



GOSPORT BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023/24

What is it and why?

Within the Accounts and Audit Regulations 2015, Regulation 6, Local Authorities are required to prepare and publish an Annual Governance Statement, in order to report on the effectiveness of the Council's governance arrangements. As part of the 2021 amendment, this requires the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Gosport Borough Council's governance framework for 2023/24.

The statement also notes areas of weakness in governance that have been identified throughout the year and action plans for how these will be addressed.

As part of the completion of the Annual Governance Statement, a review of Local Code has been undertaken and governance will be assessed against this.

Scope of responsibility

Gosport Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and is used economically, efficiently and effectively. Gosport Borough Council 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, Gosport Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.



This statement explains how Gosport Borough Council has complied with the Local Government Code and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015, as noted above.

About Gosport Borough Council

Gosport Council is made up of 28 elected Councillors covering 14 wards across the Borough. The Council operates under 'alternative arrangements' following publication of the Local Government Act 2000, a Board/Committee structure is in place and each party is represented proportionally on each Board and Committee according to the number of seats held.

The council employees around 230 people and provides district services such as housing, waste management, grounds maintenance, planning and parking, however this list is not exhaustive. County led services are provided by Hampshire County Council.

The staff at the Council are managed by the Chief Executive who is the Head of Paid Service. The Chief Executive is supported by a Deputy Chief Executive and a Corporate Management Team consisting of Section Heads.

Gosport Borough Council is based at the Gosport Town Hall and Grange Farm

The purpose of the governance framework

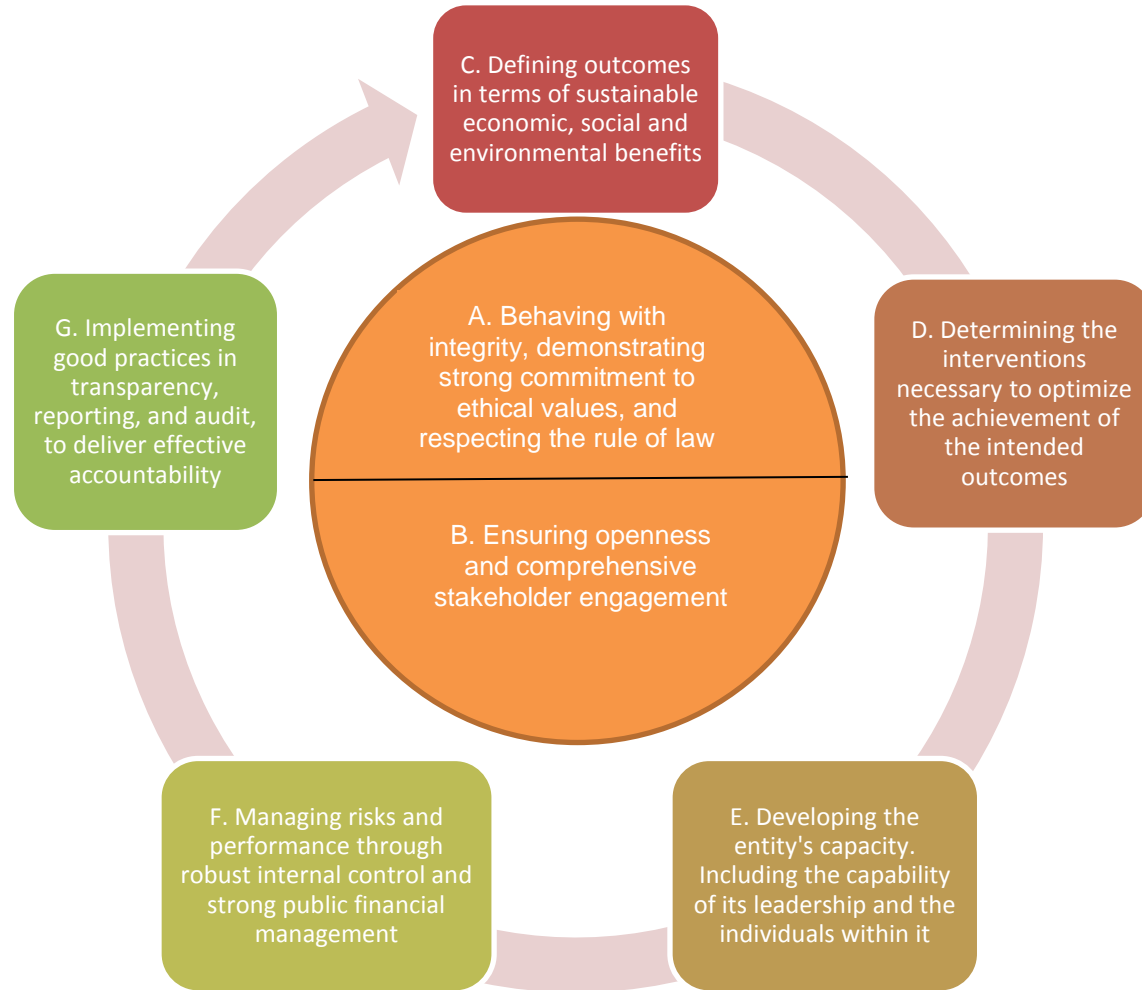
The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Gosport Borough Council's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework



