Annual Report including Narrative Report and Financial Statements 2022/23

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Chair of the Governance and Audit and Standards Committee

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Portsmouth CITY COUNCIL

Narrative Report to the Financial Statements 2022/23

Narrative Report - Financial Year Ended 31st March 2023

The purpose of this narrative report is to provide context to the Statutory Financial Statements for Portsmouth City Council for the period from 1 April 2022 to 31 March 2023.

The narrative report provides an overview of Portsmouth City Council, and comments on its performance, both financial and non-financial. It also attempts to provide an easily understandable guide to the most significant matters reported in the accounts and assists in their interpretation.

The City Council

Our context - the City Council and how it works

Portsmouth City Council provides the full range of local government services including education, social services, highways, waste management, leisure, libraries, youth services, planning, economic regeneration, public and environmental Health, trading standards and we also own and run the largest municipal port in the UK.

The City Council has fourteen wards, each served by three councillors. We operate a decision-making system of a leader and cabinet.

In 2022-23 the Cabinet consisted of the Leader of the council and nine other cabinet members. The Leader is elected by the Full Council. The Leader selects the cabinet positions. The cabinet makes decisions on important matters that affect the City Council as a whole. Each of the cabinet members has responsibility for a portfolio of council activities and these are currently:

- Leader
- Children, Families and Education
- Communities and central services
- Safety in the community
- Culture, Leisure and Economic Development
- Climate Change and the Environment
- Health, wellbeing and social care
- Housing and Preventing Homelessness
- Planning policy and city development
- Traffic and Transportation

Roles, responsibilities and the way that we undertake the business of the City Council are set out in the constitution of the authority.

The City Council is managed by the Chief Executive, David Williams, who is the head of the paid service. After 16 years at the City Council, our current chief executive will be leaving PCC in the summer of 2023, and a recruitment process for a successor is currently underway.

The Chief Executive is supported by directors who have oversight of a number of services, each of whom deals with a broad portfolio of the functions of the authority. The current director team is:

- Director of Children Services and Education (and statutory Director of Children's Services)
- Director of Public Health (statutory post)

- Director of Adult Services (and statutory Director of Adult Social Services)
- Director of Finance and Resources (and statutory s151 officer)
- Director of Culture, Leisure and Regulatory Services
- Director of Regeneration (currently a vacant post with an interim appointment)
- Director of Housing, Neighbourhoods and Building Services
- Director of Corporate Services
- Portsmouth International Port Director.

The Monitoring Officer is the city solicitor.

Our Context - demographic

Portsmouth is the UK's only island city, with Portsea Island accounting for 62% of the city's land mass. Portsmouth is the second most densely populated Local Authority area in the UK outside of central London, with a population of 208,100 (as per the 2021 census) residing within 15.5 square miles.

Portsmouth is ranked 59th most deprived out of 317 English local authorities (where 1 is the most deprived) with 15% of the city's population experiencing income deprivation. Charles Dickens ward tends to be the most deprived ward in the city across all criteria. 22% of all children (aged 0-19) in the city are living in poverty (which is above the England average) and in some areas the rate is twice the national average (Charles Dickens ward). The percentage of children in the city known to be eligible for, and claiming, free school meals is higher than the national average, reflecting low incomes in the city.

The city is becoming more ethnically diverse. Sixteen percent of the city's overall population are not of White British ethnicity - this rises to 20% of school-age children. 87.8% of the city's population was born in the UK. The city has a relatively young population, as typically found in cities and which is boosted by the student population attending the University of Portsmouth.

Portsmouth has fifty primary schools, ten secondary schools and four special schools (including one multi-site provision), one maintained nursery school and a University Technical College (UTC), which is a school for young people aged 14-19 interested in pursuing a technical career. UTC Portsmouth has specialisms in Electrical & Mechanical Engineering and in Advanced Manufacturing. These specialisms are key to helping our economy to grow. The city has one further education college, City of Portsmouth College, operating across multiple sites due to a recent merger of colleges in the city. A number of the city's young people attend Havant and South Downs college too.

Portsmouth has a total housing stock of around 89,800 homes. Fifty-nine percent are owner occupied homes, 22% privately rented, 11% are council rented and 8% are Housing Association homes. Nearly half of the private sector housing stock was built before 1919, which is more than twice the England average. In terms of dwelling type, 63% of Portsmouth's private dwellings are terraced houses, again twice the England average (29%).

Portsmouth performs a key role as an employment hub for its suburban hinterland, most notably the boroughs of Fareham, Gosport and Havant which supply nearly a quarter of the city's workforce. The employment rate in Portsmouth increased to 76.7% in the year to September 2021, which is above the UK average rate (74.5%). However, at 5.5% the unemployment rate in Portsmouth is also higher than the UK average, although this had decreased on the previous quarter. In the 12 months to September 2021, the youth unemployment rate in Portsmouth decreased to 12.8%, which is lower than the UK average (13.3%). The most recent statistics show that the proportion of young people not in education, employment or training has risen to 5.2%. There is also concern about the number of young people leaving post-16 education without a positive destination.

Despite being a university city, Portsmouth has relatively few people with degree level skills which poses a challenge for residents looking to obtain highly paid work. Portsmouth also has a higher proportion of residents with no skills (6.9%) compared to the average for the south-east (5.6%), though this remains lower than the national average (8.0%). We know that local resident earnings are significantly lower than local workplace salaries, suggesting that many of the higher paid jobs are filled by people commuting into the city. In 2021, the median gross weekly pay for Portsmouth residents was £598, which is below the average for England (£613), Southampton (£602), and significantly lower than the southeast (£660).

Portsmouth is well connected with strategic road and rail routes as well as domestic and international ferry routes to a range of destinations.

There are five train stations in the city, with the railway line running through the heart of the city north to south. However, intercity rail journeys from, and to, Portsmouth are relatively slow. The city also has limited road capacity due to the "island" nature of the city and having only three road routes on/off Portsea Island - although congestion levels compare well with other cities. Traffic and associated emissions are a significant challenge to air quality in certain areas of the city.

Our context - our partners

The city has excellent partnership working with colleagues in other local authorities and the health sector, including the Integrated Care Board (ICB), Solent NHS Trust, and Portsmouth Hospitals University Trust, along with the police, probation, fire service, Royal Navy, University of Portsmouth and with business through "Shaping Portsmouth".

For many years, the City Council had three key theme-based strategic partnerships - the Health and Wellbeing Board, Children's Trust, and the Safer Portsmouth Partnership. Following a review, these partnerships were folded into a single Health and Wellbeing Board which has a broadened remit and membership and aims to improve efficiency and ensure issues are being considered strategically. In 2022, the Health and Wellbeing Partnership agreed a new joint Health and Wellbeing Strategy to guide the work of the partnership.

There are other partnership arrangements around the city's regeneration efforts such as the Solent Local Enterprise Partnership, Solent Transport, and the Partnership for South Hampshire. 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 been developing strongly over time, 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 way of working has been critical in ensuring that services for Portsmouth's population are commissioned and delivered with a strong understanding of local communities and their needs, and our broad and deep integration meant that we adapted well in the local area to the pressures of the pandemic. As the NHS settles into a new structure with Integrated Care Systems operating at larger geographies, we need to ensure that we retain the strong local 'place-based' focus to heath service provision. We describe our local way of working as Health and Care Portsmouth and have set out how this works in a Blueprint for health and care in the city.

Our context - finances

These are challenging times for local government. Through an extended period of pressure on public finances, and the significant social and economic shocks of recent years, including the Covid-19 pandemic, the City Council has shown great flexibility in the way that it has adapted to changing needs, delivery of services and ways of working.

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

Since 2011/12, the City Council will have made £106m in savings (49% of controllable spend). Adult and Children's Social Care represent in excess of 50% of the City Council's controllable spend. These services provide assistance to the most vulnerable, but they also experience the greatest cost pressures and have historically received significant protection from savings.

The financial environment has changed dramatically over the past 12 months with CPI inflation peaking at 11.1% during the year, the highest in over 40 years, but funding levels have not kept pace (e.g., Council Tax increases of up to 4.99%). The City Council continues to operate in a climate of uncertainty created by the existence of extra-ordinary levels of inflation, cost of living related increases in demand for services, the legacy of the Covid pandemic and the forthcoming reform of the Local Government Funding system. The City Council's Medium Term Financial Strategy has been developed to respond to these very challenging circumstances. The Strategy has a strong regeneration and value for money focus with a presumption that capital investment will be targeted towards cost savings, income generation and economic growth.

In February 2023, the City Council's full council considered budget and council tax proposals for 2023/24. The key proposals recommended a budget for 2023/24 that provides for:

- The full financial impact of the extra-ordinary inflation and associated demand related cost pressures experienced over the past year and extending into 2023/24

- £2.0m of Savings to meet the extra-ordinary Budget Pressures which were not covered by additional Government Funding or Council Tax, or which could not be mitigated
- The ongoing impact of the Covid Pandemic in the current year and its expected ongoing legacy over the next 3 years
- A Council Tax increase of 4.99% (2.0% of which is raised specifically to be passported to Adult Social Care)
- Increased spending in Adult Social Care of £7.4m being greater than the funding provided by the Adult Social Care precept and the additional Social Care Grant from Central Government
- Increased spending in Children's Social Care of £6.1m
- A forecast for the 3-year period to 2026/27 which remains in balance
- No savings requirement for 2024/25 but with any future year's savings beyond 2024/25 subject to review at next year's Annual Budget Meeting (February 2024)
- New Capital Investment of £61.3m, including investments in Shore Power to the Port (£23m), City Centre North Regeneration (£4.5m); Mountbatten Centre Roof Replacement (£6.8m) and transport and street environment improvements (including active travel).

The Budget setting process for the forthcoming year has been one of the most challenging experienced by the City Council. A year ago, it was envisaged that the City Council would not need to make any savings in the coming year. Shortly after the Budget was approved last year, the financial environment changed rapidly precipitated by:

- the war in Ukraine
- the existence of practical full employment in the economy and
- the strains on international supply chains due to continuing Covid lockdowns across the globe.

This, coupled with the more local legacy impacts of the Covid pandemic and resulting pressures on the health system and Council Services more generally, has led to a high cost / high demand environment which the City Council alone would not have been able to contend with without substantial cuts to statutory and discretionary services.

The City Council is still feeling the legacy effects of the Covid pandemic. The City Council's essential care services and the Port in particular continue to be impacted at a cost of £2.0m for 2023/24. Caseloads in Children's Services have remained at elevated levels, which has required the City Council to now embed a further £0.3m on an ongoing basis to maintain adequate Social Worker capacity within the Service. The City Council expects the continuing impact of Covid over the next 3 years to amount to £3.4m but which might realistically vary by £1.5m.

Whilst the continuing legacy cost of Covid continues, Government funding for the pandemic has now ceased. The substantial financial impact of inflation itself, the driving impact that this has had on the cost of living for residents and the consequent increase in demand for Council services has been the defining factor in driving the £24m of unplanned cost pressures facing the Council for 2023/24. This, coupled with the cost of the legacy impact of Covid at £2.0m for next year, has presented the most significant challenges in seeking to balance the 2023/24 Budget.

In terms of funding to the City Council, the coming year will see a Business Rate revaluation which presents a degree of risk to the City Council's retained Business Rates. Individual rateable values of Businesses on average have increased by 7.3% nationally. Nationally the effect of revaluation is intended to be neutral with any increase in Business Rates generated from the revaluation being offset by a reduction in the Business Rate multiplier. At the local level for the City Council, retained Business Rates are also similarly adjusted to attain neutrality however, the City Council can be affected positively or negatively by the extent to which successful business rate appeals exceed the national average assumed at 3.2%. This presents a risk to the City Council's Budget and Budget Forecasts.

By the measures proposed within the Budget 2023/24, the 3 Year Forward Forecast for the period 2024/25 to 2026/27 is estimated to be balanced (i.e., no deficit).

The City Council's financial health is sound but during this unprecedented level of uncertainty, it is imperative that the City Council continues to exercise financial restraint and manage its cost base carefully if it is to remain well placed to respond to any inflation and service demand volatility as well as any overhaul of Local Government Funding.

Public consultation undertaken in 2022, to inform the setting of the City Council's budget, showed that the core services residents feel are most important are the following:

- Ensuring older people and vulnerable adults are looked after and supported to live independently
- Keeping children safe and families together
- Collecting bins and keeping the city clean and
- Supporting education, early years and children with special needs.

Respondents feel that 'building new homes in the city, including flats offering special care for elderly residents' (47%) is the most important project for the City Council to spend its capital budget on. This is followed, in order of popularity, by 'building more classrooms and specialist provisions for children with additional needs' (37%), 'improving facilities at Portsmouth International Port to increase the money it generates to help protect local services' (34%) and 'creating better facilities for sustainable transport such as cycling and walking' (33%).

Our Strategic Priorities and Direction

The Vision for Portsmouth

In 2019 and 2020, we embarked on an initiative with partners called '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 bold plans for what we want in the future; for ourselves, our families, our communities, our businesses and our co-workers.

People described the values they wanted to see lived in the city as:

'We believe in:

- *Equality*
- *Innovation*
- *Collaboration*
- *Respect*
- *Community'.*

'By 2040, we want to see a:

- *Happy and healthy city*
- *City rich in culture and creativity*
- *City with a thriving economy*
- *City of lifelong learning*
- *Green city*
- *City with easy travel'.*

This vision belongs to the city, not just the City 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 recently published for the City Council.

"Our mission for 2022/23 is to work together with partners and communities to stand up for Portsmouth, taking action to improve the city and the lives of our residents, and to tackle the climate crisis."

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

As well as delivering the essential services we are required by law to do - including collecting and disposing of waste, keeping roads safe, ensuring our children have school places, providing regulatory services that keep people safe and protecting our environment - we are focusing on the Delivering for Portsmouth areas, and making sure that everything we do is in line with achieving this.

The priorities for Portsmouth City Council

Mission - We will stand up for Portsmouth

Priority: support people around the cost-of living crisis

Over the winter, the City Council has put in place a number of steps to support residents affected by the cost-of-living crisis. This included developing a one-stop website to bring together information, advice and guidance; putting in place a helpline that people could contact if they needed additional advice and providing a support officer who could be there for people who were particularly vulnerable and needed more assistance. We continue to provide money and benefit advice and to deliver household support grants for those residents and families most in need, using funds supplied by the government.

We are also helping residents to reduce energy costs by supporting improvements to make homes more energy efficient through schemes like Switched On Portsmouth. The City Council also works to ensure that residents have access to free and low-cost activities to enrich their lives through museums, libraries, events programme, seafront offer and open spaces and the Holiday Activities and Food offer.

Significant work has been undertaken with partners, including HIVE Portsmouth, to extend support such as community pantries in the city, and to create warm spaces. We are looking at how we continue to support people and use models for providing information and advice to support people in other areas of their lives, such as around their health.

Priority: work with partners to tackle crime and anti-social behaviour

We continue to tackle problems that make people feel less secure in their environments such as fly-tipping and graffiti, and work to target resources such as community wardens and CCTV in areas where we know there are problems.

Priority: work to ensure our residents and communities have access to the health services they need

There has been extensive media coverage in the past year, highlighting some of the challenges around health provision in the city. Recent figures from the Nuffield Trust showed that Portsmouth has one of the highest ratios of patients to GP in the country, and there have been significant falls in the number of dentists operating in the city too. Portsmouth Hospitals University Trust faced severe pressures around service over the winter, needing to declare critical incidents.

The City Council is working with partners to try and find some solutions to these issues. The Leader of the Council convened two summit meetings with local GPs and colleagues to explore ideas, and the City Council is using its communications channels to help residents understand what services are available and how they can access the support they need. This included issuing a special magazine to all households providing information about local care services.

The City Council is also working with partners to ensure support for mental health, and lobbies at a regional and national level for additional resources for our city. Local partnership arrangements through Health and Care Portsmouth and the Health and Wellbeing Board are critical to this work.

Priority: attract external funding and have a strong voice in our region

The City Council actively bids for government resources that become available, such as the Levelling Up Fund (the City Council successfully secured £20m funding through the Levelling Up Fund Round 1 in a bid entitled 'Transforming the Visitor Economy'), UK Shared Prosperity Fund and Youth Investment Fund, and continues to work in partnership with government and other funders to make the case for investment in Portsmouth.

The government's flagship policy white paper 'Levelling Up the UK' was published in 2022 and has the potential to have wide ranging impacts on the City Council's relationship with central government and the way we will implement our plans for the city. In addition to this, there are incentives for implementing devolution deals across the region which the City Council is currently exploring.

Councillors work successfully with our Members of Parliament to speak with a single voice for the city, and an example of this would be work that has taken place to oppose the Aquind pipeline development, which many believe would be detrimental to the city. An urgent priority is to work with the government to ensure a sensible solution to the Border Control Post, address the shortfall in funding and provide clarity on what border controls are required. A new government consultation on the border target operating model was issued in April 2023.

The city is also a key player in the Solent Freeport, which includes a Customs site at the Port and a Tax site on the City Council owned Dunsbury business park in Havant. An economic impact assessment estimates the Freeport could generate 28,000 jobs and £2.0 billion Gross Value Added (GVA) directly across the Solent area.

Mission - we will improve lives

Priority: deliver major projects that improve the city

Regenerating the city to ensure that it continues to provide great opportunities for residents, businesses and visitors remains a major priority.

Work continues to bring forward a vision, strategy and action plan for the city centre. Plans are being progressed to develop the northern area of the city for residential uses and to create a new urban park, improving the public realm of the area. The City Council has secured funding from the Future High Streets Fund to make improvements to Commercial Road and Fratton Road, to support the evolution of our high streets.

Other significant regeneration projects that are underway include the multi-million-pound coastal defence schemes that will safeguard the environment, businesses and homes in the future; ongoing work around Tipner; and following the deconstruction of Horatio and Leamington House the redevelopment of the area.

The City Council continues the process of developing a new Local Plan, which will set the framework for development in the city up until 2036. The full timeline for the process is contained in the Local Development Scheme, which expects that the new Local Plan will be adopted in 2024. There are challenges in achieving the levels of new housing the government require (although this may change with the proposed changes to the planning system), whilst balancing other needs in the city, such as provision of employment land and protecting the natural environment.

Priority: deliver new affordable homes for local people

The City Council continues to focus on how it can address the housing needs of residents. The waiting list for housing is significant, and we know that too many residents in the city do not have a home to call their own, or a home that meets their needs. The City Council has an extensive programme of housebuilding and is looking to develop more homes for social rent in the city, built to high environmental standards. The City Council also is continuing with a scheme to buyback council homes including houses which had previously been sold under Right to Buy.

Work is also underway to complete a new strategy to address homelessness in the city, and the City Council is looking at developing new models for providing accommodation for people without permanent homes, including people rough sleeping.

Priority: take action to improve transport in the city

One of the priorities that emerged from the development of the city vision was the need to provide a range of options for people to be able to move around the city easily. As part of delivering the vision for the city, we are working with providers to implement a range of improvements to local bus services to support the Bus Service Improvement Plan (£48 million).

We are also rolling out a range of different active travel options and facilities across the city, including bike hangars, hire bikes and e-scooters, and making enhancements to the cycle lane network in the city. Other schemes to try to change the relationship between cars and the places in the city include the roll out of further school and play streets in the city, to make environments safer and more usable for residents.

We continue to make improvements to the road network, including the east-west corridor, Lake Road and three major roundabouts. However, we need to get traffic off the road to improve the experience of moving around the city, so a focus is on developing a Transport Hub concept to look at travel options for individuals but also for commercial and freight vehicles.

Priority: develop ways to help people live independently

It is really important for the quality of people's lives that they can make choices about how and where they live. We are trying to develop different accommodation options for people, including extra care housing. We are also looking to improve some of the services that are needed to help people live independently, such as Meals on Wheels. Alongside this, it is important that we support people who have caring responsibilities.

However, it is also important to recognise that some people need to move somewhere with more support, so we continue to work with the market to develop options for support. There are many changes taking place which will affect the way that Adult Social Care in the city operates in the coming year, including a cap on how much people are required to pay for care over time, and a requirement to move to a model for paying a fair cost for care. The City Council is required to produce a market sustainability plan and market position statement to set out how we will work with the providers in the city to ensure that there are sufficient number and variety of options. However, the market is challenging and as well as cost pressures, there are significant workforce issues that will need to be addressed in the future.

We also need to support children and young people in the city, so that they can thrive. We are developing and implementing a comprehensive strategy for youth provision in Portsmouth and are using this as a basis for work with the Youth Investment Fund to improve facilities in the city. In 2023, we were supported by an award of £500,000 from BAE Systems to develop an existing facility for young people in Stamshaw, and this will create huge benefits. It is really important that we ensure young people have a voice in decision making so we work closely with the Youth Parliament and Student Voice.

Education is the foundation stone to give our children and young people the best chances in life. We must make educational achievement for all our young children the very best it can be. This will give our children the best opportunities in life and, in the longer term, reduce the need for our services. We want to raise education standards, so our children and young people achieve their full potential. Young people leaving school at 16 in Portsmouth are not achieving results at the same level as their peers in much of the country, and we know this needs to improve.

We are working with schools in the city to develop a model of relational practice and are using this as a basis for a post-pandemic attendance campaign, as attendance levels have still not recovered to pre-2020 rates.

Around 16% of all children in Portsmouth have some level of special educational need, and about 3% of children with the most complex needs have an Education, Health and Care Plan to help support their needs around their education. Portsmouth is fortunate to have some outstanding special school provision (including Mary Rose Academy and Cliffdale Primary Academy). We are further developing provision by opening a school in Wymering specialising in supporting children with autistic spectrum disorders.

Priority: ensure residents have access to a wide range of cultural opportunities

For Portsmouth, the cultural and creative sector is at the heart of regeneration, and we are looking to create new cultural focal points and experiences in the city.

The Victorious Festival continues to be a significant part of the cultural programme for the city, and the Victorious organisation supports the wider cultural agenda in the city through support to Portsmouth Creates, a catalyst organisation for local creatives. As part of their work, the We Shine Festival took place again in 2022, and partners are exploring how the festival can be developed further for 2023.

After the successful redevelopment of the Pyramids, to include the Exploria soft play centre and a transformed gym offer, we continue to transform the city's leisure offer, which is critical to the regeneration of the city, and to support the health of the population.

A development is now underway at the King George V Playing Fields (KGV) in Cosham, working in partnership with the Football Foundation to create a football hub, with two artificial grass pitches and facilities including changing rooms and a café. This is intended to support football across the city, by providing better facilities particularly for youth football, alongside educational opportunities. The development will also support other sports by increasing pitch capacity in the city. The development is part of a wider portfolio of investment in partnership with the Football Foundation which also includes the redevelopment of the Moneyfields site in Baffins, a project led by Pompey in the Community.

£8.75m of Levelling Up Round 1 funding has been allocated to supporting an opportunity to create the longest urban park in the UK and the redevelopment of Hilsea Lido. This will connect the west of the city to the eastern edge, with enhanced cycling and walking facilities providing a tourist offer that is local, national and international.

At the heart of the park will be the Hilsea Leisure Park, a high-quality destination including children's dry and wet play, water activities such as wakeboarding, high quality food and drink, interaction with the natural and heritage environment through viewing platforms, and a crucial redevelopment of the much-loved Hilsea Lido as a cornerstone attraction. The Lido refurbishment will include good-quality changing facilities integrating children's water play plus events space with the ability to function as a community hub. This will enable community-centred activities in a unique natural environment.

As part of this wider transformation of leisure, the City Council is also working with Sport England to bring forward a quality sport and leisure centre in Bransbury Park to replace aged facilities in Wimbledon Park and Eastney Swimming Pool, which no longer meet the needs of residents. Significant capital funding has been allocated to this scheme to allow it to proceed.

The city is also looking at the wider approach to performance venues. In 2021, the City Council acquired the New Theatre Royal to ensure it remains a community asset and committed funds to address maintenance issues at the Kings Theatre, with a significant programme of work due to start this year. It is important that all venues in the city are considered strategically, and that investment is targeted for the best impact.

Work is well-progressed to develop a Heritage Strategy, recognising that the city has responsibility for many historic buildings and assets and that these create opportunities for the city. Partners to this work include Historic England, the University of Portsmouth and the Historic Dockyard. The city has been successful in securing over £2m from the National Lottery Heritage Fund for a bold plan to revitalise Victoria Park as a beautiful, historic community space in the heart of the city which includes a new community hub, a nature-inspired play area and the restoration of the park's Victorian fountain and monuments, as well as a wider programme of events and activities.

We recognise that the opportunities in the city need to be accessible to everyone, so the City Council has actively pursued funding from the Government's Changing Places programme to enable the installation of Changing Places toilets in key city locations. Facilities have been completed at the D-Day Museum car park and Norrish Library, with more schemes in the pipeline for Fratton Community Centre, KGV Playing Fields, Exploria and Bransbury Park.

Mission - we will tackle the climate crisis

Priority: implement our strategy to be a leader in reducing carbon impact of our buildings and activity

In March 2019, the City Council took a unanimous decision to support a motion to declare a climate emergency for the city - and pledged to develop an action plan for reducing the carbon footprint of the city. Since the declaration of the emergency, the City Council has taken significant steps to support carbon reduction objectives.

In July 2022, the City Council approved borrowing to establish a Low Carbon Projects fund that will finance city-wide renewable energy, energy efficiency, and other carbon mitigation projects. A number of city projects are being evaluated for their feasibility. This will enable the continuation of schemes such as those underway at Portsmouth International Port and Lakeside, where since March 2022, solar panels and battery planning and installing has been taking place, with investment of over £30m in these schemes.

The City Council owned and run Portsmouth International Port (PIP) is one of the key economic drivers for the city. PIP has developed a masterplan for the future of the Port over 20 years which will feed into the local planning process. This recognises the opportunity for PIP to grow business in the cruise sector, linking with the wider visitor economy aspirations of the city, but also the importance of green and sustainable business growth.

Levelling Up funding has enabled the development of a new port terminal building to create capacity to manage an additional 250,000 passengers a year, and the transformation is cutting-edge in environmental development, complementing the current sustainably built terminal building.

The Masterplan also includes developing the Port into a living laboratory with future fuels and battery technology to power equipment and ships. In the current roll-out, the Port is gaining 2,660 panels supplying 1.2 MW of power, and a 1.5 MW battery. In February, the Port accepted an offer from Scottish and Southern Energy Network (SSEN) to secure an additional 15 MW of electricity to supply shore-power to visiting vessels. This will allow ships to switch off their engines in dock, reducing noise, carbon emissions, and improving local air quality.

It is not just at the Port where innovation is taking place. PCC's Building Services team are currently undertaking a retrofit feasibility pilot scheme across nineteen social house types to understand the options for further retrofitting, and architects in our in-house team have been gaining accreditation in Passivhaus design.

Since September 2022, the Green and Clean teams have substituted diesel for the lower carbon fuel, HVO, in four non-road vehicles and 19 road vehicles. This is a permanent substitution until these vehicles can be electrified. Before the end of this financial year, an additional eleven of our fleet vehicles will be exchanged for electric models.

Priority: support residents and business to make changes that will tackle the climate crisis

In November 2022, during the CoP (conference discussing the implementation of the United Nations Climate Change convention) the City Council launched the new Climate Change Strategy and developed the Green Partnership Charter. The Charter signatories are local organisations with a greater potential to influence city carbon emissions through their large estates, significant workforce, or community outreach. It is intended that this group will not just meet these joined objectives but work more collaboratively in the future. Since November, further organisations have approached the City Council also join the Charter.

From January 2023, a year-long campaign called Greener Me in twenty-three began and that aims to nudge residential behaviour change towards more sustainable choices.

Since May 2022, the City Council has been delivering, through the Switched On Portsmouth offer, a LAD 3 and HUG 1 scheme funding (£15.7 million, and £16.2 million, respectively) which pays for thousands of free energy efficiency measures in privately owned homes, which will reduce household energy costs and reduce over 100 tonnes CO2e per year.

We are now working on a project to develop a Switched On model for business to support SMEs in the city in their journey to Net Zero and also hoping to develop a Switched on model for schools.

Priority: develop an approach to wider environmental responsibility

The City Council continues to deliver a range of options to reduce waste and increase recycling in the city. In August 2022, kerbside collection of used batteries was introduced, meaning carbon can be reduced by encouraging this waste not to enter the general refuse waste collection and be incinerated. In November 2022, the kerbside food waste collection service was expanded to include an additional 10,000 Portsmouth residences, meaning more carbon savings can be made from food waste incineration. This is expected to save approximately sixty tonnes of CO2 equivalent per year from incineration.

A significant initiative that the City Council is exploring is the possibility of creating its own anaerobic digestion plant, to provide more sustainable options for processing food waste locally.

