

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Wednesday, 20 September 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 (Vice-Chair)
Councillor Graham Heaney
Councillor Benedict Swann
Councillor Daniel Wemyss

Officers

Peter Baulf, City Solicitor
Andrew Brittain, Partner, Ernst & Young
Natasha Edmunds, Director of Corporate Services
Ian Fitchett, Elections Manager
Elizabeth Goodwin, Chief Internal Auditor
Helen Klemm, Technical & Financial Planning Finance Manager
Richard Lock, Assistant Director (Procurement)
Helen Magri, Corporate Information Governance & Data Protection Officer
Kelly Nash, Corporate Performance Manager
Charlotte Smith, Assistant Director of Corporate Services
David White, Senior Manager Ernst & Young

31. Apologies for Absence (AI 1)

Apologies were received from Councillor George Madgwick.

32. Declarations of Members' Interests (AI 2)

There were no declarations of interest.

33. Minutes of the meeting held on 19 July 2023 (AI 3)

RESOLVED that the minutes of the meeting held on 19 July 2023 be approved and signed by the Chair as a correct record

34. External Audit - verbal update on 2021/22 audit progress, and DLUHC approach to the national situation regarding historic audits (AI 4)

David White, Senior Manager, Assurance, at Ernst & Young provided the committee with a verbal update on the 2021/22 audit.

He reminded the committee that it had considered an interim report in March 2023 and detailed the national and local issues which had affected most local government audits.

The first was how the valuation of infrastructure assets were accounted for in the Statement of Accounts. The solution was the introduction of a Statutory Instrument and temporary changes to the code of audit practice; however these were not implemented until January 2023.

The second was an issue which affected all of Hampshire, which was the triennial valuation of the Hampshire Pension Fund in March 2023. This was undertaken every three years, but due to the delay with the 2021/22 audit the revised pension fund valuation, which showed a significant material change, needed to be factored into the audit retrospectively.

The third contributing factor to the delays had been the valuation of property, plant and equipment and investment property which had proven challenging due to staff turnover. The level of work and depth of detail surrounding these audits had also been required to increase in recent years.

Further to the combined factors above, the delay in local government audits had also put pressure on resource capacity at Ernst & Young.

He advised the committee that the substantive works was almost complete and it was expected that an unqualified opinion would be given in October 2023.

Andrew Brittain, Partner at Ernst & Young detailed the national picture. In July Lee Rowley MP, Parliamentary Under-Secretary of State for Local Government and Building Safety had addressed the Levelling Up, Housing and Communities Committee on the matter of local government audits. At this meeting he had given plans to address and reduce the backlog and guidance on this was awaited.

In response to a question it was not anticipated that future audits would be delayed by Hampshire Pension Fund re-evaluations, as the issues experienced with the 2021/22 audit in relation to this had been due to the audit already being delayed by other factors.

RESOLVED that the committee NOTED the update.

35. Review of Polling Districts and Polling Places (AI 5)

(TAKE IN REPORT)

Ian Fitchett, Elections Manager, introduced the report which detailed the outcomes of the review of polling districts and polling places recently undertaken and invited members to consider the recommendations made.

RESOLVED that the Governance & Audit & Standards Committee Recommends to Full Council:

- (i) **That the changes to the current polling scheme recommended in paragraphs 5.2 to 5.5 are approved and implemented on publication of the 2024 Register of Electors; and**
- (ii) **That it be reconfirmed that the Returning Officer has delegated authority to make such variations to polling places as may be necessary arising from the availability of premises for use at a particular election.**

36. Data Security Breaches Report (AI 6)

(TAKE IN REPORT)

Helen Magri, Corporate Information Governance & Data Protection Officer, introduced the report which informed the Committee of Data Security Breaches between 28 February and 31 August 2023.

She explained that the number of breaches remained consistent with the previous year. 85% of breaches had been due to human error, with over half of the breaches being emails sent to the incorrect recipient. Half of these had been to recipients within the council and none had been serious enough to report to the Information Commissioner's Office (ICO).

A meeting had been scheduled with the council's Microsoft advisor with the aim to review and introduce prompts to help reduce the number of emails sent to the wrong recipient.