Gosport Borough Council's Governance Framework derives from the updated 2016 publication 'Delivering Good Governance in Local Government'. The Framework identified 7 principles that should underpin the governance arrangements in a Local Authority.





Each principle will be outlined below and how the Council meets them:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Constitution

The Constitution sets out how the Borough Council operates, the roles and responsibilities of officers and members, 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 managed by the Borough Solicitor/Monitoring Officer and was subject to a review to update the Member Code of Conduct and arrangements for dealing with complaints about Members during 2022/23. The Constitution is often a working document to enable changes made in relation to boards and Council decisions. As such, amendments were made in 2022/23 following the change in administration in May 2022 whereby the board structure was updated. This is reflected below in the Composition of the Boards..

Key Statutory officers and Governance Roles

Full Council	Approves Council Strategy, constitution and key decisions.
Policy and Organisation Board	To exercise the functions of the Council in relation to Policy and Strategy, Finance and Resources, HR and Economic Development
Standards and Audit Sub Board	Sub board charged with ensuring governance within the council and promotes high standards of member conduct
Chief Executive	Section 4 of the Local Government and Housing Act 1989 requires a Local Authority appoint a Head of Paid Service and provide that officer with such staff, accommodation and other resources as are, in their opinion, sufficient to allow their duties under this section to be performed. For Gosport Borough Council this officer is Debbie Gore, Chief Executive
Corporate Governance Group	Group charged with ensuring and promoting good governance and internal control within the Council. Key group in monitoring risk management.
Corporate Management Team	Implements policy framework and objectives as set by the Council.



	Championing Council's governance, risk and control framework
Borough Treasurer (s151 Officer)	As required with the Local Government Act 1972, s151, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. For Gosport Borough Council, this responsibility is that of the Borough Treasurer, Chris Ward
Monitoring Officer	An officer, appointed under section 5 of the Local Government and Housing Act 1989, who is required to report to the Council where it appears to them the authority has done, or is about to do, anything which would contravene the law or which would constitute maladministration. For Gosport Borough Council this is the Borough Solicitor, Peter Baulf.
Internal Audit	Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity.
External Audit	Review and Audit of the Council's statement of accounts on an annual basis, which includes the Annual Governance Statement and value for money. This is provided by Ernst & Young
Section Heads	Maintaining and implementing Council's governance, risk and control framework. Contribute to effective corporate governance of the Council

Councillors

Local government is accountable and transparent in a number of ways. Elected local authority members are democratically accountable to their local area and this gives them a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions.