In May 2022, a Motion for the Ocean and Our Coastal Communities was carried at Full Council. Following this, a report detailing actions and projects that will begin ocean recovery in Portsmouth was provided to Cabinet in November 2022 and then Full Council. This sits alongside work that has taken place to continue to hold water companies to account for their actions in the city and challenge them to make improvements. We also support biodiversity in the city, with Cabinet considering the recommendations of a scrutiny panel review in 2022 and looking at options for reducing the use of harmful pesticides in the city.

Like many cities across the country, Portsmouth is facing a serious problem with air quality. A Clean Air Zone has been implemented in the south-west of the city. While the zone is aimed at tackling air pollution it will have the added benefit of reducing carbon emissions. The port has a significant part to play in addressing this challenge too and has submitted an Air Quality Strategy to the Department for Transport and commenced a range of other initiatives as part of an ambitious net zero strategy.

Air quality is identified as a key issue in the city's Health and Wellbeing Strategy, because of the major impact on health, which are often worse for people in more vulnerable groups. Increasing clean and active travel options to take traffic off the road is vital if we are to tackle this issue, as well as supporting residents to make choices such as moving to electric vehicles. In March 2023, an additional sixty-two on-street residential electric vehicle charge points have been added, and the City Council has been given an indicative capital funding allocation of £3,682,000 under the UK governments Local Electric Vehicle Infrastructure (LEVI) scheme, which will allow the continued roll out and growth of Portsmouth's electric vehicle infrastructure.

The City Council provides strong leadership to the carbon reduction agenda locally. In January 2023, the City Council was successful in applying to Innovate UKs Net Zero Living Programme. As lead applicant, the City Council will collaborate with city partners to develop a study to understand the collective barriers to decarbonisation and identify city-wide solutions.

From June, the City Council has acted as pilot for the Greenprint framework for green recovery. This is a product developed by the Partnership for South Hampshire (PfSH). In August 2022, the City Council signed up to a number of international climate change initiatives and campaigns. The City Council's efforts to protect our city from sea level rise and flooding has been identified as a UN Climate Change High-Level Champion.

Priority: continue our campaign to green the city

Since last March, over four hundred adult trees, almost 3,000 young trees, and hundreds of shrubs have been planted in Portsmouth, focussing on our schools and social housing estates. This removes approximately thirty tonnes of carbon from the atmosphere and safely stores it in our soils and vegetation.

In October 2022, the City Council successfully applied for Defra's Woodland Creation Accelerator Fund, gaining funding to support two new greening officers for two years. Also in October 2022, internal finances were allocated to the Greening the City fund to help meet the objectives of the Greening Strategy in the community. In this round, £20,000 was allocated, with a second round opening in April 2023.

In January 2023, the City Council successfully gained funding from the Queen's Green Canopy Commemorative Planting initiative and the Urban Tree Challenge Fund, assisting these and future planting activities. There are huge opportunities to improve the city's green infrastructure, and in 2023, we will seek to take forward further bids to organisations such as Trees for Cities to ensure that we continue to create more green and pleasant spaces in the city, and drive the wider benefits to health, wellbeing and nature.

<u>Our shared values</u>

The city vision sets out the city’s values, shared aspirations for the way people will behave towards each other and how it will feel to live here. Portsmouth people value collaboration, community, equality, respect and innovation.

As a council we share those values with our residents and communities and seek to make sure the values are at the heart of the way we behave, the way we work and the way we shape our core services and our plans for the future.

Some of the ways that we are seeking to embody the values of the vision in the way we work as an organisation are by:

- Supporting organisations to drive equality, diversity and inclusion in Portsmouth by creating an Equalities and Community fund
- Looking at how we do our business to see how we can modernise processes and make them more efficient for residents through the use of technology
- Implementing a social value policy that makes sure we get the greatest value out of spending the Portsmouth Pound, and champion the use of local contractors and supply chains - our work in this area was recognised with a national award in March 2023
- Exploring the options for becoming a Real Living Wage employer

- Working closely with HIVE Portsmouth to encourage and value the work of voluntary and community sector organisations and individual volunteers in the city
- Thinking carefully about the future of the organisation with an ambition to get out of the Civic Offices in the next few years, reducing costs, environmental impact and freeing up valuable space for redevelopment
- Working to support the Armed Forces community in our proud naval city and retaining Gold status for our work in applying the Armed Forces Covenant.

The past three years have seen a great deal of change for the organisation, and it will take time to fully understand the consequences of what we have all lived through, at individual, organisational and population level.

Throughout it all, we continuously seek to ameliorate the negative impacts of the multiple challenges to ensure that we protect the most vulnerable in our society, whilst at the same time capitalising on opportunities to deliver economic expansion, creation of opportunities and enhanced wellbeing. This means changing the things we do, and the way we do things.

Portsmouth is an extraordinary city, and we need to work together effectively and creatively, simplifying and sharing so that we can confront challenges, ensure that no one is left behind, and make sure that the city continues to thrive.

Performance

In October 2021, a Local Government Association Corporate Peer Challenge was undertaken - an exercise where a team of local authority experts look at how we work as an organisation.

The peer challenge team found that Portsmouth is a good council, which is performing well and doing some innovative work particularly in housing, social care, and finance. The peer challenge team saw evidence of good performance across many key services, as demonstrated by recent Ofsted Inspections and key performance data. However, some significant challenges remain in terms of the Local Plan and housing delivery. Overall, the Council is in a good financial position, but the Council should continue to closely monitor the risks from commercial investments, particularly given the complications of Covid-19 and the potential short and medium-term impacts this could have.

The full report can be found at https://www.portsmouth.gov.uk/wp-content/uploads/2022/03/LGA-Corporate-Peer-Challenge-Final-Report-2021.pdf

The report outlines eight areas for improvement, highlighting that we need to:

1: create more time and space for collective reflection between members and directors

2: create more opportunities for Directors, Heads of Service and wider staff to come together to understand, discuss, collaborate, and contribute to future Council agendas.

3: collectively grip the issue of the Local Plan, housing supply targets and housing delivery – or risk losing control of its destiny in terms of planning powers. It will need strong cross-party working to do this.

4: undertake an Independent Review of the internal governance, constitutional and scrutiny arrangements, to ensure closer member-officer working relationships.

5: start a dialogue with members on the approach to training and development

6: develop a strong corporate approach to the equalities, diversity, and inclusion agenda

7: review key strategies and plans in the light of Brexit, the pandemic and other external changes, balancing short and long-term issues e.g., city centre.

8: find the most impactful approach to health and care integration changes that ensures the best outcomes for the people of Portsmouth

An action plan has been prepared in response to these recommendations and progress is regularly reported. In October 2022, the Peer Challenge Team looked at progress made against our action plan and produced a progress review report. The team found that overall good progress was being made with the action plan and the implementation of the recommendations. This update can be found at LGA Corporate Peer Challenge – Progress Review (October 2022)

Key issues relating to organisational performance in 2022/23 are:

Adult Social Care Services

There have been a number of significant achievements in our adult social care services in 2022/23. Against a challenging backdrop, the service has driven reduction in waiting lists for key services, and a reduction in the outstanding reviews of support.

New services have been launched, with the expansion of the community connector service, which helps tackle isolation and support people by building on their own strengths and those around them in the community. We have also launched a new meals delivery service, which offers improved value for residents. We have launched a new Carer's Plan for the city, supported by a Carers Count event, and installed electronic care planning across our residential settings.

We continue to work closely in partnership with colleagues in the health sector. We have developed a model with Portsmouth Hospitals University Trust and Solent NHS for the permanent establishment of a Discharge to Assess unit in the city. This is a joint piece of work with Solent NHS that has led to the consolidation of intermediate care beds across the Health and Care Portsmouth partnership, with the purpose of reducing the length of stay for residents in hospital and increasing the number of people receiving rehabilitation and reablement to enable them to return home safely.

We continue to push for improved housing and employment outcomes for our residents with learning disabilities. The integrated learning disability service have produced a 55-minute film telling the stories of five people who had lived in Coldeast Hospital, so that their oral history is captured and learnt from, and services do not repeat mistakes they have previously made.

This year saw the opening of Patey Court, a new development offering high quality bespoke accommodation for twenty-eight people with a learning disability, and we also opened Fir Trees, a supported living service offering bespoke accommodation and support to eight people with a learning disability and/or autism with complex needs. These developments, and other work in the service, mean that individuals can remain living in their communities, leading to improved outcomes for them and reduced care costs for the authority.

However, despite these innovations, there remain significant challenges for the service to negotiate in the coming year. A new inspection regime will be launched for social care authorities, and the outcome will have an impact on the authority as it seeks to deliver services to residents. All areas of the business continue to see sustained increase in demand from the community, with rates not returning to a pre-covid level.

We will continue to look at how we can support people to stay out of hospital by provision care in the right place when they need it. This is particularly challenging in the context of a local NHS adjusting to a new way of working and balancing a regional agenda with specific local requirements.

There are also challenges in the local health and care sector, including low access to primary care, which mean developing new responses is difficult. However, the strong integrated working through Health and Care Portsmouth provides a good basis for addressing these challenges.

Moving into 23/24, there is an ambitious agenda for the city, including the further development of strengths-based practice, the development of an accommodation strategy, a review of the reablement pathway and implementation of new models for neighbourhood health and care delivery. The Integrated Learning Disability Service will be hosting the introduction of the "Safe Spaces" scheme within the city, which allows vulnerable residents who are in need of assistance in the community to go to a designated safe space to get support from staff who have been trained to respond. These spaces might include local health services, libraries, shops or cafes.

Key risks will be the ongoing increase in demand for services, including through transition from children's services; the resilience of the local provider market given the impact of CQC ratings changes and the need for different types of support to be delivered; and workforce capacity, particularly in relation to specialised areas of work such as managing deprivation of liberty safeguards.

Children, Families and Education

Children's services in Portsmouth continue to innovate and focus relentlessly on improving outcomes for children and their families.

Significant achievements in the past year have included the launch of the Impact Hub, helping the authority to track vulnerable children across the system. This also supports our strong partnership work to develop our response to children who are missing or exploited.

Work continues to be strong in supporting children with special educational needs or disabilities (SEND) and their families. In conjunction with Health and Care Portsmouth partners, the authority has developed a citywide model for supporting neurodiversity which is gaining national attention and is showing early signs of reducing demand for diagnosis. A new mental health offer and pathway has been implemented, and Portsmouth responded to a request to pilot the new Local Area SEND Inspection Framework in September 2022 - this was a positive experience and led to some positive feedback.

The city has continued to increase the number of specialist school places that are available, including the expansion of the Rainbow Fish inclusion centre at Penhale, the opening of an inclusion centre at The Portsmouth Academy and the opening of a new special free school - The Wymering School.

The service received a positive outcome from the Youth Offending Team inspection. Key projects that have also been successful are the expansion of the Relational Practice programme in schools, with 50% of schools now engaged in the model that seeks to address issues such as attendance and management of challenging behaviour to maintain inclusion. The Family Safeguarding model is being further extended to develop a "Going Home" project, which is aimed at supporting children in our care to return home when it is safe to do so.

Against these successes, there continue to be a number of challenges:

- There are challenging stretched outcome targets to be achieved for the Supporting Families Programme, working with families with multiple disadvantages.
- Despite good work in the area of SEND, there is continuing pressure on specialist and secondary school places, which we are factoring into our plans to increase school place capacity.
- There is continuing pressure on the budget for providing home to school transport, and so we are working to develop more independent travel for children and young people with SEND.

In relation to safeguarding services, the most significant challenge locally reflects the national difficulties in providing care and support placements for the children and young people with the most complex needs.

Across the service, and in common with other areas of the health, care and education sectors, we experience workforce challenges in key groups, including social workers, educational psychologists, teachers, teaching assistants and health visitors. This strain on the workforce is an immediate challenge and a significant risk to future service delivery.

In the coming year, key priorities in the education arena will be:

- working in partnership with our schools to address post-pandemic school absence
- launching and implementing the Priority Education Investment Area
- fully implementing the new education management information system.

In social care, as well as developing the Family Safeguarding model, we will be launching the Family Hub and Start for Life programmes.

Public Health

The work of public health in response to the Covid-19 pandemic continued into 2022/23 but with a return to more work focused on the wider determinants of health in the city. One of the areas of development for the service that emerged from the pandemic response was the increased focus on data and evidence to lead decision-making in the organisation.

The strengths that were developed have continued to be built on, and through the Public Health Intelligence Team, we have significantly strengthened our approach to research collaborations. Our collaboration with the University of Portsmouth has included work on the Athletic Skills Model/Garden, work placements for 2 University of Portsmouth Masters students to apply research skills in a public health context, and project design around capacity building in social care. The team helped secure funding for seven projects for underserved communities and for support around community research development and evaluation methods.

The City Council completed an Armed Forces Covenant Needs Assessment on behalf of the Solent Armed Forces Partnership. The Armed Forces community is estimated to represent 18% of the total of Portsmouth, the home of the Royal Navy, and the needs assessment describes the particular challenges that the community faces and well as the extensive ways in which the city council supports the Armed Forces community locally.

The service continues to lead important work to improve outcomes for some of the most vulnerable residents in the city. These outcomes included:

- We have set up a Combatting Drugs Partnership to meet the new government drugs strategy requirement and are undertaking a needs assessment to inform a partnership action plan.
- We commissioned specialist drugs and alcohol treatment which supported 1750 residents, a 22% increase on the year before, with a greater proportion of individuals completing their treatment drug or alcohol free.

The service is also leading a strand of work around suicide prevention across Hampshire and Isle of Wight and has commissioned a suicide-specific bereavement support service to provide support and provide a comprehensive information base to inform future suicide prevention work.

The service also continues to look at supporting healthy environments in the city, working as part of the corporate response around air quality, leading the greening agenda for the organisation and looking at initiatives such as the Superzone pilot to develop a healthy environment around a local school community.

Culture, Leisure and Regulatory Services

As well as maintaining a busy schedule of events and activities in the city, the work of the directorate has focused on supporting the corporate response around the cost of living. Many free, fun and educational events have been held throughout the year across libraries, museums and countryside (parks) service in particular. This included Wildlife Day in Victoria Park, a Hedgehog and Bat event at Cumberland House and Wilder Paulsgrove Day. The latter event was a partnership between libraries, parks, Arts Council England and Holiday Activities and Food Portsmouth (HAF) which supported wildlife and nature in the area in a fun way.

Libraries and museums have also offered the city Warm Places throughout the winter to assist residents with the cost-of-living challenges around the rising cost of energy. This has been accompanied by free events and hot drinks.

Funding has been received from Arts Council Libraries Improvement Fund, to purchase two environmentally friendly electric Tuk Tuks which will be used as both a focal point for the library and outreach activity together with growing our 'at home' library services. There is a growing demand for the core library offer, with total loans increased by 5% on last year and March 2023 seeing the highest number of eBooks issued since August 2021.

The Silver City Exhibition at Portsmouth Museum and Art Gallery, which ran between May 2022 and February 2023, displayed items from Portsmouth's nationally significant collection of civic silver and attracted support from various external funders. The exhibition included a range of events and workshops and received positive reviews from visitors and stakeholders. The exhibition was seen by 28,000 people, which is 26% more than in the previous year.

However, across the diverse range of services provided by the directorate there are some specific challenges:

- The operation of the city's Border Control Post, developed following the withdrawal from the European Union, remains a challenge. The checking regime is now due to start January 2024. Additional recruitment will be needed however there are still unknown elements on the Target Operating Model that will affect recruitment requirements. It is also currently unknown if the required IT system will be delivered by central government or whether a local IT solution will be required. The publication of the Border Operating Model is eagerly awaited.
- The position around the cost of living presents specific challenges for culture and leisure services. Many of the services are provided free at the point of entry and therefore are seeing increased demand, with no increase in resources.
- The increased cost of energy is particularly acutely felt on services operating older buildings (in some cases listed) where options for modernisation are more limited. The cost of energy also places greater pressure on the Council's contracted leisure provider budget, linked to issues including the nationally well-publicised pressures of heating swimming pools.

Increased costs are also placing pressure on capital schemes. Development of the Football Hub at King George V Playing Fields is progressing well, following the award of significant financial support from the Football Foundation and work to reduce the costs of the scheme, including reducing the size of the proposed building. Inflationary pressures have affected the People's Park scheme for Victoria Park, and we were grateful for an additional grant from the National Heritage Lottery Fund to cover some of these pressures. Construction industry inflation and increased costs of borrowing are also impacting on the ability to take forward the proposed leisure centre scheme for Bransbury Park, and work is underway to look at lower cost solutions for the scheme.

Housing, Neighbourhood and Building Services

2022/23 was a year when services in the directorate experienced great financial pressures, workloads and demand pressures.

There has been a great deal of activity to address rough sleeping in the city, with new properties commissioned, a rough sleeping hub implemented and the contract for support with SSJ operating well. The official rough sleeping count was well managed and took place in November recording a lower number of street homeless than the previous year. Consultation has been completed for a new Homeless and Rough Sleeping Strategy, bringing together the statutory response and wider approaches in the city.

The service continues to take a lead on the city response to supporting refugees and those seeking asylum. The scheme to support Afghan resettlement (ARAP) has demonstrated excellent partnership working with the Ministry of Defence, with nine properties leased for this purpose. Discussions are underway to expand the scheme with the leasing of another 9 MoD properties. The service also leads locally on the Homes for Ukraine scheme, which was launched in March 2022. PCC have agreed to use the LA Housing Fund (a Home Office capital fund) to acquire 10 properties. Seven will be used for moving on accommodation from ARAP MoD properties, and three properties will be used for families moving from bridging hotels.

The City Council remains proactive in seeking to increase the stock of social housing in the city. A new service area has been established to lead on this, with the appointment of an HRA Development Project Manager, who is taking forward a number of Passivhaus developments and schemes include developments in Wecock Farm, and large-scale projects at Strouden Court and Cabbagefield Row in Havant. The Buy Back scheme remains active with 123 properties purchased in 2022/23 and a further eighty properties in the pipeline. With Right to Buy levels reduced (48 units sold in 2022/23) this created a net gain in PCC social housing units.

Progress continues to bring forward the Somers Orchard development, to replace the deconstructed tower blocks that were previously on site. There has been impressive demonstration of social value gain from Hughes Salvage, the deconstruction contractor. Development work on a new scheme has been progressing well but impact has been felt throughout the year on financial viability. Major risks to the project include Public Works Loan Board interest rate increases, and material cost rises, both of which are being monitored and modelled at regular intervals.

A wide range of capital maintenance and improvement projects are being delivered across the city, including the installation of Changing Places toilets supported by a grant from central government to ensure the city has facilities suitable for people with significant disabilities. The design team continue to deliver projects across the work of the organisation, including in education, adult social care, culture and leisure and with schools and charities.

Issues related to building safety are high on the agenda. A Building Safety Manager has been appointed and they are leading on developing a Building Safety Consultancy Framework in response to Building Safety Act 2022, with surveys and building safety care reports to commence in the Summer.

The service has responded to the new requirements arising from the Smoke and Carbon Monoxide Alarm (Amendment) Regulations 2022. A report presented to the Cabinet Member in September 2022 showed that the service is advanced in smoke detector installation and advanced in the installation of carbon monoxide alarms with a clear plan to install the reminder.

A fire safety programme has been commenced, including establishing a retrofit sprinkler framework by completing the first project to retrofit sprinklers and evacuation alarms at Ladywood House. A further fire safety project is ongoing. The service also undertook a review of the practice in relation to reports of damp and mould, following the government's review of wider housing sector practice. This will be monitored long term through HNB compliance groups.

Energy services continue to be an area of priority, and the service continues to expand on the funded services available, having recently extended the Warmer Homes Programme with a further £41m of grant funding for insulation, air source heat pumps and solar PV in 2000 low-income homes, and has supported over 200 homes with additional energy advice visits through our partnership with LEAP. The team also looks at commercial energy services and leading on the installation of 1.2MWp of solar PV and 1.5MWh of battery energy storage, as well as delivering a solar and battery scheme for Lakeside North Harbour. The team is working with several local authorities and clients within Portsmouth to deliver renewable energy generation and efficiency projects.

The service continues to take a thoughtful approach to supporting the wider environmental responsibility agenda for the city and find opportunities to increase greening in estate areas. In 2022/23, we have planted 445 climbers, 384 ferns, seven hundred fruit hedge whips, 13,044 grasses, 536 roses, 776 sedges, seventy-seven sedums, 7035 shrubs, 348 trees, 3275 whips, 108 fruit whips and 22,881 perennials (including 20000 daffodil bulbs), as well as creating 852m^2 of wild meadow in Paulsgrove and Somerstown.

Our work to support a positive environment in the city includes the delivery of a waste management service, and in June 2022, it was decided that from April 2024, the waste management service would be bought back in-house. Work is now underway to ensure this can be achieved, including whole fleet procurement and depot redevelopment. The team also continued the citywide rollout of food waste collection in the city, which will be complete by Summer 2023. Take up is positive, but overall levels of waste remains slightly higher than pre-pandemic levels, so disposal costs are causing budget pressures. Income from recycling is fluctuating due to market uncertainty.

These achievements have all been delivered against a backdrop of stark challenges. Demand for statutory housing services continues to rise, with increases in homeless applications and an increase in the number of families/individuals placed in all types of temporary accommodation, creating costs pressures and driving use of B&B and hotel accommodation, which are not preferred solutions. The cost-of-living pressures that residents are experiencing mean that we have seen rent debts holding relatively stable across the year but increasing requests for support and advice to help people manage.

The services being delivered are very vulnerable to the cost rises and inflationary pressures in the construction market, with schemes needing to make adjustments to take account of increased costs. The construction workforce is also challenged, with shortages in particular trades (notably electricians). This is impacting on performance around void property turnaround, again increasing costs to the service. Given that the government imposed a rent cap to avoid inflationary linked rent increases in 2023/24, the HRA budget starts at a deficit position.

In the coming year, the service will be looking to deliver on a range of projects and initiatives, including progressing the Somers Orchard scheme, implementing additional licensing for HMOs, launch of a new Homeless Strategy and the production of a plan to address use of and spend on temporary accommodation. We will continue to develop the waste management offer, taking forward a planning application for an anaerobic digestion plant, and prepare for payments and charges emerging from the Environment Act 2021. The vision for the Horsea Country and Ecological Park will be refreshed, including the link to the Tipner West Development. We will also be considering the longer-term arrangements for resettlement schemes and completing an Asset Management strategy to inform the 30-year HRA business plan.

Regeneration

The Directorate has been working to ensure statutory duties are met and that work is focused on the key tasks that are aligned to the City Vision and contribute to our corporate priorities and the regeneration of the city.

After a period of time where the service was delivering intensive support to the local business community to support them through the pandemic, with helplines and the issuing of over £40m of grant funding, the business support offer has returned to a business as usual footing, continuing to focus on inward investment, business growth and ensuring that the city's skill base is strong enough to support this. The city had a presence at the international MIPIM (Le Marché International des Professionnels de L'immobilier) property conference to promote the city offer and attract innovative development solutions.

Work continues to bring forward major strategic developments for the city. The Council agreed to take a new approach to the Tipner scheme and produced a set of principles to guide this work, which is now underway. The City Centre North development, consisting of c2,000 new homes and a new green lung for the city, continues to be progressed as the catalyst for wider city centre change. We have also engaged stakeholders around the opportunities for the Cosham area, which will continue to emerge as services review land holdings in the area. The fire service is developing a new station on the former PCMI site, and Cosham Health Centre is in the process of being vacated.

Wider strategic infrastructure work to develop the city has also continued with work well underway on the Southsea sea defences, and continuing to develop on North Portsea, with advanced work around Langstone Harbour on the Eastern Road. Development for the Port Creek element continues. The high-quality schemes are also delivering improved walking and cycling opportunities in these areas and creating improved public realm.

On the Transport side we have in recent years secured funding through a range of sources to deliver improvements in local transport, including £4m Future Transport Zone funding and £101 million for the South East Hampshire Rapid Transport Programme and improved walking and cycling connections and finally £48m for our Bus Service Improvement Plan which will see a raft of ticketing, route and timing changes along with a full fleet of electric buses being delivered into the city later this year. We are also in receipt of funding to support increase in EV charging infrastructure in the city and are working to develop a strategy to support this implementation.

Planning development management has been challenged in the city, and we have struggled to achieve targets for deciding planning applications in the required timescales. This is due to a range of factors, including a post-pandemic backlog of applications, the need to take into account nitrate mitigation measures, and workforce shortages. There are plans in place to address these issues, and progress with the local plan will also support improvements by creating a framework in which decisions can be taken more swiftly. Progress on this is good, with a new local development scheme published in July 2022 setting the timetable to adoption by the local authority in 2024.

Corporate Services

The corporate services that underpin the work of the organisation have taken forward or been involved in a number of projects and initiatives over the course of the year.

Teams continue to drive the corporate approach to social value, which is the way we seek to create lasting and positive impact through the way in which we act to shape a resilient future, for our local and regional communities, businesses and environment through the use of the Portsmouth Pound. In 2023, the City Council was recognised by iESE (Improvement & Efficiency Social Enterprise) with a Public Sector Transformation Gold Award for innovation in procurement to drive delivery of social value.

The service has been instrumental in supporting colleagues across the City Council to deliver:

- the cost-of-living response across the city
- developing the online cost of living hub and
- putting together clear and targeted communications for residents.

The service has also embedded the Live Well pilot by working with Public Health to deliver an innovative model that takes services to the most vulnerable communities - partnership working with health, VCS, community larders/pantries and cross council services, using a data and evidence-based approach to target locations and demographic groups and focused on prevention by enabling access to services before issues become chronic.

As well as working to support direct work with communities, corporate services also ensure that the organisation can run smoothly and effectively. Delivery of the Connectivity programme has continued, successfully enabling and embedding hybrid working with all associated technology, accommodation, policy, guidance and change management activity. The programme has been a good example of effective change management, a contributor to staff wellbeing and productivity, and an enabler to recruitment and retention in a challenging market. The programme has also provided the foundation for opportunities to regenerate the civic office/civic space.

In common with all areas of the organisation, there are challenges. Income sources are reducing and the impact for corporate services is around £700k over the year. At the same time, demand for key services is rising. For example, Freedom of Information requests have increased on the previous year by 35%, and city helpdesk contacts have risen by 28%. As with other areas, there are challenges to recruit to key positions (legal services are running with 44% vacancies) coupled with need to address skills mix in some services.

Despite this, there are big ambitions for the work of the service in 2023/24. The regeneration of the Civic Offices will be a major element of future work, with the ability to impact on the wider city centre regeneration, drive carbon reduction for the organisation and enable transformation of service delivery. This will inextricably link to the ongoing implementation of the IT strategy for the organisation.

We will continue to develop our approach to equalities, developing a strategy to look at community voice and engagement, community cohesion, workforce diversity, and recruitment and retention. This will link to the development of a wider workforce and organisation development strategy and the establishment of a Values and Behaviours framework for the organisation.

Portsmouth International Port

The Port continues to be a major driver of the local and regional economy and an engine of innovation, particularly in the realm of sustainability. The largest solar canopy array in the UK port sector was constructed in 2022, contributing to the net zero carbon targets for the city. The past year also heralded the arrival of the first Liquid Nitrogen Gas powered ferry (Brittany Ferries Salamanca) to call regularly for the Portsmouth – Bilbao route. This is the first of a full fleet renewal of ferries that will significantly improve air quality.

There is some considerable anticipation around the finalisation of the operating model for the Border Control Post. The BCP was constructed in time and under budget for the planned changes, but delays in the requirement for and model of import checks has cast doubt over the future use of the building and the ability to recoup costs which have totalled a £7m impact to the authority so far.

We have continued to invest to develop the Port. The opening of the new passenger terminal at the port, enabled by £11.25m of Levelling Up Round 1 funding, will be transformational for the Port. Scheduled to open in Summer 2023, the building will be carbon neutral and a net positive energy generator. The facility will also help to drive growth in cruise and ferry activities at the port and supporting tourism in the city.

Conclusions

Overall, the City Council's performance remains broadly positive. Our business is diverse, but we know what needs to be done to achieve good outcomes for the city's residents. We know the key contextual issues and have an overview of the key risks to the organisation.

Going forward key risks for us include rising costs driven by supply chain issues and inflationary pressures which create challenges on the revenue budget and for new developments. These pressures are also driving the cost-of-living crisis, which will put residents under pressure and may lead to increased demand for services and support.

There is also an increasing dependency on key staff, and capacity of those staff to delivering increasingly complex briefs is a key risk to the organisation. There are wider workforce pressures emerging, with challenges recruiting to posts across all areas of the City Council.

However, we know where we are being effective, and are delivering good value for money. We know where improvements need to be made, and in most cases have a good understanding of how these can be delivered and a plan to deliver the improvements.

We believe that we are in a good position to focus on our priorities and on achieving our goal of ensuring that Portsmouth fulfils its potential.

