
Annual Governance Statement 2021-22

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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.

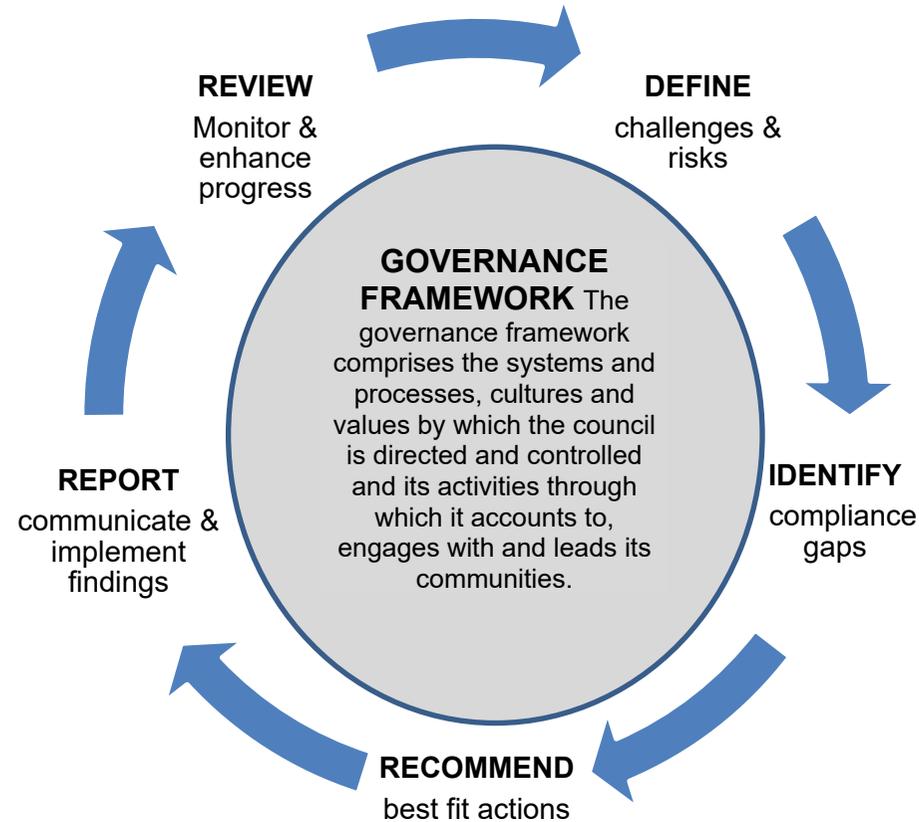
The Council employs around 3,600 members of staff and provides an extensive range of services to residents, businesses and visitors in the City, including: city development and cultural services, regulatory business and standards services, transport and environmental services, housing and property services, 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**, David Williams, 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 Peter Baulf, 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 Chris Ward, who is also 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

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

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs. The Council's Anti-Fraud, Bribery and Corruption Policy³ (revised in May 2016) 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 quarterly.

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 wclear 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 are developing 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 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 three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, 15 working days for second-stage complaints and 20 working days for third-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

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 Clinical Commissioning Group (CCG), the police, probation, fire service, university and with business.

The city has excellent partnership working, with other local authorities and with colleagues in health, including the Clinical Commissioning Group (CCG), Solent NHS Trust, Portsmouth Hospitals University Trust, the police, probation, fire service, University of Portsmouth 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, including the strengthening of links with the CCG, by moving to a model for shared 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 moves towards a different model, working in integrated care systems, we will continue to work closely with colleagues on a place-based basis 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. However, we 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, and also to guide the recovery and renewal of the city in light of the pandemic:

DELIVERING FOR PORTSMOUTH OUR MISSION AND PRIORITIES 2022/23



We will work together with partners and communities to stand up for Portsmouth, take action to improve the city and the lives of our residents, and tackle the climate crisis.

STAND UP FOR PORTSMOUTH

- support people during the cost-of-living crisis
- work with partners to tackle crime and anti-social behaviour
- ensure access to health services
- have a strong voice in our region

IMPROVE LIVES

- deliver major improvement projects
- deliver new, affordable homes
- improve transport
- help people live independent, healthy lives
- ensure access to cultural and leisure opportunities

TACKLE THE CLIMATE CRISIS

- reduce our carbon impact
- support people to take positive action
- encourage wider environmental responsibility
- make the city greener

At heart of the plan is providing the services that our residents rely on, and the support services that enable these to be provide effectively

ensure older people and vulnerable adults are looked after and supported to live independently, maintain our transport infrastructure, parks, open spaces and buildings, offer housing services, support education, early years and children with special educational needs, keep children safe and families together, encourage economic development, provide planning, support culture, museums and libraries, provide benefits and collect council tax and business rates, collect their bins, and keep the city clean.