Councillor Board Structure



As the Council chose to adopt 'alternative arrangements' following publication of the Local Government Act 2000, a Board/Committee structure is in place and each party is represented proportionally on Boards and Committees according to the number of seats held. Consequently the Council enjoys a high level of transparency when it comes to decision making and any Member of the Council is afforded the right to sit on the Boards if they are nominated for such a position at the commencement of the Municipal Year.

All decision making reports are structured and the contents demonstrate all relevant information in order to reach an informed decision.

A report on Governance was taken to Council in May 2023 to review the arrangements for the discharge of the Council's Functions and proposed changes to the Boards and Committees. The composition of the boards for 2023/24 was as follows:

Composition of Boards

The following is the composition of the Boards;-

Board/Sub Board	Number of Members
Policy and Organisation Board	7
Community and Environment Board	7
Regulatory Board	7
Standards and Audit Sub Board	5
Housing Board	7
Grant Sub Board	5

Decisions are made by Boards and Sub-Boards of the Council with the following having the responsibility for the majority of decision making:

Council



***Policy and Organisation Board
Community and Environment Board
Regulatory Board (Licensing Sub-Boards)***

As the Regulatory Board deals with planning applications, on rare occasions Heritage related documents, and Licensing matters the law does not allow their work to be scrutinised by other Councillors. This is because the decisions made by these Boards are already subject to an appeal process, either through an independent inspector or the courts.

In addition to the Boards, there is also a Standards and Audit Sub Board in place to promote and maintain the highest standards of conduct by members and officers of the Council. The sub board undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. Additionally, in the event of an complaint regarding a breach of the code of conduct, the Monitoring Officer is enabled to convene an Initial Filtering Panel. The Initial Filtering Panel is an informal meeting to enable the Monitoring Officer to obtain the views of Councillors and/or Independent Persons upon a complaint. It shall be made up of three Councillors drawn from members of the Standards and Audit Sub Board including standing deputies and would normally include the Chairman or Deputy Chairman of the sub board. An Independent Person will also be invited to attend and express their view on the complaint. When it is a complaint by a Councillor of this Authority against another Councillor, the Initial Filtering Panel shall comprise at least two Independent Persons who will be invited to attend and express their view on the complaint. No Councillors will be present

Officers of the Council

Officers give advice, implement decisions and manage the day-to-day delivery of its services. Some officers have specific duties to ensure that the Council acts within the law and uses its resources wisely. A protocol contained in the Constitution governs the relationship between officers and members of the Council. In certain circumstances, senior and other officers of the Council can make decisions under delegated authority, as detailed in the Borough's Constitution.

The Corporate Management Team (CMT), consisting of Chief Executive, Deputy Chief Executive & Head of Benefits Procurement and Insurance, Head of Planning & Regeneration, Monitoring Officer, Head of Finance, , Head of Streetscene, Head of Housing, Chief Internal Auditor, Head of HR, Head of Communications and Head of IT, Head of Commercial Property, Head of Electoral Services & Emergency



Planning and Head of Policy meets fortnightly to develop policy and strategic issues commensurate with the Council's strategic priorities. Members of CMT meet collectively and individually with the Leader of the Council and other leading members of the Administration to consider new policies and strategies as well as managing, monitoring and reviewing existing policy and strategy. The Leader holds frequent meetings with the Chief Executive, Deputy Chief Executive and Monitoring Officer/Borough Solicitor to review progress in achieving the Council's strategic priorities and objectives as outlined in the Council Plan.

Information that would be of benefit to other members of the Council staff is disseminated through regular meetings between Line Managers and the relevant Senior Manager, and then through to the rest of the Council via periodic section meetings.

Information on policy, priorities, procedures and current issues is also disseminated to all staff through the Chief Executive (email) and staffroom (email) communications at least monthly.