Financial Statements 2022/23 - Commentary

Financial Statements

The City Council is required to produce a set of financial statements each year in accordance with the Accounts and Audit Regulations and in line with CIPFA's Code of Practice on Local Authority Accounting and International Financial Reporting Standards. The full financial statements can be found on page 38 of this Annual Report.

The Primary Financial Statements comprise the following:

- **Movement in Reserves Statement (MIRS) -** The MIRS shows the movement in the year on the different reserves held by the City Council, analysed into “usable reserves” (namely those reserves which can be applied to fund expenditure or reduce local taxation) and other reserves ("unusable reserves" which are held for accounting purposes). The MIRS can be found on page 41 and shows that the City Council's general reserves reduced by £10.3m as a result of using £10.2m of earmarked reserves in year to help fund the City Council's financial position.

- **Comprehensive Income & Expenditure Statement (CIES) -** The CIES is the City Council's income and expenditure statement **and** shows the accounting cost in the year of providing services presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The CIES can be found on page 42 of the financial statements. The adjustments needed to get from the movement in the general reserve balances to the total comprehensive income and expenditure position is detailed in the Expenditure and Funding Analysis. The overall net cost of services has reduced by £36.4m, primarily due to a change in HRA council dwellings asset valuations.

- **Balance Sheet -** The balance sheet shows the net worth of the City Council, i.e., its assets less its liabilities as at the 31st March 2023. The balance sheet can be found on page 44 of the financial statements. Overall net assets have increased by £388m primarily down to a significant improvement in the pension liability due to the latest triennial valuation of the pension fund and increases in the value of fixed assets.

- **Cashflow Statement -** This statement shows how the City Council generates and uses cash and changes in cash and cash equivalents during the reporting period. The cashflow statement can be found on page 45 of the financial statements. Overall cash balances are down £20m in year to £18.5m due to more funds being used to pay for City Council services and to finance capital schemes.

Alongside the key statements there are various notes which provide supporting information and analysis of the figures in the key financial statements described above. This includes information on the Collection Fund which shows the transactions as a billing authority for the collection of Council Tax and Business Rates, and the Housing Revenue Account which sets out the net cost of providing housing services across the city.

The City Council has adopted a preparer materiality of £7m in compiling the financial statements and determining what disclosures or lines to include/exclude, except where qualitative factors justify a lower materiality being applied.

Our Revenue Spending

Where the City Council has costs related to the day-to-day provision of services e.g., salaries, supplies and services, utilities etc, these costs are called revenue expenditure. The amount of revenue we can spend depends on the revenue funding we receive from various sources.

With the challenges of the last year (Covid 19, rising inflation, higher energy costs, lower income etc), the City Council has ended the 2022/23 financial year with an overspend of £9.5m (7.1% of the net revenue budget). This required a drawdown from general reserves to cover the overspend.

A comparison of budget versus actual spend can be found in the following table.

The most significant variances occurred in the following portfolios:

- Children, Families & Education - The £2.8m overspend is mainly due to an overspend on looked after children relating to a small number of exceptionally high-cost placements and the use of agency staff and overtime to cover vacancies and sickness.
- Culture Leisure and Economic Development - The £1.3m overspend is mainly down to increased energy costs adversely affecting the running costs of leisure facilities, museums, libraries and Enterprise Centres.
- Communities & Central Services - The £1.6m overspend is primarily down to higher energy costs combined with lower rental and summons income.
- Port - The £2.3m shortfall in net income is due to changes to the trading and business environment due to Covid 19, French port staff strikes and increased utility costs.

	Revised Cash Limit £000	Actual Net Expenditure £000	Variance £000	Variance %
Children, Families & Education	41,367	44,155	2,788	6.7
Climate Change & Environment	13,704	14,293	589	4.3
Communities & Central Services	24,023	25,623	1,600	6.7
Culture, Leisure and Economic Development	8,067	9,327	1,260	15.6
Health, Wellbeing & Social Care	54,744	54,967	223	0.4
Housing and Preventing Homelessness	2,128	3,040	912	42.9
Leader	(24,157)	(25,124)	(967)	4.0
Licensing	(206)	(116)	90	(43.7)
Planning Policy & City Development	993	1,267	274	27.6
Port	(7,606)	(5,339)	2,267	(29.8)
Safety in the Community	3,350	3,350	0	0.0
Traffic & Transportation	16,850	17,336	486	2.9
Portfolio Net Expenditure Charged to General Fund Balances	**133,257**	**142,779**	**9,522**	**38**
Non-portfolio - Housing Revenue Account (HRA)		(4,319)		
Non-portfolio - Other		51,011		
Net Cost of Services Charged to General Fund & HRA Balances		**189,471**		
Other Operating Income		(1,965)		
Financing & Investment Income & Expenditure		18,537		
Taxation & Non-specific Grant Income		(195,702)		
Deficit on Provision of Services Charged to General Fund & HRA Balances		**10,341**		
Adjustments for capital purposes including depreciation, impairment, gains & losses on disposal of assets, minimum revenue provion (MRP) for the repayment of debt, & capital expenditure charged to revenue		(83,463)		
Pension adjustments, ie. the extent to which the acturial cost of providing pensions exceeds employers contributions to the pension fund		38,647		
Other differences including timing difference on Business rates		(19,863)		
Surplus on Provision of Services on an IFRS basis		**(54,338)**		

Note: Brackets represent surpluses

Our Capital Spending

The City Council also invests in the acquisition, creation or enhancement of tangible or intangible fixed assets in order to yield benefits to the City Council for a period of more than one year. The amount which the City Council spends on capital projects is dependent upon the available capital funding the Council receives.

The following table shows spend across the City Council's Portfolios and how it was funded.

Spend by Portfolio	**£'000**
Children, Families & Education	4,237
Communitiies & Central Services	5,646
Climate Change & Environment	759
Culture, Leisure & Economic Development	40,935
Health Wellbeing & Social Care	182
Leader	21,068
Commercial Port	15,054
Planning Policy & City Development	55
Safety in the Community	49
Traffic & Transportation	12,964
Housing & Preventing Homelessness	21,829
HRA	65,178
Total Expenditure	**187,956**
Funded from	
Borrowing	36,953
Corporate Resources incl Capital Receipts	12,348
Reserves	40,093
Grants	98,562
Total Funding	**187,956**

The City Council spent £187.7m on capital projects during 2022/23. In year capital spend included: £83.5m on Housing initiatives for both Council stock and private homes; £38.5m on Coastal & Flood Protection; £36.5m on schemes enabling economic growth, and £12m on local road network improvements.

The City Council has budgeted a further £865m over the next 5 years including £320m on Social Housing provision, including building new homes; £248m on Environmental initiatives to support environmental enhancements; £95.5m to support economic growth through regeneration schemes and the Solent Freeport; £26.9m on renewal and upgrading of Leisure Facilities; £30.3m to maintain the Council's operational facilities; £6.4m to support educational attainment for pupils and accommodation for pupils with complex education needs, and £81.6m on continued investment in local transport infrastructure to ensure transport networks are reliable and efficient, improve road and transport safety, and to manage the adverse impact of transport on the environment.

Balances and Reserves

In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health and can be applied to fund either revenue or capital expenditure. Their purpose is to act as a general contingency against unanticipated expenditure and "financial shocks" as well as to be able to take advantage of opportunities as they arise. They can "smooth out" any shortfalls between expenditure and funding levels in a managed and planned way over time. In accordance with Best Practice, a review of the Council's reserves and balances is undertaken annually as part of the budget setting process.

The balance of the City Council's reserves is shown in the table opposite. Of the (£26.6m) General Fund Balance, (£5.1m) are schools' balances. This represents a £0.7m increase on the previous year although this is primarily due to an increase in schools' balances.

More information about the City Council's reserves can be found in Notes 10 and 25.

The current level of reserves to be held is £8m but having experienced unplanned Budget pressures, this level of reserves will be increased to £10m from March 2024 onwards and will be annually reviewed as part of the budget process. Any excess over and above this can be used to fund Council Services.

The assessment of the minimum level of General Reserves takes account of, but is not limited to, the following:

- The level of General Reserves represents 3.9% of gross expenditure
- The increasing susceptibility to budget pressures given the magnitude of savings that have been made in the past - £106m
- The ongoing impact of the Covid pandemic
- The inherent volatility of the Business Rate Retention system both now and in the future
- Potential for reduced Council Tax collection rates associated with the reduced level for support provided by the Local Council Tax Support Scheme

	General Fund Balance £m	Earmarked General Fund Reserve £m	Housing Revenue Account Balance £m	Earmarked Housing Revenue Account Balance £m	Total General Balances £m
Balance at 31st March 2021	(28.4)	(228.5)	(23.4)	(0.4)	(280.7)
(Increase) / Decrease in 2021/22	2.5	27.9	(1.2)	-	29.2
Balance at 31st March 2022	(25.9)	(200.6)	(24.6)	(0.4)	(251.5)
(Increase) / Decrease in 2022/23	(0.7)	9.8	0.9	0.3	10.3
Balance at 31st March 2023	(26.6)	(190.8)	(23.7)	(0.1)	(241.2)

Borrowing and Investments

Councils may only borrow in certain circumstances, either to fund capital projects or to ensure that money is available when large payments are due.

Councils can also invest funds where income is received in advance of spend, or where they hold reserves and balances.

Further information on the City Council's borrowing and investments can be found in the Treasury Management Strategy. This document sets out the City Council's attitude to risk, confirming that its priorities for investments are security first, followed by liquidity, with yield (return) being third.

Conclusion

In 2022/23 the City Council's general reserves (excluding schools) increased by £0.1m to £21.5m. This was in line with the City Council's revised budget which was for an increase of £0.1m.

The surplus on the Collection Fund in respect of Council Tax of £2.2m is £2.9m more than the anticipated deficit of £0.7m reflected within the budget. The surplus on the Collection Fund in respect of Business Rates of £16.6m is £10.5m more than the anticipated surplus of £6.1m reflected within the budget. More on this can be found on pages 142-145.

The £0.9m deficit on the HRA after statutory adjustments compares to a forecast surplus of £0.3m. Therefore, the HRA overspent by £1.2m in 2022/23 due to increases in utility costs and the price of materials and labour.

The overall improvement in the City Council’s financial position, brought about by the Collection Fund, will now feature in the revisions to the City Council’s Medium Term Financial Strategy that aims to deliver the City Council’s key priorities over the medium term within a sustainable level of resources.

Although the effects of Covid-19 and subsequent cost of living pressures have posed a challenge to the City Council's financial resilience, the City Council remains in a strong financial position.

N Brahma-Pearl

Natalie Brahma-Pearl

Chief Executive

C Ward

Chris Ward

Director of Finance and Resources (Section 151 Officer)

Statement of Responsibilities

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance & Resources (Section 151 Officer)
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The responsibilities of the Director of Finance & Resources (Section 151 Officer)

The Director of Finance & Resources (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the code").

In preparing this Statement of Accounts, the Director of Finance & Resources (Section 151 Officer) has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the code

The Director of Finance & Resources (Section 151 Officer) has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2023.

C Ward

Chris Ward

Director of Finance and Resources (Section 151 Officer)

Portsmouth
CITY COUNCIL

Financial Statements 2022/23

Expenditure & Funding Analysis

While the Expenditure and Funding Analysis (EFA) is not a financial statement, it demonstrates to council taxpayers how the funding available to the City Council (such as Government Grants, rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by the City Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the City Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (page 42).

2021/22 (Restated)	**Net Expenditure chargeable to the General Fund and HRA**	**Other Movements**	**Adjusted Net Expenditure chargeable to the General Fund and HRA**	**Adjustments between Accounting & Funding Basis (Note 7)**	**Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement**
	£000	**£000**	**£000**	**£000**	**£000**
Portfolios:					
Children, Families & Education	44,545	-	44,545	7,975	52,520
Community Safety & Environment	12,686	-	12,686	1,031	13,717
Communities & Central Services	27,223	-	27,223	13,711	40,934
Culture, Leisure and Economic Development	8,643	-	8,643	8,623	17,266
Health, Wellbeing & Social Care	50,045	-	50,045	7,043	57,088
Housing and Preventing Homelessness	2,002	141	2,143	3,194	5,337
Leader	(24,460)	14,470	(9,990)	9,632	(358)
Licensing	(140)	-	(140)	120	(20)
Planning Policy & City Development	1,002	-	1,002	343	1,345
Port	(3,564)	226	(3,338)	3,663	325
Safety in the Community	2,953	-	2,953	986	3,939
Traffic & Transportation	15,627	-	15,627	9,211	24,838
	136,562	14,837	151,399	65,532	216,931
Non-portfolio - HRA	(6,651)	-	(6,651)	(11,118)	(17,769)
Non-portfolio - Other	66,751	-	66,751	(58,730)	8,021
Net Cost of Services	**196,662**	**14,837**	**211,499**	**(4,316)**	**207,183**
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	(2,196)	-	(2,196)	2,240	44
Financing & Investment Income & Expenditure	23,816	(14,837)	8,979	(7,968)	1,011
Taxation & Non-specific Grant Income & Expenditure	(189,001)	-	(189,001)	(63,600)	(252,601)
	(167,381)	(14,837)	(182,218)	(69,328)	(251,546)
(Surplus)/Deficit on Provision of Services	**29,281**	**-**	**29,281**	**(73,644)**	**(44,363)**

Note 1 - The other movements column includes investment property and trading income reported internally in Portfolios, which is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2022/23 (the Code) to be included in the Financing and Investment Income and Expenditure line.
Note 2 - The 2021/22 figures have been restated due to a re-organisation of the City Council's portfolios (see Note 5).

Analysis of Net Expenditure chargeable to the General Fund and HRA between the General Fund and HRA Balances:

2021/22	**General Fund and Earmarked Reserves**	**HRA Reserves**	**Total**
	£000	**£000**	**£000**
Opening balances at 1st April	(256,953)	(23,797)	(280,750)
Plus net surplus on in year balance	30,497	(1,218)	29,279
Closing balances at 31st March	(226,456)	(25,015)	(251,471)

2022/23	Net Expenditure chargeable to the General Fund and HRA	Other Movements	Adjusted Net Expenditure chargeable to the General Fund and HRA	Adjustments between Accounting & Funding Basis (Note 7)	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Portfolios:					
Children, Families & Education	44,155	-	44,155	8,977	53,132
Climate Change & Environment	14,293	-	14,293	1,099	15,392
Communities & Central Services	25,623	-	25,623	8,133	33,756
Culture, Leisure and Economic Development	9,327	-	9,327	3,487	12,814
Health, Wellbeing & Social Care	54,967	-	54,967	6,026	60,993
Housing and Preventing Homelessness	3,040	116	3,156	1,241	4,397
Leader	(25,124)	6,997	(18,127)	17,914	(213)
Licensing	(116)	-	(116)	100	(16)
Planning Policy & City Development	1,267	-	1,267	223	1,490
Port	(5,339)	230	(5,109)	8,031	2,922
Safety in the Community	3,350	-	3,350	675	4,025
Traffic & Transportation	17,336	-	17,336	7,756	25,092
	142,779	7,343	150,122	63,662	213,784
Non-portfolio - HRA	(4,319)	-	(4,319)	(44,478)	(48,797)
Non-portfolio - Other	51,011	-	51,011	(45,237)	5,774
Net Cost of Services	**189,471**	**7,343**	**196,814**	**(26,053)**	**170,761**
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	(1,965)	-	(1,965)	(4,406)	(6,371)
Financing & Investment Income & Expenditure	18,537	(7,343)	11,194	29,504	40,698
Taxation & Non-specific Grant Income & Expenditure	(195,702)	-	(195,702)	(63,724)	(259,426)
	(179,130)	(7,343)	(186,473)	(38,626)	(225,099)
(Surplus)/Deficit on Provision of Services	**10,341**	**-**	**10,341**	**(64,679)**	**(54,338)**

Note 1 - The other movements column includes investment property and trading income reported internally in Portfolios, which is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2022/23 (the Code) to be included in Financing and Investment Income and Expenditure line.

Analysis of Net Expenditure chargeable to the General Fund and HRA between the General Fund and HRA Balances:

2022/23	General Fund and Earmarked Reserves	HRA Reserves	Total
	£000	£000	£000
Opening balances at 1st April	(226,456)	(25,015)	(251,471)
Plus net surplus on in year balance	9,111	1,230	10,341
Closing balances at 31st March	(217,345)	(23,785)	(241,130)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the City Council, analysed into “usable reserves” (namely those reserves which can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the City Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. These adjustments are detailed in Note 9. The Net Increase / Decrease before Transfers to Earmarked Reserve line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the City Council.

	General Fund Balance (See note A below)	Earmarked General Fund Reserves	Housing Revenue Account Balance	Housing Revenue Account Capital Reserve	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserve
	£000	£000	£000	£000	£000	£000	£000	**£000**	**£000**	**£000**
Balance at 31 March 2021 carried forward	**(28,381)**	**(228,570)**	**(23,388)**	**(406)**	**(25,711)**	**(18,415)**	**(49,778)**	**(374,649)**	**(499,696)**	**(874,345)**
Movement in reserves during 2021/22										
Deficit or (Surplus) on the provision of services	(23,115)	-	(21,248)	-	-	-	-	(44,363)	-	(44,363)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(267,725)	(267,725)
Total Comprehensive Expenditure and Income	**(23,115)**	-	**(21,248)**	-	-	-	-	**(44,363)**	**(267,725)**	**(312,088)**
Adjustments between accounting basis & funding basis under regulations (see note 9)	53,609	-	20,025	-	2,961	738	1,951	79,285	(79,285)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**30,494**	-	- **1,223**	-	**2,961**	**738**	**1,951**	**34,922**	**(347,010)**	**(312,088)**
Transfers (to) / from Earmarked Reserves (See Note 10)	(27,966)	27,966	-	-	-	-	-	-	-	-
Increase / Decrease in Year	**2,528**	**27,966**	**(1,223)**	-	**2,961**	**738**	**1,951**	**34,922**	**(347,010)**	**(312,088)**
Balance at 31 March 2022 carried forward	**(25,852)**	**(200,604)**	**(24,611)**	**(406)**	**(22,750)**	**(17,677)**	**(47,827)**	**(339,727)**	**(846,704)**	**(1,186,431)**
Movement in reserves during 2022/23										
Opening Adjustment								(3)	(1)	(4)
Deficit or (Surplus) on the provision of services	(7,828)	-	(46,510)	-	-	-	-	(54,338)	-	(54,338)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(333,004)	(333,004)
Total Comprehensive Expenditure and Income	**(7,828)**	-	**(46,510)**	-	-	-	-	**(54,341)**	**(333,005)**	**(387,346)**
Adjustments between accounting basis & funding basis under regulations (see note 9)	16,939	-	47,740	-	9,862	(8,570)	6,820	72,792	(72,792)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**9,111**	-	**1,230**	-	**9,862**	**(8,570)**	**6,820**	**18,451**	**(405,797)**	**(387,346)**
Transfers (to) / from Earmarked Reserves (See Note 10)	(9,842)	9,842	(311)	311	-	-	-	-	-	-
Increase / Decrease in Year	**(731)**	**9,842**	**919**	**311**	**9,862**	**(8,570)**	**6,820**	**18,451**	**(405,797)**	**(387,346)**
Balance at 31 March 2023 carried forward	**(26,583)**	**(190,762)**	**(23,692)**	**(95)**	**(12,888)**	**(26,247)**	**(41,007)**	**(321,276)**	**(1,252,501)**	**(1,573,777)**

Note - £5.1m of the General Fund Balance at the 31st March 2023 (£4.5m at the 31st March 2022) represents school’s balances which can only be spent by schools under devolved budgetary arrangements.

Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/22 (Restated)					2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
153,949	(101,429)	52,520	Children, Families & Education		162,650	(109,518)	53,132
14,694	(977)	13,717	Climate Change & Environment		17,041	(1,649)	15,392
126,070	(85,136)	40,934	Communities & Central Services		110,129	(76,373)	33,756
24,951	(7,685)	17,266	Culture, Leisure & Economic Development		20,932	(8,118)	12,814
116,759	(59,671)	57,088	Health, Wellbeing & Social Care		121,945	(60,952)	60,993
26,862	(21,525)	5,337	Housing and Preventing Homelessness		33,658	(29,261)	4,397
174	(532)	(358)	Leader		415	(628)	(213)
785	(805)	(20)	Licensing		777	(793)	(16)
2,959	(1,614)	1,345	Planning Policy & City Development		2,910	(1,420)	1,490
14,656	(14,331)	325	Port		20,371	(17,449)	2,922
6,077	(2,138)	3,939	Safety in the Community		6,940	(2,915)	4,025
52,193	(27,355)	24,838	Traffic & Transportation		42,952	(17,860)	25,092
540,129	(323,198)	216,931			540,720	(326,936)	213,784
67,947	(85,716)	(17,769)	Non-portfolio - HRA		42,930	(91,727)	(48,797)
29,096	(21,075)	8,021	Non-portfolio - Other		13,145	(7,371)	5,774
637,172	**(429,989)**	**207,183**	**Cost of Services**		**596,795**	**(426,034)**	**170,761**
5,060	(5,016)	44	Other Operating Expenditure	11a	249	(6,620)	(6,371)
53,176	(52,165)	1,011	Financing & Investment Income & Expenditure	11b	81,728	(41,030)	40,698
-	(252,601)	(252,601)	Taxation & Non-specific Grant Income & Expenditure	11c	-	(259,426)	(259,426)
695,408	**(739,771)**	**(44,363)**	**(Surplus)/Deficit on Provision of Services**		**678,772**	**(733,110)**	**(54,338)**
			Items that will not be reclassified to the (Surplus)/Deficit on Provision of Services				
		(65,231)	(Surplus)/Deficit on Revaluation of PPE Assets	25			(22,067)
		(203,886)	Remeasurement of Net Defined Benefit Liability	39			(313,648)
		1,394	Surplus or Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income				2,707
		(267,723)	**Other Comprehensive Income and Expenditure**				**(333,008)**
		(312,086)	**Total Comprehensive Income and Expenditure**				**(387,346)**

Note 1 - The Comprehensive Income & Expenditure Statement has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2022/23 (the Code). The Comprehensive Income and Expenditure Statement presents the costs of services in a manner that is based on how management reports to Councillors. The Expenditure and Funding analysis (and associated notes) reconcile the amounts reported to management as chargeable to the general fund under statute with the amounts presented in the Comprehensive Income and Expenditure Statement under proper accounting practices.

Note 2 - For more information on the restated 2021/22 figures please see prior period adjustment note at Note 5.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the City Council. The net assets of the City Council (assets less liabilities) are matched by the reserves held by the City Council. Reserves are reported in two categories. The first category of reserves are usable reserves, namely those reserves which the City Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the City Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations.”

31 March 2022 £000		Notes	31 March 2023 £000
1,716,055	Property, Plant & Equipment	12	1,877,137
99,580	Heritage Assets	15	107,896
197,228	Investment Property	16	168,165
2,408	Intangible Assets		1,567
64,703	Long Term Investments		31,461
37,012	Long Term Debtors	19	37,233
2,116,986	**Long Term Assets**		**2,223,459**
355,955	Short Term Investments		352,625
448	Assets Held for Sale		541
480	Inventories		598
83,430	Short Term Debtors	20	73,871
38,494	Cash & Cash Equivalents	21	18,465
478,807	**Current Assets**		**446,100**
(14,574)	Short Term Borrowing		(14,498)
(161,790)	Short Term Creditors	22	(126,012)
(5,308)	Other Short Term Liabilities		(3,538)
(91,865)	Capital Grant Receipts in Advance	33	(122,759)
(6,062)	Provisions	23	(2,878)
(279,599)	**Current Liabilities**		**(269,685)**
(74,744)	Other Long Term Liabilities	24	(67,674)
(8,535)	Provisions	23	(3,796)
(701,244)	Long Term Borrowing		(691,215)
(338,176)	Pension Liability	39	(63,173)
(7,066)	Capital Grant Receipts in Advance	33	(239)
(1,129,763)	**Long Term Liabilities**		**(826,097)**
1,186,431	**Net Assets**		**1,573,777**
(339,727)	Usable Reserves		(321,276)
(846,704)	Unusable Reserves	25	(1,252,501)
(1,186,431)			**(1,573,777)**

C Ward

Chris Ward

Director of Finance and Resources (Section 151 Officer)

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the City Council during the reporting period. The statement shows how the City Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the City Council are funded by way of taxation and grant income or from the recipients of services provided by the City Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the City Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the City Council.

2021/22 £000		Notes	2022/23 £000
44,363	Net surplus or (deficit) on the provision of services		54,338
124,260	Adjustment to surplus or (deficit) on the provision of services for noncash movements	26a	41,729
(122,976)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26a	(104,355)
45,647	Net Cash flows from operating activities		(8,288)
(60,506)	Net Cash flows from Investing Activities	26b	(18,569)
9,477	Net Cash flows from Financing Activities	26b	6,828
(5,382)	Net increase or (decrease) in cash and cash equivalents		(20,029)
43,876	Cash and cash equivalents at the beginning of the reporting period		38,494
38,494	**Cash and cash equivalents at the end of the reporting period**	**21**	**18,465**

Notes to the Financial Statements

1. Accounting Policies

General Principles

The Statement of Accounts (the Accounts) aims to present a true and fair view of the financial position and transactions of the City Council for the 2022/23 financial year and its financial position as at the 31st March 2023.

The City Council is required to prepare annual Accounts by the Accounts and Audit Regulations 2015, which requires the Accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the Local Government Act 2003 require the Accounts to have been prepared in accordance with the latest Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy ("CIPFA"), the Service Reporting Code of Practice also issued by CIPFA, and the latest international Financial Reporting Standards (IFRS) and relevant statutory guidance.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of tangible non-current assets and financial instruments.

Going Concern

The City Council has conducted a going concern assessment including undertaking cash flow forecasting and expects to have cash and investments amounting to £130m at the 31st March 2024. The City Council invests some of its cash in instant access money market funds and deposit accounts which can be withdrawn on the same day when necessary. Our projections for the revenue budget show that the City Council has sufficient liquidity over the period to the end of March 2024, with positive cash balances throughout. The City Council's borrowings at the 31st March 2023 amounted to £761m leaving a headroom of £176m against the City Council's authorised limit for external debt.

The City Council has a significant capital programme for the period through to the end of March 2024, but there is no intent to borrow externally to fund the capital programme before the end of March 2024. Borrowing is however only one source of funds for this programme, as the City Council does have a high level of cash balances, and this is forecast to still be the case at the end of March 2024. Therefore, it is anticipated that borrowing for the part of the programme financed by borrowing will be deferred until at least April 2024. Until then the City Council will use its cash balances to fund the programme in the short term.

By way of context, the General Fund balance (excluding school balances) as at the 31st March 2023 was £21.5m. The City Council's prudent minimum balance on the General Fund is £8.0m. In addition, the City Council has Earmarked General Fund Reserves of £190.8m.

It is therefore noted that there is significant headroom within the General Fund to absorb the financial shocks in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the City Council considers it is appropriate that the accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

Accruals of Income & Expenditure

Financial Statements other than the Cash Flow Statement are prepared on an accruals basis. This means that the sums due to or from the City Council during the year are included in the accounts, regardless of whether the cash has actually been received or paid in the year being reported.

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

Accruals have been made for all known items of income and expenditure exceeding £1,000 including capital debtors and creditors, for goods and services supplied by and to the City Council, during the year. The Financial Statements therefore record the date when the obligation arises rather than when it is settled by a cash transaction.

Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the City Council's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Errors

Prior period adjustments may arise due to changes in accounting policies or to correct an error.

Changes to accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the City Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied so that like for like comparisons can be made.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Fair Value Measurement

The City Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or

b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The City Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, including assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the City Council considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The City Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the City Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Non-current Assets

Non-current assets are assets that are not expected to be realised within a year.

Assets are initially measured at cost comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The authority will capitalise borrowing costs incurred while assets are under construction when the costs exceed £3m and the asset is not completed within a single financial year. Provision will be made for the repayment of these costs under the City Council's minimum revenue provision (MRP) for the repayment of debt policy.

Assets constructed by the City Council, including enhancements to existing assets, are initially included in Assets under Construction before being transferred to the appropriate asset category upon completion. Assets purchased in an operational state without requiring construction or installation are not initially included in Assets under Construction but are included under the appropriate asset category for operational assets upon completion of their purchase.

The City Council has a de minimis policy of not recognising assets with a value of less than £20,000 on its balance sheet. New assets worth less than £20,000 are fully impaired at practical completion.

The City Council classifies its non-current assets into the following groupings defined in the Code of Practice on Local Authority Accounting:

Property, plant and equipment are used for service provision.

