

Annual Governance Statement 2024-25

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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 publicly on the effectiveness of the Council's governance arrangements. This 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 2024/25 (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.

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

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 5000 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 council also owns and operates Portsmouth International Port.

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.

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 expressed in the Corporate Plan
Strategic and operational plans
Performance management
Medium term financial strategy
Organisational values and behaviours
Service plans

Statutory Officers & Decision Making

The Constitution
The Chief Executive
The Monitoring Officer
Section 151 Officer

Policies & Procedures

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

People, Knowledge, Finance, Assets

Robust HR practices
Information governance
Performance monitoring and improvement, including personal development review
Financial management and reporting
Ethical & legal practice

Scrutiny and Transparency

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

Partnership Working

'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. 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 Chief Executive

The Chief Executive is the Head of the Paid Service, and is the lead council adviser and managerial leader. Core roles and responsibilities include the design, delivery, co-ordination and integration of council functions, the management of the workforce, advising the council and acting independently as electoral risk manager and returning officer for local and national elections.

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 (the Consultative Committee of Accountancy Bodies is an umbrella group of chartered professional bodies of British qualified chartered accountants.) This includes ensuring that the work of the organisation represents value for money and legality of expenditure. 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 received during their employment 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

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

policies. The Council holds policies on an area of its IT systems 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 Policy³ (revised and updated in 2022) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

Whistleblowing

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

Governance and Audit and Standards Committee

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

B. Ensuring open and comprehensive stakeholder engagement

Engagement and communication (in process of updating)

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

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

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

schemes, neighbourhood forums, Healthwatch Portsmouth, council meetings (open to the public), their local Councillor.

The importance of our role as a communicator with the public was clear in the pandemic. We focused our communications capacity on the Protect Portsmouth campaign, which saw the city council become a trusted source of information second only to the NHS. Building on the work we undertook around supporting communities around health needs, we have further developed the approach to community engagement, including developing the role of community champions.

Consultations

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

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

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

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

Complaints

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

Partnership working

The City Council has many partnership arrangements with other local authorities and organisations, including:

- the Hampshire and Isle of Wight Integrated Care Board (NHS HIOW)
- Hampshire and Isle of Wight Healthcare NHS Foundation Trust
- Portsmouth Hospitals University Trust (PHUT)
- Hampshire Constabulary
- HM Probation Service
- HIOW Fire and Rescue Service
- Royal Navy
- University of Portsmouth (UoP)
- HIVE Portsmouth (co-ordinates and supports the voluntary and community sector within the city) and
- with business through Shaping Portsmouth.

For many years, the City 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 when they affect people across the city. 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 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 as the Solent Growth Partnership. 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 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. As the NHS continues to embed 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, and this is set out 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:

"The overall mission of the council is to work together with partners and communities to:

- champion and celebrate our city
- improve the lives of our residents now and ensure they are prepared for the next stages of their lives
- Enhance our environment and protect it for the future."

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

- Work with partners to make our streets, roads, homes and public spaces safer, cleaner and greener
- Ensure the city is a welcoming, vibrant and inclusive place in which to live, work and visit
- Make sure that when people need additional help to live their lives, it is there for them

- Protect and enhance the natural and built environment of the city
- Strengthen the city economy, creating jobs and opportunities for residents
- Speak up for our city
- Make sure we are an efficient and effective organisation, making the most of taxpayers' money to make improvements now and create resilience for the future.

Resource planning and monitoring

Since 2011/12, the Council will have made £110m in savings (50% of controllable spend). The climate for Local Government generally continues to be one where the pace at which costs rise is not matched by the pace at which income and funding rise, creating an underlying structural imbalance within the overall financial system. Local Government continues to suffer from exceptional levels of both price rises and demand increases across Social Care and Housing, which is destabilising the sector to the extent that many more Councils are seeking Exceptional Financial Support from Government through the approval to borrow to fund their deficits and to increase their Council Taxes beyond the referendum thresholds.

The biggest share of the money that the City Council receives comes from government grant. 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 City 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 City 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.

Residents were consulted in the development of the budget and the "Top Three" most important service areas for residents were identified as:

- o Making sure people feel safe and supported in their homes and communities (61%)
- o Regenerating major sites to create homes, jobs and economic opportunities in the city (54%)
- o Ensuring the city has a healthy and resilient natural environment by improving greening and air quality and enhancing local nature (51%)

Priorities for Capital Investment were:

- o Giving residents the opportunity to live a healthy lifestyle including investing in leisure and sports facilities (46%)
- o Prioritising sustainable travel and transport systems to reduce environmental impact and improve journey times (43%)
- o Downsizing the council's office space to reduce the cost to the taxpayer (42%)
- o Building new homes, especially council homes, to reduce the housing register/waiting list (40%)
- o Investing in public space as part of the new sea defences (38%)

In February 2025, the Full Council considered budget and council tax proposals for 2025/26. The key proposals were framed by the experience of the unexpected and unplanned exceptional cost pressures of over £16m being felt in 2024/25 that will inevitably carry over into 2025/26 and future years. The impact of those cost pressures plus further growth in demand and inflation required that substantial increases were provided within the 2025/26 Budget proposals.