The Council has also adopted a number of codes and protocols that will govern both member and officer activities. These include:

- Code of Conduct for Members of Gosport Borough Council
- Code of Conduct for the Guidance of Employees
- Code of Conduct for Councillors in the Regulatory Process
- Protocol for Councillor/Officer Relationships
- Whistleblowing Policy

It is the shared responsibility of the Chief Officers [primarily the Chief Executive, Deputy Chief Executive, Monitoring Officer and Borough Treasurer] and the Human Resource section to ensure compliance with established policies, procedures, laws and regulations. Issues of conduct and governance must be considered by the Standards and Audit Sub Board, in which case a report and recommendations are prepared by the Monitoring Officer.

All posts within the authority have a detailed job description and training needs are identified on an on-going basis and also through the Personal Development Scheme.

B. Ensuring openness and comprehensive stakeholder engagement



Complaints

Gosport Council has a clear and publicised 3 stage complaints procedure in place to allow the public an opportunity to raise an issue where they feel the Council has not performed the level of service it should have. In addition, should a complaint not be resolved within the process, the option to raise the issue with the Local Government Ombudsman is also advertised. GBC report statistical information on complaints relating to the Ombudsman.

The Ombudsman received six complaints during 2023/24, two more than 2022/23 (figures for 2022/23 are shown in brackets below). Of these, three were concerned with corporate and other services (one) and three related to Housing Services (one).

During 2023/24, four of the complaints received by the Ombudsman were closed after initial enquiries. (three)

Two of these for Corporate and Other services were closed because they were not warranted by alleged fault, (one).

One for Corporate Services and Other was closed under Section 26(7) – A Local Commissioner shall not conduct an investigation in respect of any action which in his opinion affects all or most of the inhabitant and one for Housing closed as they had alternative recourse to Court. (none)

One complaint for Housing was closed by the Ombudsman with advice given and without the Council's involvement as the complainant was directed to the Council's Complaint Policy. (none)

The determination of the final Housing complaint had not been completed by 31 March 2024 and would be reported in the Ombudsman letter 2024/25.

No complaints were formally investigated by the Ombudsman, down from two in 2023/24.

Partnerships

Partnerships allow the Council to work with organisations, other local authorities and groups to aid in the delivery of the Council's services and objectives. The Borough links with Hampshire County Council in relation to education within the Borough and highways management. In addition, GBC also has formal partnership agreements with Fareham Borough Council in relation to Environmental Health, Licensing and Building Control Engagement.

Gosport has a partnership with Portsmouth City Council in relation to the sharing of senior management and services such as HR, Communications, Housing and Internal Audit.



Gosport also has a partnership with Southampton City Council for the statutory Emergency Planning Function..

A recent audit review has highlighted that currently there is no best practice guidance on how to monitor and review the effectiveness of Local Authority partnerships and as such, GBC will be looking to liaise with the Local Government Association (LGA) in determining best practice for the ongoing monitoring of performance for Local Authority Partnerships.

Gosport also works with local organisations such as Citizens Advice and Gosport Voluntary Action to ensure further engagement with the local area.

Consultations

The Council frequently consults residents both where there is a legal duty to consult and also on matters of particular interest including but not limited to planned developments within the Borough.

The Council makes decisions at public meetings of its Boards and Committees. Members of the public are able to address the Council's Boards and Committees using the Council's process for public questions and deputations available in the Council's Constitution and on the Council's website.

The Council complies with the Freedom of Information Act (2000) and requests can be submitted electronically or in person to be considered by the service unit concerned within 20 working days. Requesters have the right to an Internal Review and recourse to the ICO should they not be happy with the Council response.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits & D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Financial Planning

Over the past 13 years (since 2011/12), Central Government funding to Councils has reduced by over 40% in real terms. The Council has a strong track record of being able to live within its means, make savings and secure financial resilience.

