
NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

WEDNESDAY, 19 JULY 2023 AT 10.30 AM

COUNCIL CHAMBER - THE GUILDHALL, PORTSMOUTH

Telephone enquiries to James Harris on 023 9260 6065

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

Membership

Councillor Leo Madden (Chair)
Councillor Stuart Brown (Vice-Chair)
Councillor Graham Heaney
Councillor George Madgwick
Councillor Benedict Swann
Councillor Daniel Wemyss

Standing Deputies

Councillor Chris Attwell
Councillor Hannah Brent
Councillor Jason Fazackarley
Councillor Abdul Kadir
Councillor John Smith
Councillor Emily Strudwick
Councillor Mary Vallely

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

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

A G E N D A

1 Apologies for Absence

2 Declarations of Members' Interests

3 Minutes of the meeting held on 8 March 2023 (Pages 5 - 12)

RECOMMENDED that the minutes of the meeting held on 8 March 2023 be approved and signed by the Chair as a correct record.

4 Internal Audit Performance Status Report to 6th July 2023 & Annual Audit Opinion 2022/23 (Pages 13 - 64)

The purpose of this report is to update the Governance & Audit & Standards Committee on the Internal Audit Performance for 2022-23 to 6th July 2023 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

In addition to this, the Annual Opinion on the effectiveness of the Internal Control Environment is provided in the attached Appendix B. This opinion feeds into the Annual Governance Statement and is a requirement of the Local Government Act 1999 and the Public Sector Internal Audit Standards.

RECOMMENDED that the Governance, Audit & Standards Committee NOTES:

- (i) the Audit Performance and results for 2022-23 to 6 July 2023;**
- (ii) any highlighted areas of concern in relation to audits completed from the 2022-23 Audit Plan, including follow up work performed; and**
- (iii) the Annual Audit Report and Opinion for 2022-23.**

5 Annual Governance Statement (Pages 65 - 112)

The purpose of the report is to seek approval from the Governance and Audit and Standards Committee for the council's draft Annual Governance Statement (AGS) for 2022/23.

RECOMMENDED that the Governance and Audit and Standards Committee:

- (i) AGREES the Annual Governance Statement 2022/23 (Appendix 1); and**
- (ii) NOTES the refreshed Local Code of Governance (attached Appendix 2)**

6 Risk and Assurance Management Policy (Pages 113 - 136)

The purpose of this report is to present the council's risk and assurance management policy to the Governance and Audit and Standards Committee for approval.

RECOMMENDED that the Governance and Audit and Standards Committee:

- (i) APPROVES the attached Risk and Assurance Management Policy; and**
- (ii) AGREES to review the risk management policy in July 2025, including risks current at the time and lessons learnt over the previous year.**

7 Consideration of the political balance rules in relation to the constitution of Sub-Committees considering complaints against Members (Pages 137 - 138)

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

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

Members of the public are permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting nor records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the Council's website and posters on the wall of the meeting's venue.

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GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Wednesday, 8 March 2023 at 10.00 am at the Council Chamber - The Guildhall, Portsmouth

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

Present

Councillor Leo Madden (in the chair)

Councillor Stuart Brown
Councillor Judith Smyth
Councillor Benedict Swann

Officers

Helen Dickeson, Deputy City Solicitor
Elizabeth Goodwin, Chief Internal Auditor
Michael Lloyd, Finance Manager
Richard Lock, Assistant Director, Procurement
Helen Magri, Corporate Information Governance
& Data Protection Officer
Julian Pike, Deputy Director of Finance & Resources & S.151 Officer
Paul Somerset, Deputy Chief Internal Auditor

External Auditor

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

10. Apologies for Absence (AI 1)

Apologies for absence were received from Councillor Dave Ashmore and Councillor Daniel Wemyss.

11. Declarations of Members' Interests (AI 2)

There were no declarations of interest.

12. Minutes of the meeting held on 25 January 2023 (AI 3)

The minutes of the meeting held on 25 January 2023 were confirmed and signed as a correct record.

13. Annual Governance Statement (AI 4)

(TAKE IN REPORT)

Kelly Nash, Corporate Performance Manager, introduced the report which sought approval of the council's Annual Governance Statement (AGS) for 2021/22 (Appendix 1).

The committee commented on the timing of the report, which had historically been considered in or around September or November each year. Therefore, some elements were a little dated.

In reply, it was explained that the delay in the consideration of the report was linked to the delay with the external audit results report being completed. The two reports, along with the Statement of Accounts, were considered at the same meeting, therefore the delay in the external audit results report had also delayed the consideration of the Annual Governance Statement and the Statement of Accounts.

The committee noted the reasons for the delay in considering the reports, but in future years encouraged that they be considered as early in the year as possible.

The committee also noted that the Annual Governance Statement could not be fully signed off until the Statement of Accounts had been approved. The committee therefore agreed the following additional recommendation:

'delegates authority to the Chair of the Governance and Audit and Standards Committee to agree the 2021/22 Annual Governance Statement after 8th March 2023, should this be required, following the signing of any amended Statement of Accounts by the Chair of the Governance and Audit and Standards Committee.

RESOLVED that:

- (i) the Committee agreed the Annual Governance Statement 2021/22 (Appendix 1); and**
- (ii) delegated authority to the Chair of the Governance and Audit and Standards Committee to agree the 2021/22 Annual Governance Statement after 8th March 2023, should this be required, following the signing of any amended Statement of Accounts by the Chair of the Governance and Audit and Standards Committee.**

14. External Audit - Audit Results Report Year Ended 31 March 2022 (AI 5)

(TAKE IN REPORT)

David White from Ernst & Young introduced the report which presented Portsmouth City Council's Annual Report for the year ended 31 March 2022 to the committee for information.

In terms of the audit, some elements were ongoing and a further finalised report would be circulated at a later date.

The ongoing elements were:

- Testing of property, plant and equipment and investment property – principally valuations;
- Completion of work on accounting for infrastructure assets;
- Completion of work across a number of low risk areas;
- Completion of remaining general audit procedures under the ISAs; and
- Completion of internal review processes.

It was not expected that the audit certificate would be issued at the same time as the audit opinion, due to the possibility that the external auditor would need to complete additional procedures at the request of the National Audit Office for the Whole Government Accounts.

HM Treasury had not yet confirmed which bodies this would impact and the certification work could not be performed until this was available. Currently, there was no confirmed timescale for their release.

In respect of the delay in considering the report in comparison to previous years, the committee was advised that the testing of property, plant and equipment and investment property had been a major factor. This area of the audit was a key focus for the regulator and the level of evidence required had continued to increase to substantiate the valuations in the accounts. Some issues had been experienced with gaining the required evidence and some of the methodology used as detailed in section 7 of the report. It was however appreciated that a large body of evidence was required and that there had been staff turnover within the valuations team which had impacted on their ability to provide some of the information.

The second factor was the recording and accounting for infrastructure assets to ensure full compliance with the International Standards for Auditing (ISA) (UK and Ireland) 500 and 540. This was a common national issue which affected a number of councils and had taken a long time to resolve via the issuing of a statutory instrument and an amendment to the code of practice.

There were also ongoing capacity constraints within the auditor due to the time needed to work through these matters and capacity limitations within public sector audit in general. Ernst and Young were however actively trying to recruit.

In respect of the completed areas of audit focus, there were no other significant issues or matters of concern to report.

The committee voiced concerns over the timeliness of the report and in response to a question it was explained that the delay in the valuations was due to the sample sizes required based upon the level of risk of the assets. In previous years this would have entailed less work, but every input was now required. It remained the case that some elements couldn't be fully evaluated, and it was acknowledged that the process had taken longer than the auditors would have liked. Assurance was given that Portsmouth City Council was not unique in the audit being delayed and the situation had impacted on the majority of local authorities and audit firms.

During discussion, the committee highlighted that the audit had in previous years been completed in the September or November and requested that this be aimed for in future years.

RESOLVED that the committee NOTED the report.

15. Statement of Accounts (AI 6)

(TAKE IN REPORT)

Julian Pike, Deputy Director of Finance & S151 Officer and Michael Lloyd, Finance Manager (Technical and Financial Planning) introduced the report which requested that the Statement of Accounts be approved.

The Deputy Director of Finance drew the committee's attention to a typographical error in the report in respect of the table in 'Note 30 Officer Remuneration' on page 52 of the agenda where the figures in the 'Revised Figures' and 'Amendment' columns for Band 65,000 to 69,999 had been transposed.

Proposed by Cllr Leo Madden and seconded by Cllr Stuart Brown it was

RESOLVED that:

- (i) the Statement of Accounts be approved; and**
- (ii) authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2021/22 Statement of Accounts after 8th March should this be required following comments by the auditor.**

16. Treasury Management Policy for 2023/24 (AI 7)

(TAKE IN REPORT)

Michael Lloyd, Finance Manager (Technical & Financial Planning) introduced the report which contained the updated Treasury Management Policy Statement which included the Annual Investment Strategy.

There were three proposed changes from the previous year's Treasury Management Policy, which were:

- The inclusion of a liability benchmark as now required by the code of practice;
- Changes to the borrowing strategy in response to higher interest rates; and
- A proposal not to invest in banks which were more than 50% owned by governments with poor human rights records.

The committee believed that knowledge of the Treasury Management Policy was important for councillors and in response to a question it was confirmed that some slides could be incorporated into the presentation given by the S.151 Officer to new members.

In response to a further question, it was explained that the council already had an Environmental, Social and Governance filter for investments, with a policy to only commit to 'Leader' or 'Average' institutions and not 'Laggard'. All of the council's investments were confirmed to be ethical.

This being their last Governance & Audit & Standards Committee before leaving the council, the committee thanked Julian Pike, Deputy Director of Finance and Michael Lloyd, Finance Manager, for their support professionalism and dedication to the council and the committee.

RESOLVED that the committee NOTED the recommendations in section 3 of the report which would go on to Full Council for approval.

17. Internal Audit Performance Status Report to 21 February 2023 & Internal Audit Plan 2023/24 (AI 8)

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which updated the committee on the Internal Audit Performance for 2022/23 to 21 February 2023 against the Annual Audit Plan and highlighted areas of concern and areas where assurance could be given on the internal control framework. It also presented the proposed Internal Audit Plan for 2023/24 to the committee for approval.

She advised the committee that the audit work on the 2021/22 Audit Plan should be completed by mid-April, however progress had been impacted by a number of investigations that the team were currently undertaking.

RESOLVED that the Governance & Audit & Standards Committee:

- (i) noted the Audit Performance for 2022/23 to 21 February 2023;**
- (ii) noted the highlighted areas of concern in relation to audits completed from the 2022/23 Audit Plan, including follow up work performed; and**
- (iii) approved the proposed Internal Audit Plan for 2023/24.**

18. Data Security Breaches Report (AI 9)

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which updated the committee of any Data Security Breaches which had occurred since September 2022 and any subsequent actions which had been taken to address them.

RESOLVED that the committee NOTED the report.

19. Appointment of Independent Person (AI 10)

(TAKE IN REPORT)

Helen Dickeson, Deputy City Solicitor, introduced the report which considered the re-appointment of an Independent Person whose term of office expires this May 2023, pursuant to the provisions of Section 28 of the Localism Act 2011.

RESOLVED that

- (i) The Governance and Audit and Standards Committee recommended to Council to re-appoint Mr John Young as Independent Person for a further three years from 1 May 2023 through to 30 April 2026;**
- (ii) the Governance and Audit and Standards Committee thanked Mr Mark Walsh for his 3 years' service as an Independent Person and;**
- (iii) following the Local Elections May 2023, that a new Independent Person is sought to fill the vacant position.**

20. Exclusion of Press and Public (AI 11)

The Chair advised that proceedings would be kept open until such time that the committee wished to discuss the exempt appendices to the following report:

- (i) Procurement Management Information

At the conclusion of the consideration of the non-exempt report, the resolution to move into exempt session to consider the exempt appendices was not passed, as the committee did not have any questions specific on them.

21. Procurement Management Information (AI 12)

(TAKE IN REPORT)

Richard Lock, Assistant Director, Procurement, introduced the report which provided evidence to allow the committee to evaluate the extent that Portsmouth City Council was producing contracts for goods, works and services in a legally compliant value for money basis.

He advised the committee that the council was operating at a spend compliance level of 99% for transactions processed through the Fusion system and reporting on spend via the MOSAIC system could now be undertaken. This included Adult Social Care payments, Private Sector Housing and Disabled Facilities Grants. Whilst some work was required to get contracts onto the system, initial analysis had not shown any high-risk breaches of regulations. Further work would be undertaken in the coming few months.

In terms of awards via waiver, the Council was mostly back to pre-pandemic levels following the increase in waivers necessary to react quickly to the issues faced during the pandemic and the associated backlog of work thereafter. He advised the committee that there were no high-risk waivers which breached statutory thresholds.

In respect of Key Performance Indicators (KPIs), he reminded the committee that one single KPI would be introduced for all contracts from April 2023, commencing with the larger contracts and followed by the smaller contracts. It was expected that the previous KPI measures for contracts in excess of £100k would be removed after six months. In terms of the report before the committee there were no red KPIs to report on.

RESOLVED that the committee NOTED the update report.

The meeting concluded at 11.06 am.

Councillor Leo Madden
Chair



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	19 th July 2023
Subject:	Internal Audit Performance Status Report to 6 th July 2023 & Annual Audit Opinion 2022/23
Report by:	Chief Internal Auditor
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Summary

- 1.1 This is an Internal Audit Performance Status Report for the 2022-23 planned audit activities along with the Annual Audit Report and Opinion for 2022-23. Appendix A includes the detail of progress made against the annual plan and documents individual audit findings. Appendix B is the Annual Audit Report and Opinion for 2022-23 report.

2. Purpose of report

- 2.1 This report is to update the Governance & Audit & Standards Committee on the Internal Audit Performance for 2022-23 to 6th July 2023 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.
- 2.2 In addition to this the Annual Opinion on the effectiveness of the Internal Control Environment is provided in the attached Appendix B. This opinion feeds into the Annual Governance Statement and is a requirement of the Local Government Act 1999 and the Public Sector Internal Audit Standards.

3. Recommendations

- 3.1 That Members note the Audit Performance and results for 2022-23 to 6th July 2023.
- 3.2 That Members note any highlighted areas of concern in relation to audits completed from the 2022-23 Audit Plan, including follow up work performed.
- 3.3 That Members note the Annual Audit Report and Opinion for 2022-23.

4. Background

4.1 The Annual Audit Plan for 2022-23 has been drawn up in accordance with the agreed Audit Strategy and was approved by this Committee on 4th March 2022 following consultation with Directors and relevant parties.

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
- Appendix B - Annual Audit Report and Opinion for 2022-23

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

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

Title of document	Location
1 Accounts and Audit Regulations	http://www.legislation.gov.uk/uksi/2011/817/contents/made



2	Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings – reports published online.
3	Public Sector Internal Audit Standards	http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards

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

.....
Signed by:

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Portsmouth
CITY COUNCIL

Internal Audit Progress Report 19th July 2023

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 set out 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 2022/23 internal audit plan.

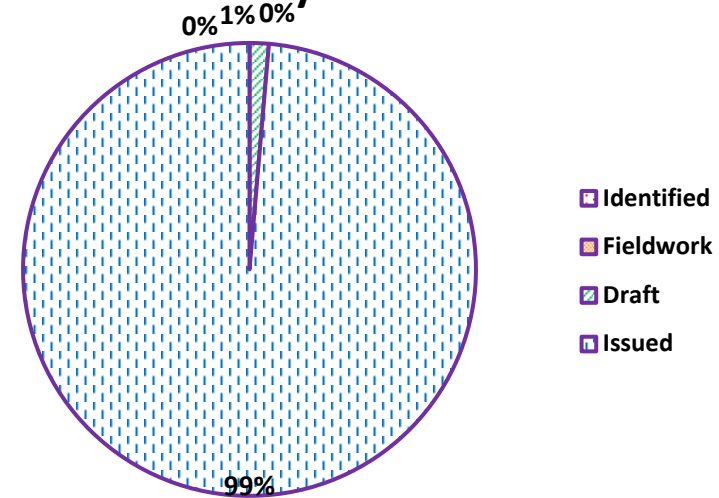
2. Audit Plan Progress as of 6th July 2023

There are 32 Full Audits, 14 first follow ups, 7 second follow up reviews, 4 consultancy reviews and 16 grants, in the revised plan for 2022/23, totalling 73 reviews. *

To date, 72 (99%) have been finalised as of 6th July 2023. Income Due relating to Port activities is currently in draft pending agreed actions.

Status	Audits
Identified	0
Fieldwork	0
Draft Report	1
Final Report	72

Audit Plan Progress as of 6th July 2023



**Figures are only in relation to PCC audits and are excluding any SLEP or Portico reviews.*

3. Ongoing Internal Audit Involvement

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

- 2 Regulation of Investigatory Powers Act (RIPA) - authorisations. These are reported separately, along with any 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
- Governance & Audit & Standards Committee - reporting and attendance
- Audit Planning and Consultation
- Risk Management & Annual Governance Statement
- Performance Management
- 133 investigation cases - (includes, corporate, benefit and council tax support cases)
- 13 items of advice

4. Audit Plan Status/Changes.

The original audit plan agreed on the 4th March 2022 had a total of 67 reviews. The following changes have been made since the last progress report.

Audits removed from the Audit Plan:

- WhatsApp - Deferred to the 2023/24 Internal Audit Plan due to the client's capacity.
- Supplier Chain Audit (Procurement & Service) - Deferred to the 2023/24 Internal Audit Plan due to an increase in reactive/investigation work.
- Transitions (Children's to Adults) - Deferred to the 2023/24 Internal Audit Plan due to an increase in reactive/investigation work.

Audits added to the Audit Plan:

- Biodiversity Net Gain 31-6499 - Grant verification added into the 2022/23 Internal Audit Plan due to Chief Internal Auditor sign off.

5. Areas of Concern

One 'No Assurance' opinion was noted during the 2022/23 year. The area of work relates to Children, Families and Education - Direct Payments. Overall, 2 high, 3 medium risk exception were raised. The exceptions relate to the authorisation of payment arrangements, poor record keeping, an absence of financial audits and fraud prevention measures, inadequate expenditure guidance and a lack of management monitoring and reporting. A process map dated September 2022 was provided for guidance as part of the audit, however from the testing conducted, this process was not being fully adhered to and there was some confusion between teams (Social Care and the Finance) with regards to process responsibility. A no assurance rating is given, due to the failure to safeguard assets and prevent fraud, demonstrate efficient and effective use of public funds, and comply with procedure, directly linked to verification of expenditure incurred.

In addition to the above a review of 'Key Financial Controls' in nominated areas also highlighted key control weaknesses, i.e., failure to comply with directed processes, increasing the risk of theft or fraud. The review was triggered following identification of similar issues within two service areas investigated, involving safe security and cash handling where testing highlighted significant process failures that required immediate and robust control arrangements to be implemented.

There is a pattern emerging of potential and actual losses/thefts both locally and nationally. This may be a result of increased opportunity for fraud or theft which in some instances is being exploited. Ultimately further work needs to be performed in order to ascertain the full effects on control environments.

6. Assurance Levels

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

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

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

7. Exception Risk Ranking

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

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

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

8. 2022/23 Audits completed to date (6th July 2023)

Care Home Placements - Director of Adult Social Care

Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by December 2023

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	Reasonable Assurance
Reliability and Integrity of Data	NAT

Two high risks were raised; as it was highlighted 7/25 placements did not have the appropriate evidence to reflect the placement allocated to the client and 22/25 did not have appropriate evidence, the second high risk relates to the failure to obtain and recording care at the best value. One medium risk exception was also raised as a result of this review.

Adhoc Payments and Expenses Social Care - Director of Children, Families and Education

Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by October 2023

Assurance Level by Scope Area

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

A high-risk exception was raised in relation to special one-off payments. As testing identified a lack of guidance and a lack of case notes to support the need of the payments.

Direct Payments - Director of Children, Families and Education

Exceptions Raised

Critical	High	Medium	Low
0	2	3	0

Overall Assurance Level

No Assurance

Agreed actions are scheduled to be implemented by July 2023

Assurance Level by Scope Area

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	No Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	Limited Assurance
Reliability and Integrity of Data	NAT

Overall, 2 high and 3 medium risks were raised as a result of this review. Further details can be found within section 5 above, of this report.