For the Council, additional spending of £17.5m in Children's Social Care Services and Adult Social Care is required in 2025/26 simply to maintain services at existing levels. It accommodates the National Living Wage increase of 6.7% as well as the impact of changes to the Employer's National Insurance rates and thresholds. To manage the impact of rising costs and demand, the 2025/26 budget included provisions to:

- Absorb the full financial impact of the extraordinary inflation and associated demand related cost pressures experienced over the past year and extending into 2025/26
- make £2.0m of Budget Savings driven by the Social Care Funding Gap that the Council has been unable to mitigate
- A Council Tax increase of 4.99% (2.0% of which is raised specifically to be passported to Adult Social Care)
- Increased spending in Adult Social Care of £8.2m
- Increased spending in Children's Services of £9.3m

Increased spending on Temporary Accommodation of £5.2m

- A minimum savings requirement for 2026/27 of £3m but with any future years' savings beyond 2026/27 subject to review at next year's Annual Budget Meeting (February 2026)

The Council has a Balanced Budget in 2025/26 but only by relying on "one-off" funding sources and leaving an underlying deficit (or "structural imbalance") of £4.4m. The increase in the Council Tax and savings Requirement of £2m in 2025/26 support the Council's record of being a well-run and fiscally responsible Local Authority and will put the Council on a path to a "Structurally Balanced" Budget in 2026/27, assuming that £3m of savings are made in that year.

The Council's Forecast Deficit to the end of the period 2028/29 is now estimated at £9m and consequently the Council's Forecast Savings Requirements for future years has increased to £3m per annum (compared to £1m per annum previously forecast). The forecasts are founded on several assumptions relating to cost, demand and funding and that Council Tax will increase by 4.99% per annum.

The Council's Capital Programme makes proposals for new Capital Expenditure of £53.4m, of which £16.3m is from Corporate Capital Resources, therefore leveraging in borrowing capability, reserves and external funding amounting to £37.1m.

Available Capital Resources for 2025/26 have been targeted to:

- Provide for statutory requirements including School Places and Early Years Places, Transport Safety, Homelessness and necessary Health and Safety obligations
- Ensure that the Council's services to residents continue to operate from safe "fit for purpose" buildings
- Support the renewal of the Council's aging Leisure Estate and end of life sports and play facilities across the City
- Continue the Council's efficiency and environmental agenda, including the downsizing of the Civic Offices (part of the Council's emerging Transformation Programme) and further greening initiatives
- Continue with the Council's key regeneration opportunity for the City Centre North, aiming to stimulate housing and employment in the Council's most deprived area.

The Council's financial health is currently sound, but the Budget for 2025/26 inevitably carries substantial risk, seeking to accommodate the uncertain demand and inflationary environment characterised by the continuing pressures in Social Care and Housing, plus the forthcoming review of Local Government Funding. During this extreme level of uncertainty, it is imperative that the Council continues to exercise financial restraint and manage its cost base carefully if it is to remain well placed to respond to any inflation and service demand volatility, or changes to Local Government Funding.

Social Value

The Council has an 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, 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 (GASC)
- Licensing Committee
- 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 Corporate Governance Group and if necessary the wider organisational corporate management 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. GASC 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.

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, 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 and Full Council approved the latest capital strategy in February 2025.

Value for money (VFM)

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 VFM from the public funds and other resources at its disposal.

We receive an annual commentary from our external auditors on our VFM arrangements under three reporting criteria:

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

PCC received an unqualified VFM opinion from its external auditors in February 2025 for 2023/24 with external auditor confirming that no significant weaknesses in PCC arrangements.

GASC 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 GASC.

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 GASC 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 in 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

- External reviews and inspections
- 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 14th 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.

Significant changes arising from devolution and local government reorganisation

It is very important to us that we continue to advocate for the needs of the city as the government agenda around devolution and local government reorganisation develops. For a number of years the council has been keen to bring new powers and benefits to our area through devolution. In December the government announced new policies regarding the separate issues of devolution and Local Government Reorganisation which significantly expanded and accelerated potential changes.