The Medium Term Financial Strategy is designed to meet the following criteria "in year" expenditure matches "in year" income over the medium term whilst providing sustainable high quality public services, improving the overall prosperity of residents and businesses and ensuring



adequate financial resilience. The extract below from the council's agreed 2023/24 budget outlines the position as that the time of the paper (February 2023):

Considering the Revised Budget 2022/23, the proposed Budget for 2023/24 and the Council's Future Years' Forecasts, the Council will have a Forecast 3 Year Budget Deficit to remedy amounting to £1.456m (+/- £0.5m arising from future uncertainty). This compares to a forecast 3 Year Budget Deficit of £1.726m estimated in February 2022

The financial environment changed rapidly through 2022/23 precipitated by the war in Ukraine, the existence of practical full employment in the economy and the strains on international supply chains due continuing Covid lockdowns. As a consequence, inflation as measured by the Consumer Price Index (CPI) accelerated and peaked in October 2022 at 11.1%, the highest level in over 40 years. Inflation is currently tracking at 10.5%. This has had a consequent impact on the cost of living for residents and therefore demand for Council Services has also risen. The Office for Budget Responsibility are forecasting that CPI will remain high at an average of 5.5% for 2023/24 and then falling to 0% for 2024/25. These inflation and demand driven cost increases outstrip the rates of increase in funding, causing a "structural gap" between spending and funding.

Due to the scale of the inflationary and demand related cost increases at circa. £1.5m, it has been necessary to deliver budget savings for 2023/24 at a level in excess of the £0.575m originally estimated in order for the Council to maintain its trajectory towards a "structurally balanced" Budget (i.e. In Year Spending matching In Year Funding). In addition, the Administration have also found savings to meet their spending priorities which include Amenity Skips, Arts & Cultural activities and a Grants programme to local voluntary and community bodies

The Council has benefitted from a further 2 year delay to the implementation of Local Government Funding Reform (known as the Fair Funding Review) and a further 2 year delay to the Business Rates Retention Scheme and the associated "Reset" which is now set to be implemented in 2025/26.

The combination of all of these factors has led to an overall improvement in the Council's Financial position as follows: i) Progress has been made towards the overall Budget Deficit - reducing the previous Forecast Deficit as at 2025/26 from £1.726m to Forecast Deficit of £0.933m as at 2025/26 - an improvement of £0.793m ii) The new 3 Year Forecast Deficit (including a further year) to 2026/27 is £1.456m iii) Annual savings in order to meet the new 3 Year Forecast Deficit now amount to £0.485m p.a (compared with £0.575m p.a previously albeit that the forecast and therefore saving period is now extended by the new year)

The primary drivers of the 3 Year Forecast Deficit are: i) The existing underlying "Structural Budget Deficit" of £0.495m ii) Local Government Funding Reform - amounting to £0.670m iii) The structural imbalance between the rate at which costs rise (inflation related) and lower funding rises (mainly Council Tax which is usually capped at a level below inflation)

However, it is important to note, as last year, there remains significant uncertainty regarding the future forecast which is estimated could vary between +/- £0.5m arising from the following: • The elevated levels of inflation and their current inherent volatility • The outcome of the Fair



Funding Review • The outcome of the Business Rate Retention review • The impact of the "Cost of Living" crisis and in particular, its effect on Council Tax Income and Business Rates Income

Financial Management Code

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. 2020/21 was the 'shadow' year for the implementation of the FM Code with the first year of compliance being 2021/22.

The Council has undertaken a self-assessment against the code in 2023/24 and noted compliance with the principles.

Council Corporate Plan

The purpose of the Council's Corporate Plan is to set out clearly what our priorities are for the borough, so our residents, staff and other stakeholders can understand what the Council is working to achieve for Gosport and where we think it is most important that we focus our attention and resources right now.

The Council's current priorities as set out in the Corporate Plan are:

Building a better Gosport for everyone by:

- 1) Breathing new life into Gosport's high street, town centre and waterfront**



- 2) Protecting, enhancing, and promoting Gosport's unique rich heritage and natural coastal environment**
- 3) Making Gosport a cleaner and greener place to live, work and visit**
- 4) Growing our economy, encouraging investment in Gosport, and creating jobs, opportunities and affordable homes for local people**
- 5) Making sure Gosport has great facilities for arts, play, sports and leisure, enriching communities and helping people live healthy and happy lives**
- 6) We will do this by being a council that works together with our partners and communities to get things done, listening, innovating and delivering value for money for the people of Gosport**



A summary of our council plan, priorities and business as usual services can be seen here on our plan on a page.