Tangiers Road - Director of Children, Families and Education

Exceptions Raised

Critical	High	Medium	Low
0	3	4	0

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by July 2023

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	NAT
Reliability and Integrity of Data	NAT

3 high risks were raised as a result of this review. The high risks cover; a lack of Purchase Cards policy compliance for 7/65 (£1,531.79) transactions. 148 transactions at a total value of £3,898 (23% of the catering supplies budget) were noted, relating to takeaway meals. Lastly, a high risk was raised in relation to Inventory as on-site discussions confirmed that the unit does not maintain an inventory for any of the items in the home. 4 medium risk exceptions were also raised as a result of this review.

Fusion HR - Director of Corporate Services
Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by July 2023

Assurance Level by Scope Area

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

1 high risk exception was raised in relation to the failure to accurately reconcile bank holidays taken. IDEA data analytic software was used to analyse the report to identify individuals who had booked leave, in any format, on dates which Bank Holidays occurred. It was noted that roughly 397/1370 (29%) employees had correctly coded all their Bank Holiday leave as per guidance, with the remaining 973 (71%) employees either incorrectly classifying the leave type as general annual leave, not booking all bank holidays days within the year and or having existing leave which straddled bank holiday days. It was also highlighted within testing that two individuals were detailed as having booked bank holiday leave over the yearly entitlement, to which there was not a clear reasoning as to how this had occurred from within the system. 2 medium risk exceptions were also raised as a result of this review.

Cemeteries - Director of Culture, Leisure and Regulatory Services
Exceptions Raised

Critical	High	Medium	Low
0	1	6	0

Overall Assurance Level
Limited Assurance

Agreed actions are scheduled to be implemented by May 2023

Assurance Level by Scope Area

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

1 high risk exception was raised in relation to a lack of meaningful reconciliation of expected income (Petty Cash), on-site testing by the audit team was conducted where it was highlighted that a discrepancy of £71 more than expected for petty cash. 6 medium risk exceptions were also raised as a result of this review.

Ukraine Accommodation Scheme - Executive
Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

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

No exceptions were raised as a result of this review.

Key Financial Controls - Director of Finance and Resources
Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by August 2023

Assurance Level by Scope Area

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

Key financial controls have been tested in various systems throughout the year. Where failings have been identified exceptions have been raised within the relevant audit, for example, Purchase Cards, Reconciliation and Banking, Safe Security, Overtime Claimed, Personal belonging and Inventory. In addition to this, areas such as 'gifts & hospitality' and further 'safe security and contents' and supplier due diligence have also been tested. The cumulative results provide only limited assurance overall that key financial controls are working effectively. Exceptions raised, that are not reported elsewhere have been included in Key Financial Controls. The first high risk exception relates to a lack of awareness of the gifts & hospitality arrangements, where 5% of staff surveyed had not read and acknowledged the gifts and hospitality policy and in instances where a gift/hospitality was declared 4/6 had handled the gifts non compliantly. The second high risk related to the failure to conduct appropriate due diligence for 1/5 suppliers that had their bank detail change request.

Coffee Shops (Hub Café) - Director of Housing, Neighbourhood and Building Services
Exceptions Raised

Critical	High	Medium	Low
0	3	3	0

Overall Assurance Level
Limited Assurance

Agreed actions are scheduled to be implemented by July 2023

Assurance Level by Scope Area

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

3 high risks were raised in relation to a lack of business plan directly relating to the Hub Café, the lack of costing model and stock control and the lack of evidence surrounding VAT charged on sales. 3 medium risk exceptions were also raised during this review.

Out of Hours Service - Director of Housing, Neighbourhood and Building Services
Exceptions Raised

Critical	High	Medium	Low
0	0	4	0

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by June 2023

Assurance Level by Scope Area

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

4 medium risk exceptions were raised in relation to; a lack of signed agreements for the out of hours service, a lack of risk assessments for activities, a lack of lone working and first aid training and incorrect payments being charged or received.

Rent Income - Director of Housing, Neighbourhood and Building Services
Exceptions Raised

Critical	High	Medium	Low
0	0	6	0

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by June 2023

Assurance Level by Scope Area

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

6 medium risk exceptions were raised following sample testing which relate to; incorrect rental charges being applied to PCC rental properties for 14/25 properties, failure to record accurate justification and obtain appropriate authorisation for 1/25 write offs, failure to appropriately chase tenants in 11/25 rent arrears, failure to notify tenants of accumulating credits for 11/25 of the sample tested, failure to correctly code adjustments for 10/25 adjustments tested and failure to record accurate details to support 10/25 cash refunds.

Accounts Payable and Receivable - Director of Port
Exceptions Raised

Critical	High	Medium	Low
0	1	1	1

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by August 2023

Assurance Level by Scope Area

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

1 high risk exception was raised in relation to the failure to undertake enhanced security checks before actioning supplier bank detail requests. 1 medium and 1 low risk exception was also raised as a results of this review.

Public Health Outcomes - Director of Public Health

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

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

No exceptions were raised as a result of this review.

Building Control - Director of Regeneration

Exceptions Raised

Critical	High	Medium	Low
0	0	0	1

Overall Assurance Level

Assurance

Agreed actions are scheduled to be implemented by April 2023

Assurance Level by Scope Area

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

1 low risk exception was raised in relation to the lack of photographs to support inspections.

Commercial Rents - Director of Regeneration

Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by December 2023

Assurance Level by Scope Area

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

2 high risk exceptions were raised. The first in relation to rent reviews; testing identified 10/50 commercial properties were awaiting rent review meaning the authority may miss opportunities to increase rent and increase income for these properties. The second high risk found that a process was in place to seek assurance on the portfolio's compliance however it was not being enforced on a regular basis or verified by staff members.

Troubled Families Grant - Director of Children, Families and Education

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.

Biodiversity Net Gain Grant 31-6499 - Director of Regeneration

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

9.2022/23 Follow-up Audits to date (6th July 2023)

Water Safety - Director of Culture, Leisure and Regulatory Services

Original Exceptions Raised

Critical	High	Medium	Low
0	1	0	1

Follow Up Exception Position

Critical	High	Medium	Low
0	1	0	0

Original Assurance Level

Reasonable Assurance

Follow Up Assurance Level

Reasonable Assurance

The new implantation date is schedule to be completed by November 2023

Follow Up Assurance Level by Scope Area

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

The original audit highlighted one high and one low risk exception. The low risk has not been closed and verified. The high risk related to a lack of local formal policy or strategy covering water safety is currently in progress. No local document or policy had been drafted, and therefore no clarification had been established as to ownership and responsibility for Water Safety. External resources have been appointed in order to assist in the implement of agreed actions.

Payroll/Pension - Director of Finance and Resources

Original Exceptions Raised

Critical	High	Medium	Low
0	1	3	1

Follow Up Exception Position

Critical	High	Medium	Low
0	1	1	0

Original Assurance Level

Reasonable Assurance

Follow Up Assurance Level

Reasonable Assurance

The new implementation date is schedule to be completed by August 2023

Follow Up Assurance Level by Scope Area

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

Original audit testing raised one high-risk exception, three medium-risk exceptions and one low-risk exception. Actions relating to the low risk exception and one medium exception were verified at the close of the audit. Follow up testing has resulted in the closure of a further two medium-risk exceptions, although an additional medium-risk exception has been raised in respect of the review of overtime claims. The high-risk exception from the original audit covered incorrect national insurance contribution codes being applied for apprentices, this has been notes as in progress as discussion between the Payroll

and Apprenticeship teams revealed that there has not been a robust process in place to establish and notify apprenticeship status, particularly with respect to a definitive apprenticeship end date.

Hire Cars - Director of Regeneration

Original Exceptions Raised

Critical	High	Medium	Low
0	3	0	1

Follow Up Exception Position

Critical	High	Medium	Low
0	3	0	0

Original Assurance Level

Limited Assurance

Follow Up Assurance Level

Limited Assurance

The new implantation date is schedule to be completed by July 2024

Follow Up Assurance Level by Scope Area

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

Follow up testing confirmed that of the exceptions raised in the original audit; three high risk exception are in progress. Testing also confirmed that the risk exposure to the council remains high. The Service are strongly recommended to withhold the permission to utilise hire cars for any member of staff that does not comply with the overall conditions of use, i.e., failure to undertake pre and post vehicle checks and required training.

10. 2022/23 2nd Follow-up Audits to date (6th July 2023)

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

Information Governance - Director of Corporate Services

1st Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	3	0	0

2nd Follow Up Exception Position

Critical	High	Medium	Low
0	3	0	0

1st Follow-Up Assurance Level

Limited Assurance

2nd Follow Up Assurance Level

Limited Assurance

2nd Follow Up Assurance Level by Scope Area

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

Original audit testing raised 3 high risk exceptions; the second follow up review found that 1 exception remains open while the remaining 2 are in progress. Actions are dependent on the completion of the migration from the w:drive to SharePoint and the implementation of a new mandatory training system.

Modern Slavery - Executive

1st Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	1	3	0

2nd Follow Up Exception Position

Critical	High	Medium	Low
0	1	2	0

1st Follow-Up Assurance Level

Limited Assurance

2nd Follow Up Assurance Level

Reasonable Assurance

2nd Follow Up Assurance Level by Scope Area

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

The first follow-up confirmed that one high and three medium risks remained open. The second follow-up confirmed that the high-risk exception remains open while one medium risk exceptions is in progress. The remaining two medium risk exception have been closed and verified. The open high risk relates to the lack of consideration for Modern Slavery act risk across directorates.

10. Exceptions

Of the 2022/23 full audits completed, 105 exceptions have been raised. *, **

Risk	Total
Critical Risk	0
High Risk	38
Medium Risk	59
Low Risk - Improvement	8

**These figures are excluding Portico and SLEP*

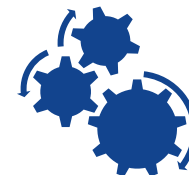
*** These figures include the draft pending Port Income exception results*



Portsmouth

CITY COUNCIL

Portsmouth City Council Annual Audit Report 2022/23



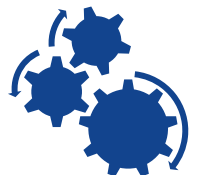
Elizabeth Goodwin, Chief Internal Auditor



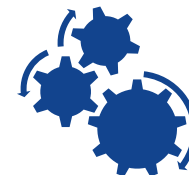
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1. Background

Public Sector Internal Audit Standards

1.1 On 1st April 2013 the *Public Sector Internal Audit Standards (PSIAS, the Standards)* were formally adopted in respect of local government across the United Kingdom. The *PSIAS* apply to all internal audit providers, whether inhouse, shared services or outsourced. The *PSIAS* were revised from 1st April 2016, to incorporate the *Mission of Internal Audit* and *Core Principles for the Professional Practice of internal Auditing*.

1.2 The *Accounts and Audit Regulations 2015 Section 5*, define the requirement for an internal audit function within local government, stating that:

A relevant authority must 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

1.3 The responsibility for maintaining an adequate and effective system of internal audit within Portsmouth City Council lies with the Director of Finance (Section 151 Officer).

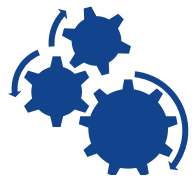
1.4 The Chief Internal Auditor is responsible for effectively managing the internal audit activity, in accordance with the definition of internal auditing, the *Code of Ethics* and the *Standards*.

1.5 In accordance with the *PSIAS* the definition of internal auditing is:

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

1.6 In addition the Chief Internal Auditor will provide an Annual Internal Audit Opinion, based on an objective assessment of the Authority's framework of governance, risk management and control.

1.7 The Annual Internal Audit Opinion must incorporate:



- The Opinion;
- A summary of the work that supports the Opinion; and
- A statement on conformance with *PSIAS* and the results of the quality assurance and improvement programme.

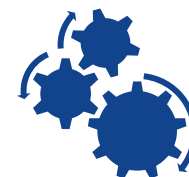
1.8 An annual self-assessment is carried out, as part of *PSIAS*. The assessment for 2022/23 confirmed that Portsmouth City Council Internal Audit Service is compliant with requirements. For 2022/23 an External Assessment (required every five years) confirmed this assessment.

Statement of Organisational Independence

1.9 The Internal Audit Section has no operational responsibilities for any financial systems, including system development and installation.

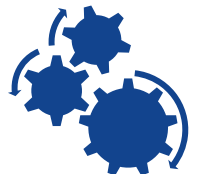
1.10 The Chief Internal Auditor is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example, in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.

1.11 The Internal Audit Section has free and unfettered access to the Section 151 Officer, Chief Executive, Monitoring Officer the Leader of the Council, and the Chair of the Audit Committee.



2. Annual Opinion for 2022/23

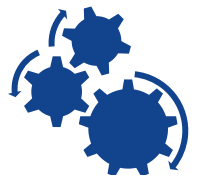
- 2.1** During 2022-23 Internal Audit & Counter Fraud completed 32 full audits, 14 follow ups, 7 second follow ups, 16 grants and 4 consultancy reviews. In 2021-22 there were no 'No Assurance' rated areas; however, this year (2022-23) there is 1. The 'No Assurance' review relates to Direct Payments and is detailed in the separate progress report. During the financial year 2022-23, there has been a decrease in the number of audits attributed with either 'Reasonable Assurance' or 'Assurance' assurance rating. 74% noted in 2021-22, dropping to 66% in 2022-23. The remaining 26% (2021-22) covered 'Limited Assurance' and 34% (2022-23) covering both 'Limited Assurance' and 'No Assurance'.
- 2.2** The shift in assurance levels coincides with process breaches relating to the safeguarding of assets where two separate investigations noted that adherence to the control framework was absent, which facilitated in a loss of assets to occur. Further work in this area was undertaken on 'Key Financial Controls'. This again has highlighted numerous control weaknesses and a strained control environment. Additional work is required to sense check the extent of the strain and causing factors.
- 2.3** Multiple factors maybe influencing the impact on the internal control environment; namely changes in key personnel, which has occurred since 2020, reduced capacity and therefore reduced visible oversight and management checks, coupled with this is the impinged ability to fully consider emerging risk factors as a direct result of the economic climate, as well as a change in working patterns.
- 2.4** In addition, over the past several years a residual issue has been highlighted in the number of outstanding actions for implementation. This year there has been continued progress as 55% of risks exceptions have been closed. However, it is noted that overall only 35% of follow up audits achieved improvement for their opinion level, with 65% remaining the same, due to insufficient movement to deliver actions. In addition, 19 risk exceptions were followed up for the second time during 2022/23 with 63% of the risks being closed and 37% remaining open or in progress.
- 2.5** Overall the council is reactive to issues identified within audits and this is a key indicator when evaluating good governance. The concerns relating to emerging patterns above need to be closely monitored and responded to, which the council has achieved previously. Collectively the overall assessment is that 'Reasonable Assurance' can be given that generally the internal control framework is working effectively, with the caveat that the internal control environment is being tested.



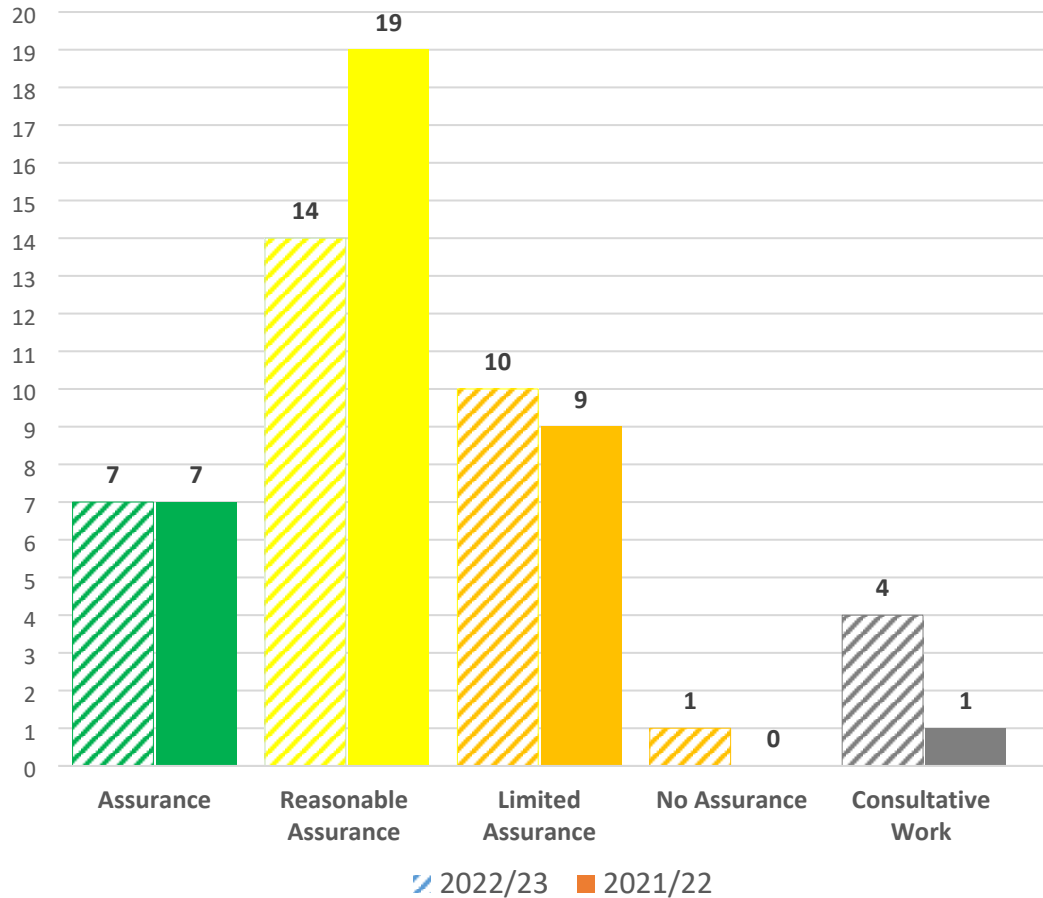
2.6 Four audit opinion levels are in place, and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance.



