



Report to the Partnership for South Hampshire Joint Committee

Date: 07 July 2020

Report of: John Harrison, Executive Director – Finance & Commercialisation

Subject: PFSH CAPITAL AND REVENUE BUDGET MONITORING 2019/20
AND CAPITAL AND REVENUE BUDGETS 2020/21

SUMMARY

This report summarises the outturn against the budget for the financial year 2019/20. This report also updates the proposed capital and revenue budgets for 2020/21, based on the anticipated level of resources available and the priorities for the partnership.

RECOMMENDATIONS

It is RECOMMENDED that the Joint Committee: -

- a) NOTES the outturn for the financial year 2019/20 (Table 2),
- b) APPROVES the Statement of Accounts for the 2019/20 financial year and the Annual Governance Statement (**Appendix 1**); and
- c) APPROVES the proposed capital and revenue budgets for 2020/21 as set out in the report (Tables 4 & 5).

INTRODUCTION

1. This report sets out the final outturn expenditure position against the capital and revenue budgets for 2019/20, and the proposed capital and revenue budgets for the financial year 2020/21.

RESOURCES

2. Table 1 below shows the estimated PUSH resources that were expected to be available for 2019/20, the actual income received and the expected resources available for 2020/21.
3. The expected resources for the financial year 2020/21 are the partnership balances carried forward from 2020/21, and the expected interest on balances held by SCC on behalf of PUSH.
4. The totals for capital and revenue resources are the control totals for the budgets detailed below.

Table 1: Total Resources Available	2019/20 Approved Budget £000	2019/20 Actual received to end Mar 20 £000	2020/21 Proposed Budget £000
<u>Revenue Funds</u>			
Core funding (local authorities)	65	56	75
Other contributions	0	0	0
Interest on balances	3	3	3
Underspend c/f from previous year	263	263	193
Sub-Total	331	322	271
<u>Capital Funds</u>			
Local Growth Fund to support SRM Projects	571	571	542
Total Resources	902	893	813

5. The reduced core funding received was lower than the approved budget due to the Isle of Wight Council terminating their membership before the start of the year, therefore no contributions were due despite being included in the original budget.
6. There are proposed partner contributions for 2020/21 of £75,000 following approval by the Joint Committee in February 2020 to reintroduce subscriptions. The capital funding is from the Solent LEP Local Growth Fund to support Solent Recreation Mitigation projects. This grant funding has to be spent by March 2021.

FINAL OUTTURN 2019/20 - REVENUE

7. Table 2 below sets out the revenue budget for 2019/20, originally approved by the Joint Committee in June 2019 and the actual outturn.

Table 2: Revenue Allocations 2019/20	2019/20 Approved Budget	2019/20 Spend to end Mar 20	2019/20 Under/ (Over) Spend
---	--	--	--

	£000	£000	£000
Planning & Infrastructure	50	42	8
Energy & Green Economy	44	0	44
Culture, Creative Industries & the Built Environment	44	18	26
European Collaboration Group	7	0	0
Core Projects & Central Costs	75	70	5
Total Core and Panel Budgets	220	130	90
Unallocated Balances	111	0	111
Total	331	130	331

8. Updates on the work of the delivery panels are included in the Co-ordinator's report to each of the Joint Committee meetings.
9. The **Core Projects & Central Costs** budget reflects commitments relating to staffing costs and other ongoing revenue activities led by the PUSH central team.
10. **Unallocated Balances** - There were no additional allocations to delivery panels during the year from unallocated balances. The balance will be used to fund potential future work of the partnership as and when opportunities arise.

FINAL OUTTURN 2019/20 AND PROPOSED BUDGET 2020/21 - CAPITAL

11. PfSH previously secured funding under the Solent LEP Local Growth Deal, for projects to create and enhance publically accessible greenspaces, as part of the Solent Recreation Mitigation Project (SRMP). The allocations to projects are set out in table 4 below.

Table 4: Capital Allocations

	2019/20	2019/20	2020/21
	Approved Budget	Spend to end Mar 20	Proposed Budget
	£000	£000	£000
Solent Recreation Mitigation Project			
Horsea Island, Portsmouth	269		269
Shoreburs Greenway, Southampton	77	29	48
Hayling Island, Havant	225		225
Total	571	29	542

12. During the year the Shoreburs Greenway project made a claim of funding of £52,000. The expenditure on this project in 2019/20 represents payment of this claim, less a 15% retention pending a satisfactory post completion project evaluation report. No claims were received from the Horsea Island project. All projects need to be completed by March 2021.