At the heart of our plan are the business-as-usual services our residents rely on

- Providing and maintaining waste and recycling services and keeping the borough clean
- Providing and maintaining housing services and housing benefit
- Encouraging economic development
- Providing and maintaining planning services, taking enforcement action when needed
- Providing and maintaining parks and open spaces
- Preparing for emergencies
- Providing and maintaining environmental health and licensing services
- Collecting council tax and business rates
- Supporting local democracy, including elections



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

Recruitment & training

The Council has a robust recruitment process in place which includes tailored applications and interviews with the view to ensuring the right candidates are selected for the roles advertised. The Council also has an induction process linked to essential training and mandatory policies which must be read and understood by all new starters.

Gosport Borough Council also has access to the Portsmouth Learning Gateway (PLG) which has a host of Local Authority specific training courses for all staff to access as and when required. The courses remain accessible to all GBC staff however reporting of compliance with policies requires users to submit their results and inconsistencies in this process has led to the reliability of the training records being questioned.

The Council also utilises its partnership with Portsmouth City Council to recruit and employ individuals on the apprenticeship scheme, utilising the Government funded Apprenticeship Levy. Apprenticeships provide an opportunity for us to develop our workforce and provide employment and training opportunities for people in our community. As at March 2024 GBC has 1 member of staff studying an apprenticeship as part of their existing role.

The Council plans to continue to recruit fresh talent into the workplace as well as looking at career pathway opportunities for existing staff to build resilience in the workforce while also progression planning for key roles.

A designated Members' Portal covers a wide range of useful materials and guidance. This is available for Members to view on the intranet system. This resource enables the Council to better provide for Members the opportunity to locate important stored information and data. Within the Portal is the Members' Information Pack which provides Members with detailed corporate, strategic and financial information as well as relevant policies and other useful information such as floor plans and complaints guidance.

New Members are provided with an induction training programme to prepare them for their new role, commencing with an induction evening hosted by the Chief Executive, Deputy Chief Executive, Borough Solicitor that covers topics such as the role of the councillor, finance, standards, code of conduct and major projects. Briefings such as those on planning and licensing issues are held at the start of the year to correlate with the Board cycle.



There is a wide range of further training opportunities available to Members to increase their knowledge base from skills development (e.g. chairing skills, dealing with challenging people and media and image) to need-to-know subjects (e.g. Code of Conduct, planning local government finance) detailed in the 'Training Opportunities for Members' booklet within the Members Information Pack.

F. Managing risks and performance through robust internal control and strong public financial management & G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Risk Management

The Council is committed to maintaining a culture of risk awareness within everyday activities such that formal processes and unnecessary documentation can be minimised but that risk management remains an effective part of the governance framework.

GBC approved a new Risk Management Policy in 2020 (reviewed in 2023) which aimed to embed risk management throughout the Authority with all sections taking ownership of their risks. Periodically, section risk registers are reviewed and analysed by a Corporate Governance Group to determine the risks which will form the Council's Strategic Risk Register. The Corporate Governance Group consists of the Chief Executive, Deputy Chief Executive, Head of Finance, Borough Solicitor and Chief Internal Auditor.

Value for money

The Council has put significant focus on improving procurement processes within the organisation which has included the implementation of a new electronic procurement system. In addition, the Council had its Contract Procedure Rules (CPRs) reviewed by a specialist at CIPFA to ensure they are robust in ensuring compliance with relevant procurement legislation. These were finalised in 2022/23. A November 2022 internal audit has highlighted areas for improvement in relation to the adherence to the Council's CPRs and suitable actions have been agreed to address this issue, however, large improvement was evidenced from the original audit which occurred in 2019. A subsequent audit in January 2023 has shown a continued improvement in procurement compliance and the introduced of contract numbers at a purchasing stage has allowed for a more proactive approach to minimising non compliance. There were still a small number of non complaint spend identified but this has been raised and is in the process of being addressed.



