

Annual Governance Statement 2025-26 DRAFT

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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.

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.

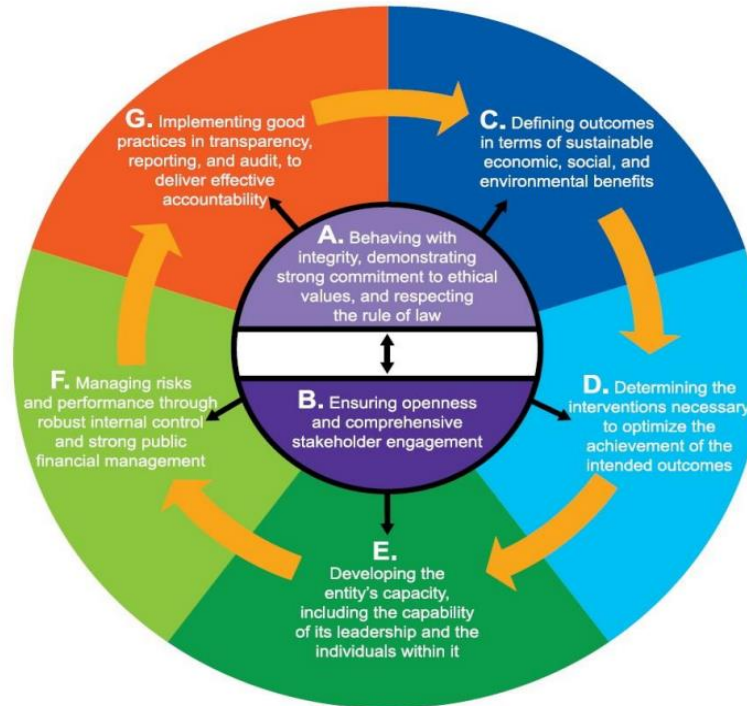
The Council employs around 5000 members of staff and provides an extensive range of services to residents, businesses and visitors in the City, including: city development and cultural services, regulatory business and standards services, transport and environmental services, housing and property services, 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.

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

GOVERNANCE PRINCIPLES

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



Taken from "Delivering Good Governance in Local Government (CIPFA and Solace, 2016)

KEY 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 committees
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 summarise 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

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. 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](#):

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

The biggest share of the money that the local authority receives comes from government grant. Since 2011/12, the Council will have made £113m in savings. Adult and Children's Social Care represent the majority of portfolio spending, provide services to the most vulnerable, and face the greatest cost and

demand pressures. 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 rising demand and inflation. The Council continues to operate in a climate of uncertainty, including the implementation of the Fair Funding review and preparations for local government reorganisation. The Council's Medium Term Financial Strategy is the mechanism through which the organisation seeks to address these issues, with a strong regeneration and value for money focus and a presumption that capital investment will be targeted towards cost savings, income generation and economic growth.

In February 2026 full council considered budget and council tax proposals for 2026/27. The key proposals recommended a budget for 2026/27 that provides for:

- a "structurally balanced" Budget with General Reserves at £22.3m
- total increase in net spending of £16.2m (including all cost and inflationary pressures)
- total savings of £3.0m
- additional spending in Adult Social Care of £6.3m
- additional spending in Children's Social Care of £5.0m (to cover existing overspendings and other unavoidable cost pressures)
- increased costs of SEND, including Home to School Transport, of £1.6m
- an inflationary uplift for all Services at an average of 2.0% to maintain "steady state" services and amounting to £0.8m (excluding Adult & Children's Social Care above)
- additional Government Funding of £7.9m for 2026/27 (including continuation of the Recovery Grant of £5.1m) and sums set aside within the Council's Corporate Contingency for known risks including Temporary Accommodation, demand related pressures for Social Care, Port Health and Buildings Maintenance, as well as other known and potential liabilities.
- new capital investment of £18.5m, with key investments including critical IT infrastructure and systems (£4.2m), community and civic assets (£3.4m), essential buildings maintenance (£2.5m), highways maintenance and transport safety (£2.3m) and regeneration schemes (£0.9m).

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 2026/27 budget is based on a Council Tax increase of 4.99%, of which:

- 2.99% is for general council services
- 2.0% (amounting to £2.1m) is to be passported directly to Adult Social Care.