2019/20 STATEMENT OF ACCOUNTS

13. The Statement of Accounts for the 2019/20 financial year and the Annual Governance Statement are presented for approval in **Appendix 1**. These statements have been reviewed by internal audit and, based on the testing conducted, assurance has been given that adequate financial systems and controls are in place for the administration of the PfSH accounts.

PROPOSED BUDGET 2020/21 - REVENUE

14. The revenue allocations in table 4 are proposed for 2020/21. The allocations for the three delivery panels include carry forward requests, along with the new funding requests in the interim budget as approved in February 2020.
15. At the February 2020 Joint Committee meeting, as part of Item 11 on the Culture, Creative Industries & the Built Environment Panel, a carry forward of £30,000 was agreed to be being used as matched funding for a bid to the Arts Council to enable the Creative Industries Support to cover a wider area than just Southampton. A base budget for the panel of £12,500 for 2020/21 was also agreed. This is to be split as £10,000 funding for Creative Networks South and £2,500 for panel support.
16. An allocation of £75,000 has been earmarked for core activities in line with previous years.

Table 5: Revenue Allocations 2020/21

	Carry Forwards from 2020/21 £000	2020/21 Budget Allocation £000	2020/21 Proposed Budget £000
Planning & Infrastructure			
Energy & Green Economy			
Culture, Creative Industries & the Built Environment	30	13	43
Replacement of European Collaboration Group			
Core Projects & Central Costs		75	75
Total Core and Panel Budgets	30	88	117

17. It is proposed that an **Unallocated Balance** of around £150,000 will be maintained to enable the partnership to have resources available to react to potential future opportunities as they arise.

Table 6: Unallocated balances

	£000
Balance brought forward	263
To fund 2019/20 expenditure	(130)
Contribution income 2019/20	56
Interest income 2019/20	3
Balance 2019/20	193
To fund carry forwards in 2021/21	(30)
To fund 2020/21 budget	(88)
Contribution income 2020/21	75
Interest income 2020/21	3
Unallocated Balances	153

CONCLUSION

This Committee is recommended to:-

- a) NOTES the outturn for the financial year 2019/20 (Table 2);
- b) APPROVES the Statement of Accounts for the 2019/20 financial year and the Annual Governance Statement (Appendix 1); and
- c) APPROVES the proposed capital and revenue budgets for 2020/21 as set out in the report (Tables 4 & 5).

Background Papers:

Appendix 1 - Statement of Accounts for the 2019/20 financial year and the Annual Governance Statement

Joint Committee 10 February 2020 – Item 7: Budget Report

Joint Committee 10 February 2020 – Item 11: Culture Creative Industries & the Built Environment

Enquiries:

For further information on this report please contact:

John Harrison, Executive Director –
Finance & Commercialisation
T: 023 8083 4897
E: john.harrison@southampton.gov.uk

Jon Evans, Finance Business Partner
T: 023 8083 3162
E: jonathan.evans@southampton.gov.uk



Partnership for South Hampshire

Statement of Accounts 2019/20

**PARTNERSHIP FOR SOUTH HAMPSHIRE
STATEMENT OF ACCOUNTS 2019/20**

Explanatory Foreword.....	3
Statement of Accounting Policies	6
Statement of responsibilities for the statement of accounts - Joint Committee.....	8
Statement of responsibilities for the statement of accounts - Chief Financial Officer .	9
Income and Expenditure Account.....	10
Statement of movement on the General Fund Balance	11
Balance Sheet	12
Cash Flow Statement	13
Annual Audit Return.....	14
Notes to the Core Financial Statements	15
Annual Governance Statement.....	20

EXPLANATORY FOREWORD

1. Introduction

This document contains the Partnership for South Hampshire's (PFSH) Statement of Accounts for the year ended 31 March 2020. The format of the Statement follows that which was approved by the Joint Committee in June 2013.

The pattern of presentation of the statement was laid down by a code of practice, and was as agreed with the Audit Commission. This foreword contains:

- a summary of the various statements which make up the 2019/20 accounts;
- a broad picture of where the money comes from and what it is spent on; and
- a summary of the revenue expenditure on services and capital expenditure over the course of the year.

2. Smaller Bodies Audit

This audit requirement has been withdrawn following the closure of the Audit Commission at the end of March 2015.