2.7 Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2022/23 may affect that year's work for External Audit. It may also inform their work for 2023/24 and where they consider there are weaknesses in control that could materially affect the accounts, they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

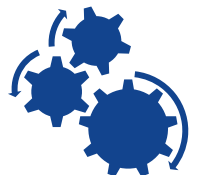


3. Comparative 2021/22 & 2022/23 Full Audit Assurance Levels

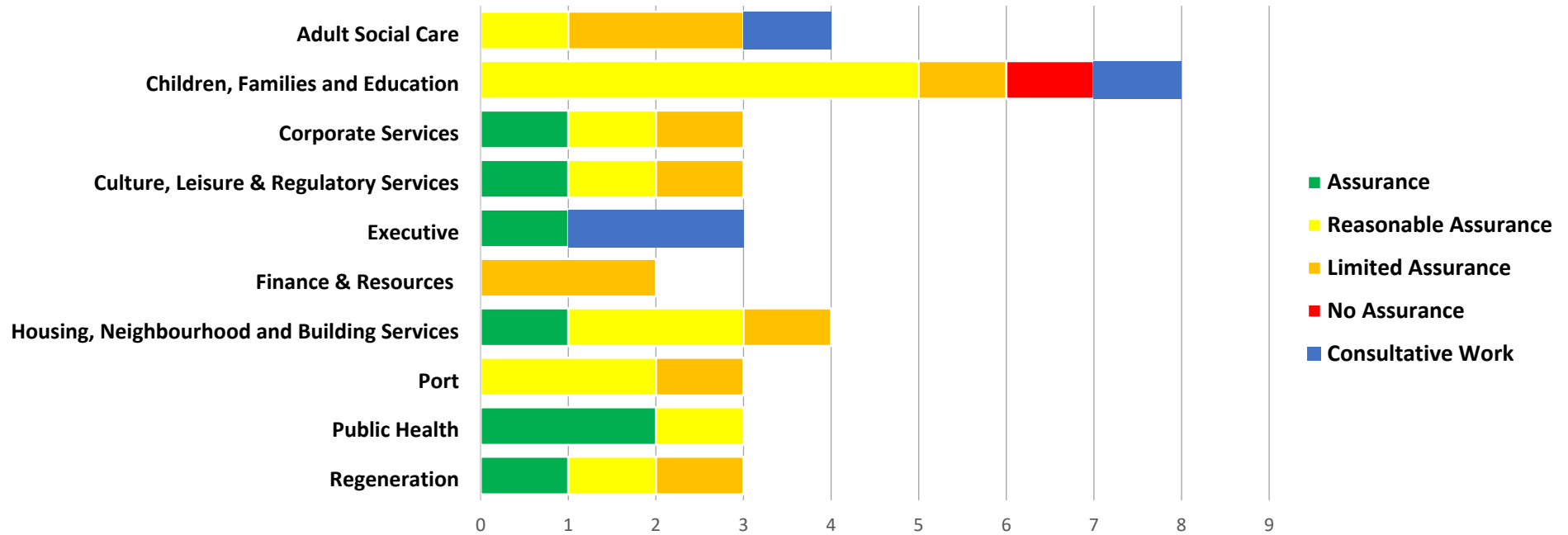


	2022/23	2021/22
Assurance	7	7
Reasonable Assurance	14	19
Limited Assurance	10	9
No Assurance	1	0
Consultative Work	4	1
TOTAL	36	36

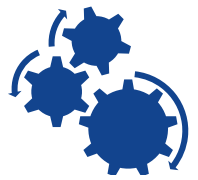
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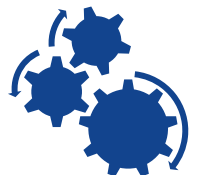
4. 2022/23 Full Audit Assurance by Directorate



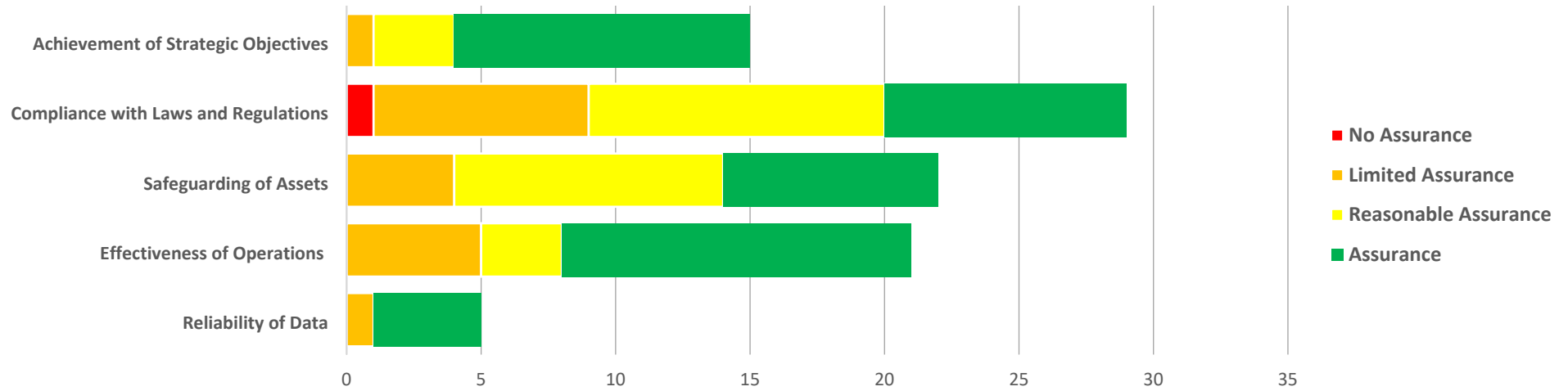
	Assurance	Reasonable Assurance	Limited Assurance	No Assurance	Consultative Work	TOTAL
Adult Social Care	0	1	2	0	1	4
Children, Families and Education	0	5	1	1	1	8
Culture, Leisure & Regulatory Services	1	1	1	0	0	3
Executive	1	0	0	0	2	3
Finance & Resources	0	0	2	0	0	2



Housing, Neighbourhood and Building Services	1	2	1	0	0	4
Corporate Services	1	1	1	0	0	3
Port	0	2	1	0	0	3
Regeneration	1	1	1	0	0	3
Public Health	2	1	0	0	0	3
TOTAL	7	14	10	1	4	36

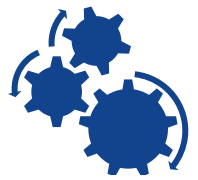


5. 2022/23 Assurance Analysis by Risk Classification

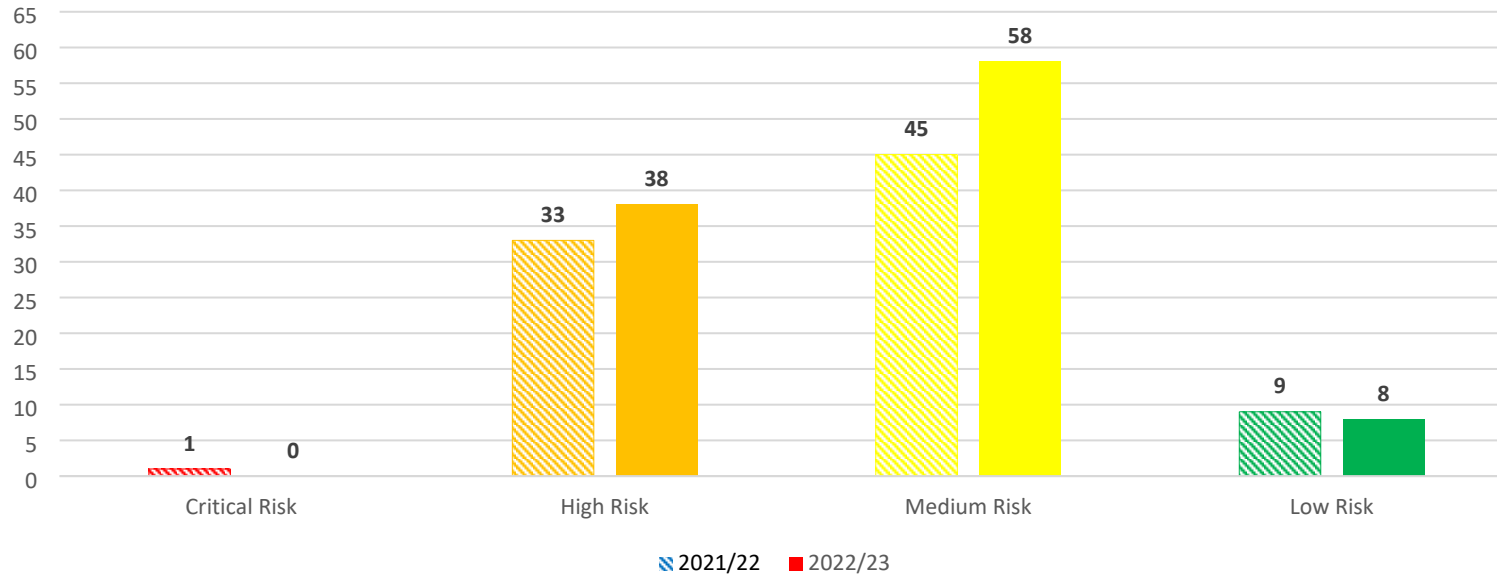


	No Assurance	Limited Assurance	Reasonable Assurance	Assurance	TOTAL
Achievement of Strategic Objectives	0	1	3	11	15
Compliance with Laws and Regulations	1	8	11	9	29
Safeguarding of Assets	0	4	10	8	22
Effectiveness of Operations	0	5	3	13	21
Reliability of Data	0	1	0	4	5
TOTAL	1	19	27	45	92

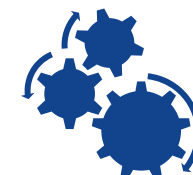
Note: not all audits assess all risk classifications; information on this page is limited to where audits assign an assurance rating to a risk classification.



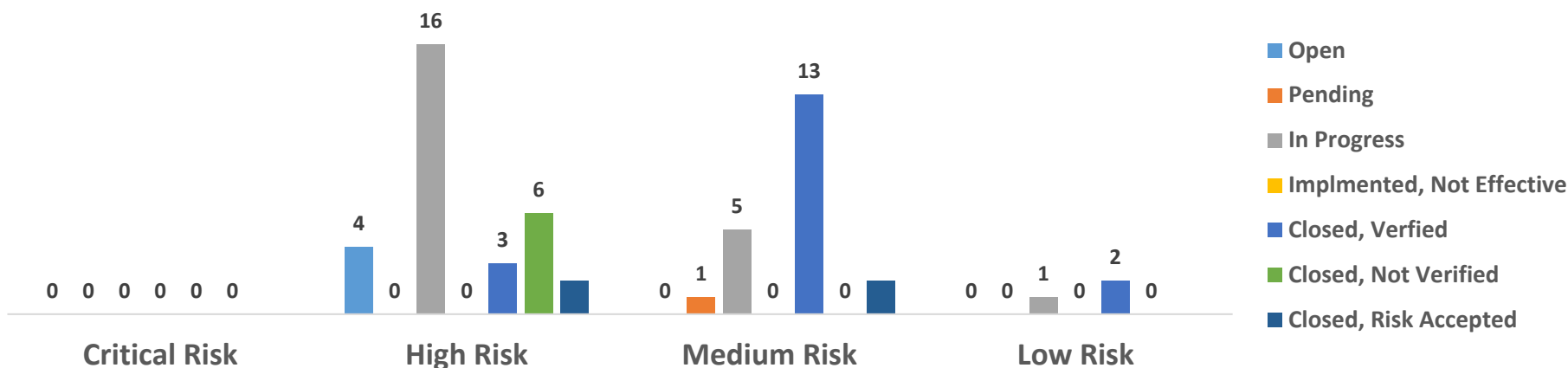
6. Comparative 2021/22 & 2022/23 Exception Risk Rankings



	2021/22	2022/23
Critical Risk	1	0
High Risk	33	38
Medium Risk	45	59
Low Risk	9	8
TOTAL	88	105



7. 2022/23 Follow Up Analysis



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	Open	Pending	In Progress	Implemented, Not Effective	Closed, Verified	Closed, Not Verified	Closed, Risk Accepted	TOTAL
Critical Risk	0	0	1	0	0	0	0	1
High Risk	5	0	19	0	18	3	0	45
Medium Risk	6	0	3	0	13	2	0	24
Low Risk	0	0	0	0	3	1	1	5
TOTAL	11	0	23	0	34	6	1	75

Internal Audit follows up exceptions where at least one high risk exception has been raised. Exceptions are followed up in the next financial year, to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions are followed up within three months due to the potential severity of the risks identified. The figures above also include results from second follow ups. Internal Audit has conducted second follow ups where the first review has highlighted risk exposure still unmitigated. The overall position of the exceptions followed up in 2022/23 show that 55% have been closed which is an improvement from the 2021/22 year by 4%, however it is noted that 45% remain open, pending and or are in progress.

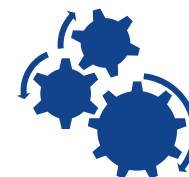


8. Audits Completed 2022/23 Summary

2022/23 Full Audit Summary

Audit	Directorate	Status	Assurance Level	Comments
Care Home Placements	Adult Social Care	Final	Limited Assurance	
Fieldwork Services	Adult Social Care	Final	Limited Assurance	
Shearwater (Agency Staff)	Adult Social Care	Final		Consultancy Review
Harry Sotnick house	Adult Social Care	Final	Reasonable Assurance	
Adhoc Payments and Expenses Social Care	Children, Families and Education	Final	Reasonable Assurance	
Children's Handling of Funds	Children, Families and Education	Final		Consultancy Review
Child Care Development and Early Years education	Children, Families and Education	Final	Reasonable Assurance	
Craneswater School	Children, Families and Education	Final	Reasonable Assurance	
Direct Payments	Children, Families and Education	Final	No Assurance	
Medina Primary	Children, Families and Education	Final	Reasonable Assurance	
Tangiers Road	Children, Families and Education	Final	Limited Assurance	
Wimbourne Primary	Children, Families and Education	Final	Reasonable Assurance	

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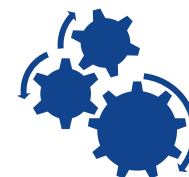
Fusion HR	Corporate Services	Final	Reasonable Assurance	
Health & Safety	Corporate Services	Final	Limited Assurance	
NHS Data Security & Protection Tool Kit	Corporate Services	Final	Assurance	
Cemeteries	Culture, Leisure and Regulatory Services	Final	Limited Assurance	
Community Funerals	Culture, Leisure and Regulatory Services	Final	Assurance	
Pyramids	Culture, Leisure and Regulatory Services	Final	Reasonable Assurance	
Ukrainian Accommodation Support	Executive	Final	Assurance	
Partnership Governance	Executive	Final		Consultancy Review
Shareholder Governance	Executive	Final		Consultancy Review
Key Controls (Cost of Living Crisis)	Finance and Resources	Final	Limited Assurance	
Purchase Cards	Finance and Resources	Final	Limited Assurance	
Coffee Shops	Housing Neighbourhood and Building Services	Final	Limited Assurance	
Leaseholder Charges	Housing Neighbourhood and Building Services	Final	Assurance	
Out of Hours Service	Housing Neighbourhood and Building Services	Final	Reasonable Assurance	
Rent Income	Housing Neighbourhood and Building Services	Final	Reasonable Assurance	
Accounts Payable & Receivable	Port	Final	Reasonable Assurance	
Asset Management	Port	Final	Reasonable Assurance	



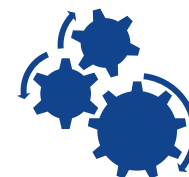
Income Due	Port	Draft	Limited Assurance	Pending actions
Business Planning & Risk Management	Public Health	Final	Assurance	
Public Health Intelligence	Public Health	Final	Reasonable Assurance	
Public Health Outcomes	Public Health	Final	Assurance	
Building Control	Regeneration	Final	Assurance	
CIL Community Infrastructure Levy	Regeneration	Final	Reasonable Assurance	
Commercial Rents	Regeneration	Final	Limited Assurance	

2022/23 Follow Up Summary

Audit	Directorate	Status	Assurance Level	Comments
Direct Payments	Adult Social Care	Final	Reasonable Assurance	
Educational Health Care Plans for up to 25 years old	Children, Families and Education	Final	Limited Assurance	
Southsea Infants	Children, Families and Education	Final	Reasonable Assurance	
St Pauls	Children, Families and Education	Final	Reasonable Assurance	
Information Governance	Corporate Services	Final	Reasonable Assurance	



HIVE	Culture, Leisure and Regulatory Services	Final	Assurance	
Trading Standards	Culture, Leisure and Regulatory Services	Final	Reasonable Assurance	
Water Safety	Culture, Leisure and Regulatory Services	Final	Reasonable Assurance	
Modern Slavery	Executive	Final	Limited Assurance	
Shared Services	Executive	Final	Limited Assurance	
Accounts Payable	Finance and Resources	Final	Limited Assurance	
Payroll/ Pension	Finance and Resources	Final	Reasonable Assurance	
Depot Services	Housing Neighbourhood and Building Services	Final	Limited Assurance	
Emergency Procedures	Housing Neighbourhood and Building Services	Final	Reasonable Assurance	
Estates Services	Housing Neighbourhood and Building Services	Final	Reasonable Assurance	
Gas Services (includes servicing & certification)	Housing Neighbourhood and Building Services	Final	Assurance	
Homelessness	Housing Neighbourhood and Building Services	Final	Reasonable Assurance	
Right to Buy	Housing Neighbourhood and Building Services	Final	Assurance	
ABP Contract	Port	Final	Assurance	

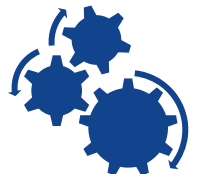


Hire Cars	Regeneration	Final	Limited Assurance	
Home to school transport	Regeneration	Final	Reasonable Assurance	

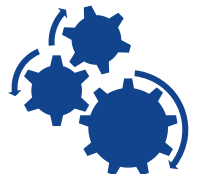
2022/23 Grant Audit Summary

Audit	Directorate	Status	Assurance Level	Comments
Biodiversity Net Gain Grant 31-6499	Regeneration	Final	Assurance	
2SEAS PECS Grant	Port	Final	Assurance	
2SEAS SPEED Grant	Port	Final	Assurance	
Bus Subsidy Grant	Regeneration	Final	Assurance	
Contain Outbreak Management Fund (COMF)	Public Health	Final	Assurance	
Disabled Facilities Grant	Housing Neighbourhood and Building Services	Final	Assurance	
Weight Management Service Grant	Adults Services	Final	Assurance	
Green Homes Grant	Housing Neighbourhood and Building Services	Final	Assurance	
Local Transport Capital	Regeneration	Final	Assurance	
Omicron Business Grant	Finance and Resources	Final	Assurance	
Orpheus Grant	Children, Families and Education	Final	Assurance	
Orpheus Grant On the Spot	Children, Families and Education	Final	Assurance	
School Condition Funding	Children, Families and Education	Final	Assurance	

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Test & Trace £500	Finance and Resources	Final	Assurance	
Troubled Families Grant	Children, Families and Education	Final	Assurance	
Universal Drug Treatment	Public Health	Final	Assurance	



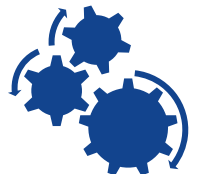
9. Data Analytics / Continuous Auditing

9.1 IDEA data analytics was used extensively throughout the 2022/23 financial year in order to aid Internal Audit & Counter Fraud in using resources efficiently. These include:

- Continuous Auditing
- Audit Testing
- Audit Sampling
- Fraud Testing
- Data Analysis

9.2 Across all audits, including external clients, IDEA is considered and where appropriate utilised for random & stratified sampling. Examples of where IDEA was used include:

- Purchase Cards - To highlight (Split transactions / transactions over the limit / and transactions non-compliant with the purchasing cards policy)
- Payroll - Analytic review on employee data
- Multiple PDF reports converted to excel
- Random Sampling
- Warm Homes Grant - use for random sample selection and reconciliation of final figures for the grant certification
- Port AP and AR - analysis of access controls to SCALA. Collation and review of debt figures across time to aid debt analysis testing
- HR Absence Data - review of absence data to determine compliance with bank holiday use in Fusion



10. Counter Fraud & Audit Unplanned Reactive Work

10.1 A summary has been provided of Counter Fraud and Audit reactive work conducted during the 2022/23 year.

10.2 Referrals

The Counter Fraud team receive a number of fraud referrals which are risk assessed to determine if a full investigation is needed. For 2022/23, 133 cases were received and have been investigated or are being investigated. The 133 cases relate to 162 potential offenses committed. This is an increase in cases from the previous year (86).

10.3 Case Summary

The potential offenses committed under investigated cover:

- 57 - Housing related including, sub-letting, re-housing application fraud, right to buy and abandoned properties.
- 86 - Council Tax Support or other exemptions
- 14 - Other

Corporate Cases

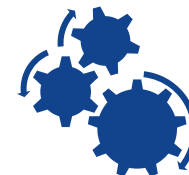
- 2 - Cash thefts
- 2 - Frauds - both covering failure to declare and false representation
- 1 - Safeguarding and bribery concerns

10.4 Ongoing NFI

PCC Counter Fraud and Audit are responsible for the management and admin of the Authority's participation in the National Fraud Initiative (NFI) which is a mandatory scheme in which multiple data sets are uploaded and analysed. The results are then presented back to the council for investigation. NFI does not run-in financial years but spans a period of 18 months, results have been received following the September 2022 submission, these are being processed.

10.5 Social Media Surveillance

Use of social media as a means of carrying out surveillance is not permitted unless a Regulations Investigatory Powers Act 2000 (RIPA) application has been successful. Counter Fraud and Audit maintain oversight and are responsible for monitoring the arrangements in place in this area. Checks have been carried out on all services with the agreed ability to perform initial checks on social media to ensure that they are operating within the legislative boundaries.

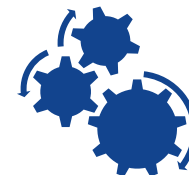


10.6 Money Laundering

Counter Fraud are responsible for the monitoring and investigation of any suspected money laundering cases presented to the council. PCC policy outlines that any cash payment received over £5000 will be investigated. During 2022/23, 2 money laundering investigations were undertaken however there were no cases that were deemed to require further investigation.

10.7 Advice

Internal Audit gave 13 items of advice across varying council services on risk and control throughout the financial year 2022/23. Advice is recorded if the time spent to conduct the required work exceeds 1 hour of officer time.



11. External Client Analysis and Performance

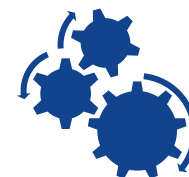
11.1 The Internal Audit & Counter Fraud service at Portsmouth City Council have maintained the contracts in place for the provision of Internal Audit & Counter Fraud duties with a number of external clients as noted below. These arrangements cover some or all of the following; audits, investigations, NFI administration, anti-money laundering and where applicable the role of the Chief Internal Auditor.