Council Tax for the average Council Tax payer in Portsmouth (Band B) currently amounts to £1,782.44, of which £1,484.32 (83%) is the City Council element. Your Council Tax charge is made up of charges from Portsmouth City Council, the Police & Crime Commissioner for Hampshire & Isle of Wight, and Hampshire & Isle of Wight Fire & Rescue Service. 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.

Working within a Local Government financial envelope set by Government, the budget setting process continues to be challenging. During this period of uncertainty and financial risk, it is imperative that the Council continues to exercise financial restraint and manage its cost base carefully to remain well placed

to respond to inflation and service demand volatility, as well as the uncertainty arising from local government reorganisation and wider funding reform.

Public consultation undertaken in 2025, to inform the budget setting, showed that the "Top Five" most important service areas for residents at present are, in order of popularity:

- o Making sure people feel safe and supported in their homes and communities (69%)
- o Regenerating major sites to create homes, jobs and economic opportunities in the city (51%)
- o Increasing recycling opportunities in the city and making sure we dispose of our waste responsibly (49%)
- o Improving transport systems and journey times in the city and prioritising sustainable travel (46%)
- o Getting the best possible deal for our residents by lobbying and leading at a regional and national level (45%).

59% of residents agreed with the broad balance of spending across Portfolio areas.

The leading priorities for Capital Investment were:

- o Regenerating major sites to create homes, jobs and economic opportunities in the city (51%)
 - o Increasing recycling opportunities in the city and making sure we dispose of our waste responsibly (49%)
 - o Improving transport systems and journey times in the city and prioritising sustainable travel (46%)
 - o Investing in public space as part of the new sea defences (42%)
 - o Building new homes, especially council homes, to reduce the housing register/waiting list (40%)
 - o Giving residents the opportunity to live a healthy lifestyle including investing in leisure and sports facilities (40%)
 - o Downsizing the council's office space to reduce the cost to the taxpayer (37%)

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 the 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 review against the FM Code as part of the annual governance review 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; and has noted that we still need to complete a comprehensive asset management strategy.

The Council complies with the Prudential Code for Capital Finance in Local Authorities and Full Council approved the latest capital strategy in February 2026.

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 SIRO has recently raised a concern in relation to capacity in data management matters and the need to accelerate some areas of work.

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 reviewing and 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

Significant changes arising from devolution and local government reorganisation

. **Devolution** is a programme that transfers certain powers, responsibilities and funding from central government to local areas. In 2024, PCC and partner councils in the area submitted a joint proposal to Government to create the Hampshire and the Solent Combined County Authority (HSCCA) to take on strategic powers and long-term investment for the region. Initially, the HSCCA was expected to be established with an elected Mayor, but the Government has since confirmed that the HSCCA will be established without a Mayor initially, and that instead Mayoral elections will take place in May 2028 to align with the parallel Local Government Reorganisation process.

Devolution is still going ahead, with powers and funding transferred in phases. The region has secured £44.6million per year in investment funding (totalling £1.3bn over 32 years, with 40% of annual funding released in the first two years before the establishment of the Mayor).

The HSCCA will have strategic responsibilities across the region, including:

- Transport - developing and delivering integrated transport strategies
- Skills and employment - managing adult skills funding and supporting pathways into good quality jobs
- Housing and strategic planning - co-ordinating housing growth and infrastructure planning
- Economic regeneration and development - attracting investment and supporting inclusive growth
- Environment and climate change - supporting carbon reduction and sustainable development
- Health and Wellbeing - working with partners to address health inequalities
- Public Safety and resilience - supporting emergency planning and community resilience.

The HSCCA is expected to be legally established in July 2026. Powers and funding will transfer between 2026 and 2028, with the elected Mayor introduced in May 2028. In this period, there will be no immediate change to roles, teams or day to day work for PCC, and our services will continue to operate as normal, as devolution focuses on strategic decision-making, not frontline service delivery.

Local Government Reorganisation (LGR) is the process the Government is using to change how councils are structured across England. LGR was formally announced in December 2024 through the Government's English Devolution White Paper and aims to simplify local government in areas that currently have a "two tier" system where responsibilities are split between county councils and district or borough councils. Under LGR, these two tiers will be replaced with authorities that are unitary (like PCC) - a single council responsible for all local services such as education, social care, housing, waste and highways.