3. Summary of Statement of Accounts.

The accounts for 2019/20 are set out on pages 6 to 18. They consist of the following:

- Statement of Accounting Policies – sets out the policies adopted by the Joint Committee in preparing the Accounts.
- Statement of Responsibilities for the Statement of Accounts – records the respective responsibilities of the Joint Committee and Chief Financial Officer.
- Income and Expenditure Account – reports the net cost for the year of all the functions for which the Joint Committee is responsible and how they have been financed.
- Statement of Movement on General Fund Balance – discloses the adjustments necessary to determine the movement on the General Fund Balance
- Balance Sheet – this sets out the financial position on 31 March 2020.
- Cash Flow Statement - this summarises cash coming in or going out from transactions with others for revenue and capital purposes.

In addition, the Annual Governance Statement, which reviews the effectiveness of the system of internal control, is included on pages 19 to 24

4. Overall financial position

As PFSH is not able to own any assets, the balance sheet total mainly represents the balance of funding being carried forward to the next financial year to fund ongoing PFSH programmes. The balance sheet position as at 31 March 2020 reflects a decrease of £99,000 compared to the previous year.

The Capital Programme in 2019/20 is funded by grant funding from the Local Growth Deal for the Solent Recreation Mitigation Project

Revenue funding for 2019/20 was made up of carried forward of balances from 2018/19 and in year partner contributions as the partners opted to reinstate contributions following a two-year contribution holiday.

Carry forward balances from 2019/20 will be used to part fund the 2020/21 programme. Subscriptions will continue 2020/21 as agreed by the Joint Committee on 10th February 2020. This will enable the partnership to fund committed projects, undertake work in 2020/21 and also maintain an appropriate level of resources in reserves.

5. Where the money comes from

The Joint Committee's income in 2019/20 came from the carry forward of balances along with interest earned on those balances. See Table 1 below for details.

Table 1: Total Resources Available	2019/20	2019/20	2019/20
	Approved Budget	Actual received	Difference
	£000s	£000s	£000s
<u>Revenue Funds</u>			
Core funding (local authorities)	65	56	(9)
Other contributions	0	0	0
Interest on balances	3	4	1
Underspend c/f from previous year	263	263	0
Sub-Total	331	323	(8)
<u>Capital Funds</u>			
Local Growth Deal (DCLG)	571	571	0
Total Resources	902	894	(8)

6. Overview of the year – revenue expenditure

The main components of the 2019/20 revenue budget and actual expenditure are set out in Table 2 below.

Table 2 Revenue Allocations	2019/20 Approved Budget	2019/20 Total Spend	2019/20 Under/ (Over) Spend
	£000s	£000s	£000s
Planning & Infrastructure	50	42	8
Energy & Green Economy	44	0	44
Culture, Creative Industries and the Built Environment	44	18	26
European Collaboration Group	7	0	7
Core Projects & Central Costs	75	70	5
Unallocated Balances	173	0	173
Total	393	130	263

7. Overview of the year – capital expenditure

The main components of the 2019/20 capital budget and actual expenditure are set out in Table 3 below

Table 3 Capital Allocations	2019/20 Approved Budget	2019/20 Total Spend	2019/20 Under/ (Over) Spend
	£000s	£000s	£000s
Local Growth Deal – Horsea Island	269		269
Local Growth Deal – Shoreburs Footpath	77	29	48
Local Growth Deal – Hayling Island	225		225
Total	571	29	542

8. Further information

Further information can be obtained about the accounts from John Harrison, the Chief Financial Officer to the Partnership for South Hampshire Joint Committee at the Finance Department, Southampton City Council, The Civic Centre, Southampton, Hampshire, S014 7LY, telephone 023 8083 4897 or Email john.harrison@southampton.gov.uk.

STATEMENT OF ACCOUNTING POLICIES

1. General principles

- 1.1 The accounts have been prepared in accordance with standard accounting practice. Any significant non-compliance is explained in the following notes.

2. Debtors and creditors

- 2.1 Debtors and creditors have been accrued in accordance with standard accounting practice.

3. Reserves and provisions

- 3.1 Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts in the Statement of Movement on the General Fund Balance. Expenditure on items for which the reserves were originally created is shown as service expenditure in the Income and Expenditure Account and then transferred back into the General Fund Balance Statement so that there is no net charge against council tax for the expenditure. Variations to earmarked reserves are shown in the notes to the accounts.
- 3.2 Provisions represent legal liabilities when the amount or date of payment is uncertain. They are charged to the revenue account in the year they are recognised.
- 3.3 PFSH currently maintains no such reserves or provisions.

4. Non-current Assets

- 4.1 PFSH does not own any non-current assets.