Financial management

The Council maintains an objective and professional relationship with their appointed external auditors (Ernst & Young LLP) and statutory inspectors, as evidenced by the various reports being presented to the Policy and Organisation Board (available on the Council's website). The Council uses the evidence and recommendations contained in those reviews to support performance improvement and risk management. Significant delays have been experienced in the completion and sign off of the 2022/23 by Ernst & Young which are not unique to Gosport. The delays are a nationwide problem and are not as a result of GBC's accounts not being provided on time. Negotiations are currently ongoing between the accounting firms and government to determine how the historic accounts sign off will be achieved.

The Financial Procedure Rules and Contract Procedure Rules are under constant review and these are incorporated in the Council's Constitution.

Data Management

The organisation is a registered data controller with the Information Commissioners Officers and has both a Senior Information Risk Owner (SIRO) and a Data Protection Officer (DPO). In 2020, the Information Governance Group was setup, including the aforementioned officers, to tighten controls on data protection and ensure continued compliance with the General Data Protection Regulation (GDPR) and Freedom of Information Act. All staff are required to sign acceptance of the Council's information governance policy and data protection forms part of the induction process for all employees.

On an annual basis, from 2021, the SIRO will report to the Standards and Audit Sub Board, information on the Council's effectiveness regarding information governance including any data breaches which may have occurred.

Review of effectiveness

Gosport Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.



The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

1. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager. The report includes 'agreed actions' for any issues/risks that have been identified. These issues/risks are graded as Critical, High, Medium or Low. All critical risk issues/risks are followed up within 3 months of the final report being issued. If a high risk issue is raised, the audit will be followed up in the next financial year.
3. An Internal Audit Annual Report is taken to the Standards and Audit Sub Board (as per the Accounts and Audit Regulations 2015) and this provides the overall opinion on the Council's internal control environment.

The Standards and Audit Sub Board also received Internal Audit monitoring reports throughout 2023/24.

The Council entered into an arrangement with Portsmouth City Council for shared senior management primarily as a means to address the future financial challenges faced by the Council. The roles and responsibilities of the shared posts will continue to include those relating to the Governance of this Council in accordance to the policies and procedures of this Council.

The shared management arrangement has brought costs savings (through the reduction in the cost of senior management) and improved operational resilience with the ability to call on resources and expertise from Portsmouth City Council which otherwise were not readily available.

The Senior Management Team have been charged by the Administration to review the effectiveness of all of the Council's activities on a continuous basis. Service reviews are ongoing across the Council focused on ensuring that customer demands are met with the changing landscape and working practices enforced by the global pandemic. Ensuring processes are effective, and that services have adequate capacity and resilience..



The financial management of the Authority is conducted in accordance with the financial rules set out in the Constitution and underpinned with Financial Procedure Rules. The Council has designated the Borough Treasurer as Chief Finance Officer complying with the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010) requiring the Chief Finance Officer to report directly to the Chief Executive and to be a member of the 'Management Team'.

The Standards and Audit Sub Board promotes, monitors and enforces probity and high ethical standards amongst the Members, as well as providing a vessel for audit, risk and compliance issues to be considered. All governance reviews and the results of audits are considered by the Standards and Audit Sub Board.

Annual Audit Opinion 2023/24

During 2023-24 Internal Audit completed 26 full audits, 2 follow ups and 3 consultancy reviews. In 2022-23 there were no 'No Assurance' rated areas; however, this year (2023-24) there is 1. The 'No Assurance' review relates to Fuel Cards and is detailed in the report below. During the financial year 2023-24, there has been an increase in the number of audits attributed with 'Limited Assurance' from 9 in 2022/23 to 12 in 2023/24. In addition, there has been a decrease in those achieving 'Assurance' from 11 in 2022/23 to 3 in 2023/24

The shift in assurance levels does not necessarily indicate a weakening internal control environment as a significant proportion of the audits rated as 'Limited Assurance' or 'No Assurance' were areas which had not been subject to audits in recent years so it cannot be said that controls are deteriorating. However, the indication could be that controls have been weak for a period of time and management have not identified and rectified this.