Infrastructure assets (e.g., highways and coastal defences) are included in the balance sheet at historic cost, net of depreciation. The Code of practice on Local Authority Accounting includes a temporary relief until 2025 so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief has been introduced to the Code because historical information deficits mean that this information is unlikely to faithfully represent what it purports to represent. The City Council has decided to adopt this temporary relief as it has historical information deficits dating back to before 1997 when the City Council became a highways authority following local government reorganisation.

Community assets (e.g., Parks) and assets under construction are included in the balance sheet at historic cost.

Council dwellings are valued on an existing use basis (social housing).

All other property plant and equipment is included in the balance sheet at market value based on existing use.

Historic cost is used as a proxy for market value for **vehicles and plant.**

Specialised assets are included at depreciated replacement cost if there is insufficient evidence to determine market value in existing use.

Investment Properties are held solely for income generation or capital appreciation. They are included on the balance sheet at open market value.

Heritage assets, i.e., assets held principally for their contribution to knowledge and culture, are valued on the same basis as property, plant and equipment. However, the principles applying to property, plant and equipment are less stringently applied to heritage assets. There is no requirement to obtain valuations from a qualified valuer and when appropriate, heritage assets are carried at their insurance valuations. Additionally, there is no requirement to depreciate heritage assets that have indefinite lives and high residual values.

Except for Investment Properties, losses on revaluation and impairments are taken initially to the Revaluation Reserve and only to the Comprehensive Income and Expenditure Statement where the balance on the reserve falls to zero. The Revaluation Reserve only includes gains since its inception from 1 April 2007, prior gains being incorporated into the Capital Adjustment Account. Any gains or losses on Investment Properties are debited or credited to the Comprehensive Income and Expenditure Statement directly.

Charges to Revenue for Non-current Assets

Services, Support Services and Trading Accounts are charged with an accounting estimate of the cost of holding the non-current assets during the year. This comprises:

- Depreciation attributable to assets used by relevant services
- Revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which losses will be written off
- Amortisation of intangible assets attributable to the service

The City Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction of its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the City Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)), by way of an adjusting transaction in the Capital Adjustment Account included within the Movement in Reserves Statement for the difference between the two.

The City Council is required to raise Housing Revenue Account (HRA) rents to fund depreciation on dwellings. HRA depreciation is credited to the Major Repairs Reserve in the Movement in Reserves Statement. The Major Repairs Reserve can only be used to fund HRA capital expenditure or the repayment of HRA borrowing.

Impairment

The values of each category of asset and of material individual assets are reviewed at the end of each financial year for evidence of reduction in value. All impairment losses on revalued assets are recognised in the Revaluation Reserve up to the amount of the Revaluation Reserve for each respective asset. Any excess impairment is charged to the relevant service within the Comprehensive Income and Expenditure Statement. All impairment losses incurred on non-revalued assets are to be charged to the relevant service within the Comprehensive Income and Expenditure Statement.

It is not the City Council's policy to write out accumulated impairments when assets are revalued.

Depreciation

Depreciation is provided for all property, plant and equipment assets (other than land, certain community assets and assets under construction) where a finite useful life has been determined. Asset lives for depreciation purposes are estimates, which for most assets are determined by the City Council's Royal Institute of Chartered Surveyors qualified valuers. This is with the intention of writing off their balance sheet values in equal instalments over their remaining expected useful lives. This is commonly referred to as the "straight line" method. Depreciation is charged from the year following the year of acquisition to the year of disposal.

Depreciation charges to the General Fund are reversed out in the Movement in Reserves Statement through an appropriation from the Capital Adjustment Account. Although depreciation is not ultimately charged to General Fund balances, a provision is made for the repayment of debt in accordance with statutory guidance.

Disposal of Non-current Assets

When an asset is disposed of or decommissioned, the residual value of the asset less any sale proceeds that are received is written off to the Comprehensive Income & Expenditure Statement as a gain or loss on disposal. Gains and losses on disposal are reversed out in the Movement in Reserves Statement through an appropriation to or from the Capital Adjustment Account, thus avoiding any impact on the level of the Council Tax.

Proceeds from asset sales exceeding £10,000 are categorised as capital receipts and are credited to the Usable Capital Receipts Reserve.

Heritage Assets

The City Council's heritage assets include historic buildings, sculptures, memorials, museum collections, archives and the Civic Plate which are held principally for their contribution to knowledge and culture. Heritage assets are recognised and measured (including the treatment of gains and losses) in accordance with the City Council's accounting policies on property, plant, and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

a) Historic Buildings

There is insufficient evidence of what the market value would be for Southsea Castle and the fortifications at the harbour entrance at Old Portsmouth, so these assets are carried in the City Councils balance sheet at their insurance valuations. These valuations are reviewed every five years by the City Council's staff.

b) Museum Collections

The museum collections are reported in the Balance Sheet at their current values determined by external valuers and staff in the museum's service.

The museum collections are deemed to have indeterminate lives and a high residual value; hence the City Council does not consider it appropriate to charge depreciation.

c) Archives

The archive collections are reported in the Balance Sheet on current values determined by staff in the museum's service.

The archive collections are deemed to have indeterminate lives and a high residual value; hence the City Council does not consider it appropriate to charge depreciation.

Infrastructure Assets

Infrastructure assets are accounted for no differently from other PPE asset categories as regards capitalisation, depreciation, impairments and disposals.

As regards derecognition of parts of infrastructure assets, the City Council is following the statutory override under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2023 (Regulation 30M) in accounting for the replacement of said derecognised infrastructure asset components. This statutory override covers the periods from 1 April 2010 to 31 March 2025. The impact of this is that the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is at nil amount, and therefore no subsequent adjustment is required to be made to the carrying amount of the asset with respect to that component part. The assumption being this being that component parts are only replaced once fully consumed and depreciated at the date of replacement.

Investment Properties

Investment properties are those that are used solely to earn rentals and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Investment properties are not depreciated but are carried at values that reflect market conditions. The market yield of investment properties is assessed annually. Gains and losses on revaluation are posted to the Income, Expenditure and Changes in the Fair Value of Investment Properties in the Comprehensive Income and Expenditure Statement.

Apportionment of Interest Costs to the Housing Revenue Account

The City Council maintains two loans pools.

The first loans pool will consist of all the Council's loans taken out prior to 2021/22 for both General Fund and HRA purposes.

A second loans pool was established in 2021/22 consisting of three £20m loans that were taken from the PWLB at the HRA Certainty Rate which was 1.0% below the PWLB General Fund Certainty Rate. The borrowing costs on these loans will be charged to the HRA in their entirety.

Cash Equivalents

Investments that are either overnight or instant access are deemed to be cash.

Community Infrastructure Levy

The City Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consents. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund various infrastructure contracts and support development of the area.

CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy government grants and contributions set out above. CIL charges will largely be used to fund capital expenditure. However, a portion of the charges will be used to fund revenue expenditure.

Employee Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include benefits such as wages and salaries, paid annual leave, and flexi time and are recognised as an expense for services in the year in which employees render service to the City Council. An accrual is made for the cost of holiday entitlements and flexi leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current accounting year, being the period in which the employee earned the benefit.

Financial Liabilities

The City Council's financial liabilities are carried in the balance sheet at amortised cost.

Financial assets

Financial assets are classified based on the classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The City Council has financial assets measured at amortised cost, FVPL and FVOCI.

Financial Assets Measured at Amortised Cost

Loans and receivables are initially measured at fair value and carried at their amortised cost. For most of the loans that the City Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income & Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income & Expenditure Statement.

Expected Credit Loss Model

The authority recognises expected losses on all its financial assets held at amortised cost (or where relevant (FVOCI), either on a 12 month or lifetime basis. The expected credit loss model applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed based on 12 month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

These financial assets consist of tradable structured notes where the value of the note is determined by current interest rates, credit quality and other factors such as stock market indices. Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes party to the contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets is professionally determined by Barclays Bank.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

The Council holds equity instruments in Portico Shipping Limited (formerly MMD (Shipping Services) Limited), Hampshire Community Bank Holding Limited, and Victory Energy Supply Limited. These equity instruments are not held for trading and the City Council has elected to account for these instruments as "fair value through other comprehensive income" rather than "fair value through profit or loss". This means that gains and losses in the fair value of these instruments will not be debited or credited to General Fund balances until the instruments are sold.

Foreign currency translation

Where the City Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.]

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as income by the City Council at the date that the City Council:

- satisfies the conditions of entitlement to the grants / contribution,
- there is reasonable assurance that the monies will be received, and
- the expenditure for which the grant has been given has been incurred.

Conditions are stipulations that specify how a grant must be used and require repayment of the grant if the conditions are not met.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied specific revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g., Revenue Support Grant), are credited to the Comprehensive Income & Expenditure Statement after Net Operating Expenditure.

Government grants and contributions received for capital expenditure are credited to the Comprehensive Income and Expenditure Statement at the date that the City Council satisfies the conditions of entitlement to the grants / contribution. In order to avoid any impact on the Council Tax an adjustment is made to the General Fund balance in the Movement In Reserves Statement by crediting the Capital Adjustment Account if the grant or contribution has been applied to finance capital expenditure, or by crediting Capital Grants Unapplied if the grant has not been expended by the end of the financial year.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the City Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Leases

The land and buildings elements of property leases are classified as finance or operating leases separately. Land is classed as an operating lease unless title passes at the end of the lease.

a) Finance Leases Where the City Council is the Lessee

Where the risks and rewards relating to the leased property are substantially transferred to the City Council, the lease is classified as a finance lease. Finance lease rentals are deemed to create an asset and corresponding liability initially measured as the capital element of the total rentals payable over the lease term. As payments are made, the liability is reduced by the capital element of each rental payment and the cost of finance element is charged to Net Operating Expenditure in the Comprehensive Income & Expenditure Statement.

Non-current assets recognised under finance leases are accounted for using the policies applied generally to property, plant and equipment, subject to depreciation being charged over the lease term, if this is shorter than the asset's estimated useful life. A finance lease imposes all the risks and rewards of ownership on the lessee, although title to the asset does not pass until all rental payment obligations have been satisfied.

b) Finance Leases Where the City Council is the Lessor

Where the risks and rewards relating to the leased property are substantially transferred to the tenant, the lease is classified as a finance lease. The leased-out asset is not included in the City Council's balance sheet, but the capital element of the finance lease rentals are deemed to create a long-term debtor. As payments are received, the long-term debtor is reduced by the capital element of each rental payment and the finance element of the rent is credited to Net Operating Expenditure in the Comprehensive Income & Expenditure Statement.

c) Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rental payments where the City Council is the lessee, and rental income where the City Council is the lessor, are charged to the relevant service on a straight-line basis over the term of the lease as they become payable.

Long-Term Contracts (PFI Accounting Policy)

Private Finance Initiative (PFI) contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. None of the City Council's PFI schemes involved up front capital payments by the City Council. As the City Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the City Council at the end of the contracts for no additional charge, the City Council carries the property, plant and equipment used under the contracts on the Balance Sheet.

The original recognition of this property, plant and equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the property, plant & equipment.

Property, plant & equipment assets held on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the City Council.

The amounts payable to the PFI operators each year are analysed into:

- Fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge at a fixed rate on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement
- Payment towards the liability arising from capital expenditure undertaken by the contractor – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – recognised as property, plant & equipment on the Balance Sheet

Maintained Schools

Community schools receive their funding through the City Council and their buildings are owned and maintained by the City Council. Therefore, the income, expenditure, assets, liabilities, and reserves of community schools are included in the City Council's accounts.

Some maintained schools are voluntary aided or controlled or are governed by a trust. These schools receive their funding through the City Council and the income, expenditure, current assets, liabilities, and reserves are included in the City Council's accounts. However, the City Council does not own the land and buildings that these schools occupy, and the development and maintenance of these schools' buildings rests with the diocese or a trust rather than the City Council. Therefore, the land and buildings that these schools occupy is not included in the City Council's balance sheet.

Academy schools receive their funding through the Government and the City Council has transferred the land and buildings that these schools occupy through a long leasehold agreement. Therefore, the income, expenditure, assets, liabilities and reserves of academies are excluded from the City Council's accounts.

Some maintained schools have applied to convert to academies. The City Council will lease the land and buildings that these schools occupy to the academy trust on a 125-year lease at a peppercorn rent. The City Council's policy is to account for schools converting to academies as a transfer of function. Therefore, the assets of schools converting to academies continue to provide services until the transfer date and are not impaired.

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

Provisions

The City Council sets aside provisions for specific liabilities that are likely to be incurred but where the amount or timing of the payment cannot yet be determined accurately. Provisions are charged to the appropriate service when the City Council becomes aware that an obligation has arisen, the charge being based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the relevant provisions set up in the Balance Sheet. Provisions are reviewed at the end of each financial year and any adjustment necessary is charged or credited back to the service revenue account originally charged. Where some of the payment required can be recovered from a third party, such as in the case of an insurance claim, the income is credited to the service once receipt of the recovery is certain.

The City Council has provided for appeals against rateable values by non-domestic rate payers on the basis of appeals lodged and appeals likely to be lodged.

Revenue Expenditure Funded from Capital under Statute

Any expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the year. Where the City Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer from the Capital Adjustment Account then reverses out the amounts charged. This transfer is performed in the Movement in Reserves Statement so that there is no impact on the level of council tax.

Reserves

The City Council maintains certain reserves to meet future policy objectives or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is committed, the expenditure is charged to the appropriate service in that year and included in the net cost of services. The reserve is then appropriated back into the General Fund or Housing Revenue Account balances so that no net charge against Council Tax or Housing Revenue Account (HRA) rent arises from the expenditure.

Certain reserves are kept to manage the accounting processes for tangible non-current assets and retirement benefits and these do not represent useable resources to the City Council.

Retirement Benefits

Most of the City Council's employees are members of one of three separate main pension schemes; the Teachers' Pension Scheme administered by the Department for Education, the Local Government Pension Scheme administered by Hampshire County Council, or the Pilots National Pension Scheme administered by Capita.

All three schemes provide defined benefits to members (retirement lump sums and pensions). Further details of the pension schemes that the City Council participates in are provided in notes 39 and 40.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the City Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

The Local Government scheme and the Pilots' National Pension scheme are reported under International Accounting Standard 19 (IAS19) in these accounts. This means that retirement benefits are charged to the service revenue account when they are earned as opposed to when payments are made to the pension funds.

Solent Local Enterprise Partnership (LEP) / Maritime UK Solent

The City Council is the accountable body for nearly all the funding of the Solent LEP and Maritime UK Solent, including the Local Growth Deal. The Solent LEP will either grant or loan funds to organisations in the private and public sectors to generate economic growth in south Hampshire and the Isle of Wight. As the accountable body, the City Council has a veto on all funding and bears any credit risk associated with lending by the LEP / Maritime UK Solent. As the City Council bears significant risks it regards itself as the principal and accordingly includes the Solent LEP / Maritime UK Solent's income, expenditure, assets and liabilities in its accounts.

Support Services & Overheads

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

Value Added Tax

Income and Expenditure excludes any amounts relating to VAT as all VAT collected is passed over to HM Revenue & Customs, and all VAT paid is recoverable from them.

2. Accounting Standards Issued but not yet Adopted

No new accounting standards have been issued that will be adopted by the 2023/24 Code of Practice on Local Authority Accounting.

3. Critical Judgements in Applying Accounting Policies

In applying its accounting policies, the City Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the City Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the City Council might be impaired because of the need to close facilities and reduce levels of service provision.

- The City Council is deemed to control the services provided under outsourcing agreements for Milton Cross School, learning disability facilities, and highways maintenance, and also to control the residual value of the assets at the end of the agreements. The value of these assets as at the 31st March 2023 was £78.6m (£77.4 (restated) at the 31st March 2022). The City Council also provides its Waste Disposal service through Project Integra which is a partnership with Hampshire County Council and Southampton City Council. The three Councils are deemed to control services which have been outsourced by Project Integra and to control the value of the assets at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the assets, including Portsmouth City Council's share of the waste disposal assets, (valued at £8.8m as at the 31st March 2023 (£9.7m at the 31st March 2022)) are recognised as Property, Plant and Equipment on the City Council's balance sheet.

- The City Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. Where earning rentals is an outcome of a regeneration policy or providing facilities on out-of-town housing estates, the properties concerned are accounted for as property, plant and equipment rather than investment property. The classification determines the valuation method used and whether depreciation and impairments are charged to the cost of services.

- The City Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The primary tests consist of:

  - whether the lease transfers ownership of the asset to the lessee by the end of the lease term
  - whether the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain that the option will be exercised
  - the lease term is for a major part of the economic life of the asset (the City Council has taken the view that the term of a finance lease would equate to over half the asset's life)
  - the present value of the minimum lease payments amounts to at least substantially all the fair value of the leased asset (the City Council has taken the view that the net present value of the minimum lease payments under a finance lease would amount to at least 80% of the fair value of the asset)
  - whether the leased assets are of such a specialised nature that only the lessee can use them without major modifications

The outcomes of these tests are considered individually and collectively. The accounting treatment for operating and finance leases is different and could have a significant effect on the accounts.

- The City Council has made judgements about whether it controls voluntary aided and voluntary controlled schools. The City Council does not own these buildings, and the Governing Bodies are responsible for capital works. The City Council does not have access to the sale proceeds if the assets were disposed of and any decision to dispose of the assets requires the approval of the secretary of state. Therefore, considering these factors and guidance in CIPFA's Technical Note 40(01), the City Council does not consider that it controls these schools and has not included them on its balance sheet.

4. Assumptions made About the Future and Other Sources of Estimated Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e., Level 1 inputs), their fair value is measured using valuation techniques (e.g., quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the City Council's assets and liabilities. Where level 1 inputs are not available, the City Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. For example, for investment properties, Royal Institute of Chartered Surveyors (RICS) qualified valuers.	The Council has financial instrument liabilities with a fair value of £819.3m and financial instrument assets of £499.6m. Lakeside North Harbour Business Park was valued at £119.2m at the 31st March 2023, and the investment property portfolio was valued at £168.2m. The City Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties. The significant unobservable inputs used in the measurement of fair value include management assumptions regarding rent growth, vacancy levels and discount rates (adjusted for regional variations). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Covid-19 may affect future returns on pension fund assets, although it is not yet clear what the extent of this will be. A firm of consulting actuaries is engaged to provide the City Council with expert advice about the assumptions to be applied.	The City Council's net pension liability is £63.2m. The effects on the net pension liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Arrears	The City Council's balance sheet contains significant debtor balances. An allowance is made for impairments. However, in the current economic climate it is not certain that the allowance is sufficient. For example, in calculating the impairment for doubtful debts for sundry debtors the City Council had a balance in the accounts receivable system of £18.2m, of which £6.2m (34%) was beyond 60 days past its due date. The current high inflation rates and the consequent reduction in real incomes may cause collection rates to deteriorate in future.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £34.5m to set aside as an allowance for sundry debtors alone.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Non-Domestic Rates	In 2022/23 the City Council retained 50% of non-domestic rates collected. The amounts of non-domestic rates collected are affected by appeals, both lodged and potential appeals that have yet to be lodged, against the rateable values of non-domestic properties. Owing to the 2017 revaluation a new set of appeals are expected across the rating list. The City Council has based its 2022/23 provision on the information provided by Analyse Local. Prior to 2021/22 we had been using the Government's national average of 4.7%, however now that 3 years has passed since the inception of the 2017 list, we feel that Analyse Local's detailed estimations are a more appropriate measure. On this basis the Council has made a provision of £5.0m in 2022/23.	The effects on non-domestic rate income of changes in individual assumptions can be measured. However, the assumptions interact with each other.
Inseparable Service Concessions Including Private Finance Initiative (PFI) Schemes	The City Council has two inseparable service concession arrangements to provide highways maintenance and waste collection services. Under these arrangements the City Council paid £26.3m in 2022/23 for highways maintenance and £8.3m waste disposal. These arrangements gave rise to estimated liabilities at the 31st March 2023 of £31.5m for highways maintenance and £1.7m for waste disposal. The payments made by the City Council under these arrangements cover operating and maintenance costs, lifecycle replacement costs, and the interest and principal repayment costs associated with the provision of assets. Under these arrangements the City Council does not know how much money has been spent on each of these elements and consequently they have to be estimated.	Although the overall costs of these arrangements are known the effect of these arrangements on the City Council's surplus on the provision of services, its capital investment, its long-term liabilities, its reserves and its net assets are all estimated.

5. Prior Period Adjustments

(a) Restatement of Income and Expenditure Comparators due to Change in Reporting Structure

The Expenditure & Funding Analysis (EFA), the Comprehensive Income & Expenditure Statement (CIES) and their supporting notes, are compiled based on the City Council's reporting structure at the 31st March. This structure reflects the member (councillor) portfolios in place at that point in time.

In May 2022, the Council's members decided to make a change to the portfolio structure of the City Council in terms of which portfolios would continue going forward. The combined affect of this is that one portfolio was split into two portfolios, Community Safety & Environment has been split into Climate Change & Environment and Safety in the Community, and a number of cost centres were moved from Planning Policy & City Development to Culture & City Development. These changes mean that under the new portfolio structure a few of the portfolio income and expenditure lines for 2021/22 change, some materially and others significantly.

This restructuring has however had no change to the overall net cost of services, Surplus/Deficit on Provision of Services, general fund balances, or the balance sheet.

The financial statements and disclosures impacted by the restructuring are as follows:

- Expenditure & Funding Analysis
- Comprehensive Income & Expenditure Statement
- Notes to the Expenditure and Funding Analysis - Adjustments from General Fund/HRA to arrive at CIES amounts
- Notes to the Expenditure and Funding Analysis - Segmental Income

The following notes show the result of the changes, including comparing the before and after position.

(a) Restatement of 2021/22 Expenditure & Funding Analysis:

	Original	Revised	Movement	Original	Revised	Movement	Original	Revised	Movement	Original	Revised	Movement	Original	Revised	Movement
	Net Expenditure chargeable to the General Fund and HRA	Net Expenditure chargeable to the General Fund and HRA	Net Expenditure chargeable to the General Fund and HRA	Other Movements	Other Movements	Other Movements	Adjusted Net Expenditure chargeable to the General Fund and HRA	Adjusted Net Expenditure chargeable to the General Fund and HRA	Adjusted Net Expenditure chargeable to the General Fund and HRA	Adjustments between Accounting & Funding Basis (Note 7)	Adjustments between Accounting & Funding Basis (Note 7)	Adjustments between Accounting & Funding Basis (Note 7)	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children, Families & Education	44,545	44,545	-	-	-	-	44,545	44,545	-	7,975	7,975	-	52,520	52,520	-
Community Safety & Environment	15,324	12,686	(2,638)	-	-	-	15,324	12,686	(2,638)	1,908	1,031	(877)	17,232	13,717	(3,515)
Communities & Central Services	24,778	27,223	2,445	-	-	-	24,778	27,223	2,445	10,876	13,711	2,835	35,654	40,934	5,280
Culture, Leisure and Economic Development	8,449	8,643	194	-	-	-	8,449	8,643	194	7,856	8,623	767	16,305	17,266	961
Health, Wellbeing & Social Care	50,045	50,045	-	-	-	-	50,045	50,045	-	7,043	7,043	-	57,088	57,088	-
Housing and Preventing Homelessness	4,561	2,002	(2,559)	141	141	-	4,702	2,143	(2,559)	6,263	3,194	(3,069)	10,965	5,337	(5,628)
Leader	(24,460)	(24,460)	-	14,470	14,470	-	(9,990)	(9,990)	-	9,632	9,632	-	(358)	(358)	-
Licensing	(140)	(140)	-	-	-	-	(140)	(140)	-	120	120	-	(20)	(20)	-
Planning Policy & City Development	1,397	1,002	(395)	-	-	-	1,397	1,002	(395)	985	343	(642)	2,382	1,345	(1,037)
Port	(3,564)	(3,564)	-	226	226	-	(3,338)	(3,338)	-	3,663	3,663	-	325	325	-
Safety in the Community	-	2,953	2,953	-	-	-		2,953	2,953		986	986	-	3,939	3,939
Traffic & Transportation	15,627	15,627					15,627	15,627		9,211	9,211		24,838	24,838	
			-	-	-	-			-			-			-
	136,562	136,562	-	14,837	14,837	-	151,399	151,399	-	65,532	65,532	-	216,931	216,931	-
						-			-			-			-
Non-portfolio - HRA	(6,651)	(6,651)	-	-	-	-	(6,651)	(6,651)	-	(11,118)	(11,118)	-	(25,580)	(25,580)	-
Non-portfolio - Other	66,751	66,751	-	-	-	-	66,751	66,751	-	(58,730)	(58,730)	-	37,414	37,414	-
						-			-			-			-
Net Cost of Services	196,662	196,662	-	14,837	14,837	-	211,499	211,499	-	(4,316)	(4,316)	-	228,765	228,765	-

(b) Restatement of 2021/22 Comprehensive Income & Expenditure Statement:

	Original	Revised	Movement	Original	Revised	Movement	Original	Revised	Movement
	Gross Expenditure	Gross Expenditure	Gross Expenditure	Gross Income	Gross Income	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children, Families & Education	153,949	153,949	-	(101,429)	(101,429)	-	52,520	52,520	-
Community Safety & Environment	20,161	14,694	(5,467)	(2,929)	(977)	1,952	17,232	13,717	(3,515)
Communities & Central Services	121,101	126,070	4,969	(85,447)	(85,136)	311	35,654	40,934	5,280
Culture, Leisure and Economic Development	22,920	24,951	2,031	(6,615)	(7,685)	(1,070)	16,305	17,266	961
Health, Wellbeing & Social Care	116,759	116,759	-	(59,671)	(59,671)	-	57,088	57,088	-
Housing and Preventing Homelessness	33,031	26,862	(6,169)	(22,066)	(21,525)	541	10,965	5,337	(5,628)
Leader	174	174	-	(532)	(532)	-	(358)	(358)	-
Licensing	785	785	-	(805)	(805)	-	(20)	(20)	-
Planning Policy & City Development	4,400	2,959	(1,441)	(2,018)	(1,614)	404	2,382	1,345	(1,037)
Port	14,656	14,656	-	(14,331)	(14,331)	-	325	325	-
Safety in the Community	-	6,077	6,077	-	(2,138)	(2,138)	-	3,939	3,939
Traffic & Transportation	52,193	52,193	-	(27,355)	(27,355)	-	24,838	24,838	-
	540,129	540,129	-	(323,198)	(323,198)	-	216,931	216,931	-
Non-Portfolio - HRA	67,947	67,947	-	(85,716)	(85,716)	-	(17,769)	(17,769)	-
Non-Portfolio - Other	29,096	29,096	-	(21,075)	(21,075)	-	8,021	8,021	-
Cost of Services	637,172	637,172	-	(429,989)	(429,989)	-	207,183	207,183	-

(c) Restatement of 2021/22 Note 7 (a) - Adjustments from General Fund/HRA to arrive at CIES amounts:

	Original	Revised	Movement	Original	Revised	Movement	Original	Revised	Movement	Original	Revised	Movement
	Adjustments for Capital Purposes	Adjustments for Capital Purposes	Adjustments for Capital Purposes	Net Changes for Pension Adjustments	Net Changes for Pension Adjustments	Net Changes for Pension Adjustments	Other Differences	Other Differences	Other Differences	Total Adjustments	Total Adjustments	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children, Families & Education	(2,582)	(2,582)	-	10,257	10,257	-	300	300	-	7,975	7,975	-
Community Safety & Environment	4,056	903	(3,153)	798	125	(673)	37	3	(34)	1,908	1,031	(877)
Communities & Central Services	1,073	6,722	5,649	6,517	6,685	168	303	304	1	10,876	13,711	2,835
Culture, Leisure and Economic Development	6,077	6,779	702	1,703	1,764	61	77	80	3	7,857	8,623	766
Health, Wellbeing & Social Care	1,297	1,297	-	5,461	5,461	-	285	285	-	7,043	7,043	-
Housing and Preventing Homelessness	5,087	2,325	(2,762)	1,118	829	(289)	58	40	(18)	6,263	3,194	(3,069)
Leader	8,957	8,957	-	643	643	-	30	32	2	9,630	9,632	2
Licensing	-	-	-	116	116	-	4	4	-	120	120	-
Planning Policy & City Development	605	-	(605)	382	346	(36)	(2)	(3)	(1)	985	343	(642)
Port	2,523	2,523	-	1,110	1,110	-	30	30	-	3,663	3,663	-
Safety in the Community	-	170	170	-	770	770	-	46	46	-	986	986
Traffic & Transportation	7,560	7,560	-	1,578	1,578	-	73	73	-	9,211	9,211	-
			-			-			-			-
	34,653	34,654	1	29,683	29,684	1	1,195	1,194	(1)	65,531	65,532	1
Non-portfolio - HRA	(16,900)	(16,900)	-	5,467	5,467	-	315	315	-	(11,118)	(11,118)	-
Non-portfolio - Other	(42,158)	(42,158)	-	(800)	(800)	-	(15,770)	(15,772)	(2)	(58,728)	(58,730)	(2)
			-									
Net Cost of Services	**(24,405)**	**(24,404)**	**1**	**34,350**	**34,351**	**1**	**(14,260)**	**(14,263)**	**(3)**	**(4,315)**	**(4,316)**	**(1)**
Other Income & Expenditure from the Funding Analy	(80,556)	(80,556)	-	10,301	10,301	-	928	928	-	(69,327)	(69,328)	(1)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	**(104,961)**	**(104,960)**	**1**	**44,651**	**44,652**	**1**	**(13,332)**	**(13,335)**	**(3)**	**(73,642)**	**(73,644)**	**(2)**

(d) Restatement of 2021/22 Note 7 (b) - Segmental (Portfolio) Income:

	Original Income from Services £000	Revised Income from Services £000	Movement Income from Services £000
Children, Families & Education	(9,367)	(9,367)	-
Climate Change & Environment	(2,197)	(977)	1,220
Communities and Central Services	(8,350)	(8,039)	311
Culture, Leisure and Economic Development	(6,057)	(7,115)	(1,058)
Health, Wellbeing & Social Care	(27,350)	(27,350)	-
Housing and Preventing Homelessness	(5,329)	(4,787)	542
Leader	(30,505)	(30,505)	-
Licensing	(805)	(805)	-
Planning Policy & City Development	(1,961)	(1,569)	392
Port	(14,369)	(14,369)	-
Safety in the Community		(1,407)	
Traffic & Transportation	(12,803)	(12,803)	-
	(119,093)	(119,093)	-
Non-Portfolio:			
Housing Revenue Account	(85,539)	(85,539)	-
Other	(718)	(718)	-
	(205,350)	(205,350)	-

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance & Resources (Section 151 Officer) on 27th November 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at the 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Notes to the Expenditure and Funding Analysis

(a) Adjustments between Funding and Accounting Basis

While the Expenditure and Funding Analysis provides a reconciliation of the adjustments between the City Council's financial performance under the funding position and the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement, the following note highlights the material areas included in the adjustments between the accounting and funding basis column of the Expenditure and Funding Analysis.