5. Specific Revenue Government Grants

- 5.1 Government grants for specific purposes are included in the accounts on the basis of the grant conditions that apply. These grants are shown against the relevant service in the Income and Expenditure Account.
- 5.2 PFSH did not received any grants during 2019/20. PFSH previously secured funding as part of the Solent LEP Local Growth Deal for projects to create and enhance publically accessible greenspaces under the Solent Recreation Mitigation Project (SRMP). A remaining balance of funding of £571,000 was carried forward into 2019/20 to facilitate the delivery of the Solent Recreation Mitigation Project. This grant has been partially spent in 2019/20 and the remaining balance has been carried forward to 2020/21.

6. Financial Instruments

- 6.1 In accordance with Financial Reporting Standard (FRS 102) long-term debtors, debtors, payments in advance and temporary lending are classified as loans and receivable financial instruments. Creditors, receipts in advance and temporary and long-term borrowing are classified as financial liabilities at amortised cost.
- 6.2 The Joint Committee has not granted any soft loans.

7. Corporate and Democratic Core Expenditure

- 7.1 Expenditure incurred on the corporate management team is deemed to be across all areas of PFSH activities, and has not been re-allocated to any specific PFSH activity.

8. Service Expenditure Analysis

- 8.1 Expenditure has been allocated directly to the relevant service line, and there has been no apportionment of any expenditure.

9. Accounting for VAT

- 9.1 Claims for re-imburement from other local authorities are paid net of VAT. Any claims from other bodies not able to reclaim VAT are paid gross.

10. Interest

- 10.1 Interest is calculated using the average 7 day Libid (London Interbank Bid Rate) on the average fund balance held by Southampton City Council on behalf of PFSH.

11. Liquid Resources and Cash

- 11.1 The Joint Committee includes cash in its categorisation of liquid resources on the basis that this is actually held as cash. No other resources are held that are readily convertible to cash.

12. Fair Value

- 12.1 All financial assets and financial liabilities carried in the statements are short term so have been valued at face value, which is a reasonable assessment of fair value.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS - JOINT COMMITTEE

1. The Joint Committee's responsibilities

The Joint Committee is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. For this Joint Committee, that officer is the Chief Financial Officer.
- To manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

2. The Chairman's Statement

I certify that the Statement of Accounts for 2019/20 were considered and approved at the Joint Committee meeting on 7th July 2020

Councillor Seán Woodward

Chairman – Joint Committee

7th July 2020

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS - CHIEF FINANCIAL OFFICER

1. The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Joint Committee's Statement of Accounts in accordance with proper practices as was agreed with the Audit Commission.

In preparing this statement of accounts, the Chief Financial Officer has sought to:

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that were reasonable and prudent.

The Chief Financial Officer has also:

- kept proper records which are up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

2. The Chief Financial Officer's statement

I certify that the Statement of Accounts presents fairly the financial position of the Partnership for South Hampshire as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

John Harrison

Chief Financial Officer

7th July 2020

INCOME AND EXPENDITURE ACCOUNT

Net Expenditure 2018/19 £		Revenue Expenditure £	Specific Income £	Net Revenue Expenditure £	Payments for Capital Purposes £	Net Expenditure 2019/20 £
	Cultural, Environmental and Planning Services:					
20,529	Planning and Infrastructure Energy & Green Economy	41,890		41,890		41,890
26,500	Culture, Creative Industries & The Built Environment	17,500		17,500		17,500
6,600	Euro Collaboration					
44,362	Local Growth Deal (Solent Recreation Mitigation Project)				29,065	29,065
97,991		59,390		59,390	29,065	88,455
	Corporate and Democratic Core:					
60,397	Central Costs Solent LEP	70,440		70,440		70,440
60,397		70,440		70,440		70,440
158,388	Net Cost of Services	129,830		129,830	29,065	158,895
(3,899)	Interest Received					(3,757)
154,489	Net Operating Expenditure					155,139
0	Partnership Contributions					(55,700)
0	DCLG – Local Growth Fund					
154,489	Surplus(-)/Deficit(+) for Year					99,439

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income & Expenditure account shows actual financial performance for the year, measured in terms of resources consumed, and generated over the last 12 months. However, the General Fund balance takes account of reserves built up in the past and contributions to reserves for future expenditure. This statement summarises the differences between the outturn on the Income & Expenditure account and the General Fund balance.