11.2 External Client Base for 2022/23

- Southampton City Council
- Fareham Borough Council
- Solent Local Enterprise Partnership
- Gosport Borough Council
- Various PCC Schools
- Isle of Wight Council
- Rushmore Borough Council
- Portico (MMD)
- Medina Primary School (IOW)

11.3 Chief Internal Auditor role is covered for the following organisations;

- Portsmouth City Council
- Southampton City Council
- Isle of Wight Council
- Solent Local Enterprise Partnership
- Gosport Borough Council
- Portico (MMD)



12. Quality Assurance

12.1 As part of the *Public Sector Internal Audit Standards* the Chief Internal Auditor is required to maintain a quality assurance and improvement programme (QA&IP) that covers all aspects of the internal audit activity. This QA&IP must include both internal and external assessments, which are detailed below under section 14.

In addition to this, quality and improvement requirements are assessed by means of:

- Sign off by the Chief Internal Auditor or Deputy of all key stages of an audit, for example the scope of work and level of testing to be performed, the conclusion of the work and opinion formed followed by a review of the draft and final reports.
- Weekly or bi-weekly 1:1s with all members of staff, within Internal Audit and colleagues who undertake Counter Fraud activities.
- Annual performance reviews of all staff, including the identification and provision of training. The majority of training needs are provided by a combination of external professional studies, supporting by in-house provisions and mentoring.
- All staff above Auditor level are required to undertake professional training or have achieved an education level of degree or above. For those that have completed professional studies as part of their professional body membership, much complete the required Continuous Professional Development.
- An annual skills gap analysis across the team, (this includes the wider team) to determine specific potential shortages or gaps. Whilst no major gaps are noted at present, historical gaps in areas such as project auditing, contract auditing and IT auditing have been identified following the departure of employees (including retirement). These shortfalls have been addressed by specified recruitment, bespoke training or if required short term, by means of additional sign off/ mentoring of staff. Areas requiring improvement for this year's assessments are noted below, Skills Gap Analysis Results (13.2).
- All staff complete an annual declaration of interests including a nil return, to avoid any impingement on independence or conflict of interest.
- Feedback has been received during 2022/23 from key stakeholders, all feedback supported the quality assurance assessment reflecting that the service provided complies with *PSIAS* criteria.

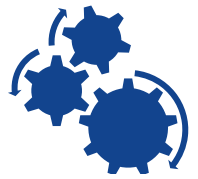


Skills Gap Analysis for 2022/23

12.2 Essential Areas: where greater coverage of skills is needed moving forward:

- *Experience:* experience at a senior level across multiple subject areas has decreased with the retirement of senior officers in March 2022 and May 2022. This has led to a vulnerability as knowledge within certain areas has decreased. Professional training and mentoring has been provided over the last year and this will continue moving forward.
- *Auditing, Specialist IT Auditing skills:* these are limited within the overall service (Partnership) with only two officers currently qualified. To address this shortfall, professional training will continue for a third officer and use will also be made of resources employed elsewhere under the various partnerships and shared service arrangements.
- *Counter Fraud skills:* whilst there are three officers qualified in Counter Fraud (CF) and investigative practice these resources are limited. There has been a significant increase in investigating across the partnership for counter fraud work, including grant related fraud prevention and assessment work, which has placed this area of the service under pressure.
- *Qualified Accountants:* the final area to note is in relation to the level of qualified auditors, specifically 'accountancy qualified'. Following the retirement of three officers a gap emerged representing a shortfall in this area. One implication is the ability to verify certain grant work, where the accounting qualification is restricted. This position has improved as the Principal Auditor within the wider partnership is now fully qualified under Chartered Institute of Management Accountants.

Discussions will continue to be held with the s151 officer to review the overall arrangements moving forward relating to all skills gaps noted as concerns above.



13. Public Sector Internal Audit Standards

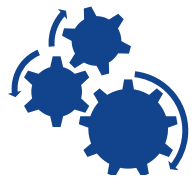
- 13.1** Under the *Public Sector Internal Audit Standards (PSIAS, the Standards) Standard 1310* requires that, as part of the quality assurance and improvement programme internal and external assessments (of conformance with the *PSIAS*) must be undertaken. *Standard 1311* allows for periodic self-assessments, which for Portsmouth City Council has been carried out each year since the standards were introduced. The results of the self-assessments have been communicated annual alongside the annual audit opinion to this committee.
- 13.2** *Standard 1312* requires that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Standards state that a qualified assessor demonstrates competence in two areas; the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. An independent assessor means not having an actual or perceived conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs.

An assessment of arrangements in place at Portsmouth City Council's Internal Audit & Counter Fraud Service was last carried out in 2017/18.

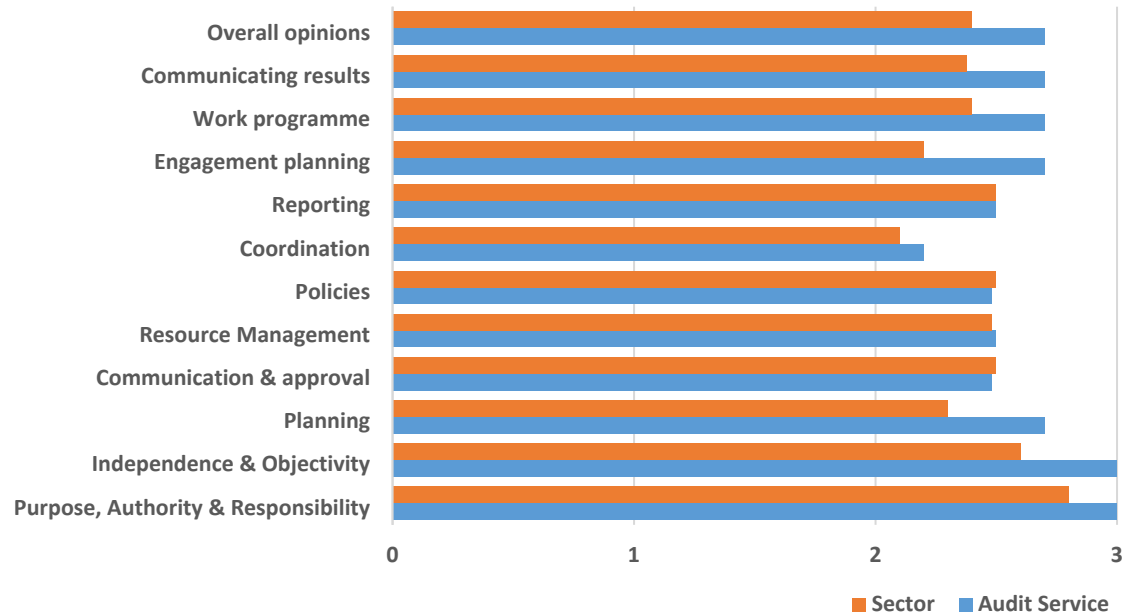
During 2022/23 an External Quality Assessment (EQA) was carried out of the Internal Audit Service (including arrangements in place in the Island), to comply with the Public Sector Internal Audit Standards (PSIAS) identified above. The EQA assessed the Service against key PSIAS standards, confirming:

- Appropriate strategic documentation and policies are in place.
- The Service is correctly managed and resourced (skill set).
- Audits are carried out, from scoping to finalisation, in line with good practice.

Overall Internal Audit achieved the highest rating possible, with no substantive issues identified with either the constitution or operation of the Service.



The assessment was grouped under 12 high level headings. An indicative assessment, against the wider local government sector, is provided below (Developing: 1, Established: 2, Excelling: 3):

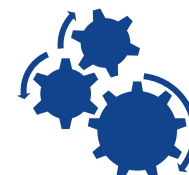


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As above Internal Audit is rated as ‘established/ excelling’, for all 12 areas of the assessment.

While no substantive gaps were identified against the PSIAS, a number of recommendations were made to enable the Service ‘to better reflect the application of the PSIAS’ and its proposed direction, which is currently out for consultation. These are summarised below:

- *Audit Universe*: increase alignment of auditable units with the Council's risk management process.
 - This is currently performed at a strategic level with each auditable area aligned to the corporate risks. Operational risks are discussed with Directors and individual service managers; however, amendments have been made to the Audit Planning Memorandum (APM) to explicitly reflect this.
- *Governance*: formalise mapping of Internal Audit activity, to the Council’s Code of Governance/Annual Governance Statement.



- Amendments have been made to the Internal Audit Charter to capture this.
- *Assurance Mapping*: enhance capture of wider sources of assurance in the planning of individual audit reviews.
 - Where applicable this is already reflected in the APM, i.e., that the scope excludes areas already covered either by IA or other relevant parties. Also see comment below under Annual Report.
- *Engagement Planning*: increase alignment of audit scopes, with the Council's operational risks.
 - See action taken under Audit Universe.
- *Grading of Recommendations*: align finding ratings with the Council's risk assessment framework.
 - These are discussed with relevant officers at the close of the audit and are presented as a narrative or risk and consequence, consideration to adopting scoring system will be explored in discussion with the s151 officer.
- *Annual Report*: more fully capture wider sources of assurance.
 - The annual audit opinion has been expanded to adequately reflect the sources of assurance consider when forming the overall opinion.
 - Internal Audit is progressing all of the enhancements summarised above. Implementation will commence during 2023/24, scheduled to be fully implemented by the of the 2023/24 financial year.

13.3 The Code of Ethics (CoE) expected of internal auditors is embedded in the Public Sector Internal Audit Standards, covering four areas, Integrity, Objectivity, Confidentiality and Competency. The steps taken by Internal Audit to ensure compliance with the CoE are set out in the Internal Audit Charter, as part of the Quality Assurance and Improvement Programme (QAIP).

For 2022/23 the Chief Internal Auditor assesses Internal Audit as fully complaint with the CoE, as detailed below:

- Integrity is ensured through the recruitment process, with any issues addressed through disciplinary processes; no issues have materialised during 2022/23.
- Individual auditors update their register of interests annually. This is used to inform resourcing for individual audits, to confirm that these are carried out objectively.
- The Internal Audit Manual and supporting processes/systems ensure that client information is treated in line with Council data protection requirements, maintaining confidentiality.

A workforce plan is maintained by the Chief Internal Auditor at the team level, with a combination of recruitment and training used to address any gaps. For individual audits only auditors with the requisite competency are used, for the area under review.

Agenda Item 5



Portsmouth
CITY COUNCIL

Title of meeting: Governance, Audit and Standards Committee

Date of meeting: 19th July 2022

Subject: Annual Governance Statement

Report by: Kelly Nash, Corporate Performance Manager

Wards affected: n/a

Key decision: No

Full Council decision: No

1. Purpose of report

1.1 The report seeks approval from Governance, Audit and Standards committee for the council's draft Annual Governance Statement (AGS) for 2022/23.

2. Recommendations

2.1 Governance, Audit and Standards committee is asked to:

- 1) Agree the Annual Governance Statement 2022/23 (Appendix 1)
- 2) Note the refreshed Local Code of Governance (attached Appendix 2)

3. Background

3.1 The authority has a duty to produce and publish an Annual Governance Statement (AGS). This sets out how Portsmouth City Council has complied with the Local Code of Governance, and how the authority meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011.

3.2 The purpose of the AGS is to set out the systems and processes in place to ensure that Council business is conducted lawfully and in accordance with proper standards. Compliance helps ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also acknowledges the Council's responsibility to secure continuous improvement in the way in which its functions are exercised by outlining significant governance issues facing the organisation, and setting out how these will be addressed.

3.3 It is a key role of the Governance, Audit and Standards committee to monitor governance issues across the authority and ensure they are performance managed. Governance issues are also reviewed regularly by the Corporate Governance Group which is attended by the Chief Executive, the Monitoring

Officer, Director of Finance and Resources, Director of Corporate Resources and the Chief Internal Auditor.

- 3.4 The AGS reports against seven core principles of governance set out in the International Framework for Good Governance in the Public Sector. The AGS is attached as Appendix 1. The detail of how the organisation addresses these principles is set out in the Local Code of Governance, which has recently been refreshed and is attached as Appendix 2. Every year, a number of sources are analysed, including the Annual Audit Letter, in order to review the council's practices and highlight further governance issues where the authority may be exposed.
- 3.6 The Annual Governance Statement also includes the annual opinion on the effectiveness of the internal system of control from the Chief Internal Auditor. The Chief Internal Auditor has been consulted on the draft document.
- 3.7 At this stage, the draft for 2022/23 is closely linked to the 2021/22 document as final sign off has yet to be received from external auditors and we are therefore ensuring that issues continue to be reflected.

4. Reasons for recommendations

- 4.1 The 2022/23 Annual Governance Statement has been prepared according to the proper practice framework - Delivering Good Governance in Local Government issued jointly by SOLACE (Society of Local Authority Chief Executives and Senior Managers) and CIPFA (Chartered Institute of Public Finance and Accountancy) in 2016.

5. Integrated impact assessment

- 5.1 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.

6. Legal implications

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

7. Director of Finance's comments

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



.....
Signed by: Paddy May, Corporate Strategy Manager

Appendices: Appendix 1 - Draft Annual Governance Statement 2022/23
Appendix 2 - Local Code of Governance

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

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

.....
Signed by:

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Annual Governance Statement 2022-23 (DRAFT)

www.portsmouth.gov.uk

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What is the annual governance statement?

Legislation¹ requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Portsmouth City Council's governance framework for 2019/20 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas during over the coming year.

What do we mean by governance?

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

Scope of responsibility

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

About the Council

Portsmouth's Council comprises of 42 Councillors who represent 14 wards across the

City. It currently operates a minority administration under a Leader and Cabinet structure with Cabinet Members responsible for individual portfolios.

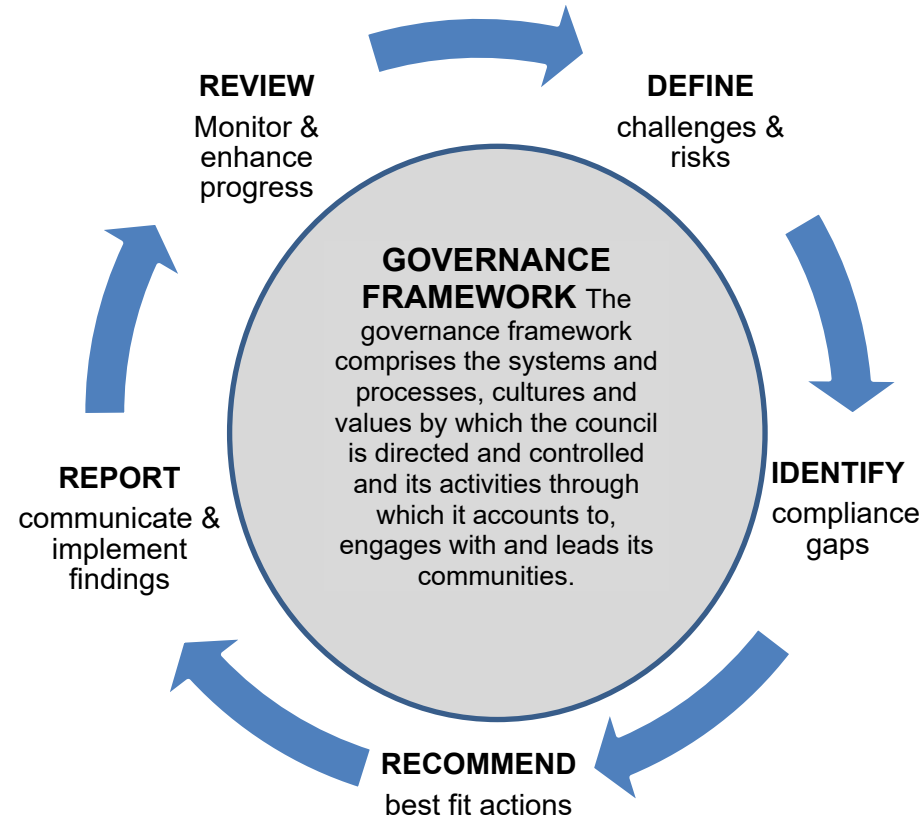
The Council employs around 3,600 members of staff and provides an extensive range of services to residents, businesses and visitors in the City, including: city development and cultural services, regulatory business and standards services, transport and environmental services, housing and property services, children's and adult's social care and safeguarding, education services, revenues and benefits and health and welfare services.

The staff of the council are managed by the **Chief Executive**, who is the Head of the Paid Service. The Chief Executive is supported **directors** who have oversight of a number of services, each of which deals with a broad portfolio of the functions of the authority.

¹ Accounts and Audit (England) Regulations 2015, regulation 6(1)

GOVERNANCE PRINCIPLES

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability



INTERNAL CONTROLS

Leadership, Culture and Planning

Organisational goals and priorities
 Strategic and operational plans
 Performance management
 Medium term financial strategy

Statutory Officers & Decision Making

The Constitution
 The Monitoring Officer
 Section 151 Officer

Policies & Procedures

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

People, Knowledge, Finance, Assets

Robust HR practices
 Information governance
 Performance monitoring and improvement
 Financial management and reporting
 Ethical & legal practices

Scrutiny and Transparency

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

Partnership Working

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

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

In 2016 CIPFA/SOLACE issued revised best practice guidance for 'Delivering Good Governance in Local Government'². The framework sets out seven principles that should underpin the governance of each Local Authority. The following sections look at how the Council is held to account for these seven principles.

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

The Constitution

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

The Monitoring Officer

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

Section 151 Officer

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

Codes of conduct

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

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of

² <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework>

financial affairs. The Council's Anti-Fraud, Bribery and Corruption Policy³ (revised updated in 2022) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

Whistleblowing

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

Governance and Audit and Standards Committee

As its name suggests, the Governance, and Audit and Standards Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. The group has an agreed set of terms of reference, which sets out their roles and responsibilities of its members⁴. On an annual basis the Chair of the Committee is invited to undertake a self-assessment, which informs the overall review of effectiveness of the Council's governance arrangements.

B. Ensuring open and comprehensive stakeholder engagement

Engagement and communication

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

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

To be effective this process aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council, many of which are listed on the council webpage. Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, Healthwatch Portsmouth, council meetings (open to the public), their local Councillor.

The importance of our role as a communicator with the public was clear in the pandemic. We focused our communications capacity on the Protect Portsmouth campaign, which saw the city council become a trusted source of information second only to the NHS. Building on the work we

undertook around supporting communities around health needs, we have further developed the approach to community engagement, including developing the role of community champions.

Consultations

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. The customer insight team provide professional advice and analysis where required to ensure that consultation processes are robust. The budget is always subject to an annual consultation exercise.

Since the pandemic, we have continued a series of in-depth resident research exercises which are undertaken roughly every six months and provide a long term trend picture on some key measures, whilst also allowing us to do a deep dive into different issues of concern to residents.

The council issues a free copy of their Flagship magazine to all households keeping them up to date about what's going on in the City. The authority also issues other publications to specific groups, including "Term Times" for schools and "HouseTalk" for tenants.

Portsmouth City Council regularly engages with its employees to ensure they are kept informed about the council and the city. There are communication channels for "off-line" and online employees and a dedicated communications point of contact for staff. Employees are regularly asked to complete opinion surveys so the council can get a better understanding of what's working and what's not. The results are carefully considered and used to address issues.

Complaints

There is a clear and transparent procedure for dealing with complaints. The Council operates a two-stage complaints procedure and promises to acknowledge complaints within 5 working days. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

Partnership working

Partnerships are about the council coming together with right organisations to deliver improved outcomes for local people. The city has excellent partnership working, with other local authorities and with colleagues in health, including the Integrated Care Board (ICB), the police, probation, fire service, university and with business through Shaping Portsmouth.

For many years, the Council had three key theme-based strategic partnerships - the Health and Wellbeing Board, Children's Trust, and the Safer Portsmouth Partnership. Following a review, these partnerships were folded into a single Health and Wellbeing Board - with a broadened remit and membership, to improve efficiency and ensure that issues are being considered strategically and as they affect people and the city across all dimensions. The Board agreed a new Health and Wellbeing Strategy in 2022, with a focus on creating the conditions that will enable people living in the city to thrive.

There are other partnership arrangements around the city's regeneration efforts such as the Solent Local Enterprise Partnership (LEP), Solent Transport, and the Partnership for South Hampshire (PfSH). In addition, Portsmouth City and Gosport Borough Council have come together to form the 'Portsmouth Harbour Partnership' to bid in the central government's One Public Estate programme. Other examples of working together include the sharing of key management posts with other authorities (such as Gosport, Southampton and the Isle of Wight) and developing shared services across authorities.

