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# Annual Governance Statement 2023-24 (DRAFT)

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## What is the annual governance statement?

Legislation<sup>1</sup> requires local authorities to prepare and publish an Annual Governance Statement, in order to report publicly 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 3,800 members of staff (excluding schools) 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.

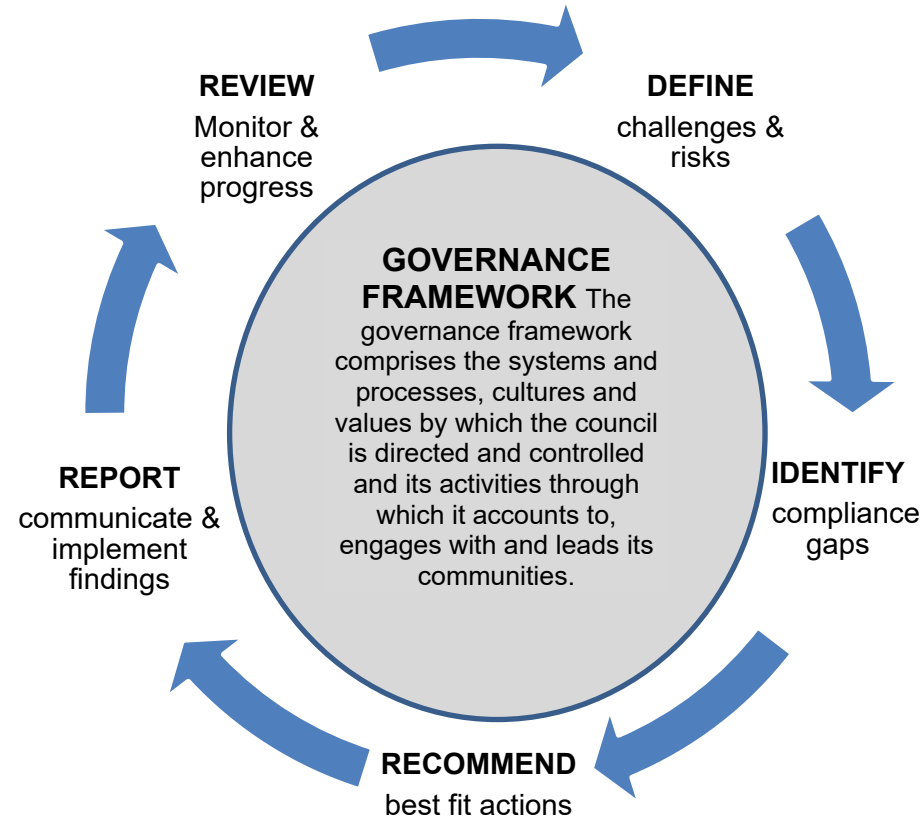
The staff of the council are managed by the **Chief Executive**, who is the Head of the Paid Service. The Chief Executive is supported **directors** who have oversight of a number of services, each of which deals with a broad portfolio of the functions of the authority.

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<sup>1</sup> 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'<sup>2</sup>. 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. The Constitution is a live document that is subject to continuous review, and is being considered with assistance from the Centre for Government Studies as part of our response to the LGA Corporate Peer Challenge.

#### *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 holds policies on a Sharepoint area known as Policyhub that contains general and job-specific policies, and which all staff are able to access via the intranet.

#### *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 financial affairs. The Council's Anti-Fraud, Bribery and Corruption Policy<sup>3</sup> (revised and updated in

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

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 members<sup>4</sup>. 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**

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. 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.

### *Consultations*

The council keeps a forward plan of planned consultations. To increase awareness, consultations are proactively promoted. The market research 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 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 at least twice a year 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. In addition, the council provides email updates across a broad range of topics, including Your City You Say. The council's email marketing reaches almost 39,000 subscribers, with high engagement rates illustrated by almost 750,000 opened emails in 23/24.

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. Complaints for Adult Social Care and housing landlord complaints are managed separately but also have a two-stage process.