Adjustments from GF/HRA to arrive at CIES amounts

2021/22 (Restated)	**Adjustments for Capital Purposes (1)**	**Net Changes for Pension Adjustments (2)**	**Other Differences (3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Portfolios:				
Children, Families & Education	(2,582)	10,257	300	7,975
Climate Change & Environment	903	125	3	1,031
Communities & Central Services	6,722	6,685	304	13,711
Culture, Leisure and Economic Development	6,779	1,764	80	8,623
Health, Wellbeing & Social Care	1,297	5,461	285	7,043
Housing and Preventing Homelessness	2,325	829	40	3,194
Leader	8,957	643	32	9,632
Licensing	0	116	4	120
Planning Policy & City Development	0	346	(3)	343
Port	2,523	1,110	30	3,663
Safety in the Community	169	769	47	985
Traffic & Transportation	7,560	1,578	73	9,211
	34,653	29,683	1,195	65,531
Non-portfolio - HRA	(16,900)	5,467	315	(11,118)
Non-portfolio - Other	(42,158)	(800)	(15,770)	(58,728)
Net Cost of Services	**(24,405)**	**34,350**	**(14,260)**	**(4,315)**
Other Income & Expenditure from the Funding Analysis	(80,556)	10,301	928	(69,327)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	**(104,961)**	**44,651**	**(13,332)**	**(73,642)**

Adjustments from GF/HRA to arrive at CIES amounts

2022/23	**Adjustments for Capital Purposes (1)**	**Net Changes for Pension Adjustments (2)**	**Other Differences (3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Portfolios:				
Children, Families & Education	(194)	9,086	85	8,977
Climate Change & Environment	991	109	(1)	1,099
Communities & Central Services	2,678	5,662	(207)	8,133
Culture, Leisure and Economic Development	1,986	1,534	(33)	3,487
Health, Wellbeing & Social Care	1,345	4,811	(130)	6,026
Housing and Preventing Homelessness	651	616	(26)	1,241
Leader	17,397	539	(22)	17,914
Licensing	0	100	0	100
Planning Policy & City Development	0	218	5	223
Port	6,972	969	90	8,031
Safety in the Community	89	605	(19)	675
Traffic & Transportation	6,395	1,383	(22)	7,756
	38,310	25,632	(280)	63,662
Non-portfolio - HRA	(49,165)	4,877	(190)	(44,478)
Non-portfolio - Other	(24,995)	(849)	(19,392)	(45,236)
Net Cost of Services	**(35,850)**	**29,660**	**(19,862)**	**(26,052)**
Other Income & Expenditure from the Funding Analysis	(47,613)	8,987	(1)	(38,627)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	**(83,463)**	**38,647**	**(19,863)**	**(64,679)**

Note (1) - Adjustments for Capital Purposes:

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Financing and investment income and expenditure – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices

Note (2) - Net Change for Pensions Adjustments:

This column shows the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the City Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure –- the net interest on the defined benefit liability is charged to the Comprehensive Income & Expenditure Statement (CIES).

Note (3) - Other Differences:

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in CIPFA's Code of Practice on Local Authority Accounting. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund

7(b). Segmental Income

Income received from external customers on a segmental basis is analysed below:

2021/22 (Restated) Income from Services £000		2022/23 Income from Services £000
	Portfolios:	
(9,367)	Children, Families & Education	(11,175)
(977)	Communities and Central Services	(1,648)
(8,039)	Climate Change & Environment	(9,395)
(7,115)	Culture, Leisure and Economic Development	(7,486)
(27,350)	Health, Wellbeing & Social Care	(30,709)
(4,787)	Housing and Preventing Homelessness	(6,707)
(30,505)	Leader	(33,074)
(805)	Licensing	(793)
(1,569)	Planning Policy & City Development	(1,352)
(14,369)	Port	(17,556)
(1,407)	Safety in the Community	(2,094)
(12,803)	Traffic & Transportation	(16,614)
(119,093)		(138,603)
(85,539)	Housing Revenue Account	(91,730)
(718)	Other	(873)
(205,350)		(231,206)

Note - This disclosure only shows externally earned income for each portfolio as included in the net expenditure figures in the Expenditure and Funding Analysis and CIES. The portfolio entries and totals will therefore not agree to the entries in the EFA, CIES or Expenditure and Income Funded by Nature disclosure, as the gross income entries or the entry for fees, charges and other income represent either all income received in line with the IFRS accounting standards or only a segment of income received. In particular, grants and other contributions are not included in this disclosure but are included in the EFA, CIES etc.

8. Expenditure and Income Analysed by Nature

The City Council's expenditure and income is analysed as follows:

	2021/22 £000	2022/23 £000
Expenditure		
Employee benefits expenses	242,101	245,291
Other services expenses	364,488	346,276
Depreciation, amortisation, impairment, revaluations	40,941	14,244
Interest payments	26,793	26,334
Precepts and levies	86	88
Payments to Housing Capital Receipts Pool	927	-
Loss on the disposal of assets	4,421	132
Investment property expenditure and decreases in fair value	551	22,173
Trading expenses	15,100	24,234
Total expenditure	**695,408**	**678,772**
Income		
Fees, charges and other service income	(173,642)	(199,528)
Surplus on associates and joint ventures	(150)	-
Interest and investment income	(2,977)	(7,797)
Income from council tax and non-domestic rates	(141,964)	(153,946)
Government grants and contributions	(369,174)	(336,669)
Gain on disposal of assets	(3,107)	(1,937)
Investment property income and increases in fair value	(28,104)	(10,257)
Trading income	(20,653)	(22,976)
Total Income	**(739,771)**	**(733,110)**
(Surplus) or Deficit on the Provision of Services	**(44,363)**	**(54,338)**

Following the reporting requirements stipulated by the Code on accounting for schools, the City Council's single entity financial statements include income and expenditure of the City Council's maintained schools.

9. Adjustments of Accounting and Funding Basis under Regulations

This note details the adjustments that are made in the total comprehensive income and expenditure statement recognised by the City Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the City Council to meet future revenue and capital expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund

The General Fund is the statutory fund into which all the receipts of the City Council are required to be paid and out of which all liabilities of the City Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the City Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the City Council is required to recover) at the end of the financial year. The balance is not available to be applied to funding Housing Revenue Account (HRA) services.

Earmarked General Fund Reserves

Earmarked General Fund reserves hold funds which the City Council has decided to set aside for specific Non HRA purposes.

Housing Revenue Account (HRA) Balance

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the City Council's landlord function.

Earmarked HRA Reserves

This is the HRA Capital Reserve originally established in 1991/92 as part of the Housing Investment Programme financing policy. This reserve is used to finance capital investment in social housing.

Major Repairs Reserve

The City Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the City Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The following tables show the adjustments made between reserves:

2021/22	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from the revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	(37,335)	(7,281)	-	-	-
- Reversal of entries included in the Surplus (or Deficit) on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(22,857)	12,462	(23,363)	-	(50,100)
- Other Adjustments to Revenue Resources	14,673	(315)	-	-	-
Total Adjustment to Revenue Resources	**(45,519)**	**4,867**	**(23,363)**	**-**	**(50,100)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	42	7,215	-	(7,257)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(927)	-	-	927	-
Capital grants and contributions unapplied credited to the CIES	55,947	7,652	-	-	(63,600)
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	10,311	-	-	1,322	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	33,853	291	-	-	-
Total Adjustments between Revenue and Capital Resources	**99,226**	**15,158**	**-**	**(5,008)**	**(63,600)**
Adjustments to Capital Resources					
Use of Major Repairs Reserve to finance capital expenditure	-	-	26,324	-	-
Application of capital receipts to finance capital expenditure	-	-	-	7,766	-
Application of capital grants to finance capital expenditure	-	-	-	-	115,652
Application of City Deal Grant to finance capital expenditure	-	-	-	-	-
Other adjustments to capital resources	(98)	-	-	(2,020)	-
Total Adjustments to Capital Resources	**(98)**	**-**	**26,324**	**5,746**	**115,652**
Total Adjustments	**53,609**	**20,025**	**2,961**	**738**	**1,952**

2022/23	Usable Reserves				
	General Fund Balance £000	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from the revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	(32,209)	(6,436)	-	-	-
- Reversal of entries included in the Surplus (or Deficit) on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(60,945)	46,109	(24,986)	-	(28,018)
- Other Adjustments to Revenue Resources	19,776	187	-	-	-
Total Adjustment to Revenue Resources	**(73,378)**	**39,860**	**(24,986)**	**-**	**(28,018)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	4,576	4,623	-	(9,198)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-	-	-
Capital grants and contributions unapplied credited to the CIES	60,780	2,944	-	-	(63,724)
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	10,458	-	-	1,594	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14,608	311	-	-	-
Total Adjustments between Revenue and Capital Resources	**90,422**	**7,878**	**-**	**(7,604)**	**(63,724)**
Adjustments to Capital Resources					
Use of Major Repairs Reserve to finance capital expenditure	-	-	34,848	-	-
Application of capital receipts to finance capital expenditure	-	-	-	2,445	-
Application of capital grants to finance capital expenditure	-	-	-	-	98,562
Application of City Deal Grant to finance capital expenditure	-	-	-	-	-
Other adjustments to capital resources	(105)	-	-	(3,410)	-
Total Adjustments to Capital Resources	**(105)**	**-**	**34,848**	**(966)**	**98,562**
Total Adjustments	**16,940**	**47,737**	**9,862**	**(8,570)**	**6,820**

10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/23. The "Other" balance relates to reserves that have in-year transactions or balances less than £7m and are held for a variety of reasons.

	Restated* Balance at 31 March 2021 £000	Restated* Transfers (to) / from 2021/22 £000	Restated* Balance at 31 March 2022 £000	Transfers (to) / from 2022/23 £000	Balance at 31 March 2023 £000
General Fund					
Earmarked for Capital Purposes	(45,450)	(4,722)	(50,171)	(177)	(50,349)
Medium Term Resource Strategy Reserve	(18,533)	(1,742)	(20,276)	1,856	(18,420)
City Deal Reserves	(24,933)	4,032	(20,901)	(396)	(21,298)
Combined Highways Maintenance Reserve**	(14,834)	(1,016)	(15,850)	(2,767)	(18,617)
Investment Reserve	(17,400)	17,400	-	-	-
Portfolio Reserves	(8,347)	3,471	(4,875)	835	(4,040)
Covid-19 Reserve	(43,002)	18,237	(24,765)	18,829	(5,936)
Other*	(56,071)	(7,701)	(63,772)	(8,329)	(72,101)
	(228,570)	**27,958**	**(200,612)**	**9,850**	**(190,762)**
Housing Revenue Account Capital Reserve	(406)	-	(406)	311	(95)
Total	**(228,976)**	**27,958**	**(201,017)**	**10,162**	**(190,856)**

* "Other" does not include PFI Highways Inflation Reserve or Highways PFI Reserve. The balance has been worked backwards to the 31st March 2021 to account for this change. Due to this the prior year balances have been restated.

** The balances of PFI Highways Inflation Reserve, Highways maintenance Reserve or Highways PFI Reserve have been amalgamated into Combined Highways Maintenance Reserve. The balance has been worked backwards to the 31st March 2021 to account for this change. Due to this the prior year balances have been restated.

Earmarked for Capital Purposes - This reserve has been accumulated from revenue contributions to be used as a source of finance for future capital expenditure.

Medium Term Resource Strategy Reserve - This reserve is used to finance spend-to-save schemes in pursuit of the City Council's medium term aims.

City Deal Reserves - The City Deal capital scheme will take several years to come to fruition but will be largely funded by government grants that were received in 2013/14. This reserve holds funds that will be required to finance the City Deal capital scheme in future years.

Combined Highways Maintenance Reserve - This reserve is to fund the ongoing maintenance costs of improvements to the highways network and to top up the shortfall in PFI support received from central Government.

Investment Reserve - This reserve consisted of capital funds set aside for re-investment.

Portfolio Reserves - These reserves provide a mechanism to allow underspending by portfolios in 2022/23 and previous years to be carried forward into 2023/24.

Covid-19 Reserve - This reserve holds funds that will be required to cover additional expenditure resulting from the Covid-19 pandemic.

11. Notes to the Comprehensive Income & Expenditure Statement

(a) Other Operating Expenditure

2021/22 £000		2022/23 £000
1,314	(Gain)/Loss on the disposal of Non-Current Assets	(1,805)
(1,270)	Miscellaneous Operating Income and Expenditure	(4,566)
44		**(6,371)**

(b) Financing & Investment Income and Expenditure

2021/22 £000			2022/23 £000
26,793	Interest payable and similar charges		26,334
(2,977)	Interest & investment income		(7,797)
10,301	Net pension interest on defined benefit (asset)/liability	39	8,987
(5,553)	(Surplus)/deficit on trading undertakings & other operations		1,258
(27,553)	Income, expenditure and changes in the fair value of investment properties	16	11,916
1,011			**40,698**

(c) Taxation & Non-Specific Grant Income and Expenditure

2021/22 £000			2022/23 £000
(87,850)	Income from council tax	33	(92,473)
(47,037)	Non Ring Fenced government grants	33	(41,756)
(63,600)	Capital grants & contributions	33	(63,724)
(54,114)	Retained non-domestic rates	33	(61,473)
(252,601)			**(259,426)**

12. Non-Current Assets (including Property Plant & Equipment)

Movements on Balances: Comparative Movements in 2021/22

	PPE									
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets*	Community Assets	Other Land & Buildings - Surplus	Assets Under Construction	Total	Other Asset Categories	Combined Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1st April 2021	662,927	490,719	70,961		3,220	8,181	126,894	1,362,902	290,919	1,653,821
Opening adjustment	-	-	-		-	-	-	-	-	-
Revised as at 1st April 2021	662,927	490,719	70,961		3,220	8,181	126,894	1,362,902	290,919	1,653,821
Additions	17,261	19,546	792		-	-	131,496	169,095	-	169,095
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	3,374	30,592	(3,271)		(9)	(1,308)	-	29,378	19,467	48,845
Disposals	(4,300)	(4,904)	(92)		-	-	-	(9,296)	-	(9,296)
Reclassifications from Assets Under Construction	25,658	9,364	4,640		-	-	(51,611)	(11,949)	1,070	(10,879)
Reclassifications between categories	-	6,488	-		-	-	-	6,488	(6,488)	-
At 31st March 2022	704,920	551,805	73,030		3,211	6,873	206,779	1,546,618	304,968	1,851,586
Accumulated Depreciation and Impairment										
At 1st April 2021	-	(17,470)	(38,685)		(33)	-	-	(56,188)	(4,479)	(60,667)
Opening adjustment	-	-	-		-	-	-	-	-	-
Revised as at 1st April 2021	-	(17,470)	(38,685)		(33)	-	-	(56,188)	(4,479)	(60,667)
Depreciation Charge in Year	(23,363)	(12,790)	(3,874)		(11)	-	-	(40,038)	(864)	(40,902)
Depreciation written out on revaluation	23,211	19,108	233		-	-	-	42,552	39	42,591
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-	-		-	-	-	-	-	-
Disposals	152	510	63		-	-	-	725	-	725
Reclassifications from Assets Under Construction	-	-	-		-	-	-	-	-	-
Reclassifications between categories	-	-	-		-	-	-	-	-	-
At 31st March 2022	-	(10,642)	(42,263)		(44)	-	-	(52,949)	(5,304)	(58,253)
Net Book Value										
At 1st April 2021	662,927	473,249	32,276		3,187	8,181	126,894	1,306,714	286,440	1,593,154
At 31st March 2022	704,920	541,163	30,767		3,167	6,873	206,779	1,493,669	299,664	1,793,333

Note 1 - The Other Asset Category column includes investment properties (see also note 16), heritage assets (see also note 15) and intangible assets (£2.4 million).

Note 2 - PPE Infrastructure Assets. In accordance with the Temporary Relief offered by CIPFA's update to the Code of Practice on Local Authority Accounting, PPE-Infrastructure assets have been shown on a net book value basis so does not separately show the gross cost and accumulated depreciation. The City Council has chosen not to disclose the gross figures as historic reporting practices and information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide a sound basis for the users of the accounts to take economic or other decisions relating to infrastructure assets.

There is no impact of not showing the gross figures on the financial statements as the balance sheet shows all asset categories on a net basis, with gross expenditure only being in a memorandum note. Infrastructure assets are by their very nature not tradeable/saleable assets or have an alternative use and are held at cost not revalued amount. The gross cost would simply be the original cost of the assets while the net cost represents this gross figure less depreciation to date. Depreciation is calculated on the current net value not the gross value (using carrying value and remaining life).

The City Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England and Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

To effectively show PPE-Infrastructure assets on a net basis, the infrastructure asset entries have been removed from Note 12 Movement on PPE assets and are instead shown separately in a Movement in Infrastructure assets note (see below), along with a reconciliation with the PPE entries in the Balance Sheet.

*Infrastructure - In year Movement

	2020/21 £000	2021/22 £000
Net Book Value (Modified Historic Cost)		
At 1st April	**222,973**	**219,483**
Additions	-	-
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(4,165)	(1,803)
Disposals	-	-
Reclassifications from Assets Under Construction	3,823	10,879
Reclassifications between categories	-	-
Depreciation Charge in Year	(6,675)	(6,279)
Depreciation written out on revaluation	3,527	106
At 31st March	**219,483**	**222,386**

The following note provides a reconciliation between the Movement on PPE note versus the entry on the Balance Sheet for PPE.

	2020/21 £000	2021/22 £000
Infrastructure Assets	219,483	222,386
Other PPE Assets	1,306,714	1,493,669
PPE Assets per Balance Sheet	1,526,197	1,716,055
Non-PPE Assets	286,440	299,664
	1,812,637	2,015,719

Movements on Balances: Comparative Movements in 2022/23

	PPE									
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets*	Community Assets	Other Land & Buildings - Surplus	Assets Under Construction	Total	Other Asset Categories	Combined Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1st April 2022	**704,920**	**551,805**	**73,030**		**3,211**	**6,873**	**206,779**	**1,546,618**	**304,967**	**1,851,585**
Opening adjustment	-	-	-		-	-	-	-	-	-
Revised as at 1st April 2022	**704,920**	**551,805**	**73,030**		**3,211**	**6,873**	**206,779**	**1,546,618**	**304,967**	**1,851,585**
Additions	19,301	22,290	1,854		-	-	105,728	149,173	(15)	149,158
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	28,120	(13,287)	(1,403)		3	1,462	-		(14,633)	(14,633)
Disposals	(2,784)	(2,025)	(18)		-	-	-	(4,827)	(325)	(5,152)
Reclassifications from Assets Under Construction	31,162	8,548	615		21	-	(43,974)	(3,628)	2,427	(1,201)
Reclassifications between categories	-	8,124	-		-	-	-	8,124	(8,107)	17
At 31st March 2023	**780,719**	**575,455**	**74,078**		**3,235**	**8,335**	**268,533**	**1,710,355**	**284,314**	**1,994,669**
Accumulated Depreciation and Impairment										
At 1st April 2022	**-**	**(10,642)**	**(42,263)**		**(44)**	**-**	**-**	**(52,949)**	**(5,304)**	**(58,253)**
Opening adjustment	-	-	-		-	-	-	-	-	-
Revised as at 1st April 2022	**-**	**(10,642)**	**(42,263)**		**(44)**	**-**	**-**	**(52,949)**	**(5,304)**	**(58,253)**
Depreciation Charge in Year	(24,986)	(14,100)	(3,953)		(10)	(69)	-	(43,118)	(902)	(44,020)
Depreciation written out on revaluation	24,886	13,486	1,125		-	69	-	39,566	62	39,628
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-	-		-	-	-	-	-	-
Disposals	100	242	18		-	-	-	360	-	360
Reclassifications from Assets Under Construction	-	-	-		-	-	-	-	-	-
Reclassifications between categories	-	-	-		-	-	-	-	-	-
At 31st March 2023	**-**	**(11,014)**	**(45,073)**		**(54)**	**-**	**-**	**(56,141)**	**(6,144)**	**(62,285)**
Net Book Value										
At 1st April 2022	**704,920**	**541,163**	**30,767**		**3,167**	**6,873**	**206,779**	**1,493,668**	**299,664**	**1,793,332**
At 31st March 2023	**780,719**	**564,441**	**29,005**		**3,181**	**8,335**	**268,533**	**1,654,214**	**278,170**	**1,932,384**

Note 1 - The Other Asset Category column includes investment properties (see also note 16), heritage assets (see also note 15) and intangible assets (£1.6 million).

Note 2 - PPE Infrastructure Assets. In accordance with the Temporary Relief offered by CIPFA's update to the Code of Practice on Local Authority Accounting, PPE-Infrastructure assets have been shown on a net book value basis so does not separately show the gross cost and accumulated depreciation. The City Council has chosen not to disclose the gross figures as historic reporting practices and information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide a sound basis for the users of the accounts to take economic or other decisions relating to infrastructure assets.

There is no impact of not showing the gross figures on the financial statements as the balance sheet shows all asset categories on a net basis, with gross expenditure only being in a memorandum note. Infrastructure assets are by their very nature not tradeable/saleable assets or have an alternative use and are held at cost not revalued amount. The gross cost would simply be the original cost of the assets while the net cost represents this gross figure less depreciation to date. Depreciation is calculated on the current net value not the gross value (using carrying value and remaining life).

The City Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England and Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

To effectively show PPE-Infrastructure assets on a net basis, the infrastructure asset entries have been removed from Note 12 Movement on PPE assets and are instead shown separately in a Movement in Infrastructure assets note (see below), along with a reconciliation with the PPE entries in the Balance

*Infrastructure - In year Movement

	2021/22 £000	2022/23 £000
Net Book Value (Modified Historic Cost)		
At 1st April	**219,483**	**222,386**
Additions	-	7,918
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(1,803)	(1,349)
Disposals	-	-
Reclassifications from Assets Under Construction	10,879	1,200
Reclassifications between categories	-	(17)
Depreciation Charge in Year	(6,279)	(7,876)
Depreciation written out on revaluation	106	661
At 31st March	**222,386**	**222,923**

The following note provides a reconciliation between the Movement on PPE note versus the entry on the Balance Sheet for PPE.

	2021/22 £000	2022/23 £000
Infrastructure Assets	222,386	222,923
Other PPE Assets	1,493,669	1,654,214
PPE Assets per Balance Sheet	1,716,055	1,877,137
Non-PPE Assets	299,664	278,170
	2,015,719	2,155,307

Depreciation

Depreciation is calculated on a straight-line basis against gross book value, less any estimated residual value, over the asset's estimated useful economic life. No depreciation is charged in the year of acquisition or commissioning. Land is considered to have an infinite life and is therefore not depreciated. The assets lives are reviewed within the five-year revaluation programme.

The useful lives used to calculate depreciation for each category of tangible asset are:

a) Council Dwellings - Based on useful lives calculated on a componentised basis.

b) Buildings - Fifty years unless assessed by the valuer for a greater or lesser period.

c) Vehicles, Plant & Machinery - Generally ten years, although less for some assets depending on the type of asset and nature of use.

d) IT Equipment - Generally five years, although less for some assets depending on the type of asset and nature of use.

e) Infrastructure assets - Forty years except for environmental improvements and enhancements where a lower life is used.

Academy Conversions

At the 31st March 2023, Mayfield School with a net book value of £44.153m had applied to become an academy school during the 2023/24 financial year.

Capital Commitments

For information on these please see Note 14 of these financial statements.

13. Revaluations of Tangible Non-Current Assets

The City Council ensures that all Property Plant & Equipment required to be measured at current value is revalued over a five year rolling programme, with the exception of council dwellings which are revalued annually. All valuations have been conducted by Royal Institute of Chartered Surveyors (RICS) qualified staff from the City Council's Property and Housing Service in accordance with the latest practice statements and guidance notes published by RICS. The assets are valued as at the 31st March 2023.

Tangible non-current assets have been valued as follows:

Asset Category	**Valuation Basis**
Council dwellings (HRA Council Housing Stock)	Existing use value – social housing reflecting the guidance issued by MHCLG
Other Land & Buildings	Existing use value
Infrastructure	Historic cost depreciated as appropriate
Vehicles & Plant	Historic cost depreciated as appropriate
Community assets other than land	Historic cost depreciated as appropriate
Community assets land	Historic cost
Non-operational assets	Market value

Where no market evidence is available to establish market value, such as specialist assets for example, schools where the depreciated replacement cost method of valuation has been used.

Council dwellings have been valued using the beacon principle. A sample property “the Beacon” is selected from a group of properties that are of similar design, age, type or construction and a detailed valuation conducted. The valuation is then applied to all properties in that group. The basis of valuation is Existing Use Value for Social Housing (EUV-SH). EUV-SH uses the vacant possession value of the dwelling as a starting point, on the assumption that each property is to be used as residential accommodation that will be occupied by a secure tenant. This figure is then amended by a regional adjustment factor of 33% to reflect the fact that sitting tenants enjoy lower than open market rents and rights, including Right to Buy. HRA non-dwelling properties use the existing use value (EUV) method of valuation for non-specialist operational properties, and depreciated replacement cost (DRC) for specialist operational properties. In 2022/23 £0.6m of revaluations up were charged to the Surplus/Deficit on the Provision of Services (in 2021/22 the equivalent figure was £24.3m up).

The table below provides an analysis by value and year of when assets were valued.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Investment Property	Held for Sale	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2022/23	780,719	291,678	-	-	-	8,335	168,165	541	-	1,249,438
2021/22	-	171,508	-	-	-	-	-	-	-	171,508
2020/21	-	60,900	-	-	-	-	-	-	-	60,900
2019/20	-	16,796	-	-	-	-	-	-	-	16,796
2018/19	-	23,559	3,930	-	-	-	-	-	-	27,488
Valued at Historic Cost	-	-	25,075	222,923	3,181	-	-	-	268,533	519,712
	780,719	**564,441**	**29,005**	**222,923**	**3,181**	**8,335**	**168,165**	541	**268,533**	**2,045,842**

14. Significant commitments for future capital expenditure

a) Future Approved Capital Programme

The City Council's approved capital programme by service shows planned capital payments in future years as follows:

Capital Programme	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Later £000
Children, Families & Education	8,701	837	100	-	-	-
Communities & Central Services	3,803	829	7	7	7	-
Climate Change & Environment	44,868	32,101	5,750	-	-	-
Culture, Leisure & Economic Developr	61,427	42,491	29,696	25,942	-	-
Health, Wellbeing & Social Care	17,552	375	-	-	-	-
Leader	65,260	20,749	9,840	-	-	-
Commercial Port	25,110	28,250	20,479	-	-	-
Planning, Policy & City Development	125	-	-	-	-	-
Safety in the Community	70	-	-	-	-	-
Traffic & Transportation	45,686	22,323	5,935	5,935	1,810	-
Housing Portfolio (HIP)	110,365	92,456	63,483	35,340	36,849	583
Total Capital Programme	382,967	240,411	135,290	67,224	38,666	583

b) Contractual Commitments

As at the 31 March 2023, the City Council had entered a number of contracts for the construction or enhancement of property, plant & equipment in 2023/24 and in future years. The significant capital contracts identified as at the 31st March 2023 and the committed amounts outstanding on these are set out in the table below:

Capital Contracts	**£000**
North Portsea Island Coastal Defence Scheme	1,897
External refurbishment - West Leigh site Ph2	2,685
Decoration - The Courts external repair	2,653
New Build - Strouden Court	1,251
Synergy Implementation Project	509
Southsea Coastal Sea Defence Scheme	14,486
External Repair - BSF Cladding	1,421
Dunsbury Park plots 500-502	2,475

Note - Only contractual capital commitments over £0.5m have been included in the above note.