The committee noted an increase in the number of delayed reports to the ICO. In response to questions, it was confirmed that the ICO deadline of 72 hours to report breaches included weekends and a reminder would be sent to staff to report any breaches immediately even if the full details were not known. In some instances, delays had been caused whilst all of the facts were being gathered. It was not anticipated that the reminder to staff would realise an increase in reports to the ICO, as the issue centred around delays in reporting rather than breaches not being reported. The committee was advised that the council had a dedicated inbox to allow breaches to be reported out of hours, in order that the 72-hour deadline for reporting to the ICO could be met.

RESOLVED that the committee NOTED the breaches that had arisen.

37. Overview of Portsmouth City Council complaints, including Local Government and Social Care Ombudsman Complaints 2022/2023 (AI 7)

(TAKE IN REPORT)

Charlotte Smith, Assistant Director of Corporate Services, introduced the report which detailed the Annual Review of Complaints by the Local Government and Social Care Ombudsman (LGSCO) dated 19 July 2023, regarding complaints it had considered against Portsmouth City Council for the year 2022/23, and provided an overall review of complaints.

She advised that there had been a decrease in complaints during 22/23 , although it was noted that there had been a spike in 21/22 due to changes to refuse and recycling collection routes. Response times had improved. In terms of the subject of complaints, there had been an increase in complaints about the timeliness of the council's responses to its customers in general.

Complaints to the Local Government and Social Care Ombudsman had increased to 46 from 38 in 2021/22, however only six had been upheld.

Overall performance was good and there were no issues of concern to report.

In response to a question, the council did not continue to try to resolve the complaints upheld by the LGSCO after they had been submitted to the LGSCO, as the council believed that it had done all that it could to remedy the issues raised.

RESOLVED that the committee NOTED the report.

38. Unreasonable Customer Behaviour Policy (AI 8)

(TAKE IN REPORT)

Charlotte Smith, Assistant Director of Corporate Services, introduced the information report which detailed the new policy. The policy outlined what the council considered to be unreasonable customer behaviour and the process the council would follow in responding. The policy had been drafted to reflect the Corporate Complaints Policy but address a gap for instances where no complaint had been made.

The aim was to ensure that the council could still respond to enquiries from customers whose behaviour had become unreasonable, but without the demands of individual customers taking a disproportionate amount of time to manage and consequently impact negatively on the ability of staff to handle enquiries from other customers.

In response to questions from the committee it was explained that currently such cases were dealt with informally, however without a clear process there was a lack of transparency for all parties and the possibility for an inconsistent approach across different services. In respect of a concern relating to genuine

enquiries, it was explained that extracting these was a priority so that they could be dealt with whilst also managing any unreasonable behaviour.

The Assistant Director of Corporate Services agreed to discuss with colleagues whether this policy could be applied to correspondence received by councillors.

RESOLVED that the committee NOTED the report.

39. Modern Slavery (AI 9)

(TAKE IN REPORT)

Natasha Edmunds, Director of Corporate Services, introduced the report which provided a progress update on the delivery of the improvement plan set out in item 10 of the most recent Modern Slavery and Human Trafficking Statement.

She advised the committee that good progress was being made. A draft self-assessment tool for local government produced by the Shiva Foundation had rated the council as 'Advancing' and progress would continue to be monitored and reported to the committee.

RESOLVED that the committee NOTED the report.

40. Corporate Performance Report - Q1 2023/24 (AI 10)

(TAKE IN REPORT)

Kelly Nash, Corporate Performance Manager, introduced the report which reported any significant performance issues arising from Q1 2023-24 performance monitoring and highlighted areas for further action or analysis.

Key themes were significant pressures on demand led services, particularly around adults and children's services and the retention and recruitment of staff.

A concern was raised in respect of there being no allocated revenue budget for 'Play Streets' and it was felt that this trial had raised expectations and could lead to some being disappointed.

In reply it was acknowledged that some issues had been encountered in turning the trial into reality and that Transport would be asked for a breakdown of each instance where barriers to delivery had been encountered.

In respect of a question for more information around the Integrated Care Board's decision not to fund a nurse resource for the Multi Agency Safeguarding Hub (MASH), the Corporate Performance Manager confirmed that a report would be considered at the upcoming Health & Wellbeing Board and that she was happy to report back to the committee in detail.

RESOLVED that the committee NOTED the report.

41. Internal Audit Performance Status Report to 8th September 2023 (AI 11)

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which updated on the internal audit performance for 2022/23 to 8 September 2023 against the Annual Audit Plan, highlighted areas of concern and areas where assurance could be given on the internal control framework.

The committee was advised that the audit work was on target to be completed before the end of the financial year and that the gas services audit item had been removed from the Audit Plan due to the implementation date not being until 2024.