Partnerships with colleagues in the health sector have been developing strongly over time, with a range of service areas where there is broad and deep integration of functions across adult services, children's services and public health. This is important in order to ensure that services for Portsmouth's population are commissioned and delivered with a strong understanding of local communities and their needs. As the NHS embeds a different model, working in integrated care systems, we will continue to work closely with colleagues on a place-based basis through the Partnership Board to ensure that services continue to be as seamless as possible for the people using them.

We continue to develop partnerships across other sectors too. Hive Portsmouth continues to be a key partner for us in working strategically with the voluntary and community sectors, particularly to address the needs of those most vulnerable, including people experiencing financial disadvantage. Portsmouth Creates is developing strongly as a key partner for developing culture and creativity in the city, and Shaping Portsmouth continues to be a significant partner in our work with the business community.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits; and D. Determining the interventions necessary to optimise the achievement of the intended outcomes

In 2019 and 2020, we embarked on an exercise with partners, "Imagine Portsmouth", to create a shared vision for the city. We worked with 2,500 people representing business and organisations who live and work in Portsmouth to talk about our hopes and dreams for our city. We created big bold plans for what we want in the future; for ourselves, our families, our communities, our businesses and our co-workers.

People described the values they wanted to see lived in the city as:

'We believe in:

- equality
- innovation
- collaboration
- respect
- community

'By 2040, we want to see a:

- happy and healthy city
- city rich in culture and creativity
- city with a thriving economy
- city of lifelong learning
- green city
- city with easy travel.'



This vision belongs to the city, not just the council. This vision belongs to the city, not just the council. However, we have adopted it and will be an important part of turning the vision into a reality, so we have set clear priorities for the organisation to help us do that.

The administration has set out their own clear mission in the corporate plan recently published for the authority.

"Our mission for 2022/23 is to work together with partners and communities to stand up for Portsmouth, taking action to improve the city and the lives of our residents, and to tackle the climate crisis."

In support of this mission, there are underpinning priorities to focus attention and resources.



These are challenging times for local government. Through an extended period of pressure on public finances, and the significant social and economic shocks of recent years, including the Covid-19 pandemic, the Council has shown great flexibility in the way that it has adapted to changing needs, delivery of services and ways of working.

The biggest share of the money that the local authority receives comes from government grant. Since 2011/12, the Council will have made £106m in savings (49% of controllable spend). Adult and Children's Social Care represent in excess of 50% of the authority's controllable spend. These services provide services to the most vulnerable, but also experience the greatest cost pressures and have historically received significant protection from savings.

The financial environment has changed dramatically over the past 12 months with CPI inflation peaking at 11.1% during the year, the highest in over 40 years but funding levels have not kept pace (e.g. Council Tax increases of up to 4.99%). The Council continues to operate in a climate of uncertainty created by the existence of extra-ordinary levels of inflation, cost of living related increases in demand for services, the legacy of the Covid pandemic and the forthcoming reform of the Local Government Funding system. The Council's Medium Term Financial Strategy has been developed to respond to these very challenging circumstances. The Strategy has a strong regeneration and value for money focus with a presumption that capital investment will be targeted towards cost savings, income generation and economic growth.

In February 2023 full council considered budget and council tax proposals for 2023/24. The key proposals recommended a budget for 2023/24 that provides for:

- the full financial impact of the extra-ordinary inflation and associated demand related cost pressures experienced over the past year and extending into 2023/24
- £2.0m of Savings in order to meet the extra-ordinary Budget Pressures that have not been met through additional Government Funding or Council Tax and that the Council has been unable to mitigate
- the ongoing impact of the Covid Pandemic in the current year and its expected ongoing legacy over the next 3 years
- a Council Tax increase of 4.99% (2.0% of which is raised specifically to be passported to Adult Social Care)
- increased spending in Adult Social Care of £7.4m being greater than the funding provided by the Adult Social Care precept and the additional Social Care Grant from Central Government
- increased spending in Children's Social Care of £6.1m
- a forecast for the 3 year period to 2026/27 which remains in balance
- no savings requirement for 2024/25 but with any future year's savings beyond 2024/25 subject to review at next year's Annual Budget Meeting (February 2024)
- new Capital Investment of £61.3m, with key investments including Shore Power to the Port (£23m), City Centre North Regeneration (£4.5m); Mountbatten Centre Roof Replacement (£6.8m) and transport and street environment improvements (including active travel).

The Budget setting process for the forthcoming year has been one of the most challenging experienced by the Council. A year ago, it was envisaged that the Council would not have been required to make any savings in the coming year. Shortly after the Budget was approved last year, the financial environment changed rapidly precipitated by the war in Ukraine, the existence of practical full employment in the economy and the strains on international supply chains due to continuing Covid lockdowns across the globe. This, coupled with the more local legacy impacts of the Covid pandemic and resulting pressures on the health system and Council Services more generally, has led to a high

cost / high demand environment which the Council alone would not have been able to contend with without substantial cuts to statutory and discretionary services.

In terms of funding to the Council, the coming year will see a Business Rate revaluation which presents a degree of risk to the Council's retained Business Rates. Individual rateable values of Businesses on average have increased by 7.3% nationally. At the national level, the effect of revaluation is intended to be neutral with any increase in Business Rates generated from the revaluation being offset by a reduction in the Business Rate multiplier. At the local level for the Council, retained Business Rates are also similarly adjusted to attain neutrality however, the Council can be affected positively or negatively by the extent to which successful business rate appeals exceed the national average assumed at 3.2%. This presents a risk to the Council's Budget and Budget Forecasts.

By the measures proposed within the Budget 2023/24, the 3 Year Forward Forecast for the period 2024/25 to 2026/27 is estimated to be balanced (i.e. no deficit).

The Council's financial health is sound but during this unprecedented level of uncertainty, it is imperative that the Council continues to exercise financial restraint and manage its cost base carefully if it is to remain well placed to respond to any inflation and service demand volatility as well as the overhaul of Local Government Funding.

Social Value

The Council recently approved a Social Value policy, that means in all our work, including contracting and procurement of services, we will be considering the lasting and positive impact that we create through the way in which we act to shape a resilient future, for our local and regional communities, businesses and environment.

The policy focuses on three key areas of impact:

- **Social:** Improving the physical and mental wellbeing of local people, strengthening community spirit and collaboration to reduce poverty and social isolation, supporting young people, disadvantaged groups and address inequality, by raising aspirations of our future generations.
- **Economic:** Improving opportunities for our local SMEs, greater inclusion of the VSCE and social enterprise sectors within our supply chains, driving down unemployment, upskilling the future workforce and addressing skills gaps through apprenticeships and similar schemes. Driving up inward investment and harnessing the Green Revolution to 'build back better'.
- **Sustainability:** working towards our 2030 Carbon Net Zero goal, improving our air quality, and enhancing our biodiversity through net gains. Evaluating our approach to placemaking and taking care of our heritage as a 'Port City.' Ensuring that communities and businesses are educated and empowered about the vital roles they play in delivering a sustainable future, one which builds back greener

We have considered how social value impacts every element of our activity, including how we use our property portfolio as well, and how we approach work with the local VCS. So for example, our social value policy underpinned a decision to let a unit in a council-owned building to a local community group rather than seek a commercial rent, mindful of the wider value that could be generated for the local community.

In March, the city delivered a "Broadening Horizons" event, the second annual conference aimed at engaging contractors and beneficiary groups in promoting the work completed by the council and our aspirations for ways of working to best benefit the residents and city. Later in March, PCC were awarded the iESE 2023 Public Sector Transformation Gold Award for our work on Social Value. The award recognises the pioneers in procurement who are doing social value to deliver as much of their strategic agenda as possible, maximising the value to their partners, businesses and communities.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Recruitment and induction

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

Training and development

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

Performance monitoring

All Officers receive regular one to ones with their Manager in order to monitor workload and performance. Opportunities are provided for identifying future training and development needs, and to track progress against objectives. The effectiveness of individual performance monitoring is tracked in a number of ways, including by asking staff about it as part of regular employee opinion surveys.

The Covid-19 pandemic was an enormous test of the capacity of the organisation. Many officers were required to work under extreme pressure, and in different circumstances. Others were required to move into different roles to supplement business critical activity. There will be an ongoing challenge for the organisation to ensure that the wellbeing of staff is managed, and that the longer term impacts of the pandemic are sensitively addressed.

F. Managing risks and performance through robust internal control and strong financial management

Risk management

The Council has reviewed its approach to managing risks over the last year and approved a revised Risk Management Policy, which seeks to embed a culture of risk awareness within everyday activities. Directorates and project teams all maintain their own risk logs, and the most significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) are logged as part of the strategic risk register and considered by the organisational Director team. The new approach minimises formal processes and unnecessary documentation, whilst ensuring that risk management remains an effective part of the governance framework. There is an increased focus on strategic risks.

Performance management

Directorates in the authority report on a quarterly basis against a full set of performance measures which reflect the functions and objectives of the directorates. These measures are reported to the Cabinet Members and considered in detail at the Governance and Audit and Standards committee. An annual overview of performance is produced and published alongside the Statement of Accounts. This model is being reviewed and a revised process for reporting will be launched in the Q1 2023/24.

Budget holder and Portfolio Holder reports are produced and circulated monthly and Cabinet receive a consolidated report of the overall general Fund Position for Quarters 1, 2 & 3. Governance Audit and Standards Committee receives extensive information relating to outturn performance. Reports include recommendations relating to any corrective management/member action required.

Financial management

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

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

The Council maintains a three year future financial forecast and ensures financial sustainability by ensuring all required savings plans will enable a balanced budget to be set within a three year time horizon whilst ensuring the General Fund Balance will not fall below its minimum level. The Council's constitution requires that all Portfolio, Cabinet & Council decisions be fully funded before they are able to be approved into policy. This ensures that decisions made now are sustainable in the medium to long term. Financial policies are shaped to encourage responsible financial management.

During the budget setting process a comprehensive review of the 3 year financial forecast is undertaken including an exercise to identify the financial risks facing the Council over the medium term. Having considered the magnitude and likelihood of these risks an appropriate level of contingency is provided for within the overall council budget. An example of this review in action is that historically the annual contingency was circa £10m with a core contingency level of circa £4m. As a consequence of the COVID pandemic the overall contingency was been increased to circa £26m in 2021/22 reducing to core contingency of circa £6m by 2024/25

In addition an annual review of the minimum level of un-earmarked reserves is undertaken based on potential financial risks facing the council. The resulting MTFs is designed to ensure that savings plans are phased to ensure that the level of un-earmarked reserves does not fall below this minimum balance.

The authority's financial management arrangements conform to the government requirements of the CIPFA Statement on "The role of the chief financial officer in local government (2010). The Director of Finance (Chief Financial Officer and s151 Officer) works with the Chief Executive and Deputy Chief

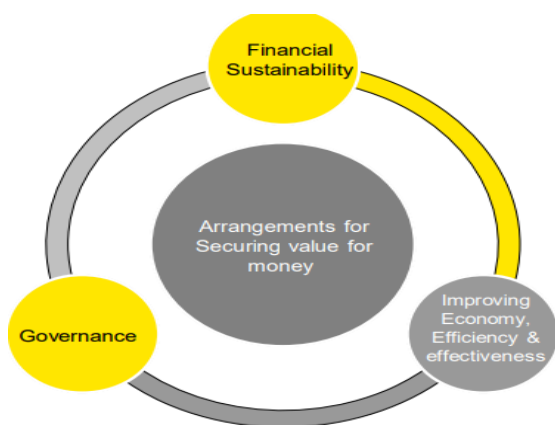
Executive, helping to develop and implement strategy and deliver the strategic objectives. The Chief Finance Officer has input into all major decisions, and advises on financial matters to the Cabinet. He is responsible for ensuring that budgets are agreed in advance and that the agreed budget is robust, to ensure value for money is provided by our services, and is responsible for ensuring the finance function is fit for purpose.

The Chartered Institute of Public Finance and Accountancy (“CIPFA”) has published a new Financial Management Code for authorities to adhere to. The CIPFA Financial Management Code 2019 (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities, based on broad principles. It does not prescribe the financial management processes that local authorities should adopt but requires each authority to demonstrate that its processes satisfy the principles of good financial management. The council has undertaken a rapid review against the new FM Code in order to identify any areas for development. The conclusion of the review was that the council broadly operates within the expected principles, and that there are some adjustments that can be made in future to formalise some processes.

The Council complies with the Prudential Code for Capital Finance in Local Authorities with the Full Council approved the latest capital strategy in February 2023.

Value for money

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



PCC received an unqualified VFM conclusion from its external auditors on 21st January 2022 and considerable assurance with regard to VFM can be drawn from this. The work is well progressed to produce an opinion for 21/22 but remains subject to final completion. Based on the work completed to date, external auditors have not identified any significant weaknesses in PCC arrangements.

G&A&S Committee meets regularly where it receives and considers reports relating to organisational wide service performance, a corporate plan is maintained, Finance, Procurement & Contract Procedure rules are maintained and enforced to ensure robust operating procedures are in place.

The Council pursues VFM by operating a number of external contracts, PFI's and shared service arrangements in order to improve the value for money achieved during service provision. This approach has been maintained whilst continuing consideration of where social value can be derived, and in ensuring that full consideration is given to the most appropriate delivery of services. The Council maintains an effective internal audit service resourced to provide a comprehensive audit programme that is reviewed regularly by G&A&S Committee.

The organisation has a designated data protection officer and clear and established processes for ensuring data is handled appropriately. There is regular reporting to the Governance, Audit and Standards committee on matters of information governance. The organisation undertook thorough preparation for the introduction of the General Data Protection Regulation, including enhanced training for all staff, and is now working to these requirements. Work is now underway to update an information asset register for the organisation.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Transparency

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

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

Effective scrutiny

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

Monitoring and evaluating the effectiveness of the governance framework

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

- The Chief Executive, Deputy Chief Executive and Directors within the Authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Internal Auditor's annual report and opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- The Chief Financial Officer whose role is performed by the Director of Finance and Resources (and who is also Portsmouth City Council's Section 151 Officer) who has statutory responsibility for ensuring the proper management of all Portsmouth's financial affairs.
- The Corporate Governance Group, made up of the Chief Executive, the monitoring officer, the Chief Internal Auditor, the Director of Finance and Resources (Section 151 Officer) and the Director of Corporate Services with input from others as relevant. This group meets regularly to

discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to council improvement.

- The Governance and Audit and Standards Committee

There is clear framework for evaluating the effectiveness of internal control, and for 2022/23 this has included:

- An evaluation of progress against previously identified governance issues.
- Reviews of:
 - The effectiveness of Internal and External Audit.
 - External Audit's Annual Plan and opinion.
 - The Annual Internal Audit report and opinion.
 - The corporate strategic risk register.
 - Corporate complaints and any complaints regarding Members.
 - Freedom of information requests.
 - Data protection and information governance issues.
 - Employee and resident survey results
 - The LGA Corporate Peer Challenge.
 - Local Partnerships review of company governance.

LGA Corporate Peer Challenge

In October 2021 a Local Government Association Corporate Peer Challenge was undertaken - an exercise where a team of local authority experts look at how we work as an organisation.

The peer challenge team found that Portsmouth is a good council, that is performing well and doing some innovative work particularly in housing, social care, and finance. The peer challenge team saw evidence of good performance across many key services, as demonstrated by recent Ofsted Inspections and key performance data. However, some significant challenges remain in terms of the Local Plan and housing delivery. Overall, the review team recognised that the Council is in a good financial position, but felt that the Council should continue to closely monitor the risks from commercial investments, particularly given the complications of Covid-19 and the potential short and medium-term impacts this could have.

The full report can be found at <https://www.portsmouth.gov.uk/wp-content/uploads/2022/03/LGA-Corporate-Peer-Challenge-Final-Report-2021.pdf>

The report outlines eight areas for improvement, highlighting that we need to:

1: create more time and space for collective reflection between members and directors

2: create more opportunities for Directors, Heads of Service and wider staff to come together to understand, discuss, collaborate, and contribute to future Council agendas.

3: collectively grip the issue of the Local Plan, housing supply targets and housing delivery – or risk losing control of its destiny in terms of planning powers. It will need strong cross-party working to do this.

4: undertake an Independent Review of the internal governance, constitutional and scrutiny arrangements, to ensure closer member-officer working relationships.

5: start a dialogue with members on the approach to training and development

6: develop a strong corporate approach to the equalities, diversity, and inclusion agenda

7: review key strategies and plans in the light of Brexit, the pandemic and other external changes, balancing short and long-term issues e.g., city centre.

8: find the most impactful approach to health and care integration changes that ensures the best outcomes for the people of Portsmouth

In October 2022 the Peer Challenge Team looked at progress made against our action plan and produced a progress review report. The team found that overall good progress was being made with the action plan and the implementation of the recommendations. This update can be found at [LGA Corporate Peer Challenge – Progress Review \(October 2022\)](#)

Ongoing impact of the pandemic

It is important to note that the impacts of the covid-19 pandemic and recovery continue to be felt. These include:

Changed ways of working - A significant priority for the corporate services teams in the authority in 2022/23 has been continuing to drive the Connectivity Programme, that brings together the elements that are supporting the organisation as it moves on from and adapts to the learning from the pandemic. Connectivity is about ensuring we are a flexible and collaborative council that puts customers at the heart of everything we do, and where everyone is valued.

Connectivity was actually initiated before the pandemic, and was originally developed to support the organisation on its journey to becoming a modern digital council. Since then, the world around us has changed and the programme has reshaped to incorporate our response to changes in the way we work that have happened as a result of the pandemic, as well as our longer-term aspirations.

We are becoming a modern digital council and establishing new ways of working. Through this we have an opportunity to create a better way of working for everyone, and are redefining how and where we work.

The programme scope is to deliver on long term objectives about where we work and how we work. We want:

- **Accommodation that is the right size**, in the right place and is flexible enough to respond to changing needs
- **An attractive place to work**, that enhances staff safety and wellbeing with working culture and practices supporting the delivery of member priorities and the city's vision for Portsmouth
- **Staff in the right locations** and able to dedicate more time to delivering frontline services and to respond to changing customer needs and demands
- **Staff able to work from and manage teams in a variety of settings** – team areas, home, clients' homes – to suit work demands
- **Staff with access to the information and equipment they need** to fulfil their role effectively via efficient information systems, equipment and devices that are secure when required
- **Effective team and partnership working**, facilitated by systems and environments, increasingly including co-location, data sharing and collaboration.

We are now be working as a hybrid organisation, and making further changes and developments to systems to enable this, including moving to the professional use of Sharepoint.

Financial risks - The Council is still feeling the financial effects of the Covid pandemic. The Council's essential care services and the Port in particular continue to be impacted at a cost of £2.0m for 2023/24. Caseloads in Children's Services have remained at elevated levels, which has required the Council to now embed a further £0.3m on an ongoing basis to maintain adequate Social Worker capacity within the Service. The Council expects the continuing impact of Covid over the next 3 years to amount to £3.4m but which might realistically vary by £1.5m. Whilst the continuing legacy cost of Covid continues, Government funding for the pandemic has now ceased. The substantial financial impact of inflation itself, the driving impact that this has had on the cost of living for residents and the consequent increase in demand for Council services has been the defining factor in driving the £24m of unplanned cost pressures facing the Council for 2023/24. This, coupled with the cost of the legacy impact of Covid at £2.0m for next year, has presented the most significant challenges in seeking to balance the 2023/24 Budget.

There may be pressures arising from any further waves of Covid-19 and we watch the data and modelling closely to be in a strong position to respond. We have carefully managed Contain Outbreak Management Funding through our Health Protection Board to ensure that we have resilience around possible future outbreak management requirements.

As we come out of the pandemic, we will have to recognise the new duties the organisation is likely to be left with - particularly in the area of public health - and the new ways we will have to work to fulfil the needs of residents.

However, we have also taken the opportunity to develop as an organisation. Our more flexible working will support resilience, and we will continue with evidence-based ways of working to guide decision-making on topics in the future. We have emerged with a strong vision for the city, evidence of what we can achieve working in partnership with organisations and community, and a clear set of organisational priorities to ensure we focus on the things that matter most.

Cost-of living crisis - As we emerged from the immediate aftermath of the pandemic, a series of further economic shocks contributed to increases in the cost of living for many people, particularly affecting residents on lower incomes and with wider vulnerabilities. Over the winter, PCC have put in place a number of steps to support residents affected by the cost of living crisis. This included developing a one-stop website to bring together information, advice and guidance; putting in place a helpline that people could contact if they needed additional advice and providing a support officer who could be there for people who were particularly vulnerable and needed more assistance. We continue to provide money and benefit advice, and deliver household support grants for those residents and families most in need, using funds supplied by the government.