15. Heritage Assets

Movements on Balances: Comparative Movements in 2021/22

2021/22	Heritage Categories				
	Museum Collections £000	Historic Buildings £000	Archives £000	Others £000	Total £000
Cost or Valuation					
Cost or Valuation as at 1st April 2021	20,610	57,547	11,843	7,492	97,492
Opening Adjustment(s)	-	-	-	-	-
Revised Cost or Valuation as at 1st April 2021	20,610	57,547	11,843	7,492	97,492
Additions / Donations	-	-	-	-	-
Revaluation increases/(decreases) to CIES:	-	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve:	118	1,142	-	45	1,305
Disposals	-	-	-	-	-
Reclassifications:	-	783	-	-	783
Cost or Valuation as at 31st March 2022	**20,728**	**59,472**	**11,843**	**7,537**	**99,580**
Accumulated Depreciation and Impairment					
Depreciation and Impairment as at 1st April 2021	-	2	-	(2)	-
Opening adjustment	-	-	-	-	-
Revised Depreciation and Impairment as at 1st April 2021	-	2	-	(2)	-
Depreciation Charge in Year:	-	(39)	-	-	(39)
Depreciation written out on revaluation:	-	39	-	-	39
Disposals	-	-	-	-	-
Impairment losses/(reversals) to CIES:	-	-	-	-	-
Impairment losses/(reversals) to Revaluation Reserve:	-	-	-	-	-
Depreciation and Impairment as at 31st March 2022	**-**	**2**	**-**	**(2)**	**-**
Net Book Value					
At 1st April 2021	**20,610**	**57,549**	**11,843**	**7,490**	**97,492**
At 31st March 2022	**20,728**	**59,474**	**11,843**	**7,535**	**99,580**

Movements on Balances in 2022/23

2022/23	Heritage Categories				
	Museum Collections	Historic Buildings	Archives	Others	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
Cost or Valuation as at 1st April 2022	20,728	59,472	11,843	7,537	99,580
Opening Adjustment(s)	-	-	-	-	-
Revised Cost or Valuation as at 1st April 2022	20,728	59,472	11,843	7,537	99,580
Additions / Donations	-	-	-	-	-
Revaluation increases/(decreases) to CIES:	-	(3)	-	97	94
Revaluation increases/(decreases) to Revaluation Reserve:	-	5,701	-	179	5,880
Disposals	-	-	-	-	-
Reclassifications:	-	1,884	-	458	2,342
Cost or Valuation as at 31st March 2023	**20,728**	**67,054**	**11,843**	**8,271**	**107,896**
Accumulated Depreciation and Impairment					
Depreciation and Impairment as at 1st April 2022	-	2	-	(2)	-
Opening adjustment	-	-	-	-	-
Revised Depreciation and Impairment as at 1st April 2022	-	2	-	(2)	-
Depreciation Charge in Year:	-	(62)	-	-	(62)
Depreciation written out on revaluation:	-	62	-	-	62
Disposals	-	-	-	-	-
Impairment losses/(reversals) to CIES:	-	-	-	-	-
Impairment losses/(reversals) to Revaluation Reserve:	-	-	-	-	-
Depreciation and Impairment as at 31st March 2023	**-**	**2**	**-**	**(2)**	**-**
Net Book Value					
At 1st April 2022	**20,728**	**59,474**	**11,843**	**7,535**	**99,580**
At 31st March 2023	**20,728**	**67,056**	**11,843**	**8,269**	**107,896**

a) Historic Buildings

Southsea Castle was built in Henry VIII's reign. During the English Civil War, nearly a century later, the Castle was captured for the only time in its history, by Parliamentarian forces. Over the centuries, Southsea Castle's defences were strengthened so that it could continue to protect Portsmouth. In the 19th Century a tunnel was built to defend the Castle moat.

Eastney Beam Engine house is a high Victorian engine house of 1887.

There are extensive fortifications at the entrance to Portsmouth Harbour in Old Portsmouth that date from the 15th century.

b) Museum Collection

The City Council has six museums, namely the D Day Story, Portsmouth Museum, Southsea Castle, Charles Dickens Birthplace, Eastney Beam Engine House and Cumberland House. The museum collections are valued at £20.7m.

The D Day Story has as its centrepiece the Overlord Embroidery which has been loaned to the City Council for 99 years. The Museum's unique and dramatic film show uses archive film to bring back memories of the wartime years. There are also extensive displays featuring maps, uniforms and other memorabilia, several vehicles and a real LCVP landing craft.

Portsmouth Museum includes a 'Living in Portsmouth' Gallery looking at life in the home with the reconstruction of a 17th century bedchamber, an 1871 dockyard worker's kitchen, a Victorian parlour, a 1930s kitchen and a 1950s living room. The story continues with 'Portsmouth at Play' on the beach, in the cinema, on the football field and dance floor. There is also a Fine and Decorative Art Gallery, which features a wide range of material from the 17th century to the present day; the Portsmouth Picture Gallery with its extensive and important collection of local paintings, prints and drawings.

Southsea Castle was built in 1544. The Castle was part of a series of fortifications constructed by Henry VIII around England's coastline to protect the country from invaders and has many features of interest including a history of the castle, artefacts and displays.

Charles Dickens Birthplace contains furniture, ceramics, glass, household objects and decorations which faithfully recreate the Regency style which Charles' parents would have favoured, although their actual possessions have long since been dispersed. There are three furnished rooms: the parlour, the dining room, and the bedroom where Charles was born. The exhibition room features a display on Charles Dickens and Portsmouth, as well as a small collection of memorabilia: the couch on which he died at his house in Kent, together with his snuff box, inkwell, and paper knife.

Eastney Beam Engine House contains a pair of James Watt beam engines and reciprocal pumps restored to their 1887 condition.

Cumberland House contains displays that introduce the wildlife of the area - past and present - including that of the chalk down land at Portsdown Hill and the bird life of the internationally important wetland, Farlington Marshes. Alongside the natural history displays, there is a glass Butterfly House.

The Collections Development Policy for the City Council’s museum collection is available on the City Council’s web site.

c) Archives

The Records Office holds the official records of Portsmouth City Council which survive from the 14th century; local Anglican and Non-Conformist church registers and records from the 16th century; large collections of material deposited by local businesses, families and other organisations as well as thousands of local maps and plans, photographs and picture postcards.

16. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

Investment Properties	2021/22 £000	2022/23 £000
Gross Income from Investment Property	(9,835)	(10,257)
Gross Expenditure relating to Investment Property	551	1,656
Net Income from Investment Property	(9,284)	(8,601)

The figures above relate to properties meeting the definition of investment properties (namely held solely for income gain or capital appreciation) and resultingly classified as investment properties in these financial statements.

There are no restrictions on the City Council's ability to realise the value inherent in its investment property or on the City Council's right to the remittance of income and the proceeds of disposal.

The following table summarises the movement in the fair value of investment properties over the year. Please note that the presentational format of the note has been changed from that used in previous years.

	2021/22 £000	2022/23 £000
Cost or Valuation		
Balance at 1st April	185,448	197,228
Opening Adjustments	-	-
Revised Balance at 1st April	185,448	197,228
Additions - Purchases	-	-
Revaluation increases/(decreases) to I&E and/or Revaluation Reserve	18,268	(20,502)
Disposals	-	-
Reclassifications from Investment Property Assets under Construction	-	(15)
Reclassifications from/(to) other asset categories	(6,488)	(8,546)
Balance at 31st March	**197,228**	**168,165**
Depreciation and Impairment		
Balance at 1st April		
Opening Adjustments	-	-
Revised Balance at 1st April	-	-
Depreciation Charge in Year	-	-
Depreciation written out on revaluation	-	-
Impairment losses/(reversals) to I&E and/or Revaluation Reserve	-	-
Disposals	-	-
Reclassifications	-	-
Balance at 31st March	**-**	**-**
Net Book Value at start of year	**185,448**	**197,228**
Net Book Value at end of year	**197,228**	**168,165**

Reconciliation with CIES

	2021/22 £000	2022/23 £000
Net income from Investment Property	(9,284)	(8,601)
Revaluation increases/(decreases) to I&E and/or Revaluation Reserve	(18,268)	20,502
	(27,552)	11,901
Less Revaluation increases/(decreases) through Revaluation Reserve	(1)	15
Entry in CIES	(27,553)	11,916

Note - The reclassification of assets to other asset categories represents assets which have been identified as part of an on-going review of investment properties as no longer meeting the definition of an investment property.

Fair Value Hierarchy

Details of the City Council's investment properties and information about the fair value hierarchy as at the 31st March 2023 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2023 £000
Commercial Properties:				
Industrial	-	75,000	-	75,000
Leisure	-	3,012	-	3,012
Retail	-	83,155	-	83,155
Other Investment Properties	-	6,998	-	6,998
Total	**-**	**168,165**	**-**	**168,165**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs - Level 2

The fair value for commercial and other investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the City Council's investment properties, the highest and best use of the properties is their current use.

Additions to Investment Properties

There were no Investment Properties purchased during 2022/23.

Changes in Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

17. Financial Instrument

a) Financial Instrument Balances

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument in another entity. Financial instrument balances exclude statutory transactions such as taxation and benefits as these are not the result of a contract. Therefore, many lines in the balance sheet, such as debtors and creditors, will include financial instruments, but also include other balances that are not financial instruments.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current		Total
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2023 £000
Financial Assets					
Amortised Cost - Investments	47,036	16,863	355,955	342,682	359,545
Amortised Cost - Debtors	37,012	37,233	67,170	51,110	88,343
Amortised Cost - Cash Equivalents			37,598	17,532	17,532
Total financial assets carried at amortised cost	84,048	54,096	460,723	411,324	465,420
Fair value through profit and loss - Investments	9,943	9,700	-	9,943	19,643
Fair value through other comprehensive income - Designated equity instruments	7,725	4,898	-	-	4,898
Total Financial Assets	**101,716**	**68,694**	**460,723**	**421,267**	**489,961**
Financial Liabilities					
Amortised Cost - Borrowings	(762,969)	(746,074)	(19,883)	(18,036)	(764,110)
Amortised Cost - Creditors	-	-	(160,872)	(120,993)	(120,993)
Total Financial Liabilities	**(762,969)**	**(746,074)**	**(180,755)**	**(139,029)**	**(885,103)**

At the 31st March 2018, the City Council held equity shares in Portico, Hampshire Community Bnk, Victory Energy Supply Ltd, and the UK Municipal Bonds Agency Plc. These investments are held to meet service objectives of the City Council and none of the above investments paid a dividend in 2022/23. For more detail see table below:

Description	Nominal £000	Fair Value £000	Change in fair value during 2022/23 £000
Portico Ltd	2,027	5,326	106
Hampshire Community Bnk	3,750	3,750	-
UK Municipal Bonds Agency Plc	150	150	-
Ravelin Housing Ltd	-	(4,328)	(2,933)

Under the Code of Practice for Local Authority Accounting the City Council has opted to irrevocably classify these instruments on 1 April 2018 as measured at fair value through other comprehensive income (FVOCI) on the basis that:

- These are classified as FVOCI assets because contractual terms do not give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- The investments are equity instruments
- The investments are not held for trading

b) Financial Instruments Gains / Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2021/22 Surplus or Deficit on the Provision of Services £000	**2021/22 Other Comprehensive Income and Expenditure £000**	**2022/23 Surplus or Deficit on the Provision of Services £000**	**2022/23 Other Comprehensive Income and Expenditure £000**
Net (gains) / losses on:				
Financial assets measured at fair value through profit or loss	86	-	1,190	-
			-	-
Investments in equity instruments designated at fair value through other comprehensive income	-	1,396	-	2,831
			-	-
Financial assets measured at amortised cost	1,843	-	(713)	-
Total net gains / losses	**1,929**	**1,396**	**477**	**2,831**
Financial assets measured at amortised cost	(2,798)	-	(7,415)	-
Financial assets measured at fair value through profit or loss	(191)	-	(544)	-
Total Interest Revenue	**(2,989)**	**-**	**(7,959)**	**-**
Interest Expense	**26,101**	**-**	**25,792**	**-**

c) Fair Value of Assets Carried at Fair Value

Some of the City Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets measured at Fair Value				
Recurring fair value measurements	**Input level in fair value hierachy**	**Valuation technique used to measure fair value**	**As at 31/3/22 £000**	**As at 31/3/23 £000**
Fair Value through Profit and Loss				
Financial instruments classed as fair value through profit and loss	Level 2 (Other significant observable inputs)	Professionally valued by custodian	9,943	19,643
Fair Value through Other Comprehensive Income				
Equity shareholding in Portico Ltd	Level 2 (Other significant observable inputs)	Net Worth	5,220	5,326
Equity shareholding in Hampshire Community Bnk Ltd	Level 2 (Other significant observable inputs)	Purchase price of shares	3,750	3,750
Equity shareholding in UK Municpal Bonds Agency Plc	Level 2 (Other significant observable inputs)	Purchase price of shares	150	150
Ravelin Housing Ltd	Level 2 (Other significant observable inputs)	Level 2 (Other significant observable inputs)	(1,395)	(4,328)
Total			**7,725**	**4,898**

The equity holdings shown above are not held for trading and has been designated as held at fair value through other comprehensive income.

d) The Fair Value of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described above), all other financial liabilities and financial assets held by the City Council are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows.

Financial Liabilities Held at Amortised Cost	31 March 2022 Carrying amount	31 March 2022 Fair value	31 March 2023 Carrying amount	31 March 2023 Fair value
	£000	£000	£000	£000
Borrowing	(715,818)	(943,383)	(705,713)	(640,065)
Service Concessions and Finance Lease Liabilities	(67,034)	(73,645)	(58,397)	(58,232)
Other Creditors	(160,872)	(160,872)	(120,993)	(120,993)
Total	**(943,724)**	**(1,177,900)**	**(885,103)**	**(819,290)**

The fair value shown above represents the cost of settling the City Council's liabilities. To settle almost two-thirds of the Council's borrowing liabilities would cost less than the amount of the outstanding principal, i.e., the carrying amount. This is because the rates of interest payable on these sums borrowed by the City Council are lower than the interest rates pertaining at the current time.

Financial Assets Held at Amortised Cost	31 March 2022 Carrying amount	31 March 2022 Fair value	31 March 2023 Carrying amount	31 March 2023 Fair value
	£000	£000	£000	£000
Investments	440,588	451,045	377,077	402,444
Debtors	104,182	120,379	88,343	97,131
Total	**544,770**	**571,424**	**465,420**	**499,575**

The fair value and the carrying amount of the City Council's portfolio of investments this year is broadly similar, indicating that the interest rate receivable is broadly the same as the rates available at the Balance Sheet date.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31 March 2022			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Total £000**
Financial liabilities				
Financial liabilities held at amortised cost:				
Borrowing	-	(943,383)	-	(943,383)
Service Concessions and Finance Lease Liabilities	-	(73,645)	-	(73,645)
Other creditors	-	(160,872)		(160,872)
Total	**-**	**(1,177,900)**	**-**	**(1,177,900)**
Financial Assets				
Financial assets held at amortised cost:				
Investments	-	451,045	-	451,045
Debtors	-	120,379	-	120,379
Total	**-**	**571,424**	**-**	**571,424**

	31 March 2023			
	Quoted prices in active markets for identical assets (Level 1)	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurements using:	**£000**	**£000**	**£000**	**£000**
Financial liabilities				
Financial liabilities held at amortised cost:				
Borrowing	-	(640,065)	-	(640,065)
Service Concessions and Finance Lease Liabilities	-	(58,232)	-	(58,232)
Other creditors	-	(120,993)		(120,993)
Total	**-**	**(819,290)**	**-**	**(819,290)**
Financial Assets				
Financial assets held at amortised cost:				
Investments	-	402,444	-	402,444
Debtors	-	97,131	-	97,131
Total	**-**	**499,575**	**-**	**499,575**

The fair values of financial liabilities and financial assets that are not measured at fair value included in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

£575.8m of the fair value of borrowing at the 31st March 2023 (£847.2m at the 31st March 2022) represents loans from the Public Works Loans Board (PWLB). The fair value of PWLB loans of £575.8m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount of £626.1m at the 31st March 2023 and the fair value, measures the lower level of interest that the City Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the City Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £626.1m would be valued at £482.7m. If the City Council were to seek to take advantage of this projected gain by repaying the loans to the PWLB, the PWLB would offer a discount for early redemption of £50.3m, based on the redemption interest rates. The exit price for the PWLB loans including the discount would be £575.8m.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial Assets	Financial Liabilities
- no early repayment or impairment is recognised - estimated ranges of interest rates at 31 March 2023 of 4.15% to 4.85% for loans receivable, based on new lending rates for equivalent loans at that date - the fair value of trade and other receivables is taken to be invested at the billed amount	- no early repayment is recognised - estimated ranges of interest rates at 31 March 2023 of 3.31% to 4.78% for loans payable based on new lending rates for equivalent loans at that date

18. Risks arising from Financial Instruments

The City Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the City Council
- Liquidity risk – the possibility that the City Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the City Council due to movements in interest rates and market levels

The City Council's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is conducted by a central treasury team using policies approved by the City Council in the Annual Treasury Management Strategy.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, and credit exposures to the City Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also provides a maximum amount to be invested with any single counterparty.

Customers are assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the City Council.

The City Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed in general, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all the City Council's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

The following analysis summarises the City Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and un-collectability, adjusted to reflect current market conditions. The ongoing increased cost of food and fuel is likely to have increased the City Council's exposure to credit risk, although the amount of outstanding debtors as at 31 March 2023 is lower than in the previous year. Council tax and non-domestic rates are excluded from the table below, as they are not financial instruments. This is because they are statutory debts and do not arise from contracts. Additionally, the City Council's treasury management investments and finance lease debtors are also excluded as there is no experience of default (i.e., principal not being repaid with any interest due) by these debtors, they are in a financially strong position, and the probability of them defaulting is thought to be extremely low.

	Amount at 31 March 2023 (Net of bad debt provision) £000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 March 2023 % C	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2023 £000 (A x C)	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2022 £000
Advances to commercial companies	20,239	0.0	0.5	101	44
Customers	35,268	4.7	9.1	3,208	3,858
Housing rents	607	0.4	3.4	21	5
Housing loans	3,639	0.0	0.0	0	0
				3,329	**3,906**

The City Council does not generally allow credit for customers. However, there is a balance of £7.8m that is past its due date for payment. This can be analysed by age as follows:

	£000
Less than three months	2,365
Three to six months	528
Six months to one year	650
More than one year	4,267
	7,810

The City Council attempts to recover outstanding debts until it is no longer economically viable to do so.

Liquidity Risk

£11m of the City Council's borrowing is through a lender's option borrower's option (LOBO) loan. Under this arrangement FMS Wertmanagement has the option to increase the interest rate every two years. If FMS Wertmanagement were to increase the interest rate, the City Council has the right to repay the loan without penalty.

A further £62.9m of the Council's borrowing is through an arrangement which takes the legal form of leases but is in substance borrowing. Under this arrangement the Council leased the site of the Wightlink Ferry Terminal to Canada Life in return for a lump sum premium. The Council then leased the site back from Canada Life in return for a rent which is linked to the retail price index (RPI).

The remainder of the City Council's borrowing consists of fixed rate PWLB debt. These loans have a weighted average remaining term of 29 years. In real terms the value of the debt will be substantially eroded through the remainder of its term by inflation. The PWLB also allows debt to be rescheduled prior to maturity although this may necessitate paying a premium to the PWLB.

The maturity profile of borrowing is as follows:

Outstanding 31 March 2022 £000	% of Total Portfolio %	Total Financial Liabilities	Outstanding 31 March 2023 £000	% of Total Portfolio %
633,720	76	Public Works Loans Board	626,108	78
77,555	9	Other Institutions (borrowing)	75,122	10
123,803	15	Trade Payables	97,859	12
835,078	**100**		**799,089**	**100**
		Analysis of Loans by Maturity		
133,847	16	Within 1 year	107,891	14
10,032	1	Between 1 and 2 years	9,645	1
28,236	3	Between 2 and 5 years	27,912	3
89,822	11	Between 5 and 10 years	89,930	11
47,383	6	Between 10 and 15 years	55,501	7
61,275	7	Between 15 and 20 years	55,329	7
24,281	3	Between 20 and 25 years	15,496	2
33,376	4	Between 25 and 30 years	51,016	6
97,692	12	Between 30 and 35 years	93,750	12
128,134	15	Between 35 and 40 years	111,619	14
68,000	8	Between 40 and 45 years	68,000	9
113,000	14	Between 45 and 50 years	113,000	14
835,078	**100**		**799,089**	**100**

Market Risk - Interest Rate Risk

The City Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the City Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – no impact apart from the LOBO loan that is subject to an interest rate review by the lender in March 2025.
- Borrowings at fixed rates – the fair value of the borrowings will fall.
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates – the fair value of investments will fall. Where fixed rate investments have short maturities, the effect is like that for variable rate investments, as the replacement investments will generate more income to the Comprehensive Income and Expenditure Statement.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound.

The City Council has a number of strategies for managing interest rate risk. In particular, the City Council aims to manage its investment maturity profile to ensure that no single month exposes the City Council to a substantial re-investment requirement when interest rates may be relatively low.

The treasury management team has an active strategy for assessing interest rates. This allows adverse changes to be accommodated. The analysis also informs whether new borrowings and investments undertaken are at fixed or variable rates.

According to this assessment strategy, at the 31st March 2023, if interest rates had been 0.5% higher with all other variables held constant, the financial effect would be an increase in investment income of £1.9m. The impact of a 0.5% fall in interest rates would have been a reduction in investment income of £1.9m.

19. Long-term Debtors

2021/22 £000		2022/23 £000
11,797	Finance Lease Debtors	11,667
12,914	Portico Shipping Limited	14,189
-	Pension fund contributions paid in advance	
12,301	Other	11,377
37,012		**37,233**

20. Short-term Debtors

2021/22 £000	Outstanding Debtors at 31st March (Net of Bad Debt Provision)	2022/23 £000
1,384	Council Tax debtor (between preceptor/billing authority)	1,325
20	NNDR retained income debtor (between preceptor/billing authority)	-
987	NNDR (debtor for prior overpayments due back from MHCLG)	-
24,896	Council Tax receivable from taxpayers	27,083
4,253	Non domestic rates receivable from taxpayers	3,441
36,304	Trade debtors	36,761
10,461	Government Departments	14,371
5,785	Housing Benefits	5,698
3,281	Housing Rents	3,207
9,576	Other debtors	5,305
20,980	Prepayments & accrued income	11,200
(34,497)	Provision for bad debts	(34,520)
83,430		73,871

21. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2022 £000		31 March 2023 £000
896	Cash held by the Authority	933
(3,822)	Bank current accounts	(11,306)
41,420	Investments in money market funds and instant access deposit accounts	28,838
38,494		**18,465**

The City Council's cash and cash equivalents mainly consist of instant access investments in money market funds.

22. Short-term Creditors

2021/22 £000	Outstanding Creditors at 31st March	2022/23 £000
(35,286)	Trade Creditors	(35,465)
(17,487)	NDR taxpayer receipts not yet paid to Government	(19,402)
(901)	Council Tax refundable to taxpayers	(1,391)
(999)	Non domestic rates refundable to taxpayers	(1,259)
(18,600)	Government Departments	(6,102)
(34,068)	Other creditors	(19,966)
(54,449)	Receipts in Advance	(42,427)
(161,790)		**(126,012)**

23. Provisions

	Short Term £000	Long Term £000	Total £000
Balance at 31 March 2021	**(3,809)**	**(6,471)**	**(10,280)**
Additional provisions made in 2021/22	(4,423)	(13,027)	(17,450)
Amounts used in 2021/22	-	-	-
Provisons not required written back in 2021/22	2,170	10,963	13,133
Balance at 31 March 2022	**(6,062)**	**(8,535)**	**(14,597)**
Additional provisions made in 2022/23	(1,616)	(9,740)	(11,356)
Amounts used in 2022/23	3,716	23	3,739
Provisons not required written back in 2022/23	1,084	14,456	15,540
Balance at 31 March 2023	**(2,878)**	**(3,796)**	**(6,674)**

Provision for Appeals by Non-Domestic Rate Payers - £5m (£9.4m in 2021/22)

In 2022/23 the City Council retained 49% of non-domestic rates collected. The amounts of non-domestic rates collected are affected by appeals, both lodged and potential appeals that have yet to be lodged, against the rateable values of non-domestic properties. Owing to the 2017 revaluation a new set of appeals are expected across the rating list. The City Council has based its 22/23 provision on the information provided by Analyse Local and other information in the Council's possession. Previously we had been using the Government's national average of 4.7%, however now that 5 years has passed since the inception of the 2017 list, we feel that Analyse Local's detailed estimations are a more appropriate measure. On this basis the Council has made a provision of £5m in 2022/23.

24. Other Long-term liabilities

2021/22 £000		2022/23 £000
(13,018)	Assets transferred from Hampshire County Council	(12,815)
(45,278)	Service Concessions (including PFIs)	(41,740)
(9,092)	Lease holder contributions	(9,106)
(7,356)	Other	(4,013)
(74,744)		**(67,674)**

25. Unusable Reserves

March 2022 £000		31 March 2023 £000
(272,722)	Revaluation Reserve	(288,602)
(1,441)	Financial Instruments Revaluation Reserve	1,272
(916,389)	Capital Adjustment Account	(1,014,149)
3,908	Financial Instruments Adjustment Account	3,731
338,178	Pensions Reserve	63,173
9,491	Collection Fund Adjustment Account	(9,911)
4,155	Accumulating Compensated Absences Adjustment Account	3,766
(11,884)	Deferred Capital Receipts	(11,781)
(846,704)	**Total Unusable Reserves**	**(1,252,501)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the City Council arising from increases in the value of its non-current assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

The Reserve contains only gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

2021/22 £000	£000		2022/23 £000	£000
(211,760)		**Balance at 1 April**		**(272,722)**
(65,231)		Revaluations		(22,066)
	4,269	Difference between fair value depreciation and historic cost depreciation	5,889	
	-	Accumulated gains on assets sold or scrapped	297	
4,269		Amount written off the Capital Adjustment Account		6,186
(272,722)		**Balance at 31 March**		**(288,602)**

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation and impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The CAA is credited with the amounts set aside by the City Council as finance for the costs of acquisition, construction, and enhancement. The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the City Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note nine provides details of the usable reserves side of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

2021/22			2022/23	
£000	**£000**		**£000**	**£000**
	(802,438)	**Balance at 1 April**		**(916,389)**
		Reversal of items relating to capital expenditure		
40,940		- Charges for depreciation, amortisation, revaluations up/down in CIES and impairment of non current assets	14,244	
52,568		- Revenue expenditure funded from capital under statute	28,289	
8,570		- (Gain) / loss on disposal	4,792	
2,020		Loan Repayments	3,410	
	104,098			50,735
	(4,269)	Adjusting amounts written out of Revaluation Reserve		(6,186)
	(702,609)	Net written out amount of the cost of non current		(871,840)
		Capital financing applied in the year:		
(7,766)		- Use of Capital Receipts Reserve to finance new capital expenditure	(2,445)	
(26,316)		- Use of Major Repairs Reserve to finance new capital expenditure	(34,848)	
(115,652)		- Application of grants and contributions to finance new capital expenditure	(98,562)	
(10,311)		- Statutory provision for the financing of capital investment charges against the General Fund and HRA balances	(10,458)	
(1,323)		- Capital receipts set aside for the repayment of debt	(1,594)	
(34,144)		- Capital expenditure charged against the General Fund and HRA balances	(14,919)	
	(195,512)			(162,826)
	(18,268)	Movements in the market value of investment		20,517
	(916,389)	**Balance at 31 March**		**(1,014,149)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits in accordance with statutory provisions. The City Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as the City Council makes employer’s contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve as outlined below therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the City Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come due to be paid.