Planning and monitoring

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. The biggest share of the money that the local authority receives comes from government grant. Since 2011/12, overall central government funding to PCC has reduced significantly. Taken together with other financial pressures (mainly relating to inflation, Covid-19 recovery, the effects of an ageing population on care services and the increased requirements for safeguarding of vulnerable children - total savings of £103m have been made by the council (48% of controllable spend).

Adult and Children's Social Care (representing in excess of 50% of controllable spend) provide services to the most vulnerable, experience the greatest cost pressures, and have historically received significant protection from savings. The Council's medium-term financial strategy seeks to maximise savings through income generation, economic regeneration and efficiency measures.

In February 2022 full council considered proposals outlining its budget and council tax 2022/23. The key proposals recommended a budget for 2022/23 that provides for:

- savings of £1.825m
- new spending initiatives amounting to £0.825m (including a full city wide roll out of the food waste recycling service)
- a council tax increase of 2.99% (1.0% of which is raised specifically to be passported to adult social care)
- new Capital Investment to the City of £67.8m
- no requirement for any budget savings for 2023/24.

The Covid-19 pandemic has had a significant impact on the budget proposals in both the revised budget for the last financial year, the budget for 2022/23 and future years' forecasts. Some of the financial impacts of the pandemic are expected to be short term in nature (one to two years) but others are expected to endure through the longer term. Excluding business rate reliefs which are fully recompensed by government, the cost of responding to the Covid-19 pandemic in the last financial year is expected to amount to £10.1m with associated government funding of £9.1m.

The budget proposals seek to ensure that the financial position of both adult and children's social care remains robust both in the short and medium term. Additional funding is provided as follows:

- children's social care - £3.9m to cover financial pressures relating to residential placements, care leavers, unaccompanied asylum seekers, inflation and to remove unachievable budget savings
- adult social care - £3.3m to cover the uplift in the national living wage of 6.6% that will be passported to care providers as well as all other inflationary pressures.

Over the next three years (commencing 2022/23), the additional costs of managing Covid-19 and income losses are expected to amount to a further £6.6m but with no specific additional government funding. The Government has provided new funding within the provisional local government settlement of £3.3m for 2022/23 in the form of a 'services grant 2022/23' but this is for all Covid-19 risks. This is to cover all new burdens and all other budget pressures. The cost of managing Covid-19 alone dwarfs the new funding by government. While it is not possible to quantify the longer term impacts of Covid precisely, it is anticipated that there will be ongoing impacts on care services, some sources of

income and both council tax and business rates receipts. It is likely that inflation and wider economic pressures will become exacerbating factors.

In overall terms, the financial picture over the next two years and beyond is one of increasing costs and demand for services, particularly in essential care services - at the same time as continued reductions in funding, leading to an overall forecast budget deficit. The recent announcement by the Government on moving to a new Target Operating Model for imports to the UK (both EU and non-EU) means that the creation of the new Border Control Post has left the authority with a £7.8m infrastructure cost but also a challenge in having a high specification building with no clear purpose and no way of recovering running costs.

However, the council's financial health is currently considered sound, and well placed to face future uncertainties, including the review of local government funding.

Portsmouth City Council remains a low taxing authority. The council currently receives significantly less in council tax than the average unitary authority within its statistical neighbour group.

Council tax currently represents less than half of the council's overall funding base with annual rises limited by "referendum thresholds" which are set by the government annually. Over recent years, council tax increases have not been sufficient to keep pace with the levels of inflation and other cost pressures experienced by the council.

In Portsmouth, we are rising to the challenge. 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 also that capital investment will be targeted towards cost savings, income generation and economic growth.

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 February, the city delivered a "Making Social Value work for Portsmouth" event, 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.

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

In usual circumstances, 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. The pandemic situation meant that this process has not been followed in the usual way for 2020/21 but this began to be reestablished for 2021/22.

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 Councils 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 has 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 2022.

Value for money

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, GAS 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.

Data Management

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.

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 2021/22 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

As action plan has been prepared in response to these recommendations and progress against this will be regularly reported in 2022/23.

Ongoing impact of the pandemic

It is important to note that in 2021/22, impacts of the 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 2021/22 has been driving 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 aiming to be working as a hybrid organisation by summer 2022.

Financial risks - a critical risk for the coming year will be the long-term impact of the Covid-19 pandemic, which may continue to have an impact on some of the Council's income streams such as port dues and leisure income, and expenditure on some services may continue to be higher than anticipated (for example, in social care). However, the Council managed the position well in 2021/22 and although Covid-19 has put the Council under financial pressure, the Council has adequate reserves to absorb this, and developed a financial strategy to ensure that the most significant impacts are absorbed without detriment to the vital services that the authority provides, many of which are under increased pressure because of the impacts of the pandemic. 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. We will also have to recognise that many staff have been under huge pressure in the past year, and experienced difficult things, and we need to support them in their wellbeing.