Significant governance issues for 2022/23 and 2023/24

The final accounts and annual governance statement for 2021/22 have still not been fully signed off, so the Annual Governance statement retains a focus on the governance issues identified for 2022/23, and reflects how these have changed for 2023/24.

Portsmouth City Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2021/22 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	Re-establishing usual processes and controls as the organisation emerges from an emergency response footing and moves to hybrid working.	Risk Management and audit	<ul style="list-style-type: none"> - Ensure necessary training is completed across the organisation - Clear communication about expectations 	Good state of organisational compliance	Corporate Governance Group	Ongoing progress reporting to portfolio holder and committees.
Page 87	IT resilience and adaptability in new cloudbased environment to facilitate flexible working	Highlighted through risk management and business continuity activity	Moving key elements of the IT infrastructure to the cloud to increase resilience of the systems critical to business continuity, reducing reliance on "on-premises" infrastructure.	<p>Capability to restore key IT functions for the authority more quickly than the current 3-5 days.</p> <p>High availability of key applications remotely</p>	Director of Corporate Services	Ongoing development and review
3	The council continues to explore different ways of working, including partnering and alternative service delivery models (including with the voluntary, community and social enterprise sector) and taking more commercial approaches, including developing shareholder company arrangements.	Internal and external audit; performance and risk management activity; Local Partnerships report commissioned via Cabinet in 2022.	<ul style="list-style-type: none"> a) Implement the findings of the Local Partnerships review into PCC companies to ensure robust governance b) Ensure new partnering arrangements have full regard to legal, financial and HR implications c) Look at arrangements for assurance on partner organisations and related parties 	Ongoing - various structures for different arrangements	Chief Executive & Chief Internal Auditor	Necessary changes reported on a regular basis to Cabinet, Governance, Audit and Standards Committee and Employment Committee.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	Compliance with statutory duties and other external requirements and directives: ongoing changes in the work of local government and the role in relation to other agencies means that the organisation needs to monitor the scope of duties, powers and expectations. Examples include Air Quality, emerging adult social care assurance framework, ongoing public health responsibilities, new responsibilities around homelessness and building safety.	Performance and risk management	- Service and resource planning to set out scope of requirements and the needs to fulfil these.	n/a	Chief Executive and all service directors	Ongoing reports to portfolios and committees.
5	Budget/ financial position, specifically in respect of demand-led services including Adults and Children's Social Care; and impact of financial uncertainty following the pandemic	External audit plan	Ongoing monitoring of progress - transformation strategies developed	Financial gaps closing and eliminated over the medium term	Director of Finance, Director of Children's Services and Chief of Health and Care Portsmouth	Ongoing quarterly reporting on financial position to Cabinet; updates to portfolio holders
6	New governance and working processes across strategic partnership arrangements, including working with the integrated care system	Internal self-assessment	Monitoring of processes, including s75 agreements, through the Portsmouth Partnership Board.	Robust governance across complex partnership agendas	Chief Executive	Ongoing reporting

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
7	Capacity within the organisation and key individuals; recruitment of key senior staff including a new Chief Executive	External Audit reports; internal self-assessment	Ongoing monitoring of progress, including through quarterly performance reporting; longitudinal study of workforce capacity and risks	n/a	Chief Executive	Ongoing reporting
8	Significant changes around the adult social care agenda, including fair cost of care arrangements, new inspection framework and wider social care reform.	Internal self-assessment; feedback from cost of care exercise	Regular monitoring of progress through ASC project group; escalation through the Corporate Governance Group	Successful achievement of changes	Director of Adult Social Care	Ongoing reporting

Effectiveness of the system of internal control

During 2022-23 Internal Audit & Counter Fraud completed 32 full audits, 14 follow ups, 7 second follow ups, 16 grants and 4 consultancy reviews. In 2021-22 there were no 'No Assurance' rated areas; however, this year (2022-23) there is 1. The 'No Assurance' review relates to Direct Payments and is detailed in the separate progress report. During the financial year 2022-23, there has been a decrease in the number of audits attributed with either 'Reasonable Assurance' or 'Assurance' assurance rating. 74% noted in 2021-22, dropping to 66% in 2022-23. The remaining 26% (2021-22) covered 'Limited Assurance' and 34% (2022-23) covering both 'Limited Assurance' and 'No Assurance'.

The shift in assurance levels coincides with process breaches relating to the safeguarding of assets where two separate investigations noted that adherence to the control framework was absent, which facilitated in a loss of assets to occur. Further work in this area was undertaken on 'Key Financial Controls'. This again has highlighted numerous control weaknesses and a strained control environment. Additional work is required to sense check the extent of the strain and causing factors.

Multiple factors maybe influencing the impact on the internal control environment; namely changes in key personnel, which has occurred since 2020, reduced capacity and therefore reduced visible oversight and management checks, coupled with this is the impinged ability to fully consider emerging risk factors as a direct result of the economic climate, as well as a change in working patterns.

In addition, over the past several years a residual issue has been highlighted in the number of outstanding actions for implementation. This year there has been continued progress as 55% of risks exceptions have been closed. However, it is noted that overall only 35% of follow up audits achieved improvement for their opinion level, with 65% remaining the same, due to insufficient movement to deliver actions. In addition, 19 risk exceptions were followed up for the second time during 2022/23 with 63% of the risks being closed and 37% remaining open or in progress.

Overall the council is reactive to issues identified within audits and this is a key indicator when evaluating good governance. The concerns relating to emerging patterns above need to be closely monitored and responded to, which the council has achieved previously. Collectively the overall assessment is that 'Reasonable Assurance' can be given that generally the internal control framework is working effectively, with the caveat that the internal control environment is being tested.

Four audit opinion levels are in place, and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance.

No Assurance

Limited Assurance

Reasonable Assurance

Full Assurance

Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2022/23 may affect that year's work for External Audit. It may also inform their work for 2023/24 and where they consider there are weaknesses in

control that could materially affect the accounts, they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

Summary of significant governance issues for 2023/24

Clearly, a very significant number of risks and governance exposures for the organisation arose from the immediate response to the Covid-19 pandemic, but we are now in a different phase where we are recovering and adapting to new ways of working, and the risks and exposures we have identified reflect this context.

Over the coming year, Portsmouth City Council will take steps to address the issues that have been identified in order to improve the Council's governance arrangements and improve assurance in the areas of most concern. Progress will be monitored and reported to the Governance and Audit and Standards Committee and other relevant bodies regularly over the next year.

Signed on behalf of Portsmouth City Council

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Cllr Steve Pitt , Leader of the Council Date

David Williams, Chief Executive

Date

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Local Code of Governance Table

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Behaving with Integrity		
	<ul style="list-style-type: none"> Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation 	<ul style="list-style-type: none"> The PCC Policy Hub is an internal application that delivers an effective and measurable compliance operation. From updating and managing policies to knowledge assessments and reporting. It ensures the right policies and procedures get to the right people, that they become accountable by signing up to them and that the entire process is recorded and auditable. All new members are required to attend a mandatory induction programme, which covers the code of conduct, principles of public life, keeping yourself and others safe, support available, PCC and how decisions are made, and the future vision for PCC and Portsmouth. All new staff are required to complete mandatory e-learning courses including health and safety, cyber security and awareness, anti-fraud, bribery and corruption, equality and diversity, financial rules and information governance and GDPR.
	<ul style="list-style-type: none"> Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. They should build on the seven principles of public life (the Nolan Principles). 	<p>PCC's organisational goal (established 2012) is '<i>working together to shape the great waterfront city</i>'. Everything the council does should be to help to make the city a better place and improve the quality of life its residents. We have set clear priorities about the way we will work and what we want to achieve:</p> <ul style="list-style-type: none"> Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe and independent lives Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit

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		<ul style="list-style-type: none"> • Make our city cleaner, safer and greener • Make Portsmouth a great place to live, learn and play - so our children and young people are safe, healthy and positive about their futures • Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do. <p>Part 4d of the City Constitution sets out a protocol for member/officer relations. Within the protocol general principles of conduct, roles and responsibilities, support services, access to information, officer correspondence, public relations and cabinet member and chairman relationships are clearly set out. The protocol guides members and officers of the council in their relations with one another in such a way to ensure the smooth running of the council.</p>
	<ul style="list-style-type: none"> • Leading by example and using standard operating principles or values as a framework for decision making and other actions 	<ul style="list-style-type: none"> • Decision making practices are set out in part 2 of the PCC Constitution.
	<ul style="list-style-type: none"> • Demonstrating, communicating, and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively 	<ul style="list-style-type: none"> • Members are required to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. • Officers are required to complete a gifts and hospitality register. • The council's whistleblowing policy sets out how to report concerns and how they will be handled. The whistleblowing policy is primarily for a serious concern, which affects the interests of others, such as service users, the public, colleagues or the Council itself. • The council operates a complaints procedure to deal with failures in service delivery. If residents/service users are not happy with how their complaint has been handled by the Council, they can contact the Local Government Ombudsman who will investigate complaints in a fair and independent way.

Demonstrating strong commitment to ethical values		
	<ul style="list-style-type: none"> Seeking to establish, monitor and maintain the organisation's ethical standards and performance 	The City Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
	<ul style="list-style-type: none"> Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation 	PCC wants to ensure that the behavioural and ethical considerations of staff are embedded in decision making and applied to everything the Council does - as set out in the PCC's employee code of conduct (part 4c of the City's Constitution) .
	<ul style="list-style-type: none"> Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values 	Systems of financial control are developed in line with ethical standards.
	<ul style="list-style-type: none"> Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation 	The lead strategic partnership for the city is the Health and Wellbeing Board - which has recently expanded its terms of reference and membership to incorporate the work of the Children's Trust Board and the Safer Portsmouth Partnership. The priorities and objectives for the board are set out in the Health and Wellbeing Strategy .

Respecting the rule of Law		
	<ul style="list-style-type: none"> Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations 	<p>The City Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for us to choose. The Constitution is divided into 16 articles which set out the basic rules governing the council's business. It provides a summary of key officer, member and committee roles and responsibilities.</p>
	<ul style="list-style-type: none"> Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements 	<p>The City Constitution provides a summary of key officer, member and committee roles and responsibilities.</p>
	<ul style="list-style-type: none"> Striving to optimise the use of the full powers available for the benefit of the citizens, communities and other stakeholders 	<p>All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations.</p>
	<ul style="list-style-type: none"> Dealing with breaches of legal and regulatory provisions effectively 	<p>The Monitoring Officer is a statutory function and ensures that the council, its officers, and its elected councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The role of the Monitoring Officer is set out in 12.4 of PCC's Constitution. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.</p>
	<ul style="list-style-type: none"> Ensuring corruption and misuse of power are dealt with effectively 	<p>The council operates an Anti-Fraud, Bribery and Corruption Strategy, which sets out the requirements for the council in relation to combating fraud, bribery, corruption and dishonest dealings within and against the council. The Anti-fraud, Bribery and Corruption Policy is also available via the PCC Policy Hub.</p>

B - Ensuring openness and comprehensive stakeholder engagement

Openness

	<ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness 	<ul style="list-style-type: none"> The Governance and Audit and Standards Committee inform, review and agree the Annual Governance Statement, which includes a review of effectiveness of the system of internal control. Key plans, strategies and proposed changes to services are put out for consultation and published on the council's website. The Freedom of Information (Fol) Act (2000) gives anyone the right to ask for any information held by a public authority, including PCC. The information must be in a recorded form, so it can include documents, minutes of meetings, e-mails, handwritten notes, videos, letters and audio recordings. PCC is committed to being an open organisation and delivering the best public services. This commitment to transparency and openness is reflected in the council's Fol Policy, and set out in the publication scheme. We adhere to the Transparency Code of Practice 2015 to ensure that all decisions (including in relation to contracts and spending) are published as a matter of course.
	<ul style="list-style-type: none"> Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. 	<ul style="list-style-type: none"> Key decision meetings are held in public, minutes are recorded including key decisions, and those minutes are published on the PCC website; meetings are held in an open forum with a high degree of transparency.
	<ul style="list-style-type: none"> Providing clear reasoning and evidence for decision in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. 	<ul style="list-style-type: none"> Decision making practices are set out in chapter 13 and part 2 of the PCC Constitution.

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	<ul style="list-style-type: none"> Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 	<ul style="list-style-type: none"> Local people have the option to engage in a dialogue through: social media sites, petitions schemes, neighbourhood forums (gives residents the opportunity to speak up about what's happening on their doorstep), Healthwatch Portsmouth, council meetings (open to the public), their local Councillor and through planned consultations.
Engaging comprehensively with institutional stakeholders		
	<ul style="list-style-type: none"> Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. 	<p>For each partnership there is: a clear statement of the principles and objectives; clarity of partner roles; line management responsibilities for staff who support the partnership; a statement of funding sources for joint projects and clear accountability for proper financial administration and a protocol for dispute resolution within the partnership.</p>
	<ul style="list-style-type: none"> Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively 	<p>Partnerships are about the council coming together with the right organisations to deliver improved outcomes for local people. PCC is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working.</p>
	<ul style="list-style-type: none"> Ensuring that partnerships are based on: <ul style="list-style-type: none"> Trust A shared commitment to change A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit 	<p>Each of the council's key strategic partnerships have priorities and objectives set out in strategies that have been developed and agreed with the appropriate partners. They work together in an agreed way to ensure their work is underpinned by a common vision and agreed ways of working. Reviews of strategic priorities for each of the partnerships have been aligned in order to better understand shared priorities, reduce duplication and improve commissioning and delivery activity.</p>

Engaging stakeholders effectively, including individual citizens and service users		
	<ul style="list-style-type: none"> Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. 	<p>PCC'S organisational goal with the support from the nine corporate principles; put customers first, provide value for money, be ambitious, use evidence to shape services, simplify, strengthen and share the process, get it right first time, support councillors as strategic leaders, value and support staff and listen and learn.</p>
	<ul style="list-style-type: none"> Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement 	<p>For each partnership there is: a clear statement of the principles and objectives; clarity of partner roles; line management responsibilities for staff who support the partnership; a statement of funding sources for joint projects and clear accountability for proper financial administration and a protocol for dispute resolution within the partnership.</p>
	<ul style="list-style-type: none"> Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs 	<ul style="list-style-type: none"> The Joint Strategic Needs Assessment (JSNA) paints the 'big picture' of local needs so we can work together to improve the health and wellbeing of people in Portsmouth. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the 'Your Say' pages of the PCC website.
	<ul style="list-style-type: none"> Implementing effective feedback mechanisms in order to demonstrate how their views have been take into account 	<ul style="list-style-type: none"> Meetings are advertised locally and anyone is welcome to attend and participate in discussion. Meetings are minuted and all key decisions recorded. There is a consultation process for staff to make sure their opinions, ideas and suggestions are listened to.
	<ul style="list-style-type: none"> Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity 	<ul style="list-style-type: none"> A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the 'Your Say' pages of the PCC website.
	<ul style="list-style-type: none"> Taking account of the interest of future generations of tax payers and service users 	<ul style="list-style-type: none"> Joint Strategic Needs Assessment

C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

Defining outcomes

	<ul style="list-style-type: none"> Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions 	<ul style="list-style-type: none"> PCC's organisational goal (established 2012) PCC Priorities The City Constitution The organisation has developed a set of values which should be embedded in ways of working: We focus on what's important; We take pride in our work; We value others; We make a positive difference.
	<ul style="list-style-type: none"> Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer 	<ul style="list-style-type: none"> The Medium Term Resources Strategy (MTRS) enables the council to make best use of financial, human, technological and other resources available to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders.
	<ul style="list-style-type: none"> Delivering defined outcomes on a sustainable basis within the resources that will be available 	<ul style="list-style-type: none"> Annual Governance Statement Medium Term Resources Strategy Capital Strategy
	<ul style="list-style-type: none"> Identifying and managing risks to the achievement of outcomes 	<ul style="list-style-type: none"> Risk is reviewed during the quarterly performance monitoring process and significant risks captured on the Risk and Assurance Directory. A refreshed corporate risk management policy was agreed by Governance, Audit and Standards Committee in 2018.
	<ul style="list-style-type: none"> Managing service users expectations effectively with regards to determining priorities and making the best use of the resources available 	<ul style="list-style-type: none"> The Council operates a Governance and Audit Standards Committee. It informs, reviews and agrees the Annual Governance Statement, which includes a review of effectiveness of the system of internal control.

Sustainable economic, social and environmental benefits		
	<ul style="list-style-type: none"> Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provisions 	<ul style="list-style-type: none"> The City Constitution (part 2) sets out how decisions are made. High value procurement that goes through the procurement gateway must consider environmental sustainability as part of the gateway process
	<ul style="list-style-type: none"> Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisations intended outcomes and short-term factors such as the political cycle or financial constraints 	<ul style="list-style-type: none"> The Medium Term Resources Strategy (MTRS) Capital Strategy
	<ul style="list-style-type: none"> Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs 	<ul style="list-style-type: none"> All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations. Local residents can contact and communicate with the Council in person, by phone, by email, in writing, through social media, forums and public meetings.
	<ul style="list-style-type: none"> Ensuring fair access to services 	<ul style="list-style-type: none"> The Council and its decisions are open and accessible to the community, service users, partners and its staff.
D - Determining the Interventions necessary to optimise the achievements of the intended outcomes		
Determining Interventions		
	<ul style="list-style-type: none"> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including risks associated with those options. Therefore ensuring best value is achieved however services are provided 	<ul style="list-style-type: none"> All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations. Decision making practices are set out in the City Constitution.

	<ul style="list-style-type: none"> Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands with limited resources available including people, skills, land and assets and bearing in mind future impacts 	<ul style="list-style-type: none"> Directorates are asked to use comparative/benchmarking data on both cost and performance, as well as any other relevant data, such as customer feedback data or trends over time in order to make a judgement on value for money, during their planning processes Our external Auditors issue an annual value for money opinion In depth value-for-money reviews are carried out when deemed necessary.
<p>Planning Interventions</p>		
	<ul style="list-style-type: none"> Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets 	<p>Directors are responsible for preparing plans that set out core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the directorate. As part of the planning process, directors are expected to review the relationship between directorate expenditure and outcomes, and use benchmarking to ensure best use of resources and value for money.</p>
	<ul style="list-style-type: none"> Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered 	<p>For each partnership there is: a clear statement of the principles and objectives; clarity of partner roles; line management responsibilities for staff who support the partnership; a statement of funding sources for joint projects and clear accountability for proper financial administration and a protocol for dispute resolution within the partnership.</p>
	<ul style="list-style-type: none"> Considering and monitoring risks facing each partner when working collaboratively including shared risks 	<p>Risk is reviewed during the quarterly performance monitoring process.</p>
	<ul style="list-style-type: none"> Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances 	<p>As part of the planning process, directors are expected to review the relationship between directorate expenditure and outcomes, and use benchmarking to ensure best use of resources and value for money.</p>

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	<ul style="list-style-type: none"> Establishing appropriate key performance indications (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured 	<p>Plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the directorate.</p>
	<ul style="list-style-type: none"> Ensuring capacity exists to generate the information required to review service quality regularly 	<p>Scrutiny panels are in place to challenge and review.</p>
	<ul style="list-style-type: none"> Preparing budgets in accordance with organisation objectives, strategies and the medium term financial plan 	<ul style="list-style-type: none"> The Chief Finance Officer provides financial advice and ensures the authority provides prudential financial framework. Procurement arrangements are in place to ensure that the organisation secures the right outcomes at the right price within a collaborative and consistent manner. Robust category management arrangements are in place to ensure the organisation maximises its spending power and minimises waste.
	<ul style="list-style-type: none"> Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy 	<p>The overall aim of the Medium Term strategy is to ensure that "in year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the city and protecting the most important and valued services.</p>
<p>Optimising achievement of intended outcomes</p>		
	<ul style="list-style-type: none"> Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints 	<p>The Medium Term Resource Strategy is a high level plan that sets out the council's revenue spending plans for the next five years to deliver council priorities.</p>
	<ul style="list-style-type: none"> Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term 	<p>The Chief Finance Officer is the S151 Officer and is actively involved in all major decisions, advising on financial matters to both the Cabinet and Full Council. The post is responsible for leading the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and</p>

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		are robust, that value for money is provided by the council's services, and that the finance function is fit for purpose.
	<ul style="list-style-type: none"> Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage 	The Medium Term Resource Strategy is a high level plan that sets out the City Council's Revenue Spending Plans for the next five years to deliver Council priorities.
	<ul style="list-style-type: none"> Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes." 	As well as working together as a single organisation, it is important that members and officers continue to improve their working relations with other organisations too, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Developing the entity's capacity		
	<ul style="list-style-type: none"> Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness 	<ul style="list-style-type: none"> Directorates monitor their performance on a quarterly basis. Service performance is also reviewed on a quarterly basis at minimum The council ensures that there are opportunities for all employees to review their achievements and identify development needs.
	<ul style="list-style-type: none"> Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently 	As part of the planning process, directors are expected to review the relationship between directorate expenditure and outcomes, and use benchmarking to ensure best use of resources and value for money.
	<ul style="list-style-type: none"> Recognising the benefits of partnerships and collaborative working where added value can be achieved 	Each of the council's key strategic partnerships have priorities and objectives set out in strategies that have been developed and agreed with the appropriate partners. They work together in an agreed way to ensure their work is underpinned by a common vision and agreed ways of working.