2021/22 £000		2022/23 £000
497,410	**Balance at 1 April**	**338,178**
(54,854)	Return on plan assets	84,430
(149,032)	Actuarial (gains) and losses on pensions assets and liabilities	(398,079)
66,857	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	62,262
(22,203)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,618)
338,178	**Balance at 31 March**	**63,173**

Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income from council taxpayers and business rates payers in the Comprehensive Income and Expenditure Statement as it falls due, compared with the statutory accounting arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22 £000		2022/23 £000
25,267	**Balance at 1 April**	**9,491**
(15,776)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(19,402)
9,491	**Balance at 31 March**	**(9,911)**

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the City Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

Part of the rental income from finance leases is used to write down the long-term debtor. Legislation requires all the income relating to finance leases predating IFRS to be credited to revenue. Therefore, when operating leases were reclassified as finance leases a deferred capital receipt was established at the same time as the long-term debtor. The deferred capital receipt is released through the Movement in Reserves Statement as the long-term debtor is written down.

2021/22 £000		2022/23 £000
(11,981)	**Balance at 1 April**	**(11,884)**
-	Transfer to Capital Receipts Reserve upon receipt of cash	-
97	Transfer to Comprehensive Income and Expenditure Statement to mitigate the effect of leases being reclassified under IFRS	103
(11,884)	**Balance at 31 March**	**(11,781)**

26. Notes to the Cash Flow Statement

(a) Operating Activities

The cash flows for operating activities include the following items:

2021/22 £000		2022/23 £000
3,305	Interest received	5,904
(26,852)	Interest paid	(26,393)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2021/22 £000		2022/23 £000
47,078	Depreciation	51,809
(13,330)	Impairment and downward valuations	(36,501)
104	Amortisation	88
-	Increase/(decrease) in impairment for bad debts	-
46,367	Increase/(decrease) in creditors	(38,921)
13,219	(Increase)/decrease in debtors	10,251
192	(Increase)/decrease in inventories	(116)
44,653	Movement in pension liability	38,645
8,570	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	4,792
(22,593)	Other non-cash items charged to the net surplus or deficit on the provision of services	11,682
124,260		**41,729**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2021/22 £000		2022/23 £000
(7,003)	Proceeds from sale of property, plant and equipment, investment property and intangible assets.	(6,632)
(115,973)	Any other items for which the cash effects are investing or financing cash flows	(97,723)
(122,976)		**(104,355)**

(b) Investing & Financing Activities

2021/22 £000	Investing Activities	2022/23 £000
(160,009)	Purchases of property, plant and equipment, investment property and intangible assets	(171,041)
(978,124)	Purchase of short-term and long-term investments	(1,080,942)
(2,557)	Other payments for investing activities	(1,052)
7,003	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,571
923,055	Proceeds from short-term and long-term investments	1,114,982
150,126	Other receipts from investing activities	112,913
(60,506)	**Net cash flows from investing activities**	**(18,569)**

2021/22 £000	Financing Activities	2022/23 £000
-	Cash receipts of short and long term borrowing	(264)
(5,810)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(5,308)
(10,519)	Repayments of short and long term borrowing	(10,251)
25,806	Other payments for financing activities	22,651
9,477	**Net cash flows from financing activities**	**6,828**

(c) Reconciliation of Liabilities Arising from Financing Activities

	2021/22 01-Apr	Financing Cashflows	Non-cash Changes Acquisition	Changes in Fair Value	Other Non-cash Changes	2021/22 31-Mar
	£000	£000	£000	£000	£000	£000
Long Term						
- Borrowings	(711,283)	10,324	-	-	(285)	(701,244)
- Lease Liabilities	(869)	-	-	-	-	(869)
- On Balance Sheet PFI Liabilities	(50,506)	5,226	-	-	2	(45,278)
- Other	(28,154)	211	-	-	(654)	(28,597)
	(790,812)	15,761	-	-	(937)	(775,988)
Short Term						
- Borrowings	(14,618)	(16)	-	-	60	(14,574)
- Lease Liabilities	-	-	-	-	-	-
- On Balance Sheet PFI Liabilities	(5,892)	584	-	-	-	(5,308)
- Other	-	-	-	-	-	-
	(20,510)	568	-	-	60	(19,882)
Total Liabilties from Financing Activities	**(811,322)**	**16,329**	**-**	**-**	**(877)**	**(795,870)**

	2022/23 01-Apr	Financing Cashflows	Non-cash Changes Acquisition	Changes in Fair Value	Other Non-cash Changes	2022/23 31-Mar
	£000	£000	£000	£000	£000	£000
Long Term						
- Borrowings	(701,244)	10,037	-	-	(8)	(691,215)
- Lease Liabilities	(869)	-	-	-	-	(869)
- On Balance Sheet PFI Liabilities	(45,278)	3,538	-	-	-	(41,740)
- Other	(28,597)	203	-	-	3,329	(25,065)
	(775,988)	13,778	-	-	3,321	(758,889)
Short Term						
- Borrowings	(14,574)	11	-	-	65	(14,498)
- Lease Liabilities	-	-	-	-	-	-
- On Balance Sheet PFI Liabilities	(5,308)	1,770	-	-	-	(3,538)
- Other	-	-	-	-	-	-
	(19,882)	1,781	-	-	65	(18,036)
Total Liabilties from Financing Activities	**(795,870)**	**15,559**	**-**	**-**	**3,386**	**(776,925)**

Note 1 - The other non-cash changes include an interest accrual adjustment.

Note 2 - The net cash flows from financing activities additionally includes £22.7m (£25.8m in 2021/22) of collection fund entries which do not form part of the liabilities on the balance sheet.

27. Agency Services

Portsmouth City Council has one significant agency arrangement this year in relation to the administration of Covid-19 Restart Grants on behalf of the Government. The associated income and expenditure relating to the Council Tax Rebates agency arrangement was £11.98m; however, in line with agency accounting these entries have been removed from income and expenditure. There are no management costs associated with administering this, as existing resources were reprioritised instead.

There is no other significant agency arrangement, except under the City Council's statutory responsibilities to collect Council Tax and Business Rates on behalf of the Department for Levelling Up, Housing and Communities, Hampshire Police & Crime Commissioner and Hampshire Fire & Rescue Authority.

28. Pooled Budgets and Joint Arrangements

The City Council is currently involved in joint arrangements with NHS Hampshire and Isle of Wight Integrated Commissioning Board (ICB) (formerly NHS Portsmouth Clinical Commissioning Group) and Solent NHS Trust. These are accounted for as joint operations under IFRS11.

(a) Health & Care Portsmouth Commissioning (formerly Integrated Commissioning Unit)

The City Council is the host partner of a joint arrangement with NHS Hampshire and Isle of Wight Integrated Commissioning Board under a section 75 agreement. This agreement was effective from the 2022/23 year and continues until both parties agree to terminate the agreement. The purpose of the arrangement is to commission a range of health and social care services for vulnerable people.

	2021/22		**2022/23**	
	£000	**£000**	**£000**	**£000**
Gross Income				
Portsmouth City Council	(438)		(438)	
NHS Hampshire & Isle of White ICB	(514)		(514)	
		(952)		(952)
Expenditure		675		763
(Surplus)/Deficit*		**(277)**		**(189)**
Council's share of the surplus		(111)		(101)

* Note - The City Council's surplus was carried forward in accordance with the section 75 agreement whereas £88k of the ICB's surplus was repayable to the ICB at year end.

(b) Continuing Health Care (CHC)

The City Council is host partner in this joint arrangement with Hampshire & Isle of Wight Integrated Commissioning Board under a section 75 agreement. This agreement was effective from the 2022/23 year and continues until both parties agree to terminate the agreement. The purpose of the arrangement is to provide ongoing healthcare to those assessed as having a primary need arising from a disability, accident or illness.

	2021/22		2022/23	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(44,998)		(52,624)	
NHS Hampshire & Isle of White ICB	(22,051)		(20,989)	
		(67,049)		(73,613)
Expenditure		64,565		73,722
(Surplus)/Deficit*		**(2,484)**		**109**
Council's share of the (surplus)/deficit		-		-

* Note - The surplus was carried forward in accordance with the section 75 agreement by the ICB.

(c) Early Help and Prevention Services (EHPS)

The City Council is a partner in a joint working arrangement hosted by Solent NHS Trust under a section 75 agreement that was agreed in November 2019. The purpose of the arrangement is to deliver integrated care services to those aged 0 to 19 years old.

	2021/22		2022/23	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(6,499)		(6,801)	
Solent NHS Trust	(366)		(440)	
		(6,865)		(7,241)
Expenditure		6,921		7,241
(Surplus)/Deficit*		**56**		**-**
Council's share of the (surplus)/deficit		56		-

29. Members' allowances

The total amount of members' allowances paid in 2022/23 was £0.73m (£0.68m in 2021/22). Detailed information on members' allowances is available from the Director of Finance & Resources (Section 151 Officer) at the following address - Civic Offices, Guildhall Square, Portsmouth, PO1 2AR.

30. Officers' remuneration

a) Remuneration over £50,000

Detailed below are the number of employees, in the accounting period, whose remuneration paid fell in each bracket of a scale in multiples of £5,000 commencing at £50,000. This analysis includes the remuneration paid to Senior Officers, which is also separately disclosed.

2021/22 Number of employees		2022/23 Number of employees
71	£50,000 to £54,999	127
68	£55,000 to £59,999	61
46	£60,000 to £64,999	65
30	£65,000 to £69,999	36
19	£70,000 to £74,999	21
19	£75,000 to £79,999	14
5	£80,000 to £84,999	11
5	£85,000 to £89,999	5
3	£90,000 to £94,999	1
1	£95,000 to £99,999	5
2	£100,000 to £104,999	3
5	£105,000 to £109,999	4
-	£110,000 to £114,999	-
1	£115,000 to £119,999	2
1	£120,000 to £124,999	2
-	£125,000 to £129,999	-
-	£130,000 to £134,999	-
-	£135,000 to £139,999	1
2	£140,000 to £144,999	-
-	£145,000 to £149,999	1
1	£150,000 to £154,999	-
-	£155,000 to £159,999	-
-	£160,000 to £164,999	-
-	£165,00 to £169,999	1
-	£170,000 to £174,999	-
-	£175,000 to £179,999	-
-	£180,000 to £184,999	-
-	£185,000 to £189,999	-
1	£190,000 to £194,999	-
-	£195,000 to £199,999	1
-	£200,000 to £204,999	-
280		361

b) Senior Officer Emoluments

The following tables set out the remuneration paid to Senior Officers; whose salary in 2021/22 and 2022/23 was either more than £150,000 or the officer is:

- a statutory chief officer, or;
- reports directly to the Chief Executive, or;
- accountable to the City Council itself or any of the City Council's committees or sub-committees.

2021/22	Salary & Allowances	Bonuses, Expenses, Compensation for loss of office, Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post Title	**£**	**£**	**£**	**£**	**£**
David Williams - Chief Executive (Head of Paid Service) (Note 1)	194,794	-	194,794	35,647	230,441
City Solicitor (Monitoring Officer) (Note 1)	97,467	-	97,467	17,836	115,303
Director of Adult Social Services	109,453	-	109,453	20,468	129,921
Director of Children Services & Education (until July 2021)	50,918	-	50,918	9,318	60,236
Director of Children Services & Education (from August 2021 until December 2021)	This post was temporarily filled via an agency and was not paid through the Council's payroll but instead via invoice. In total £49,587 was paid.				
Director of Children Services & Education (from January 2022)	29,144	-	29,144	6,132	35,276
Director of Finance & Revenues (s151 Officer) (Notes 1 & 2)	144,965	-	144,965	26,528	171,493
Director of Public Health (Statutory Role)	119,631	-	119,631	17,203	136,834
Port Director	121,123	-	121,123	22,165	143,288
Anne-Marie Mountifield - Solent Local Enterprise Partnership Chief Executive	153,386	-	153,386	28,069	181,455
Corporate Strategy Manager	75,544	-	75,544	13,824	89,368
Director of Corporate Services	105,898	-	105,898	19,379	125,277
Director of Culture & Regulatory Services	100,292	-	100,292	19,010	119,302
Director of Housing, Neighbourhood & Building Services (Note 1)	105,898	-	105,898	19,379	125,277
Director of Regeneration	141,177	-	141,177	26,491	167,668

Note 1: From October 2016, the City Council entered into a shared management arrangement with Gosport Borough Council. This arrangement involves sharing City Council senior officers with Gosport Borough Council, for which the City Council receives payment.

Note 2: From April 2016, the Director of Finance & Resources took on the additional role of providing Chief Finance Officer and Section 151 Officer services to Isle of Wight Council. They continue to be formally employed by the City Council, with the Isle of Wight Council paying for this service.

2022/23	Salary & Allowances	Bonuses, Expenses, Compensation for loss of office, Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post Title	**£**	**£**	**£**	**£**	**£**
David Williams - Chief Executive (Head of Paid Service) (Note 1)	196,620	-	196,620	36,000	232,620
City Solicitor (Monitoring Officer) (Note 1)	101,685	-	101,685	18,606	120,291
Director of Corporate Services	107,823	-	107,823	19,732	127,555
Director of Adult Care	116,126	-	116,126	21,251	137,377
Director of Children Services & Education (from January 2022)	117,858	-	117,858	21,568	139,426
Director of Finance & Revenues (s151 Officer) (Notes 1 & 2)	147,945	-	147,945	27,086	175,031
Director of Public Health (Statutory Role)	123,048	-	123,048	17,694	140,742
Port Director	123,067	-	123,067	22,518	145,585
Anne-Marie Mountifield - Solent Local Enterprise Partnership Chief Executive	168,541	-	168,541	30,836	199,377
Corporate Strategy Manager	74,824	-	74,824	14,240	89,064
Director of Culture & Regulatory Services	102,735	-	102,735	19,732	122,467
Director of Housing, Neighbourhood & Building Services (Note 1)	107,823	-	107,823	19,732	127,555
Director of Regeneration	136,108	-	136,108	25,854	161,962

Note 1: From October 2016, the City Council entered into a shared management arrangement with Gosport Borough Council. This arrangement involves sharing City Council senior officers with Gosport Borough Council, for which the City Council receives payment.

Note 2: From April 2016, the Director of Finance & Resources took on the additional role of providing Chief Finance Officer and Section 151 Officer services to Isle of Wight Council. They continue to be formally employed by the City Council, with the Isle of Wight Council paying for this service.

c) Exit Packages

The numbers of exit packages committed during 2022/23, including the total cost per band and total cost of the compulsory and other redundancies, are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band (£)	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0-£20,000	2	2	6	14	8	16	24,335	101,267
£20,001 - £40,000	-	2	9	2	9	4	34,178	94,776
£40,001 - £60,000	-	-	2	1	2	1	33,687	23,177
£60,001 - £80,000	-	1	2	1	2	2	113,689	135,670
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	1	-	-	-	1	-	159,722
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-
Total	**2**	**6**	**19**	**18**	**21**	**24**	**205,889**	**514,613**

Note - One exit package in the above figures was disputed during 2021/22 and therefore was not fully included in the 2021/22 figures with the residual being included in the 2022/23 figures above.

The total cost of £514,613 in the table above is included in the City Council's Comprehensive Income and Expenditure Statement for 2022/23.

31. External Audit Costs

This note discloses the fees paid to our appointed auditors EY (Ernst & Young LLP) for audit services conducted, under the Code of Audit Practice, in 2022/23. The fees shown exclude VAT.

2021/22 £000		2022/23 £000
129	External Audit Services	138
-	Other	-
129	Total paid to EY	138

No other non-statutory services were provided to the City Council by EY.

Note 1 - This disclosure includes the auditors revised scale fee of £138k (as advised by Public Sector Audit Appointments (PSAA)). The figures do not include either; any rebasing of the scale fee, any unagreed additional audit fees, any additional fees charged in respect of prior year audits paid in year, or any external audit work undertaken by firms other than our appointed auditor EY or any rebates from PSAA.

Note 2 - National Fraud Initiative work is not undertaken by EY so is not included in the figures above. Instead, these services used to be provided by the Audit Commission but is now the responsibility of the National Audit Office.

32. Dedicated Schools Grant

The City Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education. The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the overall schools budget, as defined in the School Finance (England) Regulations 2008. The schools budget includes elements for a range of educational services on a city-wide basis provided by the City Council. It also provides for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	2021/22			2022/23		
	Central Exp £000	**Schools Budget £000**	**Total £000**	**Central Exp £000**	**Schools Budget £000**	**Total £000**
Final DSG for current year before academy recoupment	2,047	173,019	175,066	24,858	160,310	185,168
Academy figure recouped for current year	-	(99,403)	(99,403)	-	(106,641)	(106,641)
Total DSG after Academy recoupment for current year	**2,047**	**73,616**	**75,663**	**24,858**	**53,669**	**78,527**
Brought forward from prior year	5,969	67	6,036	8,319	135	8,454
Carry forward to next year agreed in advance	-	-	-	-	-	-
Agreed initial budgeted distribution in current year	**8,016**	**73,683**	**81,699**	**33,177**	**53,804**	**86,981**
In year adjustments	-	(355)	(355)	-	228	228
Final budget distribution for current year	**8,016**	**73,328**	**81,344**	**33,177**	**54,032**	**87,209**
Less actual central expenditure	1,757	-	1,757	23,769	-	23,769
Less Actual ISB deployed to schools	-	71,133	71,133	-	53,528	53,528
Plus Local authority contribution for current year	-	-	-	-	-	-
Carry forward to next year	**6,259**	**2,195**	**8,454**	**9,408**	**504**	**9,912**

Note - DFE have clarified a few points for 22/23 on the split between central expenditure and schools budgets, and business rates charged to academy schools. This has resulted in the central expenditure and schools budget figures looking quite different for 22/23 compared with 21/22.

33. Taxation and Grant Income

The City Council credited the following tax, grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2021/22 £000	2022/23 £000
Credited to Services		
Rent Allowance Subsidy	(37,279)	(33,931)
HRA Rent Rebates Subsidy	(32,509)	(31,701)
Public Health Grant	(18,019)	(18,605)
Dedicated Schools Grant	(72,883)	(76,627)
Other grants	(47,467)	(42,178)
	(208,157)	(203,042)
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(11,734)	(12,097)
Retained Non Domestic Rates	(47,162)	(54,521)
Retained Non Domestic Rates (Top Up Grant)/Tariff	(6,952)	(6,952)
PFI Grant	(11,521)	(11,521)
Other Grants	(23,782)	(18,138)
Income from Council Tax	(87,850)	(92,473)
Capital Grants and Contributions	(63,600)	(63,724)
	(252,601)	(259,426)

The City Council has received several grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2021/22 £000	2022/23 £000
Capital Grants Receipts in Advance		
Government Grants	(88,405)	(98,234)
Other Grants & Contributions	(10,526)	(24,764)
	(98,931)	(122,998)

Revenue grants receipts in advance for 2022/23 were £20.5m (2021/22 £30.3m).

34. Related parties

The City Council is required to disclose material transactions with related parties, being defined as bodies or individuals that have the potential to control or influence the City Council, or to be influenced or controlled by the City Council. Disclosure of these transactions allows readers to assess the extent to which the City Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's behaviour or actions.

United Kingdom Government

The UK Government has effective control over the general operations of the City Council. The Government It is responsible for providing the statutory framework, within which the City Council operates, provides most of the City Council's funding in the form of grants and prescribes the terms of many of the transactions that the City Council concludes with other parties.

Members

Members of the City Council have direct control over the City Council's financial and operating policies. The City Council paid £774,135 to organisations and received £848,627 from organisations where council members had been appointed by the City Council to positions on the governing body.

During 2022/23 £14,015,250 was paid to companies in which Council Members had an interest. This included:

- £13,817,110 paid to the Hampshire Police and Crime Commissioner, consisting of a precept of £13,802,110 and a payment of £15,000 for a contract for the delivery of a scheme relating to Independent Domestic Abuse Advocates.
- £6,500 was paid to Highbury Area Community Association, as a contribution to staff costs.
- £188,803 was paid to Solent Mind mainly for Adult Mental Health and related services.
- £640 was paid to The Moving on Project Portsmouth (MOPP) for Storage Boxes and Furniture.
- £800 was paid to St Thomas Cathedral for a one-time grant
- £720 was paid to Baffins Pond Association for a one-time grant
- £350 was paid to Milton Neighbourhood Planning Forum as a Contribution towards printing costs

During 2022/23 £1,581,958 was received from companies in which Council Members had an interest. This included:

- £1,502,914 was received from the Police and Crime Commissioner, largely for work to alleviate domestic abuse and violence reduction.
- £26,950 was received from Hampshire and Isle of Wight Fire and Rescue, Construction Works and Admin Expenses
- £22,106 was received from Highbury Area Community Association, largely consisting of recharges for staff time.
- £16,953 was received from Portsmouth Sailing Club for Licensing Fees
- £4,933 was received from Portchester Sailing Club for Mooring Fees
- £467 was received from New Apollo Theatre for use of the round tower
- £318 was received from The Moving on Project Portsmouth for Pest control
- £250 was received from St Thomas Cathedral for Licensing Fees
- £180 was received from Kadir's Restaurant for Licensing Fees
- £95 was received from Solent Mind for use of Cosham Community Centre and a share of a training course fee

Details of these interests are available for inspection, by appointment, by contacting the City Solicitor (Monitoring Officer) on 023 9283 4041.

Governing Bodies of Maintained Schools

In accordance with the requirements of the Code of Practice, these "single entity" financial statements include all income, expenditure, assets and liabilities of the City Council's maintained schools. Whilst the City Council has responsibility for distributing funding to its maintained schools under the Funding Framework (based on the legislative provisions in the School Standards and Framework Act 1998), the responsibility for spending this budget is delegated to the governing body of the school concerned. The City Council is therefore restricted in the extent to which it controls the income, expenditure, assets and liabilities included in its financial statements which relate to its maintained schools. At the reporting date, the City Council operated twelve maintained schools (excluding nurseries). Non-current assets with a net book value of £66.7m were recognised in relation to these schools.

Officers

Officers are bound by the City Council's Code of Conduct which seeks to prevent related parties exerting undue influence over the City Council. Senior officers are required to declare any transactions with the City Council. During 2022/23 £875 was paid to Hampshire Chamber of Commerce and £2,438 was paid to the National Oceanography Centre. £11,616 was received from Maritime UK and £1,600 was received from the National Oceanography Centre. No further transactions have been disclosed.

Other public bodies

The Portchester Crematorium Joint Committee (PCJC) is a jointly controlled operation of the Council which manages the operations of Portchester Crematorium. The Joint Committee is represented equally by four constituent authorities: Fareham Borough Council, Gosport Borough Council, Havant Borough Council and Portsmouth City Council. In 2022/23, PCJC paid a contribution of £170,000 to the Council (£180,000 in 2021/22). £18,665 was also received from PCJC for works relating to grounds maintenance.

The following amounts were raised in year for receivables and payables in respect of other related public sector bodies:

	Paid £	Received £	Net Total £
Gosport Borough Council	61,171	(1,662,453)	(1,601,281)
Isle of Wight Council	32,897	(166,225)	(133,328)

Payments were made to Gosport Borough Council for printing services. Payments were received from Gosport Borough Council for several shared services including senior management.

Payments were made to the Isle of Wight Council for adoption services and special education. Payments were received from the Isle of Wight Council for fostering, audit services, and shared management.

Joint working arrangements

Since 2016/17, the City Council has an arrangement with the Isle of Wight Council for a shared Chief Financial Officer and Section 151 Officer.

Also in 2016/17, shared senior management support was agreed between the City Council and Gosport Borough Council. The arrangement included the sharing of the Chief Executive, City Solicitor (Monitoring Officer) and Director of Finance roles from 1 October 2016 in addition to sharing several third-tier roles.

The directors involved do influence spending decisions at each authority however, governance arrangements and their independent and professional status ensure that the relationships are not compromised.

Entities Controlled or Significantly Influenced by the City Council

Portsmouth City Council trades extensively with its subsidiary companies, Portico Shipping Limited and Ravelin Group. The City Council appoints directors to its subsidiary companies and HCB Holdings Ltd. The Director of Finance and Resources, or the Deputy Director of Finance are a director of all these companies. For information on the nature of these entities and transactions in the year relating to them, please refer to Note 35.

In December 2010, Portsmouth City Council created an independent not for profit organisation called the Guildhall Trust (previously Portsmouth Cultural Trust) to take over the running of the Portsmouth Guildhall. As part of the Partnering and Funding Agreement between Portsmouth City Council and the Guildhall Trust, an annual revenue contribution has been paid to the Guildhall Trust to assist in the operational management of the Portsmouth Guildhall. The council appoints representatives to the trust for a four-year term, although these do not need to be elected members, and the current appointees are Portsmouth City Council officers. A meeting is held between both parties every quarter to review the financial performance of the Guildhall Trust in which Portsmouth City Council provide advice and guidance in a supporting capacity as required.

35. Other Companies

Portico Shipping Limited

The City Council acquired all of Portico's issued share capital and voting rights in February 2008. The company's principal activity is stevedoring. It is engaged in the provision of shipping, warehousing and associated services and distribution of produce.

The City Council owns 100% of the shares in Portico which are carried in the City Council's balance sheet under long term investments at their net worth of £5.3m. The City Council invested a further £3.2m in Portico in the 2022/23 financial year.

The City Council also has £0.6m lodged with Lloyds Bank to secure banking facilities for Portico. These funds may not be returned if Portico defaults on its obligations to Lloyds Bank.

Thirteen loans with an outstanding balance of £15.9m have been advanced to Portico by the City Council. These loans carry interest between 3.09% and 4.81% per annum and all mature by 2038.

The City Council's exposure to losses arising from its ownership of Portico is limited to £21.8m, i.e., the value of its shares in the company, the funds lodged with Lloyds Bank and the outstanding capital loans advanced to Portico.

The City Council generated £2.7m* of income from Portico during 2022/23 (£2.0m in 2021/22); primarily from lease rentals, harbour & berthing dues, regularity compliance, and loan interest.

A copy of Portico's company accounts can be obtained from the company's offices at; Flathouse Quay, Portsmouth, Hampshire, PO2 7SP.

The expenditure and income of the Portico Shipping Limited is as follows:

2021/22 £000		2022/23 £000
17,522	Gross Expenditure	18,210
(17,587)	Gross Income	(18,374)
(65)	**Net (Income)/ Loss**	**(164)**

* The calculation of the income generated from Portico excludes the repayment of principal on loan instalments.

Portico does not provide any of the Council's statutory services and the Council has not passed control of any tangible assets to Portico. As the net expenditure and income of Portico is not significant in comparison with the rest of the group consisting of the City Council it is felt that group accounts would not add to users' understanding of the financial affairs of the City Council or its group.

Hampshire Community Bnk Holding Limited

Following detailed due diligence Portsmouth City Council have entered into a share application and subscription agreement for £5m of ordinary shares in HCB Holding Limited, a company holding all the shares in respect of Hampshire Community Bank Limited. Member voting rights in HCB Holding Limited are as follows:

- Fifty percent shareholders in HCB Holding Limited, each shareholder having one vote
- Fifty percent HCB Foundation Limited

HCB Foundation Limited is a Company Limited by Guarantee without share capital which has a charitable constitution. The share application and subscription agreement requires the City Council to take up and pay for the £5m of ordinary shares in four instalments. The first three instalments each of £1.25m were paid in March 2016, October 2017, and April 2019. Payment of the remaining instalment is due when Hampshire Community Bnk obtains regulatory approval to begin commercial banking activities, and this has not yet occurred. The final instalment of £1.25m plus an additional £0.05m was advanced to Hampshire Community Bnk over the 20/21 to 22/23 period to support their cash flow position, prior to them obtaining regulatory approval to trade as a bank. During the 22/23 year £0.68m of this was repaid in year, plus interest, leaving £0.62m outstanding.

Ravelin Group Limited

The City Council has all the issued share capital and has all the voting rights in Ravelin Group Limited (RGL). RGL is currently a dormant parent company of two wholly owned subsidiaries; Ravelin Housing Limited (RHL) and Ravelin Property Limited (RPL). (a) RHL is a property development company which aims to develop additional housing in Portsmouth using funds borrowed from the City Council. The company was operational during the 2022/23 year developing a site in the city, which will create seventeen new homes and is due for completion in 2023. RHL is also exploring future development opportunities at sites across the city. As at the 31st March 2023 RHL had borrowed £4.1m from the City Council. (b) RPL is a property management company but is currently dormant and had no transactions during the 22/23 year.

Hambrook Street Limited

HSL has been established to operate and maintain the old Brewery House in Hambrook Street, currently being developed by RHL. The City Council is the sole shareholder of HSL and has all the voting rights over the company. Currently the company is dormant but is expected to become operational during the 2023/24 financial year.

UK Municipal Bonds Agency Plc

The Municipal Bonds Agency (the Agency) has been established to deliver cheaper capital finance to local authorities. It will do so via periodic bond issues and by facilitating greater inter-authority lending.