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.

Significant governance issues for 2022/23

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.
2	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	Lack of sufficient checks that could be evidenced on a suppliers record when a supplier's bank details are being changed. Testing has highlighted that controls were not evidenced.	2021/22 Accounts Payable Audit critical risk exception.	Additional checks beyond those normally deployed must now be conducted to ensure that bank details are accurate and due care is taken to prevent cases of invoice and mandate fraud.	Follow-up audit identifies improvements to system have been made and fraud risk minimised.	Director of Finance	In advance of follow-up audit.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	<p>The Council lacks a co-ordinated overarching view of its commercial activity whether this be partnering and alternative service delivery models (including with the voluntary, community and social enterprise sector) or through local authority trading companies or other models.</p> <p>Decisions taken may not be fully informed by all relevant considerations (specifically risk, best value and displacement of BAU activity), not subject to regular review and do not enable the sharing of best practice across the authority. Where trading companies are being created, the implications on Council resources needs to be better understood.</p>	<p>Internal and external audit; performance and risk management activity; Local Partnerships report commissioned via Cabinet in 2022.</p>	<p>Establish a centralised, specific officer and member responsibility and oversight for all Council commercial activity.</p> <p>Preparation of a commercial policy/statement which guides all Council commercial activity.</p> <p>Ensure adequate resources in a centralised team which provides corporate support to work up proposals and scrutinise commercial activity proposals. Team to be resourced through existing staff who receive training in commercial issues or through the short term buying in of commercial expertise (e.g. Local Partnerships) to support the build-up of the Council's capacity.</p> <p>Centralised team will support the development and implementation of commercial proposals, together with a periodic review that the delivery mechanism offers best value to PCC and that alternative arrangements could not do this better.</p> <p>This function would organise early engagement to ensure the legal, HR and financial due diligence was undertaken to fully understand the implications of the commercial proposal</p> <p>The team will review existing arrangements to ensure best practice/best value and ensure alternative arrangements could not do this better.</p>	<p>Period review of commercial activity to evaluate the effectiveness of the activity with consideration based on best value considerations and Council's risk appetite.</p>	<p>Chief Executive</p>	<p>Necessary changes reported on a regular basis to Cabinet, Governance, Audit and Standards Committee and Employment Committee.</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	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.
6	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
7	New governance and working processes across strategic partnership	Internal self-assessment	Monitoring of processes, including s75 agreements, through the Joint Commissioning 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
	arrangements, including working with the integrated care system					
8	Capacity within the organisation and key individuals,	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
9	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	Successful achievement of changes	Director of Adult Social Care	Ongoing reporting
10	Address the recommendations in the Corporate Peer Challenge particularly in relation to the requirement to look at arrangements to ensure closer member-officer working relationships.	LGA Corporate Peer Challenge Report	Regular monitoring of action plan 6 month review by LGA Peer Team	Progress on identified issues	Chief Executive	6 month review due Summer 2022' ongoing review

Effectiveness of the system of internal control

During 2021-22 Internal Audit & Counter Fraud completed 39 full audits, 23 grant reviews, 14 first follow ups and 6 second follow ups. The results show that the level of 'No Assurance' audited areas have stayed the same as last year. There has been a slight decrease of 'Limited and Reasonable' rated areas and an increase in 'Assurance' areas overall against the 2021/22 plan. As a whole 'Reasonable Assurance' has been attributed indicating that the governance framework is effective despite ongoing and significant pressures on the Authority. The historic annual opinion for numerous years has been Limited. A review of the results across the authority shows that there are no individual directorates that attribute to the majority of high-risk areas, although there are pockets of weakness that require improvement. The results across audit work performed this year have not identified any systemic failings. One critical exception has been raised and is detailed in this report, this relates to growing concerns and attempts of fraud, perpetrated by external parties.

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 51% of risks exceptions have been closed. This is also reflected in that 65% of follow up audits achieved improvement for the opinion level, with only 35% remaining the same, due to insufficient movement to deliver actions. Although progress is noted, it is recognised that Covid 19 has had an impact on services for 2021/22 where due to circumstances outside of their control some actions were difficult or impractical to address. This position needs to continue to improve if the Authority is to strive to manage risk exposure more effectively and retain the overall assurance opinion. Corporate Governance Board and individual directorates will be updated on a quarterly basis with all open risk exposures.

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. Reasonable Assurance is provided for this year, with the above narrative that the internal control framework in operation at Portsmouth City Council is improving.

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 2021/22 may affect that year's work for External Audit. It may also inform their work for 2022/23 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 2022/23

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 living and working with Covid, 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

Cllr Gerald Vernon-Jackson CBE, Leader of the Council Date

David Williams, Chief Executive

Date