### *Partnership working*

The authority has many partnership arrangements with other local authorities and organisations, including the Hampshire and Isle of Wight Integrated Care Board (HIOW ICB), Solent NHS Trust, Portsmouth Hospitals University Trust (PHUT) the police, probation, fire service, Royal Navy, University of Portsmouth (UoP) HIVE Portsmouth (who co-ordinate and support the voluntary and community sector in the city) 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. In 2022, the Health and Wellbeing Partnership agreed a new joint Health and Wellbeing Strategy to guide the work of the partnership with a focus on five themes:

- Air quality
- Educational attainment
- Positive relationships
- Housing
- Poverty

There are other partnership arrangements around the city's regeneration efforts such as the such as Solent Transport, and the Partnership for South Hampshire. The functions previously undertaken by the Solent Local Enterprise Partnership (such as supporting business voice in decision-making, preparing an economic plan for the wider area and delivering some national programmes) passed in April 2024 to the upper tier authorities in the Solent region with Portsmouth, Southampton and the Isle of Wight working together to establish new arrangements for their areas.

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. The local authority also has a significant housing stock in Havant Borough Council, which means that we work closely in collaboration with that local authority to deliver services that support residents and communities in the borough.

Partnerships with colleagues in the health sector have traditionally been strong in the city and we have developed successful integration of services by moving to a model for shared functions across adult services, children's services and public health. This has been critical in ensuring that services for Portsmouth's population are commissioned and delivered with a strong understanding of local communities and their needs, and our broad and deep integration meant that we adapted well in the local area to the pressures of the pandemic. As the NHS embeds the new Integrated Care System structure, with organisations operating at larger geographies, we need to ensure that we retain the strong local 'place-based' focus to health service provision. Care Portsmouth and have set out how this works in a Blueprint for health and care in the city.

### 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: <https://imagineportsmouth.co.uk/the-vision/>

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 city they wanted to see in the future as:

'We believe in:

- equality
- innovation
- collaboration
- respect
- community

By 2040, we want to see a:

- **happy and healthy city** - We do everything we can to enhance wellbeing for everyone in our city by offering the education, care and support that every individual needs for their physical and mental health. All our residents and communities live in good homes where they feel safe, feel like they belong, and can thrive.
- **city rich in culture and creativity** - People in Portsmouth enjoy a vibrant cultural scene that makes the most of our location, our heritage and our creative energy. We are full of things to do and places to be, welcoming locals and visitors with diverse events, attractions and venues that positively benefit our people and our city. We are known locally, regionally and internationally as a great waterfront and city destination that brings people together.
- **city with a thriving economy** - Portsmouth supercharges local businesses and entrepreneurs and attracts investment nationally and internationally from businesses of all sizes. We build strong partnerships between employers and people to develop an excellent skills base and offer brilliant career opportunities to young people, students and adults, growing a better future for us all.
- **city of lifelong learning** - Our young people are encouraged to develop high, positive aspirations, and are fully invested in to make the most of their talent and potential. Adults have a wide range of education opportunities to choose from at every stage of life that empower them and enrich their lives.
- **green city** -We have excellent air quality because of our green spaces and sustainable transport, and this means our people live healthy and active lives. We are carbon neutral, use renewable energy and actively work to address climate change. We protect and enhance both our land and maritime environment for future generations.



- **city with easy travel.** - Fewer journeys are made by car because we have excellent public transport connections between bus, train, cycling and walking routes, making it easier and more enjoyable to be out and about. We encourage and support more walking and cycling, and we make it easy for people to travel regionally, nationally and internationally for work and pleasure.

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:

***"Our mission is to work together with partners and communities to be a champion for our city and improve the lives of our residents, and to protect and enhance our environment, tackling the causes of climate change and creating a green city."***

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

### *Resource planning and monitoring*

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 £108m in savings (49% of controllable spend). Adult and Children's Social Care represent 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 rising costs of homelessness and supporting children with special educational needs and disabilities are also creating significant pressures. Funding levels (e.g. Government Funding, Council Tax and Business Rates) have not kept pace with the cost pressures arising from prolonged levels of inflation and the ensuing "cost of living crisis". The Council continues to operate in a climate of uncertainty created by prolonged inflation and its volatility, cost of living related increases in demand for services and the forthcoming review of the Local Government Funding system. The Council's Medium Term Financial Strategy is the mechanism through which the organisation seeks to address these issues and 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 2024 full council considered budget and council tax proposals for 2024/25. The key proposals recommended a budget for 2024/25 that provides for:

- a "structurally balanced" Budget with General Reserves at £21.2m
- total increase in spending of £20.1m (including all cost and inflationary pressures)
- total savings of £2.0m necessary to offset the extraordinary costs of inflation and demand related budget pressures, including in the provision of temporary accommodation
- additional Spending in Children's Services of £5.1m (to cover existing overspendings and other unavoidable cost pressures)
- additional Spending in Adult Social Care of £9.4m (including the uplift in the National Living Wage of 9.8% that will be passed to care providers as well as all other inflationary pressures)
- an inflationary uplift for all Services at an average of 6.4% in order to maintain "steady state" services and amounting to £2.6m (excluding Adult & Children's Social Care above)
- additional Government Funding of £5.2m for 2024/25, with £6.0m provided for Social Care but a cut for all other services of £0.8m
- sums set aside within the Council's Corporate Contingency for known risks including Temporary Accommodation, Port Health, Buildings Maintenance and all other known and potential liabilities.