2018/19		2019/20	2019/20	2019/20
Total		Revenue	Capital	Total
£		£	£	£
(988,733)	General Fund Balance Brought Forward	(258,367)	(575,878)	(834,244)
154,489	Surplus(-)/Deficit(+) for the year on the Income and Expenditure Account	70,373	29,065	99,439
<u>(834,244)</u>	Balance on General Fund Carried Forward	<u>(187,993)</u>	<u>(546,812)</u>	<u>(734,805)</u>

BALANCE SHEET

2018/19		2019/20
£		£
	Current Assets:	
	Debtors	40,500
851,307	Cash	721,310
<u>851,307</u>	Total Current Assets	<u>761,810</u>
	Current Liabilities:	
17,063	Creditors	27,004
<u>17,063</u>	Total Current Liabilities	<u>27,004</u>
<u>834,244</u>	Net Current (Liabilities)/Assets	<u>734,805</u>
	Financed By:	
	General Reserves:	
258,366	For Revenue Purposes	187,993
575,878	For Capital Purposes	546,812
<u>834,244</u>		<u>734,805</u>

CASH FLOW STATEMENT

2018/19 £		2019/20 £
	<u>Revenue Activities</u>	
	Cash Outflows:	
125,461	Operating Costs	119,889
125,461		119,889
	Cash Inflows:	
(9,626)	Other Income	(15,200)
(9,626)		(15,200)
115,835	Net Cash inflow(-)/outflow(+) from revenue activities	104,689
	<u>Returns on Investments and Servicing of Finance</u>	
	Cash Inflow:	
(3,899)	Interest Received	(3,757)
(3,899)	Net Cash inflow(-)/outflow(+) from Servicing of Finance	(3,757)
	<u>Capital Activities</u>	
	Cash Outflows:	
66,366	Grants for Capital Purposes	29,065
66,366		29,065
	Cash Inflows:	
	Capital grants	
66,366	Net Cash inflow(-)/outflow(+) from Capital Activities	29,065
178,302	Net Cash Inflow(-)/Outflow(+)	129,997

Note: Cash inflows are shown as negative numbers (-), outflows as positive.

ANNUAL AUDIT RETURN

	Y/E 31 Mar 2020 £	Y/E 31 Mar 2019 £
1. Balances Brought Forward	834,244	988,733
2. Income From Local Taxation and/or Levy		0
3. Total Other Receipts	59,457	3,899
4. Staff Costs		
5. Loan Interest/Capital Repayments		
6. All Other Payments	(158,895)	(158,388)
7. Balances Carried Forward (1+2+3-4-5-6)	734,805	834,244
8. Total Cash and Short Term Investments	721,310	851,307
9. Total Fixed Assets and Long Term Assets	0	0
10. Total Borrowings	13,495	(17,063)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Apportionment of Costs from Corporate and Democratic Core

- 1.1 All costs incurred by the PfSH corporate management team cover all PfSH activities, and are not attributable to any individual Delivery Panel. There has therefore been no apportionment of these costs.

2. Interest Received

- 2.1 Interest is calculated using the average 7 day Libid (London Interbank Bid Rate) on the average fund balance held by Southampton City Council on behalf of PFSH.

3. Partner Contributions to PfSH

- 3.1 The table below shows the contributions made by each partner in 2019/20 (nil in 2018/19).

Council	2019/20
	£
East Hampshire District Council	600
Eastleigh Borough Council	3,700
Fareham Borough Council	3,700
Gosport Borough Council	2,500
Hampshire County Council	17,500
Havant Borough Council	3,700
New Forest District Council	2,500
Portsmouth City Council	11,900
Southampton City Council	7,800
Test Valley Borough Council	1,200
Winchester City Council	600
	55,700

4. Payments from PfSH to Partners

- 4.1 The table below sets out payments made to partners from PfSH:

Council	2019/20	2018/19
	£	£
Fareham BC	8,983	12,139
Hampshire CC	11,743	10,600
Havant BC	7,954	
Portsmouth CC	58,440	71,249
Southampton CC	45,387	56,362
Winchester CC		33
Total Payments to Partners	132,509	150,383

5. Grants Received by PfSH

- 5.1 PfSH received no grant funding during 2019/20.

