	0.06%	161	17.04%	£157,274,213	7.04%	182	13.60%
KPI expired	£2,093,917	0.14%	193	20.42%	£1,171,226,036	52.41%	235	17.56%
<b>Grand Total</b>	<b>£1,550,067,004</b>	<b>100.00%</b>	<b>945</b>	<b>100.00%</b>	<b>£2,234,681,735</b>	<b>100.00%</b>	<b>1338</b>	<b>100.00%</b>

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**Change in Red and Amber KPI Status since previous quarter**

	<b>Number of Contracts</b>	<b>Value of contracts</b>
Status changed from AMBER to RED	1	£31,000
Status changed from GREEN to AMBER	2	£16,002,681
Status remained AMBER	2	£1,463,635
First KPI score this quarter was AMBER	2	£1,163,800
Status changed from AMBER to GREEN	2	£368,555
Status changed from AMBER to GOLD	1	£171,912
<i>No new KPI in quarter</i>	14	£14,351,706
	<b>24</b>	<b>£33,553,289</b>

The above table represents additional analysis that will be included in this report going forward. It shows the change in status of Red and Amber KPIs across the previous two quarters, as well as any newly recorded Red and Amber KPIs.

The reason for including this additional information is that it provides a view of contract performance over time. Specifically, it shows whether things have improved, stayed the same or deteriorated for those contracts that have previously been highlighted as under-performing.

Having this level of insight will enable us to focus our support on contracts that are consistently under-performing, or whose performance has deteriorated. It will also serve as an early warning indicator for new contracts that have scored poorly on a first KPI.

Performance improvement will then be facilitated through liaising directly with individual contracts managers to understand what is driving the low score, and whether any further support is needed. In addition to this, any high-value strategic contracts will be taken to the Strategic Contract Support Board (SCSB) for a focused review by the panel, with a view to putting in place an action plan with agreed dates and ownership.

Furthermore, by identifying contracts where performance has improved since the previous quarter (i.e. they have moved from a Red or Amber status to a Green or Gold status) we can draw learnings from those improvements that can then be shared at the SCSB, and eventually rolled out as best practice across all services.

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 - 'EXEMPT - G&A - Procurement MI - App 3 Contract KPIs Nov 20 - Dec 20 - Jan 21'.

There are 2 red status contracts. One concerns a relatively low value term contract and the contract manager has reported that following intervention the performance of the supplier is now improving. The other red status contract has now expired and the Council



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will not be using the supplier in question again and will be putting measures in place to this affect.

There are also a number of contracts which are amber and require improvement, some of which were previously performing well. Whilst this number has increased it is still relatively low in terms of volume although some of the contracts in question are of significant value. Procurement are already assisting in respect of the most significant contract which falls into this category but will also investigate the other contacts, support the relevant contract managers and update the committee.

What is still 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 brining raw spend compliance up by gaining better visibility of contracts.

Work was due to be undertaken to address this however this has stalled due to Procurement losing the Contract Management Business Partner and a recruitment process again being required.

Prior to the Contract Management Business Partner leaving work had been 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.

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Signed by Richard Lock - (Acting) Procurement Manager

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