- new capital investment of £33m, with key investments including school places across Secondary and Special School Sectors (£7.5); a new Leisure Centre incl. pool, sports Facilities and GP Surgery (£6.6m), Port Shore Power facilities (£5m), critical Buildings Maintenance (£2.5m), Transport and Street Environment improvements, including active travel (£5.2m).

The Council has a relatively low taxbase and a relatively low tax charge. That means that both the average Council Tax band is low, and the amount of Council Tax charged to residents is also low compared with our statistical neighbours. By illustration, the Council receives circa £9.0m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group, and therefore Portsmouth City Council has a 9.4% lower Council Tax. The 2024/25 budget is based on a Council Tax increase of 4.99%, of which:

- 2.99% is for general council services
- 2.0% (amounting to £1.9m) is to be passported directly to Adult Social Care.

Council Tax for the average Council Tax payer in Portsmouth (Band B) currently amounts to £1,540.59, of which £1,282.45 (83%) is the City Council element. Not all residents are subject to the full amount of Council Tax with many benefitting from exemptions and discounts (such as the single person discount) and a significant number of residents receiving Local Council Tax Support bringing the level of Council Tax payable to an assessed affordable level. After discounts, exemptions and Local Council Tax Support is taken into account, circa. 57% of all properties are subject to the full level of Council Tax.

Working within a Local Government financial envelope set by the Government in their Comprehensive Spending Review 2021 for the period 2022/23 to 2024/25, which did not foresee the elevated and prolonged levels of inflation of the past 2 years, the Budget setting process over this period has been some of the most challenging that the Council has experienced.

During this unprecedented period of uncertainty and financial risk, 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 review of Local Government Funding scheduled for 2026/27. The Council retains to provide the necessary financial resilience to be able to respond in all reasonable circumstances. Currently, the Council's financial health is sound and remains well placed to face future inflationary and demand volatility as well as the uncertainty arising from the review of Local Government Funding

Public consultation undertaken in 2023, to inform the budget setting, showed that the "Top Three" most important service areas for residents at present are, in order of popularity:

- Ensure people have access to the health and care services they need (68%)
- Making sure people feel safe and supported in their homes and communities (40%)
- Regenerate major sites to create homes, jobs and economic opportunities in the City (29%).

The leading priorities for Capital Investment were:

- Building new homes in the City, including flats offering special care for elderly residents (49%)
- Invest in greening projects across the City (37%)
- Create better facilities for sustainable transport such as cycling and walking (37%)
- Build more classrooms and specialist provisions for children with additional needs (37%).

### *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.

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

### *Our council values*

Our council values are:

- respect – we treat everyone with respect, considering the feelings, wellbeing, safety, and rights of others
- integrity – we are accountable, can be trusted and take responsibility for our actions
- collaboration – we work together as a team and with our colleagues, residents, partners, and communities to achieve more
- inclusive – we recognise diversity, are open, fair and provide equal opportunity to all
- people-focused – we put people first and ensure our customers are at the heart of everything we do

Everything we do is guided by our values. They set who we are as people, what we stand for and how we act.

Our council values were chosen following extensive consultation.

In developing values for the council, we considered what is important to our customers as well as what is important to our staff. The outcome of consultations with customers around the service they receive from the council, and consultations with residents and city organisations around developing city vision values were incorporated, along with previous staff and manager consultations.

The Nolan principles were considered in terms of wider national context around working in the public sector.

Our values inform key areas, including:

- Our behaviours framework, that sets out universal behaviours associated with each of our values and defines how we can all contribute to the success of the council and to our

success as individuals. It creates a guide to help us all to encourage and role model the behaviours that we want to see, as well as addressing the less positive when we need to.

- [Our employer brand and values based recruitment](#), where we are using the values as part of our recruitment process, helping potential employees to see what kind of organisation we are, and making sure people who join the council share our values.
- revised management and leadership training
- our approach to improving recognition
- the development of our approach to performance management

### *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, cyber security and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. It has locally been determined, in line with good practice, that mandatory 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 organisation encourages that everyone should have a PDR – Performance Development Review – once a year. The process should ensure that staff are supported, and helped to maximise performance.