6. Debtors

	2019/20	2018/19
	£	£
Other Local Authorities	40,500	0
	40,500	0

7. Creditors

	2019/20	2018/19
	£	£
Other Local Authorities	18,843	14,000
Sundry Creditors	8,161	3,063
	27,004	17,063

8. Reconciliation of Income and Expenditure Account to net cash inflow from revenue activities

	2019/20	2018/19
	£	£
Surplus(-)/Deficit(+) on Income & Expenditure Account	70,373	110,127
Increase(+)/Decrease(-) in Debtors	40,500	0
Increase(-)/Decrease(+) in Creditors	(9,941)	1,809
Increase(-)/Decrease(+) in Receipts in Advance		0
Less Interest Received	3,757	3,899
Net Cash inflow(-)/outflow(+) from revenue activities	104,689	115,835

9. Reconciliation of Income and Expenditure Account to net cash inflow from capital activities

	2019/20	2018/19
	£	£
Surplus(-)/Deficit(+) on Income & Expenditure Account	29,065	44,362
Increase(+)/Decrease(-) in Debtors		0
Increase(-)/Decrease(+) in Creditors		22,004
Increase(-)/Decrease(+) in Receipts in Advance		0
Net Cash inflow(-)/outflow(+) from capital activities	29,065	66,366

10. Reconciliation of the Movement in Cash

	2019/20	2018/19
	£	£
Increase(+)/Decrease(-) in Cash	(129,997)	(178,302)
Represented by:		
Net Movement from Revenue	(104,189)	(115,835)
Net Movement from Capital	(29,065)	(66,366)
Net Movement from returns on investment	3,757	3,899

11. Financial Instruments

- 11.1 In accordance with Financial Reporting Standard (FRS 102) debtors, payments in advance and temporary lending are classified as loans and receivable financial instruments. Creditors (note 6), receipts in advance and temporary borrowing are classified as financial liabilities at amortised cost. All such elements included in the Balance Sheet are short term and have been valued at face value, which is a reasonable assessment of fair value.
- 11.2 Credit risk arises from deposits with other institutions, as well as credit exposures to PfSH's debtors. As surplus cash is temporarily invested with Southampton City Council, PfSH is exposed to minimal risk. PfSH's debtors are generally other public sector bodies.
- 11.3 PfSH has access to temporary borrowing from Southampton City Council's cash surpluses, so there is no significant liquidity risk of not being able to raise finance. There is no investment in equity shares or other shareholdings, and no financial assets or liabilities in foreign currencies so no exposure to either price risk or exchange rate risk.
- 11.4 In summary, the risks to which PfSH is exposed to are minimal and therefore it is not considered necessary to perform any sensitivity analysis of the above risks as any changes to the risks would be unlikely to be material to these accounts.

12. Authorisation to Issue the Accounts

- 12.1 These Accounts were authorised for issue on 7th July 2020 by the Chief Financial Officer, and events after the balance sheet date have been considered to this date.

13. Other notes that require disclosure but which this Joint Committee has nothing to report

- There have been no acquired or discontinued operations during the year.
- There were no exceptional items, extraordinary items or prior period adjustments in the year.
- The Joint Committee has no undischarged obligations from long-term projects.
- The Joint Committee does not have any intangible fixed assets.
- The Joint Committee does not have any contingent assets or liabilities.
- The Joint Committee does not have a controlling or dominant influence in any company.

- The Joint Committee has no interests that would require the production of Group Accounts.
- The Joint Committee has no Business Improvement District Schemes in operation.
- The Joint Committee has no discretionary expenditure or pooled funds under the Health Act 1999.
- The Joint Committee does not administer any Trust Funds.
- The Joint Committee does not have any interest in Building Control and therefore no requirement to produce building control accounts.
- The Joint Committee does not operate a scheme under the Transport Act 2000.
- The Joint Committee does not have any Public Finance Initiative schemes.
- No Allowances have been paid to Members.
- There have been no post balance sheet events up to the date of the issue of the accounts to the Joint Committee.

14. Related Party Transactions

- 14.1 PfSH is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence PfSH or to be controlled or influenced by PfSH. Disclosure of these transactions allows readers to assess the extent to which PfSH might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with PfSH. There were no related party transactions.
- 14.2 Central government has effective control over the operations of PfSH - it is responsible for providing the statutory framework within which PfSH operates and has provided the majority of its funding in the form of grants.
- 14.3 Members of the Joint Committee have direct control over PfSH's financial and operating policies, and notes 3 and 4 set out the transactions with the parent councils of the members of the Joint Committee. Grants awarded were made with proper consideration of declarations of interest. The relevant members did not take part in any decision relating to the grants. There were no related party transactions involving members or officers.