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	<ul style="list-style-type: none"> Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources 	<p>Directorates monitor their performance on a quarterly basis.</p>
<p>Developing the capability of the entity's leadership and other individuals</p>		
	<ul style="list-style-type: none"> Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained 	<p>Statutory Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role.</p>
	<ul style="list-style-type: none"> Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body 	<p>Delegations are set out in the City Constitution.</p>
	<ul style="list-style-type: none"> Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority 	<p>The Chief Executive's role and responsibilities are set out in the job description and City Constitution.</p>
	<ul style="list-style-type: none"> Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their 	<ul style="list-style-type: none"> All new members are required to attend a mandatory induction programme, which covers the code of conduct, principles of public life, keeping yourself and others safe, support available, PCC and how decisions are made and the future vision for PCC and Portsmouth Specific training for each committee is available on an annual basis The Council operates an Induction Policy which applies to all new employees All new staff are required to complete mandatory e-learning courses including health and safety, equalities and diversity, financial rules and information governance

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	<p>roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</p> <ul style="list-style-type: none"> ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external 	<ul style="list-style-type: none"> Committee members are given specialist (non-political) training to ensure that they are effective in their role.
	<ul style="list-style-type: none"> Ensuring that there are structures in place to encourage public participation 	<ul style="list-style-type: none"> Work is on-going to ensure that clear communication channels are established with all local people and stakeholders. A number of publications are sent to residents to ensure they are being kept informed (Flagship magazine, House Talk magazine, Term Times magazine) There are a number of ways people can connect with the council, which are listed on the council website. social media, neighbourhood forums, by person, phone, writing or email and public meetings are to name a few PCC has developed a Community Engagement Statement, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.
	<ul style="list-style-type: none"> Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections 	<p>PCC operates a clearly defined approach towards developing its employees and achieving the aims of the council.</p>
	<ul style="list-style-type: none"> Holding staff to account through regular performance reviews which take account of training or development needs 	<ul style="list-style-type: none"> PCC ensures that there are opportunities for all employees to review their achievements and identify development needs. Group leaders take responsibility for identifying member development needs PCC has developed 'ways of working' as a tool to help staff manage themselves and others, evaluate performance and recruit new staff. Whilst members and officers are monitored on their standards of conduct and behaviour throughout the year, managers are required to

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		hold good quality personal development reviews with all of their staff on an annual basis, including a discussion on the ways of working.
	<ul style="list-style-type: none"> Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing 	<ul style="list-style-type: none"> All corporate HR policies can be found in the Manager's HR handbook Information for staff in respect of health and wellbeing is available on the PCC staff intranet and via regular 'In the Know' circulars to all staff.
F - Managing risks and performance through robust internal control and strong public financial management		
Managing risk		
	<ul style="list-style-type: none"> Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making 	<ul style="list-style-type: none"> Risk is reviewed during the quarterly performance monitoring process and significant risks captured on the Risk and Assurance Directory The Risk and Assurance Management Policy is designed to support a risk management culture which is embedded in the way we work rather than having a process which itself is used to drive risk management.
	<ul style="list-style-type: none"> Implementing robust and integrated risk management arrangements and ensuring that they are working effectively 	A refreshed corporate risk management approach was agreed by Governance, Audit and Standards Committee in 2018.
	<ul style="list-style-type: none"> Ensuring that responsibilities for managing individual risks are clearly allocated 	As above.
Managing performance		
	<ul style="list-style-type: none"> Monitoring service delivery effectively including planning, specification, execution and independent post implementation review 	Scrutiny panels are in place to challenge and review.
	<ul style="list-style-type: none"> Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook 	All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations.

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	<ul style="list-style-type: none"> Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsive (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objective to support balance and effective decision making 	<ul style="list-style-type: none"> Scrutiny panels are in place to challenge and review. Service delivery and performance is monitored quarterly The council operates the following Scrutiny Panels: <ul style="list-style-type: none"> Economic development, culture and leisure Education, children and young people Health overview Housing and social care Scrutiny management Traffic, Environment and community safety Each panel is governed by its own terms of reference. Topics that are chosen to be 'scrutinised' will be looked at in depth by a cross party panel of councillors. They'll assess how the council is performing and see whether they are providing the best possible, cost effective service for people in the city. The panel's findings will be reported to the cabinet and may result in changes to the way in which services are delivered.
	<ul style="list-style-type: none"> Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement 	<p>The City Constitution sets out procedures</p>
	<ul style="list-style-type: none"> Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements) 	<p>Financial rules have been put in place by the S151 officer so that the council can meet all of its responsibilities required by law. They set out the framework on how the council manages financial dealings and are part of the City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.</p>
<p>Robust internal control</p>		
	<ul style="list-style-type: none"> Aligning the risk management strategy and policies on internal control with achieving the objectives 	<p>A refreshed corporate management approach was agreed by the Governance, Audit and Standards Committee in 2018.</p>

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	<ul style="list-style-type: none"> Evaluating and monitoring the authority's risk management and internal control on a regular basis 	<p>Risk is reviewed during the quarterly performance monitoring process and significant risks captured on the Risk and Assurance Directory.</p>
	<ul style="list-style-type: none"> Ensuring effective counter fraud and anti-corruption arrangements are in place 	<p>The council operates an Anti-Fraud, Bribery and Corruption Policy, which sets out the requirements for the Council in relation to combating these issues.</p>
	<ul style="list-style-type: none"> Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control ins provided by the internal auditor 	<p>The Annual Governance Statement is approved by the Governance and Audit and Standards Committee in September along with the annual statement of accounts.</p>
	<ul style="list-style-type: none"> Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to be the governing body: <ul style="list-style-type: none"> Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment That its recommendations are listened to and acted upon 	<p>The Chair of the Governance and Audit Standards Committee is independent (i.e. the Chair does not sit on any other regulatory committee.)</p>
<p>Managing data</p>		
	<ul style="list-style-type: none"> Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data 	<p>PCC processes personal information appropriately and legally in accordance with the Data Protection Act 2018 and the General Data Protection Regulation 2016, the National Fraud Initiative and other relevant legislation. The details provided will be held in a secure system or database and will only be shared with other organisations where the law allows.</p>
	<ul style="list-style-type: none"> Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies 	<ul style="list-style-type: none"> The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes PCC. The information must be in a recorded form, so it can include documents, minutes of meetings, e-mails, handwritten notes, videos, letters and audio recordings. PCC is committed to being an open organisation and delivery the best possible public services

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		<ul style="list-style-type: none"> We have processes in place to ensure there are suitable contracts or agreements in place for third party acting as a data processor on behalf of the council and information sharing agreements with other data controllers We ensure that we comply with statutory requirements around data protection impact assessments, and have made these a requirement of all projects in the organisation Standing agenda item on the Corporate Information Governance Group to ensure oversight of all such agreements and assessments.
	<ul style="list-style-type: none"> Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring 	Regular internal audit oversight.
Strong public financial management		
	<ul style="list-style-type: none"> Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance 	The Chief Finance Officer is the S151 Officer and is actively involved in all major decisions, advising on financial matters to both the Cabinet and Full Council. The S151 Officer is responsible for leading the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by the council's services, and that the finance function is fit for purpose.
	<ul style="list-style-type: none"> Ensuring well-developed financial management is integrated at all levels of planning and control including management of financial risks and controls 	Financial Rules have been put in place by the S151 Officer so that the council can meet all of its responsibilities required by law.
G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Implementing good practice in transparency		
	<ul style="list-style-type: none"> Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the 	<ul style="list-style-type: none"> Staff are required to use a report template for items being progressed to

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	intended audience and ensuring that they are easy to access and interrogate	decision meetings
	<ul style="list-style-type: none"> Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand 	<ul style="list-style-type: none"> Key decision meetings are held in public, minutes and key decisions made are recorded, and those minutes are published on the PCC website; meetings are held in an open forum with a high degree of transparency, unless the topic is confidential.
Implementing good practices in reporting		
	<ul style="list-style-type: none"> Reporting at least annually on performance, value for money and the stewardship of its resources 	A statement of accounts is published on an annual basis.
	<ul style="list-style-type: none"> Ensuring members and senior management own the results 	The Medium Term Resource Strategy is a high level plan that sets out the City Council's revenue spending plans for the next five years to deliver Council priorities.
	<ul style="list-style-type: none"> Ensuring robust arrangements for assessing the extent to which the principles contained in the framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement) 	The Governance and Audit Standards Committee inform, review and agree the Annual Governance Statement, which includes review of effectiveness of the system of internal control.
	<ul style="list-style-type: none"> Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate 	The S151 Officer together with finance staff ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully financed and identifies the key assumptions and financial risks that face the council.
	<ul style="list-style-type: none"> Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations 	Financial Rules were revised in 2013/14 by the S151 Officer so that Portsmouth City Council can meet all of its responsibilities under various laws. They set the framework on how we manage our financial dealings and are part of our City Constitution .
Assurance and effective accountability		

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	<ul style="list-style-type: none"> Ensuring that recommendations for corrective action made by external audit are acted upon. 	<p>Our external auditors issue an annual value for money opinion but in depth value for money reviews are carried out when deemed necessary.</p>
	<ul style="list-style-type: none"> Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon 	<ul style="list-style-type: none"> Procurement arrangements are in place to ensure that the organisation secures the right outcomes at the right price within a collaborative and consistent manner Directorates are asked to use comparative/benchmarking data on both cost and performance, as well as other data, such as customer feedback or trends over time in order to make judgements on value for money.
	<ul style="list-style-type: none"> Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations 	<ul style="list-style-type: none"> Employees are regularly asked to complete opinion surveys so the council can get a better understanding of what's working and what's not. The results are carefully considered and used to address issues. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website.
	<ul style="list-style-type: none"> Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement 	<ul style="list-style-type: none"> The Annual Governance Statement is approved by the Governance and Audit and Standards Committee along with the annual statement of accounts.
	<ul style="list-style-type: none"> Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met 	<ul style="list-style-type: none"> Portsmouth City Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working. Reviews of strategic priorities for each of the partnerships have been aligned in order to better understand shared priorities, reduce duplication and improve commissioning and delivery activity.

ENDS

Reviewed: 09.05.2023

Title of meeting: Governance and Audit and Standards Committee

Date of meeting: 19th July 2023

Subject: Risk and Assurance Management Policy

Report by: Kelly Nash, Corporate Performance Manager

Wards affected: n/a

Key decision: No

Full Council decision: No

1. Purpose of report

1.1 The report presents the council's risk and assurance management policy to the Governance and Audit and Standards Committee for approval.

2. Recommendations

2.1 The Governance and Audit and Standards Committee is asked to:

- 1) Approve the attached Risk and Assurance Management Policy
- 2) Agree to review the risk management policy in July 2025, including risks current at the time and lessons learnt over the previous year.

3. Background

3.1 The Council is committed to embedding a culture of risk awareness within our everyday activities, such that formal processes and unnecessary documentation can be minimised, but that risk management remains an effective part of the governance framework.

3.2 The updated Risk and Assurance Management policy (appendix 1) sets out how this will be achieved. Significant features of the policy are:

- Roles and responsibilities are set out clearly
- Components of process, such as training and monitoring are clearly described.

3.3 Whilst it is accepted that risk cannot be entirely eradicated, the following are areas on which the council will not compromise its position by taking a greater level of risk than is absolutely necessary. It will also take all reasonable steps to eliminate or mitigate the risks where identified, including but not limited to:

- where there is risk of physical harm

- where non-compliance with legislation could lead to imprisonment or significant fines.

3.4 The policy has been in effect since 2013, and has been regularly reviewed to ensure that it is in line with the current structure. For this review, references to outdated practices and titles have been removed, but no significant changes have been made.

4. Corporate Risk Schedule

The Corporate Risk schedule is attached at Appendix 2. This document captures the main strategic risks that are pertinent to the organisation and highlights the key ways in which these are presenting themselves at present. This was last considered a year ago, and has been amended to bring it up to date. This is regularly considered by directors of the authority and the Cabinet. Members of the committee are asked to note the schedule and consider if there are any areas where they would wish to receive additional information.

5. Reasons for recommendations

5.1 The policy has been in effect since 2013, and has been regularly reviewed to ensure that it is in line with the current structure. For this review, references to outdated practices (such as staff completing risk forms) have been removed, and recommendations from a previous Internal Audit piece of work have been incorporated (including clarifying the learning and development expectation).

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

8. Director of Finance's comments

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

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Signed by: Paddy May, Corporate Performance Manager

Appendices:

Appendix 1 - Risk and Assurance Management policy

Appendix 2 - Corporate Risk Schedule

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

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

.....
Signed by:

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Policy Title: *Risk & Assurance Management*

Summary:

Risk is a fact of life in an ever changing landscape. By attempting to foresee and avert problems in the delivery of services and maximise opportunities, it helps ensure that resources are used in the best way possible. Risk management is a fundamental part of how we operate and forms part of our Corporate Governance Framework.

These Policy and Procedures are designed to support a risk culture which is embedded in the way we work rather than having a process which itself is used to drive risk management.

ID	<i>RM-002</i>
Last Review Date	<i>April 2023</i>
Next Review Date	<i>April 2025</i>
Approval	<i>G&A&S</i>
Policy Owner	<i>Kelly Nash</i>
Policy Author	<i>Corporate Performance Manager</i>
Advice & Guidance	<i>Kelly Nash 023 9268 8157 kelly.nash@portsmouthcc.gov.uk</i>
Location	<i>Policy hub</i>
Related Documents	<i>http://intranlink/Media/HST_2012_Apr_Corp_Health_and_Safety_Pol_3rd_edition.pdf</i>
Applicability	<i>All PCC staff</i>

Section One: Risk Management Statement of Policy

1. Statement of policy

- 1.1 The Council is committed to embedding a culture of risk awareness within everyday activities such that formal processes and unnecessary documentation can be minimised, but that risk management remains an effective part of the governance framework.
- 1.2 It is accepted that not all risks can be eliminated or mitigated, and a balance must always be struck between the costs of risk reduction against the likelihood and impact of the risk (risk exposure).
- 1.3 Where the organisation is required to behave in a specific way to meet legal and financial governance requirements for example, statutory officers have determined corporate directive controls, such as the City Constitution which have been approved by Members. Compliance with these controls should prevent governance legal and financial threats arising in the first place. Where service controls are required these fall under the auspices of the relevant head of service, which includes their implementation and monitoring.
- 1.4 Risk impacts can be financial loss, non-achievement of objectives, environmental damage, personal injury or ill-health, legal action and reputational damage or a mix of these. Most serious risk impacts will include financial loss, legal action **and** reputational damage but the very worst are likely to include an element of either service failure, injury or environmental damage as well.
- 1.5 Evaluation of the potential financial impact of a risk will include not only the direct costs such as fines, infrastructure repairs and liability claims but indirect costs such as loss of officer time, including support staff such as Finance and Legal, loss of staff morale and productivity, lost opportunities, increased insurance premiums and reduced funds which could impact on future service delivery.
- 1.6 The Council as a public body has to protect and preserve its ability to provide services and ensure that assets are protected against significant loss and damage and interruption to service delivery is minimised.
- 1.7 Whilst it is accepted that risk cannot be entirely eradicated, the following are areas on which the council will not compromise its position by taking a greater level of risk than is absolutely necessary and will take all reasonable steps to eliminate or mitigate the risks, including but not limited to:
 - Where there is risk of physical harm
 - Where non-compliance with legislation could lead to imprisonment or significant fines

SECTION TWO: Procedures

2. Roles and responsibilities

- 2.1 It is the responsibility of all members and employees to be aware of risks when carrying out their duties and to alert the relevant service manager to the threat. Managers must ensure that threats are properly evaluated and mitigated.
- 2.2 The following table details the roles and responsibilities of Members and Officers of the Council

Governance and Audit and Standards Committee	<ol style="list-style-type: none"> 1. Monitor the effectiveness of the Council's overall risk management arrangements as part of the Governance Framework 2. Review and approve the Council's Risk Management Policy 3. Seek assurance that risks are being managed effectively 4. Review the adequacy of the system of internal control as highlighted by Internal Audit 5. Promote member compliance with the RM Policy
Cabinet/ Portfolio Holders/ all Members	<ol style="list-style-type: none"> 1. Seek assurance that risks are being managed effectively 2. Set the Council's risk culture and appetite 3. Consider risk implications when making or evaluating decisions 4. Challenge the adequacy of controls or actions taken to mitigate identified risks.
Chief Executive	<ol style="list-style-type: none"> 1. Determine the RM Policy and procedures and create the environment for them to work effectively including promoting and supporting a risk awareness culture, 2. Maintain awareness and oversight of the most significant risks facing the organisation 3. Obtain assurance from Directors that risks have been considered, in the delivery of their services and mitigated 4. Challenge Directors on the adequacy of controls or actions taken to mitigate risks 5. Ensure regular reporting to Governance and Audit and Standards Committee
Corporate Governance Group	<ol style="list-style-type: none"> 1. To keep under review the Risk Management & Assurance Framework to ensure its adequacy & effectiveness 2. To identify any themes that arise and propose corporate actions to mitigate or escalate as appropriate 3. To review the risk register prior to submission to Governance and Audit and Standards Committee

	4. To ensure that assurance for key areas is mapped and any gaps in assurance addressed
Directors	<ol style="list-style-type: none"> 1. Promote risk awareness and responsibilities to employees 2. Consider risks to service delivery and evaluate appropriate responses including the introduction and monitoring of effective control 3. Obtain assurance that risks have been considered, in the delivery of their services and mitigated 4. Risk assess any decisions and option analyses 5. Report promptly to the Chief Executive/ Deputy Chief Executive & relevant Portfolio Holders any perceived new risks or significant failures in controls 6. Maintain channels of communication to encourage bottom up reporting of risks and control failures 7. Ensure compliance with corporate directives controls as a first response to governance financial and legal threats. 8. Where Directors are acting as Project Directors they must ensure that risks have been considered and mitigated (where possible) recorded and form part of the information to the Corporate Governance Group and Members
Strategy Unit	<ol style="list-style-type: none"> 1. Maintain the RM Policy, including highlighting where communications or training support are required 2. Report on significant risks to G&A&S 3. Maintain a schedule of most significant risks affecting the Authority 4. Report to Corporate Governance Group and G&A&S within the relevant timing of the risks on mitigation with either assurance or alerting to weaknesses in actions
Internal Audit and Assurance	<ol style="list-style-type: none"> 1. Carry out periodic audits on assurance and effectiveness of RM procedures 2. Assist in providing assurance on the management of risk and effectiveness of controls
Managers, supervisors, team leaders	<ol style="list-style-type: none"> 1. Promote risk awareness and communicate responsibilities to employees 2. Maintain awareness of the risks within their area of responsibility 3. Actively encourage staff to report risk concerns 4. Evaluate risks and appropriate responses 5. Escalate risks that have significant impact to relevant Directors
All employees (including contractors and partners)	<ol style="list-style-type: none"> 1. Be aware of threats, opportunities weaknesses or failures in control in their day to day activities

	<ol style="list-style-type: none"> 2. Comply with controls that have been set up to mitigate risks and identify where they can be strengthened 3. Report promptly to their manager any perceived new risks, failures in controls, lost opportunities or where controls can be strengthened
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3. Training and Embedding

3.1 Embedding the risk culture will be achieved by a combination of the following:

- (1) E-learning on Risk Awareness to be available to staff
- (2) Risks to be considered at DMT's, meetings with portfolio holders, one to ones and any other meetings held to discuss service performance, objectives, progress, new decisions, options, changes in working practices or legislation,
- (3) Risks identified by outside parties such as partners, contractors insurance providers etc. will be brought to the attention of the relevant manager and dealt with accordingly
- (4) Significant risks from Audit reports will be included in the risk schedule.
- (5) Significant risks highlighted from Managers responses to the governance framework will also be included in the risk schedule.
- (6) The risk schedule will be reported to Corporate Governance Group based on the timing of the risk.