After a period of consultation and deliberation, the Government has now confirmed its decision on local government reorganisation across Hampshire and the Isle of Wight. PCC will become part of a new, larger unitary authority, covering:

- Portsmouth
- Gosport
- Fareham
- Havant
- Newlands parish in Winchester
- Horndean ward/parish in East Hampshire
- Clanfield ward/parish in East Hampshire
- Rowlands Castle ward/parish in East Hampshire

The new unitary authority will formally go live on 1 April 2028. PCC, as it currently exists, will be legally dissolved in 31st March 2028.

While this outcome differs from the Council's stated preference (to remain in its current form), our focus is now firmly on planning responsibly, working with partner councils and securing the best possible outcome for Portsmouth, our residents and staff, while continuing to deliver vital services.

Between now and April 2028, there is a significant programme of work to prepare for this change, including:

- Operating Shadow Authority arrangements following the May 2027 elections
- Establishing joint governance and committee structures
- Recruiting statutory roles (Chief Executive, s151 Officer and Monitoring Officer)
- Detailed service, workforce, financial, asset and technology planning
- Phased and carefully managed transition activity.

The work will be carried out in stages, with no immediate changes to roles, teams or day-to-day work. Council services will continue to be delivered throughout the transition, and communication to staff, members, partners and residents will be regular, open and transparent.

How we have addressed issues identified in 2025/26

The following areas for improvement were identified for 2025/26 and key actions undertaken.

Ref	Governance issue	Source	Actions to address the issue	Lead/s	Progress
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	Chief Executive	As set out in the wider statement, both the devolution and local government reorganisation agendas have continued to develop and the authority is now actively engaged in implementing the changes arising, noting that this creates significant challenges around capacity in particular.
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)	Director of Finance, with Director of Children's Services, Director of Adult Social Care and Director of Housing, Neighbourhoods and Buildings	We maintain ongoing quarterly reporting on financial position to Cabinet; with updates to portfolio holders. In line with the MTFS, these pressures were considered in creating a "structurally balanced" Budget which provided for: • additional spending in Adult Social Care of £6.3m • additional spending in Children's Social Care of £5.0m (to cover existing overspendings and other unavoidable cost pressures) • increased costs of SEND, including Home to School Transport, of £1.6m • sums set aside within the Council's Corporate Contingency for known risks including Temporary Accommodation, demand related pressures for Social Care, as well as other known and potential liabilities

Ref	Governance issue	Source	Actions to address the issue	Lead/s	Progress
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 framework, ongoing public health responsibilities, responsibilities around homelessness and building safety, Procurement Act requirements.	Performance and risk management	Service and resource planning to set out scope of requirements and the needs to fulfil these.	Chief Executive and all service directors	There has been close monitoring of key areas related to compliance with statutory duties in the past year, including a focus on ensuring readiness for compliance with the new provisions from the procurement act, and a focus on ensuring compliance with building safety responsibilities in particular. This oversight has been taken by the corporate governance group.
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	Key officers linked to Health and Care Portsmouth - Chief Executive. Director of Adults' Services, Director of Children's Services and Director of Public Health	Structures have broadly been established to maintain positive partnership working in relation to health and care issues, including through the Health and Wellbeing Board and Health and Care Portsmouth Partnership Board. There are positive projects moving forward including the new approach to neighbourhood health management. An area of particular concern has been around AMHPs, and this has been subject to monitoring at Corporate Governance Group and escalation to the ICB.

Ref	Governance issue	Source	Actions to address the issue	Lead/s	Progress
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	Chief Executive	The organisation continues to monitor capacity, in what is a challenging period of tight budgets and a competitive market for key skills. Monitoring through Corporate Governance Group has included tracking progress against a key buildings compliance role, and the need to increase capacity in safeguarding functions. There is a need for rigorous prioritisation where capacity is challenged, and a future consideration around the pressures likely to emerge on capacity from the LGR and devolution agendas.
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.	Director of Corporate Services	The IT Board is now fully established and providing comprehensive oversight of IT related issues. Future focus is on the development of the wider Digital Strategy and the oversight of AI and associated tools, in a fast-moving area of development.