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

1.1 The Partnership for South Hampshire (“PfSH”) is a Joint Committee comprising 12 local authorities (“the Councils”). The primary governance arrangements that apply directly to those members and officers of the Councils who are engaged in PfSH activities are those maintained by their own individual local authority (for example, Codes of Conduct). The relationship between the Councils in respect of PfSH are set out in the Joint Agreement (“the Agreement”) which has been approved by each of the Councils at a full council meeting. A copy of the Agreement is available at:

<https://www.PUSH.gov.uk/partnership/working-arrangements/governance/>

1.2 Southampton City Council’s Chief Operating Officer has also been appointed as the Lead Advisor on legal and constitutional issues for PfSH, and also the statutory Monitoring Officer for PfSH. As such, the Southampton City Council governance arrangements take precedence, and form the basis of PfSH’s governance framework for the operation of the Joint Committee and its activities.

1.3 Southampton City Council is the lead authority for financial matters, and Southampton City Council’s Service Director-Finance and Commercialisation is also the statutory Chief Financial Officer (“CFO”) for PfSH.

1.4 PfSH (“the Joint Committee”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Joint Committee 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, the Joint Committee 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.

1.5 In addition to the Agreement, the Joint Committee reviewed the governance arrangements at its meeting of 6 June 2013, and the report is available at:

<https://www.PUSH.gov.uk/wp-content/uploads/2018/07/Item-12-PFSH-Governance-Review-and-Business-Plan.pdf>

1.6 The Financial Protocols (“the Protocols”) for PFSH were reviewed at the meeting of 28 January 2014, and these are available at:

<https://www.PUSH.gov.uk/wp-content/uploads/2018/07/Item-7-Annex-A-Revised-Financial-Protocols.pdf>

2. The purpose of the governance framework

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

2.2 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 ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee'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.

- 2.3 The governance framework has been in place for the Joint Committee for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

3. The Governance Framework

- 3.1 The following describes the key elements of the systems and processes that comprise the Joint Committee's governance arrangements including arrangements for:

Identifying and communicating the Joint Committee's vision of its purpose and intended outcomes for citizens and service users:

- 3.2 The sub-regional strategy for South Hampshire and Isle of Wight sets out objectives for growing prosperity and improving the quality of life. Those objectives need to be translated into actions that will deliver change. PfSH's Business Plan sets out how the sub-regional strategy is to be delivered. The 2019/20 Business Plan was considered by the Joint Committee 4th June 2019.

Reviewing the Joint Committee's vision and its implications for the governance arrangements:

- 3.3 Southampton City Council has adopted a Code of Corporate Governance ("CCG") which identifies in one core document how the Council ensures that it runs itself in a lawful, structured, ethical and professional manner. The CCG is administered by the Monitoring Officer and is updated periodically by the Council's Standards and Governance Committee. As PfSH follows Southampton's governance arrangements (its Constitution etc), Southampton's CCG reflects and represents PfSH's governance arrangements. The full document is published on the City Council's internet site at:

http://www.southampton.gov.uk/policies/code-of-corporate-governance-feb-2020_tcm63-396028.pdf

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources:

- 3.4 The Joint Committee has adopted a Performance Framework which sets out PfSH's overall approach to secure on-going improvements across a wide range of services that are provided to local residents and businesses.
- 3.5 The Joint Committee set indicative revenue and capital budget allocations across the Delivery Panels and covering the core PfSH organisational costs at its meeting of 4th June 2019.
- 3.6 Monitoring reports are considered by the Joint Committee three times a year.
- 3.7 These reports are available at:

<https://www.PUSH.gov.uk/work/our-meetings/joint-committee/>

Defining and documenting the roles and responsibilities of the executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:

- 3.8 The Joint Committee has a Joint Agreement, Governance Framework and Financial Protocols setting out how it operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Joint Committee to choose.
- 3.9 The Governance Framework and Financial Protocols set out the detailed rules governing the Joint Committee's business including details of the scheme of delegation that provide for delegation to senior officers (Lead Chief Executives and the Executive Director).

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:

- 3.10 Members and officers acting on behalf of PfSH are required to follow their individual authority 'Members' Code of Conduct' or 'Officer Code of Conduct' as appropriate.
- 3.11 The Members' Code covers areas of individual behaviour such as Members not abusing their position or not misusing their authority's resources. In addition there are rules governing disclosure of private interests and withdrawal from meetings where Members have relevant interests. Members are also required to record on the public register their financial and other interests.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:

- 3.12 The Joint Agreement sets out how the Joint Committee operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. This includes information on how the Joint Committee operates, how decisions are made and the role of overview and scrutiny.
- 3.13 Periodically, as appropriate, the Monitoring Officer, together with the Executive Director and the CFO, conducts a review of the Joint Committee's governance arrangements, which are considered by the Joint Committee from time to time.
- 3.14 All reports submitted to the Joint Committee for a decision must receive legal and financial clearance prior to publication in accordance with the published procedures.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- 3.15 It is not practical for PfSH to have a formally constituted Audit Committee whose role would be to provide independent assurance to the Joint Committee or Overview and Scrutiny Committee on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement. The Joint Committee therefore acts in this capacity directly to receive the accounts, annual governance statement and the reports of the appointed auditor.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

- 3.16 It is the role of the Monitoring Officer and the CFO to ensure compliance with relevant laws and regulations and that expenditure is lawful. This is achieved through the governance framework including the Joint Agreement itself and the Financial Protocols.