Multiple factors maybe influencing the impact on the internal control environment; namely changes in key personnel, which has occurred since 2022, reduced capacity, recruitment challenges and increased workload. These combined could impact the level of oversight and management checks, coupled with this is the impinged ability to fully consider emerging risk factors.

In previous years the Council has not achieved a high level of completion with regards to the agreed actions which are set following the completion of an audit. This year 2023/24 the level of follow up audit was low due to a need for more Full Audit scopes to meet the ongoing risk needs of the council. For the two follow up audits that were completed, 38% of agreed actions were closed while the



remaining 62% were in progress. While this was an improvement of 10% on the 2022/23 figures, the level is not sufficient to demonstrate that the organisation is adequately taking action on all risks identified as part of audits.

Overall the council is positive towards the internal audit service and engage fully with the process, this is a key indicator when evaluating good governance. The concerns relating to the increase in 'Limited Assurance' audits will be closely monitored and responded to during the progress reports throughout the year. Overall, 53% of Audits completed in 2023/24 achieved a level of Assurance or Reasonable Assurance.

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. Based on the above results and narrative, the annual audit opinion for 2023/24 remains at Reasonable Assurance, while noting that there has been a decline in results from the previous year. Should this decline continue and agreed action rates remain low, a negative shift in the assurance level would be expected for 2024/25.



Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2023/24 may affect that year's work for External Audit. It may also inform their work for 2024/25 and where they consider there are weaknesses in control that could materially affect the accounts, they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

Cost of Living Crisis

As we emerged from the immediate aftermath of the pandemic, a series of further economic shocks contributed to increases in the cost of living for many people, particularly affecting residents on lower incomes and with wider vulnerabilities. The Council has produced a leaflet and section



on its website outlining where residents can access a variety of help to deal with the pressures of the cost of living crisis and this is updated as and when new initiatives become available. The Food Partnership is also ongoing.

Significant governance issues

The following governance issues have been identified as a result of the review of arrangements and by the work of external and internal audit in 2022/23 and 2023/24

NO	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
1	Ongoing budget pressures which have been further impacted by national economic factors	Borough Treasurer	3 year budget plan which outlines the required savings has been drafted an agreed	Ongoing	Borough Treasurer
2	Staff capacity and succession planning.	Risk Register	Review of vacant posts has been undertaken with job evaluation and design considered where posts have been hard to fill. Promotion of recruitment and retention tools to increase potential retention of skills and increase use of Apprenticeships where applicable. Progression	Ongoing	Chief Executive



NO	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
			planning discussed with section heads.		
3	Compliance with GDPR and protecting the Council's information	Audit Report	Actions have been put in place and are progressing to meet ongoing requirements of GDPR	Progress is ongoing, however, areas still remain outstanding	Senior Information Risk Owner
4	IT resilience and adaptability	Corporate Management Team (CMT)	IT Strategy to be drafted to determine course of action to reduce current resilience risks	Ongoing. PCC Head of IT undertaking get well investigation	Head of IT / CMT
5	Commercial Property Portfolio	Chief Executive	Continue with work to identify status of all commercial properties with regards to current leases and identify any ongoing risks	Ongoing	Head of Commercial Property
6	Housing Property Portfolio with introduction of Social Housing Regulation Act	Housing	Continue with ongoing work to identify an ongoing risks with the introduction of Social Housing Regulation Act	All properties have a current Fire Risk Assessment. Continued	Head of Housing



NO	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
				assessment of the condition of all properties ongoing	
7	Fuel Cards control and administration	Internal Audit Report	Agreed actions from the audit will be implemented	Actions are underway and will be followed up by Internal Audit in Q3 of 2024/25	Deputy Chief Executive

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

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Leader of the Council

Chief Executive