Key issues identified for 2026/27

Our annual review of governance has highlighted some key issues for consideration in 2026/27:

Ref	Governance issue	Actions to address the issue	Lead/s	Monitoring mechanisms
1	Development of the devolution and local government reorganisation agendas	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	Chief Executive	County-wide governance and assurance structure. Future unitary group governance, including development of the Shadow Authority PCC specific structures for response to LGR and devolution, and maintenance of effective business and usual working.

Ref	Governance issue	Actions to address the issue	Lead/s	Monitoring mechanisms
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	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)	Director of Finance, with Director of Children's Services, Director of Adult Social Care and Director of Housing, Neighbourhoods and Buildings	We maintain ongoing quarterly reporting on financial position to Cabinet; with updates to portfolio holders. Provision made within corporate contingency for significant unexpected pressures.
3.	Compliance with statutory duties, regulatory requirements and other external requirements and directives. Responding to the C3 judgement from the Regulator of Social Housing is a particular priority in the immediate period.	Service and resource planning to set out scope of requirements and the needs to fulfil these.	Chief Executive and all service directors	There will continue to be close monitoring of improvement planning against the RSH judgment through the corporate governance group, and an expectation of reassessment in the short term. We await the outcomes of the Local Authority Assessment of social care by CQC, and will put in place appropriate mechanisms for driving improvement in response. We expect that in the short term we will receive inspections in our children's services, and will again consider the response on receipt of reports.

Ref	Governance issue	Actions to address the issue	Lead/s	Monitoring mechanisms
4.	Changes to the wider operating environment continue to be a challenge. The changes to NHS structures and operating models have posed difficulties in recent years, and the children's system is now working through the response to the social care reforms and the SEND white paper	Maintenance of strong partnership arrangements in wider systems to manage changes to requirements, including with NHS, care providers and schools in particular.	Chief Executive and all service directors	Structures have broadly been established to maintain positive partnership working in relation to health and care issues, including through the Health and Wellbeing Board and Health and Care Portsmouth Partnership Board. Children's Services have established a Transformation Programme to drive the response to reforms and wider changes required, including to manage financial pressures. The Portsmouth Education Partnership has been a key mechanism for supporting work in the wider city education system outside of the forma academy and commissioner arrangements and it is expected that this will continue to be a key mechanism to support changes.
5.	Responding to the rapid pace of technological change, with new types of technology and applications creating pressures for oversight and appropriate usage.	Related to the IT and Digital Strategy Boards, a new governance group has been established to look specifically at the use of AI within the organisation, with a view to producing guidelines on appropriate usage and reinforcing the role of personal responsibility within this.	IT Board and Digital Board	Monitoring through the Corporate Governance Group
6.	Data and information management within the organisation	Escalated by SIRO for consideration in wider organisation - immediate actions to address challenges include support from external capacity	SIRO	Through Corporate Governance Group

Ref	Governance issue	Actions to address the issue	Lead/s	Monitoring mechanisms
7	Capacity within the organisation and key individuals	In a context of tight budgets, a competitive labour market and high levels of demand, the organisation continues to be pressured, and capacity is challenged. In particular, there is a need to consider capacity in the corporate centre, and in key roles related to compliance. Against a backdrop of capacity constraint, the organisation will also be embarking on the generational change of Local Government Reorganisation. Key actions will include close performance monitoring to ensure business as usual for the organisation continues to operate effectively, and drafting in additional capacity to cover key roles and skillsets, including in project management.	Chief Executive	Monitoring through key governance bodies charged with oversight of local government reorganisation and wider Corporate Governance Group.
6.	IT resilience and adaptability in new cloud-based environment	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.	Director of Corporate Services	The IT Board is now fully established and providing comprehensive oversight of IT related issues. Future focus is on the development of the wider Digital Strategy and the oversight of AI and associated tools, in a fast-moving area of development.

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.

TO ADD THE ANNUAL OPINION

Summary of significant governance issues for 2026/27

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: 25 June.2026



Natalie Brahma-Pearl, Chief Executive

Date: 25 June 2026