Whistle-blowing and receiving and investigating complaints from the public:

- 3.17 Any complaints received by the Joint Committee in respect of unlawful conduct, illegality, financial malpractice or dangers to the public, employees or the environment would be dealt with by the Monitoring Officer, in line with Southampton City Council's procedures.
- 3.18 The Joint Committee does not employ staff directly, but rather by the relevant constituent authorities. Each council is required to have its own whistle blowing policy, and staff can utilise these for any activities of PfSH.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

- 3.19 The Councils individually have their own programmes for member and senior officer learning and development to cover general development needs. From time to time, PfSH organises member and senior officer workshops to address emerging development needs specific to the Joint Committee.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- 3.20 PfSH has established a Communications Strategy. In addition, the Joint Committee is able to draw on the existing communication channels of the Councils.

4. Review of effectiveness

- 4.1 The Joint Committee has a 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 Executive Director, the Monitoring Officer and the CFO.
- 4.2 The review process applied in respect of maintaining and reviewing the effectiveness of the system of internal control, is informed by:
- the work of Members/Officers within the Joint Committee;
 - audit and other periodic reports from the Internal Auditor;
 - reports received from service review agencies or inspectorates where appropriate, and

5. The Joint Committee

- 5.1 The Joint Agreement forms the cornerstone of effective corporate governance, supported by the Governance Framework and the Financial Protocols. It has been approved by the full Council meetings of each of the partner local authorities.

6. The Overview and Scrutiny Committee

6.1 The Joint Agreement establishes a Joint Overview and Scrutiny Committee with the following terms of reference:

- To scrutinise and call in Joint Committee decisions.
- To scrutinise in particular the PfSH Business Plan and its delivery.
- In respect of any call in:
 - To review decisions made in accordance with the approved business plan and where they consider it appropriate, refer such decisions back to Joint Committee with comments for reconsideration;
 - To review decisions not made in accordance with the approved business plan where they may either refer such decisions back to Joint Committee with comments for reconsideration or refer the decision back to individual authorities. The Council has a formally constituted Audit Committee whose role it is to provide independent scrutiny.

7. The Joint Committee acting as an Audit Committee

7.1 The Joint Committee receives reports to meet certain statutory obligations, such as approving the Annual Governance Statement, the Statement of Accounts and the receiving the annual external auditor's report.

8. The Delivery Panels

8.1 The Governance Framework has established four Delivery Panels based on service delivery themes, with each Panel being responsible for overseeing and driving the implementation of the relevant area of the Business Plan. The panels are:

- Planning and Infrastructure
- Energy and Green Economy
- Culture, Creative Industries and The Built Environment
- Euro Collaboration

9. Internal audit

9.1 The Joint Committee does not operate an Internal Audit function. However, the Southampton City Council / Portsmouth City Council shared internal audit service undertakes an assurance role that provides an independent and objective opinion to the CFO and to the external auditor that adequate financial systems and controls are in place. The audit plan for PfSH is agreed with the CFO. The Internal Audit Section is subject to regular review by the Joint Committee's external auditors who seek to place reliance on the work carried out by the section.

10. Other review/assurance mechanisms.

10.1 The Annual Governance Statement is reviewed each year. This statement, insofar as it is applicable to a Joint Committee, follows the guidance set out within the

CIPFA/SOLACE framework: "Delivering Good Governance in Local Government" published in June 2007.

11. Significant governance issues

- 11.1 No significant governance issues have been identified, however we will continue to review our governance arrangements from time to time and on at least an annual basis.
- 11.2 We propose over the coming year to take appropriate steps to address matters arising out of such reviews to further enhance our governance arrangements. We are satisfied that this will address the need for any improvements that might be identified in our review of effectiveness and will monitor their implementation and operation as part of any subsequent review.

Signed _____

Councillor Seán Woodward, Chairman.

7th July 2020

Signed _____

Paddy May, PfSH Co-ordinator.

7th July 2020