We have been accepted as part of Government's Devolution Priority Programme (the first wave), meaning that we will become part of a strategic authority for Hampshire and the Isle of Wight from March 2026. The strategic authority will take some of our strategic responsibilities such as public transport, strategic housing, skills and sub-regional economic growth issues, but we expect this to have little or no impact on our service delivery to residents. However, we continue to advocate strongly to ensure that any new organisation brings the best possible outcomes for the city.

The Government is also keen to make changes to how councils are structured and make them simpler and would like all areas of England that currently have two-tier councils to have one single unitary council instead covering populations of more than 500,000 each. Portsmouth received a letter from the Minister with a Statutory Invitation requesting us to play our part in reorganisation.

In March 2025, the Cabinet and Council considered an interim report that did not set a preferred number of new councils or propose any boundaries for new areas, but stated that analysis will consider existing economic geographies, principally those around Basingstoke, Winchester, Southampton and Portsmouth. It also requested that the Isle of Wight be recognised as an exceptional case and be permitted by the Government to remain a unitary council on its current boundaries given its unique geography and identity. The report set out Portsmouth City Council's view that it is already a sustainable organisation and should not be required to be part of the Government's local government reorganisation programme which is mainly aimed at two-tier council areas or failing authorities.

This view has been reinforced by a letter from the Leader of the Council to the Minister of State for Local Government and English Devolution, which also addresses concerns the Government could force the city to become part of a larger area. It sets out that any reorganisation would need to be based on the areas that residents use as a community when living their lives, whether that be for work, leisure, education, shopping or anything else. The letter also highlights significant concerns around future sustainability, given the £136m forecast deficit for Hampshire County Council for 2026/27.

The letter states that if forced to meet the Government's target of a 500,000 population, the preference of the authority would be to combine with Gosport, Fareham and Havant council areas, but consideration should also be given to the immediate areas bordering this.

Advocating for the needs of the city in the future landscape of local government remains a priority for city leaders. There will be enormous implications for organisational form and subsequent governance arrangements as the change agenda develops and these will be reflected in future governance statements.

Significant governance issues for 2025/26

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	Development of the devolution and local government reorganisation agendas	English Devolution White Paper English Devolution White Paper - GOV.UK	Active engagement with partner authorities and MHCLG in the development of devolved authority arrangements for Hampshire and IoW, and developing plans for local government reorganisation	Successful transition to new arrangements	Chief Executive	New combined authority launched 2026; vesting day for reorganised local authorities 2028.
2.	Budget/ financial position, specifically in respect of demand-led services including Adults and Children's Social Care and provision of temporary accommodation; and impact of funding uncertainty from the review of local government funding	External audit plan	Specific financial governance arrangements in place including Director of Finance, Service Director and Portfolio Holder for any decisions that pose a risk to the financial sustainability of the Directorate. Ongoing monitoring of progress - transformation strategies developed Medium Term Financial Strategy (including Capital Strategy)	Financial gaps closing and eliminated over the medium term	Director of Finance, with Director of Children's Services, Director of Adult Social Care and Director of Housing, Neighbourhoods and Buildings	Ongoing quarterly reporting on financial position to Cabinet; updates to portfolio holders
3.	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 emerging adult social care assurance	Performance and risk management: regulatory judgement Portsmouth City Council (00MR) - Regulatory Judgement: 29 January 2025 - GOV.UK	- Service and resource planning to set out scope of requirements and the needs to fulfil these. - Regular reporting to Corporate Governance Group to track progress against improvement areas identified or key areas of exposure	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
	framework, ongoing public health responsibilities, responsibilities around homelessness and building safety, Procurement Act requirements.					
4.	Risks in the wider health and care system increasing due to resource challenges and organisational changes	Ongoing risk monitoring through Corporate Governance Group	Escalation of key issues within NHS HIOW	Compliant		
5	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 monitoring
6.	IT resilience and adaptability in new cloud-based environment	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.	Capability to restore key IT functions for the authority more quickly than the current 3-5 days. High availability of key applications remotely	Director of Corporate Services	Ongoing development and review

Effectiveness of the system of internal control

The Council's management team continues to respond constructively to audit findings, with emerging issues promptly assessed and improvement work initiated where necessary. This level of engagement is a critical factor in shaping the wider governance culture. Any cross-cutting themes or trends in control weaknesses will be subject to deeper testing and regular reporting to senior stakeholders.

Taking all factors into account—including leadership stability, progress on audit actions, financial control, regulatory engagement, and risk responsiveness—Internal Audit concludes that Reasonable Assurance can be provided that the Council's internal control framework is operating effectively.

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.



Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2024/25 may affect that year's work for External Audit. It may also inform their work for future years 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 2025/26

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: 18th February 2026

Natalie Brahma-Pearl, Chief Executive

Date: 18th February 2026