At the previous meeting the committee had drawn attention to school transport and by way of an update the committee was advised that there had been significant improvements resulting in a rating of 'reasonable assurance'. School transport would feature as an audit item each year until internal audit were satisfied that the ratings were stable.

In response to a concern about a lack of formal procedures around assessing the frequency of care home visits, it was explained that these had been delayed following the pandemic and work to catch-up was being undertaken. However, procedures needed to be written in respect of the scheduling of visits.

The high exception regarding the use of WhatsApp in Children's Families and Education remained open. During the exceptional circumstances of the pandemic, the use of WhatsApp had been permitted when coupled with internal terms and conditions to add a layer a protection to the authority. These had not been enacted and whilst some progress had been made the actions to rectify the position remained open.

RESOLVED that the committee NOTED the Audit Performance for 2023-23 to 8 September 2023 and the highlighted areas of concern in relation to audits completed from the 2023/24 Audit Plan, including follow up work performed.

42. Treasury Management Outturn Report 2022/23 (AI 12)

(TAKE IN REPORT)

Helen Klemm, Technical and Financial Planning Finance Manager, introduced the report, the purpose of which was to inform members of the council's treasury management activities in 2022/23 and of the council's treasury management position as at 31 March 2023.

During 2022/23 there had been no new borrowing and as at 31 March 2023 the Council had gross debt including finance leases and private finance

initiative (PFI) schemes of £747m and gross investments of £404m giving rise to a net debt of £343m.

In terms of the revenue costs of treasury management activities in 2022/23, these were £356k below the revised budget.

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

43. Treasury Management Monitoring Report for the First Quarter of 2023/24 (AI 13)

(TAKE IN REPORT)

Helen Klemm, Technical and Financial Planning Finance Manager, introduced the report, which informed members of the Council's Treasury Management position.

In response to a question concerning the state of the council's finances given the recent issuing of a Section 114 Notice to Birmingham City Council, it was explained that the Council had a strong focus on liquidity, security of its investments in line with the Treasury Management Strategy. Assurance was also given that the council was operating within authorised limits and indicators within the agreed Treasury Management Strategy.

RESOLVED that

(i) the Council's Treasury Management activities have remained within the Treasury Management Policy 2023/24 in the period up to 30th June 2023 be NOTED; and

(ii) the actual Treasury Management indicators as at 30th June 2023 set out in Appendix A be NOTED.

44. Exclusion of Press and Public (AI 14)

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:

- 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.

45. Procurement Management Information (AI 15)

(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 spend compliance information provided a full quarter of spend data and an analysis of spend across all systems rather than just spend via Oracle FUSION. Spend compliance was strong at 99% for contracts through FUSION.

In respect of waivers, the report now included information on contracts which had been subject to previous cumulative waiver approvals, which when assessed in totality exceed £100k. This was opposed to individual waiver instances which individually exceed £100k as had been previously reported. He advised the committee that there were no high risk waivers.

To conclude, he explained that the previous Key Performance Indicator (KPI) monitoring system had been disbanded due to it no longer being fit for purpose. A new, simpler, KPI monitoring system was being piloted on 72 contracts which included the council's highest value strategic contracts and medium value works call off contracts let via the council's £100M Primary Contractor Framework.

Following the successful piloting of the model it would be rolled out with the target of being applied to 80% of the contracts by contract value by the end of the 2023/24 financial year.

In reply to a concern raised by the committee, the Assistant Director (Procurement) offered assurance that the transaction above £100k in respect of Portsmouth International Port which could not be traced to a contract entry could be traced to a fully compliant procurement process. Risk was therefore considered to be low.

The committee raised further concerns in respect of the amount of non-compliant spend across services detailed within the report and the £2,265,236.24 which had been miscoded to Corporate Services. The Assistant Director undertook to raise the latter point with Finance to confirm whether the spend had been miscoded. From the transactions made it would appear that the spend related to regeneration, however there may have been reasons as to why the spend had been coded in this way.

In respect of the non compliant spend relating to adult services, the committee was advised that the spend might have legally compliant contracts in place, but not necessarily input onto the Intend procurement database. Procurement were looking at these spends to input onto Intend and check governance arrangements as appropriate.

The committee congratulated the Procurement Service on the changes made which seemed to be realising improvements.

RESOLVED that the committee NOTED the update report.

The meeting concluded at 11.33 am.

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Councillor Leo Madden
Chair