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.

## **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.

Budget holder and Portfolio Holder financial 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 2024.

### *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 opinion from its external auditors in December for 2021/22, with external auditor confirming that no 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.

### *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. 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 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 2023/24 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 review of actions on the LGA Corporate Peer Challenge reported to Scrutiny Management Panel in September 2023

## **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 \(October 2022\)](#).

Progress on the action plan was considered again at Scrutiny Management Panel on 14<sup>th</sup> September 2023, where it was noted that good progress had been made against the recommendations, and the actions arising now formed part of the business as usual activity of the organisation.

### **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** - The organisation has developed new hybrid ways of working, to ensure we are a flexible and collaborative council that puts customers at the heart of everything we do, and where everyone is valued. This has included establishing Sharepoint in the organisation. We are becoming a modern digital council and developing a digital strategy to set out how we will continue to drive this for the city and the organisation.

**Financial risks** - The Council is still feeling the financial effects of the Covid pandemic, including through the increased demand that we have seen driven into essential care services. Section 25 of the Local Government Act 2003 (“the Act”) requires the Chief Financial Officer to report to the City Council on the following matters, including uncertainties and in the statement accompanying the 2024/5 budget it was noted that the continuing impact of the Covid pandemic, its impact on costs, Council Tax and Business Rate income level are a significant uncertainty for the organisation

**Future resilience** - There may be pressures arising from any further waves of Covid-19 or other novel viruses and we watch the data and modelling closely to be in a strong position to respond. 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. 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, 2023/24 and 2024/25

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 in previous annual governance statements, and updates these to reflect the position heading into 2024/25.

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	Modernisation of technology infrastructure to facilitate organisational agility and responsiveness	Highlighted through risk management, business continuity activity and as core element of the IT strategy	Migration of the technology applications estate to the cloud thereby reducing reliance on "on premise" infrastructure, increasing resilience, security and responsiveness	Restoration of corporately supported applications within hours rather than days  High availability of applications in the corporate cloud environment  (NB applications not managed by IT will have separate arrangements - do we need to flag that as a governance issue? Or take steps to ensure they are governed by the same principles?)	Director of Corporate Services	Ongoing development and review
2	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	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.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
	include Air Quality, emerging adult social care assurance framework, ongoing public health responsibilities, new responsibilities around homelessness and building safety. Performance Overview Board (children's services), .					
3	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
4	New governance and working processes across strategic partnership arrangements, including working with the integrated care system and the integration of LEP functions	Internal self-assessment	Monitoring of processes, including s75 agreements, through the Portsmouth Partnership Board.	Robust governance across complex partnership agendas	Chief Executive	Ongoing reporting
5	Capacity within the organisation and key individuals; recruitment of key senior staff including a Director of Economy, Planning and Transport	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	Summer 2024

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6	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 2023/24 Internal Audit & Counter Fraud completed 30 full audits, 16 follow ups, 6 second follow ups, 10 grants and 1 consultancy reviews. Under the 2022/23 results, 1 area was rated as 'No Assurance', follow up work performed as part of the 2023/24 audit plan has reassessed this position which now sits at limited. No new areas were rated as 'No Assurance' for 2023/24. Overall improvement has continued to be noted with 77% of audit results rated as 'Assurance or Reasonable Assurance' an increase from 66% on last year.

There were 7 full audits rated as 'Limited Assurance'. These are from across the Council, not any particular directorate and there are no underlying systemic patterns or trends, i.e., the risk exposures identified were unique to the areas audited. Continued work on 'Key Financial Controls' has not highlighted any significant issues although control weaknesses are evident from a compliance perspective, specifically with Financial Rules or internal policies.

Over the past several years a residual issue has been highlighted in the number of outstanding actions for implementation. Overall, 45% (an improvement from 35% for the previous year) of follow up audits achieved improvement for their opinion level, with 55% remaining the same, due to insufficient movement to deliver actions.

The Council's management team is reactive to issues identified within audits and this is a key indicator when evaluating governance and the control environment. Any emerging concerns will be subject to testing and any patterns will be monitored and reported. Collectively the overall assessment is that 'Reasonable Assurance' can be given that the internal control framework is working effectively.

### Summary of significant governance issues for 2024/25

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**

**Cllr Steve Pitt , Leader of the Council**

**Date:**

**Natalie Brahma-Pearl, Chief Executive**

**Date:**