4. Corporate Risk Schedule

4.1 The risk schedule will be a formal register of all significant strategic risks that could impact the Authority and will be maintained by the Strategy Unit.

5. Directorate Risk and Assurance Directories

5.1 Directorates will maintain their own risk and assurance directories. Risks on these will be recorded in assurance categories (see 6.3) with the mitigating actions and person responsible.

5.2 Risks will be profiled as High (red) Medium (Amber) or Low (Green).

5.3 Each risk will contain a comment from the relevant Director re the risk appetite applied to the risk and any costs of mitigation.

6. Risk Assessments

6.1 Significant risks from Directorate Risk and Assurance directories will be escalated to the strategic schedule by the Director when the threat, likelihood and impact of the risk could cause:

- the failure or unacceptable interruption of the delivery of a service that is provided to ensure support to vulnerable people, or to protect the environment
- Personal Injury or harm
- Loss of trust or integrity in the Council's dealings with others
- Ineffective use of council resources resulting in objectives not being met or reducing resources such that it impacts on the delivery of other objectives or services.
- A missed opportunity to contribute long term to objectives that would make a positive difference to how a service is delivered

6.2 Other activities that will identify significant risks to be escalated to the corporate schedule include:

- Project managers will provide regular feedback to relevant project boards. Any significant risks will be escalated to the corporate schedule by the Project Director either directly to the Chief Executive or via performance returns dependent on timing of the risk
- Legal risks will be considered by the Monitoring Officer and Resources Portfolio holder and will be contained within their own register.
- IT project risks will provide regular feedback to the project board/sponsor and any significant risks escalated to the corporate schedule by the Project Manager.
- Significant risks highlighted from the review of the Governance Framework will be escalated to the corporate schedule by the Director concerned.

6.3 Risk assessments will include direct and indirect costs of control, mitigation and exposure:

- Staff costs, including HR, Legal and Finance (support staff costs)
- Fines
- Legal Claims
- Increase in Insurance premiums
- Infrastructure repairs
- Hidden costs such as impact on staff performance and morale
- Reputational harm

6.4 Risk assessments should also include the timing of the threat e.g. is the threat likely to be in the next few months? Coming year? Winter? Summer? Etc. If a time cannot be attributed to it the threat maybe incorrectly defined.

- 6.5 Examples of areas of risk include:
- Business Continuity
 - Fraud
 - Security of data
 - People: Delegations, Competency of staff, compliance with Policies, Recruitment and performance, health and safety
 - Procurement and contract letting and monitoring
 - Finance; budgetary control, cash management
 - Organisation: governance, policies, priorities, consultation, communication, structures, security,
 - Service delivery; resources, partners, joint or shared working
 - Environment; buildings comply with legislation, legionella, asbestos, severe weather
- 6.6 Examples of questions to consider when assessing risks include:
- What are the threats (re fraud, business continuity etc) in particular which ones are key to your service delivery or could impact on another's service delivery?
 - What are the threats that could cause a service to fail? What would the impact of that failure be?
 - Are there any compensating controls and if they are robust?
 - How do you gain assurance that they are?
 - What is the timing of the threat? Could it happen at any time?
 - What is the risk appetite? Is it ok for the threat to materialise because for example there is a backup plan that can be immediately (or quickly) implemented?
 - What is the cost of the control?
 - What would the cost of the threat (s) materialising be?

6. Assurance

- 6.1 All Directorates will have a mechanism to identify and assess risk on a continuous basis and determine mitigation. Controls introduced to mitigate threats must be monitored at regular intervals to ensure that they are effective. If they are not effective action to remedy the situation must be taken e.g. to review the control itself or enforcement. This testing of controls and any other mitigation will form the assurance that a threat is being managed.
- 6.2 Assurance must be available in the form of evidence that can be verified (e.g. business continuity business plan and testing of its robustness) where significant risks are identified.
- 6.3 To give assurance on the key areas (as defined from time to time by the Corporate Governance Group) an assurance map showing the evidence to support the management of those areas will be compiled and maintained by the Internal Audit Service. This map will currently cover the following areas:
- Financial risks including risk of/exposure to fraud
 - Technical eg. cybercrime, system failure and disaster recovery
 - Political including decision-making

- Legal risk, including fulfilling Statutory obligations
- Specific vulnerabilities including Legionella, Data Protection, Fire risk etc

7. Monitoring and Review

- 7.1 The corporate risk schedule will be considered by Corporate Governance Group and G&A&S periodically or in accordance with timings of risks.
- 7.2 Managers are responsible for monitoring their own risks in accordance with this policy and procedures and escalating where relevant

Appendix 2 - Corporate risk list - April 2023

Ref	Risk description	Mitigation	impact / learning
Achieving outcomes			
1.	Failure to deliver strategic improvements for the city, due to wider factors	Maintaining momentum on City Vision work and major strategic activity e.g. Climate change, Sea Defences, CAZ, Local Plan, Health and Care integration, developing Levelling Up Plan.	<p>The ability to move forward with the Local Plan is a key risk for the organisation in terms of the ability to deliver strategic improvements and balance the competing needs in a tightly constrained city.</p> <p>Increased costs, particularly relating to capital works, reduces the ability of the organisation to deliver on ambitions.</p> <p>The approach by Government to the city in light of the levelling up ambitions is also a significant influence on the ability to achieve wider ambitions, from the approach taken to resource allocation, prioritisation of the city's needs, and wider structural issues, including local government reorganisation and devolution.</p>
2.	Reduction in services for vulnerable people, such as domestic violence and substance misuse service, lead to poorer outcomes and increased demand for other services.	Lobbying through Health and Wellbeing Board and other mechanisms including LGA	<p>The impact of lockdown on vulnerable people continues to surface, with increased demand for services for mental health and other health services. The impact on education in Portsmouth relative to other areas of the country, and particularly in relation to the most disadvantaged pupils, is clear, and there are issues emerging in relation to attendance rates and demand for support around special educational need and disability, including neurodiversity and social, emotional and mental health.</p> <p>Ongoing reliance on short term, external funding streams to provide services for residents, examples include domestic</p>

Ref	Risk description	Mitigation	impact / learning
			<p>violence services, youth services and specialist provision around mental health.</p> <p>The cost of living crisis has created some more vulnerability and demand for service and work is underway to consider how a response to income deprivation and its challenges in the city can be addressed.</p>
Delivery of statutory responsibilities			
3.	<p>Pressures in children's services lead to increased caseloads and therefore increased waiting times for assessment and support - risks of poorer outcomes, for example:</p> <ul style="list-style-type: none"> - Increased vulnerability within families - Impacted ability to regain independence or avoid hospital admissions - Increased risk of harm through abuse/neglect 	<p>Specific actions include:</p> <p>Challenge Home Office application of National Transfer Scheme for unaccompanied asylum seeking children</p> <p>Temporary staffing resource to increase capacity, however this impacts on the budget position.</p>	<p>Challenges around increased non-attendance at school and demand for mental health and neurodiversity support services increasing.</p> <p>Ongoing challenges with care market.</p>

Ref	Risk description	Mitigation	impact / learning
4.	<p>Significant changes in the social care sphere place new duties and responsibilities on the authority and are likely to create some turbulence in the local market. Including:</p> <ul style="list-style-type: none"> - The Care Cap has been deferred to - October 2025 - ASC will be required to create a 'care account' for anyone who asks for one and then assess care and support needs to understand which needs are eligible for ASC support. Based on eligible needs, this then 'meters' towards limiting how much any individual will pay for care in their lifetime. The capital threshold at which the local authority will begin contributing to an individual's care costs will increase from £20,000 to £100,000. Section 18(3) of the Care Act will be implemented, meaning that an individual funding their own care can ask the local authority to use its rates to pay for their care. This is likely to impact on the current care home market predicated on higher charges for 'self-funders' and lower charges for LA funded placements. There is a risk of potential destabilisation of the market and increased costs for the LA. 	<p>Project commenced, initial analysis of work and leads completed</p> <p>Introduction of a dynamic purchasing system for care home placements</p> <p>There has been an increase in the funding available to adult social care in the 2023/24 and 2024/25 financial years, however inflationary pressures have absorbed much of this funding in order to continue provision of care.</p>	<p>All of the individual reforms would be ambitious individually in terms of resource and impact on systems, even with effective project management, this is likely to prove challenging.</p> <p>Initial grant funding was provided by central government for 22/23, to support both the delivery and implementation of the Fair Cost of Care reforms. This funding has translated into a new Market Sustainability and improvement grant, which has conditions attached to it and requires increased monitoring and returns by the Council</p> <p>DHSC have ruled out a national system of care accounts, discussions with national IT providers commenced in April 2022. Having on-line access to care accounts for individuals will be dependent on PCC creating them with its current supplier.</p> <p>Highly likely to see dispute over eligible need as citizens understandably seek to protect their assets Likely to see an increase in costs to the LA - fund allocation to PCC not yet known.</p> <p>Unlikely to be sufficient allocation to address the loss of income or additional resources required to implement and manage these reforms on an ongoing basis.</p> <p>Likely to see a reduction in suppliers as 'self-funder rates' change, limiting choice of providers and increasing costs.</p>

Ref	Risk description	Mitigation	impact / learning
	<ul style="list-style-type: none"> - Inspection of Adult Social Care - April 2023: The inspection of the Local Authority delivery of social care functions will be partly dependent on data returns. ASC in Portsmouth has had key staff leave the authority and has challenges providing data nationally. From 2014 onward, savings were allocated against staffing resource and this reduced the performance function significantly. A successful inspection result will be dependent on competent performance assessment and data submission. The legislation introducing inspection of ASC provides for central government intervention in areas where inspection results are judged unsatisfactory. New Adult Social Care Outcomes Framework (ASCOF) national reporting measures are due to be introduced in 22/23. 	<p>Project Board in place and engagement with corporate IT. Temporary specialist resource to provide resilience in current reporting has been recruited. Recruitment to Quality and Performance lead successful - PCC has agreed to fund two data analysis posts in 2023.</p>	<p>Requirement for Corporate IT support for the project. Implementation of workflow to 'warehouse' data is complex and costly.</p> <p>Some 'single point of failure' dependencies related to key staff</p>

Ref	Risk description	Mitigation	impact / learning
5.	Key responsibilities in the social housing space creating significant demand in wider system, for example supporting wider resettlement programmes and providing temporary accommodation.	<ul style="list-style-type: none"> - Sourcing better quality alternatives to B&B/Hotels - focussing on the work to prevent homelessness <p>Appointment of co-ordinator to lead on response to resettlement programmes</p>	<p>The level of temporary accommodation use isn't abating and we are now seeing an increase on the housing register. The pressure is both financial (we are spending above the budget available) and potentially a statutory issue if we can't move people out of temporary accommodation.</p> <p>There are significant new burdens linked to resettlement and a risk of failure to sustain the system wide response. Lots of very positive activity in the city, including City of Sanctuary / partnership / use of MOD units/regional links but significant work that needs structured approach.</p>
6.	NHS reorganisation - risks to local resourcing, planning and delivery	Prospectus and Blueprint for Health and Care in Portsmouth as basis for local delivery arrangements in partnership; strong representation on Integrated Care Partnership and associated working groups.	The NHS reorganisation - from a system of local clinical commissioning groups into Integrated Care Systems with associated board and partnership structures - created risks for the local area in terms of where decisions are now made and how resources are allocated. There are also risks to the strong and deep integration of local services for the benefit of residents, where efforts have been made to minimise organisational boundaries and create seamless services as far as possible. This risk continues to be felt as the HIOW ICB reorganises its structure in response to financial pressures.
7.	Failure to protect the city environment, including in relation to air quality, flood defence and natural and heritage assets.	Coastal Defence schemes Air Quality action plan Climate Change Strategy Local Plan framework Draft heritage strategy	The city environment now has high political priority - note the declaration of a climate emergency and a nature emergency, a Notice of Motion to support ocean literacy and support for findings of a biodiversity scrutiny panel. The need to balance stewardship of the environment with

Ref	Risk description	Mitigation	impact / learning
		<p>Draft parks & open space strategy</p> <p>Greening strategy</p>	<p>development requirements is also being cited in relation to challenges around the Local Plan.</p> <p>Issues of particular concern include:</p> <ul style="list-style-type: none"> - The ongoing Air Quality challenge in the city and the implications for health of residents - The significant potential costs and challenges associated with achieving the Net Zero Carbon commitment in the climate emergency declaration - Parks Service resources are limited, particularly around countryside stewardship and project development, and most directed towards maintenance, meaning there is limited scope for developing approaches to protection and nurturing of our natural open spaces - Coastal development works have been hugely positive developments for the city (and have been a positive driver for change re Linear Park etc) but need to recognise that the seafront strategic development is currently influenced by the seafront coastal works. - Need to address development requirements for housing and employment space a challenge in the light of land constraints - other requirements too, such as burial space and Port expansion. - Existing infrastructure may not be able to cope with adjustments needed to respond to environmental agenda, for example, requirements for more power in the city to enable EV, move away from domestic gas etc.

Ref	Risk description	Mitigation	impact / learning
8.	Exposure to national level political and legislative change including impact on scope of duties, powers, responsibilities and service demand.	<p>Ongoing monitoring through the Universal Credit Partnership</p> <p>Engagement with SE Migration Partnership</p> <p>Ongoing resilience forum arrangements</p> <p>Engagement with DEFRA</p> <p>Licensing fee review</p>	<p>New responsibilities and new duties have been passed to Local Authorities to manage the Covid-19 response and help the Covid-19 recovery. Over the past two years this has included changes to health protection responsibilities, changes around the expectations related to homelessness and rough sleeping, and responsibilities around grant distribution.</p> <p>Short notice demand for assurance in key areas increased during the pandemic and is resolving into new frameworks for assurance in the adult social care sphere.</p> <p>The ongoing uncertainties around Brexit have created particular issues in relation to our Port operation. Target Operating Model now published but considerable issues to work through: staffing, border risk categories, funding and IT requirements. Continual liaison with DEFRA.</p> <p>The increased legislative picture means wider remit for existing regulatory team. Resources are focussed on a risk/need analysis. Demand limits ability for proactive interventions - risk that service loses sight of business which are not registering & as such are trading illegally and creating wider risks to public safety Additional burdens resulting from legislative changes - requiring appropriate ringfenced funding. The risk is that new laws remain unenforced due to resource constraints.</p> <p>Licensing - Ability to charge fees locally is increasingly being replaced by statutory fees charged set by government, with licence holders expected to cover the costs. Locally set fees means that full costs can be recovered, avoiding subsidy</p>

Ref	Risk description	Mitigation	impact / learning
			<p>from local taxpayers. The local tax payer should not subsidise the function, however licensing decisions are facing increased scrutiny particularly over fee setting by business, public and media. Fees have not been increased since 2019 and the service is looking at overspend of approx. 18% without fee review.</p> <p>A further area of risk is the ongoing impact of increased cost of living. We are likely to see a significant impact on residents, and requirements to ameliorate the impacts - there has already been a requirement on local authorities to administer the Council Tax rebate and several rounds of Emergency Household Assistance Grant. It may be that there is increased expectation to develop and implement local measures to address the significant need likely to arise.</p>
9.	Failure to fulfil health, safety and wellbeing responsibilities, including in respect of operational and heritage buildings and open spaces.	<p>Connectivity project</p> <p>Engagement with water authorities.</p> <p>Social housing charter</p>	<p>The Connectivity project recognises the importance of preserving safety and wellbeing of staff in a different way of working. We have also maintained resources into providing staff wellbeing advice and support.</p> <p>As an island city, we have identified the particular need to consider approach to water safety - there are limited resources to monitor increasing public use, but a proportionate approach to the issue has been agreed with Internal Audit</p> <p>Water Quality - pollution being discharged into our harbours - deterioration of bathing water at Southsea East - potential for 'prohibition' at close of summer season 2023.</p>

Ref	Risk description	Mitigation	impact / learning
		<p>Dedicated officer to support implementation of Martyn's Law legislation. Investment into relevant/required measures to adhere to the legislation.</p>	<p>Legislative requirements relating to domestic building safety are significant given our regulatory role, but also role as a provider of social housing.</p> <p>Rising building and energy costs mean that fulfilling duties around creating safe buildings and spaces is increasingly expensive for the organisation, and many buildings are not being used to full potential.</p> <p>Martyn's Law legislation is expected to be passed in 2024. This will have implications for publicly accessible premises: standard tier - 100 - 799 max capacity, enhanced tier 800+ max capacity. It is likely that the legislation will enforce the implementation of a variety of measures to mitigate a terrorist related attack, many of which will require investment and/or resources.</p>
Organisational governance			
10.	Exposure to system failure, including support expiry, single points of failure, cyber-security and system recovery.	Significant investment enabling increased pace on IT provision and resilience - IT roadmap and Connectivity project.	<p>Changes in ways of working have meant significant changes to how we secure systems and data in the organisation, and also a need to think about how we ensure archiving and recovery of documents and data.</p> <p>This has required additional investment in security measures, following discussion at corporate governance group, and reflects a wider change in the way that digital infrastructure is provided and funded, with increased pressure around ongoing revenue charges.</p>

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11.	Failure to ensure the City Council's information is held and protected in line with Information Governance policies and procedures.	GDPR and information security policies and procedures	Different ways of working have emerged since Covid, including more digital communication through Whatsapp and chat functions on Teams etc, but although the context feels like it has changed, the legal framework still exists and this means that vigilance related to information issues is essential.
12.	Addressing underlying budget pressures and delivering effective and sustainable services, particularly in children's and adults' services.	Bidding and case-making for available grants	<p>Costs increasing and income reducing exacerbating the financial pressures for the council.</p> <p>In-year shocks incurred in 2022-23 have placed further pressure on the authority finances.</p> <p>Increased pressure on services to look to alternative grant funding to meet shortfall/cash limits but short term funding creates some uncertainty and changes in working needed for this model; need capacity for relationship building, bid-writing and commissioning.</p>
13.	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.	<p>Disaster recovery approach</p> <p>Lessons learnt exercises from Covid response</p> <p>Desktop exercises</p> <p>Connectivity to enable flexible working</p>	The new ways of working that have been developed in the pandemic have increased resilience to disruption in some cases, but have increased reliance on remote access to systems and data - the approach taken to resilience and recovery in this new context is critical.

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14.	Challenges in recruiting and retaining key staff and skills into the city, meaning that key services are compromised, and organisational capacity is limited.	<p>Job evaluation scheme and mechanisms such as market supplements</p> <p>Workforce strategy development for health and care</p>	<p>Challenges in key professions and skill sets continue to present themselves.</p> <p>There are high levels of reliance on some key staff and some single points of failure and bottlenecks.</p>

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Title of meeting:	Governance & Audit & Standards Committee	
Date of meeting:	Wednesday, 19 July 2023	
Subject:	Consideration of the political balance rules in relation to the constitution of Sub-Committees considering complaints against Members.	
Report by:	City Solicitor	
Wards affected:	N/A	
Key decision:		No
Full Council decision:		No

1 Purpose of Report

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

2 Recommendation

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

3 Background

- 3.1 The Committee agreed on 25 January 2023 to "disapply" the political balance rules in respect of Sub-Committees of Governance and Audit and Standards Sub-Committees when dealing with complaints. This meant the Sub-Committees' membership would in future not be made up of Members in the same proportion as the political groups are represented on the Council. Instead it was agreed that the Sub-Committees would be "cross party as far as reasonably practicable". This was considered important to ensure the greatest transparency in the decision making of these Sub-Committees where complaints against members were considered. It was also agreed that the same rule would apply to the make-up of the Initial Filtering Panel which is not a formal Sub-Committee of Governance and Audit and Standards.
- 3.2 Section 17 (2) Local Government and Housing Act 1989¹ provides that any

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

decision not to apply the political balance rules shall come to an end if there is any change in the make-up of a committee where they have been disapplied.

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

4 Reasons for recommendations

As there has been a change this municipal year in the political make-up of the Council, Members are asked to reconsider this decision, as the decision to disapply the political balance rules made on 25 January 2023 was effective only until the end of the municipal year. If Members decide to disapply the political balance rules then this will apply for the remainder of the municipal year, or until there is any change in the make-up of a committee where they have been disapplied.

5 Integrated Impact Assessment

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

6 Legal implications

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

7 Director of Finance's comments

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

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Signed by: City Solicitor

Appendices: None

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

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

Title of document	Location
None	N/A