The Local Government Association and fifty-seven local government shareholders have invested over £6 million in the Agency. The City Council is a shareholder in the Agency with a total investment of £150,000 which it acquired in October 2014.

36. Capital expenditure and capital financing

2021/22 £000		2022/23 £000
825,136	**Opening capital financing requirement**	856,905
174,713	Long Term Assets	159,667
52,568	Revenue expenditure funded from capital under statute	28,289
227,281	**Capital Investment**	**187,956**
1,052,417		**1,044,861**
	Sources of finance	
(9,089)	Capital receipts (including capital receipts set aside to repay debt)	(4,039)
(115,652)	Other Grants & contributions	(98,562)
	Sums set aside from revenue:	
(34,144)	- Direct revenue contributions	(14,919)
(26,316)	- Use of Major Repairs Reserve	(34,848)
(10,311)	- Minimum Revenue Provision	(10,458)
-	Other Adjustments	-
(195,512)		**(162,826)**
856,905	**Closing capital financing requirement**	**882,035**
	The capital financing requirement is met by the following items in the balance sheet:	
2,024,272	Fixed assets including equity investments	2,160,206
14,508	Advances to subsidiaries	16,102
(272,722)	Revaluation Reserve	(288,602)
(916,389)	Capital Adjustment Account	(1,014,148)
7,236	Other (including Housing General Fund mortgages and advances by Local Enterprise Partnership (LEP))	8,477
856,905		**882,035**

The capital financing requirement increased by £25.1m in 2022/23 for the following reasons:

2021/22 £000		2022/23 £000
43,403	Increase in underlying need to borrow	37,182
(11,634)	Provision for the repayment of debt	(12,052)
31,769	**Increase in Capital Financing Requirement**	**25,130**

37. Leases

City Council as Lessee

Finance Leases

The City Council has a number of buildings and port equipment under finance leases with a combined value of £1.0m. The associated finance lease liability in nominal terms is £0.9m.

The City Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the City Council and finance costs that will be payable by the City Council in future years while the liability remains outstanding.

The minimum lease payments in cash terms will be payable over the following periods:

	Minimum Lease Payments 31 March 2022 £000	31 March 2023 £000
No later than one year	189	189
Later than one year and not more than 5 years	755	754
Later than five years	10,858	10,670
	11,803	**11,613**

The net present value of the minimum lease payments is £3.8m.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 and 2022/23 no contingent rents were payable by the City Council.

The City Council has sub-let some of the industrial accommodation held under these finance leases.

Operating Leases

The City Council has acquired a number of assets, mainly photocopiers, vehicles and port equipment by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are shown below.

	31 March 2022 £000	31 March 2023 £000
Not more than one year	1,406	1,191
Later than one year but not later than five years	3,344	3,279
Later than 5 years	30,367	32,783
	35,116	**37,253**

Contingent rents may be payable on the previous gas works land at the continental ferry port. The rents payable under operating leases are therefore:

	Restated 31 March 2022 £000	31 March 2023 £000
Minimum lease payments	35,116	37,253
Contingent rents*	6,598	6,345
	41,714	**43,598**

*It was identified during the year that the prior year contingent rent figure incorrectly included future rent payable as well as contingent rent. Due to this the figure as of 31st March 2022 has been restated.

City Council as Lessor

Finance Leases

The City Council has leased out property at 407 Middle Park Way, Crookhorn Golf Course, the Wightlink Terminal, the Portsmouth Handling Services building and Merefield House.

The City Council has a gross investment in leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease ends. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the City Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2022 £000	31 March 2023 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	1,245	1,247
Non current	14,905	14,600
Unguaranteed residual value of property	103	103
Gross investment in lease	**16,253**	**15,950**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Not later than one year	155	166	1,239	1,239
Later than one year and not later than five years	673	690	4,885	4,850
Later than five years	10,809	10,626	34,071	32,867
	11,636	**11,482**	**40,196**	**38,956**

The City Council's tenants such as Wightlink are thought to be in a strong financial position. Therefore, worsening financial circumstances are not expected to result in lease payments not being made. The City Council has not set aside an allowance for uncollectable amounts.

The minimum lease payments where the City Council is a lessor under a finance lease do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were receivable by the City Council in 2021/22 or 2022/23.

Operating Leases

The City Council leases out property and equipment under operating leases for the following purposes:

- for the provision of leisure facilities
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for income generation and capital appreciation
- to provide modern cranes for its subsidiary company

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2022 £000	**31 March 2023 £000**
Not later than one year	25,659	26,388
Later than one year and not later than five years	89,251	84,245
Later than five years	248,267	272,709
	363,177	383,342

The minimum lease payments receivable where the City Council is the lessor under an operating lease do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 and 2022/23 no contingent rents were receivable by the City Council.

38. Private Financing Initiatives and Similar Contracts

The City Council has four PFI contracts or similar arrangements. These cover the provision of the following:

- The provision of the building and its associated servicing for Milton Cross School by Grannag Limited for 30 years which became operational in 2003/04
- The provision of three buildings used in the provision of services to people with learning disabilities by Victory Support for 30 years which became operational in 2003/04
- The maintenance of the highway network by Ensign Highways for 25 years which became operational in 2004/05
- The provision of waste disposal facilities by Veolia for 30 years which became operational in 1996/97

Milton Cross School was a local authority run community school, but land and buildings were subsequently transferred to an academy trust. Although the assets transferred to the academy trust the liabilities under the PFI still reside with the City Council. The charge for the Milton Cross PFI scheme does not include a demand element and has little variability.

The charge for the learning disabilities PFI scheme does not include a demand element.

The charge for the highways PFI scheme does not include a demand element. The contract includes provisions for deductions to unitary charge payments in the event of non-performance although few deductions have occurred. The cost of the highways PFI scheme increases if new roads are adopted. However, agreement has been reached that this additional cost will be met through commuted sums from either developers or the City Council.

The waste disposal contract is managed by Hampshire County Council. Through a side agreement, Southampton and Portsmouth City Councils commit to paying a proportion of the costs of the scheme based on the proportion of waste contributed by each council. Portsmouth City Council's contribution towards the scheme costs is 11.52%. The charge for the waste disposal contract includes a fixed element for the provision of energy recovery facilities (ERFs), material recovery facilities, transfer stations, delivery points and composting sites which are designed to cover the capital costs that the operator has incurred in constructing infrastructure and their fixed operating costs. There is also a demand element to the charge made by the operator which is dependent on the volumes of waste disposed of. The operator will make a reduction in the charge of 50% of the net proceeds generated from the sale of recyclable materials, i.e., the sales proceeds generated from selling the recyclable materials, less costs reasonably incurred by the operator in selling the materials. The income from the sale of recyclables is split between the 11 Waste Collection Authorities located within the County of Hampshire including Portsmouth City Council. The operator takes the full risks and rewards for the sale of electricity generated by the ERFs. The ERFs have spare capacity. Circa 15% of the plants processing potential, which the operator is allowed to exploit by selling waste processing services to third parties. The profit on selling off this capacity is shared equally with the Councils.

As the City Council is deemed to control the services that are provided under its PFI schemes and similar arrangements and as ownership of the non-current assets will pass to the City Council at the end of the contracts for no additional charge, the City Council carries the non-current assets used under the contracts on the Balance Sheet together with the associated deferred liability. The associated PFI Grant is shown as General Government Grant.

The movement in the carrying amount of PFI assets was as follows:

	Miltoncross Secondary School £000	Learning Disability Facilities £000	Highways Maintenance £000	Waste Disposal £000	Total £000
Cost or Valuation					
At 1st April 2022	-	4,038	162,042	12,534	178,614
Opening Adjustments #			(62,503)		(62,503)
Revised as at 1st April 2022	-	4,038	99,539	12,534	116,111
Additions	-	-	-	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	4,099	-	4,099
At 31st March 2023	-	4,038	103,638	12,534	120,210
Depreciation and Impairment					
At 1st April 2022	-	0	(43,008)	(2,802)	(45,809)
Opening Adjustments #			16,874		16,874
Revised as at 1st April 2022	-	0	(26,134)	(2,802)	(28,935)
Depreciation Charge in Year	-	(64)	(2,901)	(934)	(3,899)
Depreciation written out on revaluation	-	-	-	-	-
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31st March 2023	-	(64)	(29,035)	(3,736)	(32,834)
Net Book Value					
At 1st April 2022 (Restated)	**-**	**4,038**	**73,406**	**9,732**	**87,176**
At 31st March 2023	**-**	**3,974**	**74,604**	**8,798**	**87,376**

Adjustment to opening balances arising from review of Highways Infrastructure assets which resulted in separating the assets between PFI capital investment in highways plus life cycle replacement costs and then other highways improvements outside of the PFI. This change only affects this disclosure note and not the key statements or the bottom line, so not included in prior period adjustments.

The movement in the liability resulting from the PFI schemes was as follows:

	Liability as at 31 March 2022 £000	Payments £000	Liability as at 31 March 2023 £000
Milton Cross School	(9,260)	462	(8,798)
Learning Disability Facilities	(3,240)	164	(3,076)
Highways Maintenance	(35,047)	3,495	(31,552)
Waste Disposal	(2,924)	1,187	(1,737)
Total	**(50,471)**	**5,308**	**(45,163)**

The City Council is committed to pay the following to the PFI operators on a cash basis.

	Repayments of Liability £000	Interest £000	Service Charges £000	Total Revenue Commitment £000	Life Cycle Replacement Costs £000	Total Commitment £000
Within 1 year	3,538	4,191	23,337	31,066	6,034	37,100
Within 2 to 5 years	19,811	12,811	80,689	113,311	18,118	131,429
Within 6 to 10	21,696	3,757	41,585	67,038	3,201	70,239
Within 11 to 15	118	2	-	120	-	120
	45,163	**20,761**	**145,611**	**211,535**	**27,353**	**238,888**

39. Liability Relating to Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the City Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the City Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The City Council participates in the following pension schemes:

The Local Government Pension Scheme (LGPS) - This is administered locally by Hampshire County Council and is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits earned after 31 March 2014 are based on a Career Average Revalued Earnings scheme.

The funded nature of the LGPS requires the City Council and employees to pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme is operated under the regulatory framework for the LGPS, and the governance of the scheme is the responsibility of the scheme's Joint Panel and Board including the management and investment of the fund as well as compliance with appropriate legislation and regulations.

The principal risks to the City Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e., large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits upon early retirement - These are unfunded benefit arrangements, under which liabilities are recognised when awards are made. No investment assets are built up to meet these pension liabilities, so cash must be generated to meet actual pension payments as they fall due.

The Pilots National Pension Fund (PNPF) - This is a centralised multi-employer 'defined benefit' pension scheme for non-associated employers. The Trustee of the PNPF has previously sought clarification from the High Court on the Trustee's powers under the Rules of the PNPF. Until the status of the PNPF had been clarified, the City Council was unable to determine its share of the liabilities. Following the court's determination and further information being made available on the extent of the PNPF's liabilities, the City Council was able to determine its share of the liabilities in the PNPF for the first time. As a result, the PNPF was accounted for on a 'defined benefit' basis from the year ended 31 March 2013.

The Teachers' Pension Fund - This is an unfunded defined benefit scheme, for teaching staff, which is administered by the Department for Education. Unlike the other pension schemes above, this has been accounted for as a defined contribution scheme - details of this fund are disclosed in Note 40.

Transactions Relating to Post-Employment Benefits

The City Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid out as pensions. However, the charge the City Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2021/22 £000	2022/23 £000
Comprehensive Income and Expenditure Statement:		
Cost of services		
Current service cost	56,444	53,175
Past service cost	110	100
Settlements/Curtailments	-	-
Financing and Investment Income and Expenditure		
Net Interest Expense	10,301	8,987
Total Post Employment Benefit charged to the Surplus of deficit on the Provision of services	66,855	62,262
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets in (excess) / below that recognised in net interest	(54,854)	84,430
Actuarial (gains) / losses due to changes in financial assumptions	(90,025)	(494,601)
Actuarial (gains) / losses due to changes in demographic assumptions	(24,743)	(31)
Actuarial (gains) / losses due to liability experience	(34,264)	96,554
Total (gains) / losses from reclassification	-	-
	(203,886)	(313,648)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(137,031)	(251,386)
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the Provision of Services for post employment benefits in accordance with the Code	66,855	62,262
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employers' contributions payable to scheme	20,934	22,381
Retirement benefits payable to pensioners	1,268	1,236
	22,202	23,617

The cumulative amount arising from the re-measurement of the net defined benefit liability recognised in the Comprehensive Income and Expenditure Statement from 1 April 2006 when the City Council adopted FRS17/IAS19 to 31 March 2023 is a gain of £322.1m (2021/22 gain of £8.4m).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the City Council's balance sheet arising from the City Council's obligation in respect of its defined benefit scheme is as follows:

	2021/22 £000	2022/23 £000
Present value of funded liabilities (LGPS):	(1,305,831)	(973,621)
Present value of funded liabilities (Pilot Pension Scheme)	(4,563)	(3,253)
Present value of unfunded liabilities (LGPS and Teachers):	(14,457)	(11,921)
Fair value of assets (LGPS):	983,181	923,086
Fair value of assets (Pilot Pension Scheme)	3,324	2,366
Surplus/(deficit) in the scheme:*	(338,346)	(63,343)

* - The figures shown in the note above are based on information from the respective actuaries. The net liability shown in this note differs from the amount shown in the balance sheet, as the entries in the revenue account and balance sheet have had the actuary's estimated employers contributions figure replaced by the actual figure. The difference is not material (£0.17m), especially as all the IAS19 figures are estimates.

The liabilities show the underlying commitments that the City Council has in the long term to pay post-employment (retirement) benefits. The total liability of £63.2m (prior year £338.2m) has a substantial impact on the net worth of the City Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit, means that the financial position of the City Council remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the schemes' actuary (AON Hewitt Limited).

Reconciliation of the present value of the scheme liabilities (defined benefit obligation):

2021/22	Funded Liabilities LGPS £000	Funded Liabilities Pilot Pension Scheme £000	Unfunded Liabilities LGPS £000	Unfunded Liabilities Teachers' Additional Benefits £000	Total £000
Opening balance at 1 April	(1,392,791)	(4,930)	(10,018)	(5,937)	(1,413,676)
Current service cost	(56,400)	(44)	-	-	(56,444)
Interest Expense	(29,000)	(65)	(210)	(120)	(29,395)
Contributions by scheme participants	(7,210)	(11)	-	-	(7,221)
Actuarial gains and (losses) - Financial Assumptions	89,460	215	240	110	90,025
Actuarial gains and (losses) - Demographic Assumptions	24,470	3	160	110	24,743
Actuarial gains and (losses) - Liability Experience	34,350	(26)	(40)	(20)	34,264
Benefits paid	31,400	295	771	497	32,963
Past service costs Incuding curtailments	(110)	-	-	-	(110)
Net Increase in assets from reclassification	-	-	-	-	-
Settlements	-	-	-	-	-
Closing balance at 31 March	(1,305,831)	(4,563)	(9,097)	(5,360)	(1,324,851)

2022/23	Funded Liabilities LGPS £000	Funded Liabilities Pilot Pension Scheme £000	Unfunded Liabilities LGPS £000	Unfunded Liabilities Teachers' Additional Benefits £000	Total £000
Opening balance at 1 April	(1,305,831)	(4,563)	(9,097)	(5,360)	(1,324,851)
Current service cost	(53,130)	(45)	-	-	(53,175)
Interest Expense	(34,930)	(86)	(240)	(140)	(35,396)
Contributions by scheme participants	(7,880)	(11)	-	-	(7,891)
Actuarial gains and (losses) - Financial Assumptions	491,220	1,251	1,380	750	494,601
Actuarial gains and (losses) - Demographic Assumptions	-	1	-	30	31
Actuarial gains and (losses) - Liability Experience	(95,970)	(104)	(420)	(60)	(96,554)
Benefits paid	33,000	304	766	470	34,540
Past service costs Incuding curtailments	(100)	-	-	-	(100)
Net Increase in assets from reclassification	-	-	-	-	-
Settlements	-	-	-	-	-
Closing balance at 31 March	(973,621)	(3,253)	(7,611)	(4,310)	(988,795)

Reconciliation of the present value of the scheme (plan) assets:

2021/22	LGPS	Pilot Pension Scheme	Total
	£000	£000	£000
Opening balance at 1 April	912,622	3,475	916,097
Interest Income	19,050	44	19,094
Remeasurement gains / (losses)	54,820	34	54,854
Contributions by employer	20,879	55	20,934
Contributions by participants	7,210	11	7,221
Net benefits paid out	(31,400)	(295)	(31,695)
Settlements	-	-	-
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	983,181	3,324	986,505

2022/23	LGPS	Pilot Pension Scheme	Total
	£000	£000	£000
Opening balance at 1 April	983,181	3,324	986,505
Interest Income	26,350	59	26,409
Remeasurement gains / (losses)	(83,650)	(780)	(84,430)
Contributions by employer	22,325	56	22,381
Contributions by participants	7,880	11	7,891
Net benefits paid out	(33,000)	(304)	(33,304)
Settlements	-	-	-
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	923,086	2,366	925,452

The interest income on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

- Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.
- Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £57.3m (£73.9 in 2021/22) for the LGPS and £0.721m (£0.078m 2021/22) for the PNPF.

LGPS assets comprised:

Asset Type:	Value at 31 March 2022		Value at 31 March 2023	
	%	£'000s	%	£'000s
Cash	0.90%		1.10%	
Cash equivalents	0.00%		0.00%	
Equities	55.70%		57.60%	
Bonds - Corporate	18.00%		16.50%	
Bonds - Government Gilts	0.00%		0.00%	
Property	6.90%		6.80%	
Private equity	0.00%		0.00%	
Other investment funds	18.50%		18.00%	
Total	100.00%		100.00%	

Note - The Actuary has not provided the values for each of the LGPS asset types.

PNPF assets comprised:

Asset Type:	Value at 31 March 2022		Value at 31 March 2023	
	%	£'000s	%	£'000s
Cash	3.50%	109	1.20%	25
Cash equivalents	17.70%	550	23.30%	494
Equities	0.00%	-	0.00%	-
Bonds - Corporate	9.90%	308	14.90%	316
Bonds - Government Gilts	27.80%	864	21.80%	462
Property	0.00%	-	0.00%	-
Private equity	0.00%	-	0.00%	-
Other investment funds	41.10%	1,278	38.80%	822
Total	100.00%	3,109	100.00%	2,119

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The City Council's fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries. The estimates for the City Council fund are based on the latest triennial valuation of the LGPS as at the 31st March 2022 and the latest valuation of the PNPF as at the 31st December 2019. These calculations have been updated to the 31st March 2023 by the fund's actuary, Aon Hewitt Limited, allowing for the IAS 19 financial and demographic assumptions.

The principal assumptions used by the actuary are shown below:

2021/22	**Funded LGPS**	**Funded Pilots Pension Scheme**	**Unfunded LGPS**	**Unfunded Teachers**
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	23.2	21.6	22.9	22.9
Women	25.6	24.0	25.4	25.4
Longevity at 65 for future pensioners (years):				
Men	23.7	22.6	0.0	0.0
Women	26.6	25.2	0.0	0.0
Rate of inflation	3.0%	2.4%	3.0%	3.0%
Rate of increase in salaries	4.0%	2.4%	0.0%	0.0%
Rate of increase in pensions	3.0%	2.4%	3.0%	3.0%
Rate for discounting scheme liabilities	2.7%	2.0%	2.7%	2.7%

2022/23	Funded LGPS	Funded Pilots Pension Scheme	Unfunded LGPS	Unfunded Teachers
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	23.3	21.7	23.3	23.3
Women	25.7	24.1	25.7	25.7
Longevity at 65 for future pensioners (years):				
Men	23.8	22.7	0.0	0.0
Women	26.7	25.2	0.0	0.0
Rate of inflation (CPI)	2.7%	2.3%	2.7%	2.7%
Rate of increase in salaries	3.7%	2.3%	0.0%	0.0%
Rate of increase in pensions	2.7%	2.3%	2.7%	2.7%
Rate for discounting scheme liabilities	4.7%	4.9%	4.7%	4.7%

Note - Longevity rates for future pensioners are not provided by the actuary for the unfunded schemes.

Sensitivity Analysis:

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions shown in the tables above. The sensitivity analyses, below, have been determined based on reasonable possible changes in the assumptions occurring at the end of the reporting period and assumes for each change that only the assumptions analysed change while all the other assumptions remain the same. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

LGPS:	Impact on Present Value of Obligation		Impact on Projected Service Cost	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	957.12	991.2	23.45	25.43
Rate of salaries (increase or decrease by 0.1%)	974.64	972.7	24.43	24.43
Rate of increases to pensions in payment (increase or decrease by 0.1%)	990.22	958.09	25.43	23.45
Post retirement mortaility assumption (increase or decrease in 1 year)	998.99	948.35	25.29	23.57

Note - Assumes a baseline figure of £973.67m present value of defined benefit obligation, or £24.43m projected service cost

PNPF:

Rate for discounting scheme liabilities - if this were to decrease by 0.5% the defined benefit obligation would increase by around 5% or £160,000.

RPI inflation assumption - if this were to increase by 0.5% (with a corresponding increase in salary and pensions) the defined benefit obligation would increase by around 2% or £70,000.

Average life expectancy - if this were to increase by 1 year the defined benefit obligation would increase by around 4% or £130,000.

Commutation:

LGPS: Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum (no change from 2021/22).

Pilots Pension Scheme: It is assumed that 90% of members take the maximum cash lump sum available upon retirement.

Impact on the City Council's Cash Flows:

LGPS - The objectives of the scheme include a funding objective which is to hold sufficient and appropriate assets at least equal to the value of the funding target (past service liabilities). At the 2019 triennial valuation a shortfall was identified, and a strategy agreed, between Hampshire County Council (the scheme's administering authority) and Aon Hewitt (the scheme's actuary), to achieve a 100% funding level over a period of up to 19 years from the date of the last triennial valuation. This included setting higher service contribution rates along with additional annual shortfall contributions over a range of different recovery periods. Funding levels will continue to be monitored on an annual basis and any further shortfall identified will be recovered through an additional contribution stream payable over a recovery period to be agreed at the respective valuation. Future funding levels will be determined at the next triennial valuation of the fund, and this is due to be completed as at the 31 March 2025 with the results expected around the 31 March 2026.

PNPF - The pension scheme's objectives include being funded prudently. At the last triennial valuation (31 December 2019) a shortfall was identified, and a funding strategy was put in place to address this. The strategy included the City Council making a one-off contribution in 2013 to address its share of the deficit, and then to continue making on-going contributions at an agreed rate, in respect of continued accrued benefits for active pilots. Future funding levels will be determined at the next triennial valuation of the fund, and this is due to be completed as at the 31 December 2022 with the results expected later in 2023.

The total contributions expected to be made by the City Council in the year to 31 March 2024 are £21.9m (£21.45m in the year to 31 March 2023) for the LGPS and £27,074 (£26,184 in the year to 31 March 2023) for the PNPF.

40. Pension schemes accounted for as defined contribution schemes

(a) Teachers' Pension Scheme

Teachers employed by the City Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions (details of the scheme can be found at the Teacher's Pensions website (https://www.teacherspensions.co.uk/) on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the City Council contributes towards the costs by making contributions to the scheme based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer scheme and technically is a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The Scheme has more than 11,000 participating employers (including local authorities, further and higher education establishments, independent schools, academy schools and free schools) and consequently the City Council is not able to identify its share of the underlying financial position and/or performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these Financial Statements, the Scheme is accounted for on the same basis as a defined contribution scheme.

In 2022/23, the City Council paid £4.2m (2021/22 £4.4m) to Teachers' Pensions in respect of teachers' retirement benefits. There were £0.3m (2021/22 £0.3m) of contributions remaining payable at the 31st March 2023, which were paid in April 2023.

The City Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39 (unfunded teachers).

The City Council is not liable to the Scheme for any other entities' obligations under the plan.

41. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets in 2022/23 above our preparer materiality level of £7m.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing Authorities to maintain a separate Collection Fund. The Statement shows the transactions of the billing Authority in relation to the collection of taxes and their distribution to local Authorities and the Government. Although the Collection Fund is a single account it has two distinct elements, Council Tax and Business Rates.

2021/22 £000	Council Tax	2022/23 £000
	Income	
(109,003)	Council Tax	(112,979)
	Transfers from the General Fund	
(23)	Council Tax write ons	(18)
	Contributions received towards the estimated (deficit)	
(119)	Council Tax - Hampshire Police and Crime Commissioner	274
(39)	Council Tax - Hampshire Fire and Rescue Authority	84
(820)	Council Tax - Portsmouth City Council	1,835
(110,004)		**(110,804)**
	Expenditure	
	Distribution of estimated Council Tax Surplus	
-	Council Tax - Hampshire Police and Crime Commissioner	-
-	Council Tax - Hampshire Fire and Rescue Authority	-
-	Council Tax - Portsmouth City Council	-
-		-
	Precepts	
12,792	Council Tax - Hampshire Police and Crime Commissioner	13,528
3,978	Council Tax - Hampshire Fire & Rescue Authority	4,315
86,137	Council Tax - Portsmouth City Council	89,846
102,907		107,689
	Bad and Doubtful Debts	
619	Council Tax - amounts written off	600
3,455	Council Tax - change in provision	1,551
106,981		**109,840**
(3,023)	**(Surplus) / deficit for the Year**	(964)
1,824	(Surplus) / Deficit brought forward 1 April	(1,199)
(3,023)	(Surplus) / Deficit for the Year	(964)
(1,199)	**Council Tax balance as at 31 March - (Surplus) / Deficit**	**(2,163)**
	Apportioned :	
(149)	Hampshire Police Authority	(276)
(46)	Hampshire Fire & Rescue Authority	(88)
(1,004)	Portsmouth City Council	(1,799)
(1,199)		**(2,163)**

2021/22 £000	Business Rates / NNDR	2022/23 £000
	Income	
(67,998)	Income from Business Ratepayers (inc. Appeals Provision offset)	(74,594)
2,174	Less: Increase / (Decrease) Provision for Losses on Appeals	(8,826)
(65,824)		(83,420)
	Contributions received towards estimated Deficit / (Surplus)	
(23,335)	DLUHC	(13,609)
(22,553)	Portsmouth City Council	(13,337)
(464)	Hampshire Fire & Rescue Authority	(272)
(46,352)		(27,218)
(112,176)		**(110,638)**
	Business Rates Apportioned to:	
41,877	DLUHC	36,293
41,039	Portsmouth City Council	35,567
838	Hampshire Fire & Rescue Authority	726
251	DCLG - Transitional Surcharge / (Relief)	226
271	Cost of Collection	270
-	Interest Paid on Overpayments Refunded	-
	Bad and Doubtful Debts	
281	NNDR - Amounts written off	505
265	NNDR - Increase / (Decrease) in Provision	(923)
84,822		72,664
(27,354)	**(Surplus) / Deficit for the year**	(37,974)
48,772	(Surplus) / Deficit b/fwd 1 April	21,418
(27,354)	(Surplus) / Deficit for the Year	(37,974)
21,418	**Non Domestic Rates as at 31st March - (Surplus) / Deficit**	**(16,556)**
	Apportioned:	
10,709	DLUHC	(8,278)
10,495	Portsmouth City Council	(8,112)
214	Hampshire Fire and Rescue Authority	(166)
21,418		**(16,556)**
20,219	**Total Collection Fund (Surplus) / Deficit**	**(18,719)**

1. Council Tax Base

The City Council's tax base i.e., the number of chargeable dwellings in each valuation band (adjusted for discounts, exemptions, valuation appeals, disablement reductions etc.) converted to an equivalent number of Band D dwellings is given below:

Band	Estimated number of taxable properties after allowing for discounts, exemptions etc	Ratio	Band D equivalent dwellings
A	16,465	6/9	10,977
B	23,958	7/9	18,634
C	18,374	8/9	16,332
D	5,309	9/9	5,309
E	3,220	11/9	3,936
F	1,507	13/9	2,177
G	611	15/9	1,018
H	28	18/9	56
	69,472		58,439
Less: adjustment for non-collection			(1,870)
Add: MoD dwellings contribution			641
2022/23 tax base			**57,210**

Multiplying the 2022/23 tax base of 527,209 by the standard council tax of £1,820.35, gives the total precepts on the Collection Fund of £107.689m.

2. Income from business ratepayers

The City Council collects, under the arrangements for localised business rates, non-domestic rates based on local rateable values multiplied by a uniform rate.

Under reforms introduced by The Localism Act 2012 and the provisions for Business Rates Retention (BRR), with effect from 2013/14 income collected from business rates is shared between three organisations.

- Department for Levelling Up, Housing and Communities (DLUHC) - 50%
- Portsmouth City Council - 49%
- Hampshire Fire and Rescue Authority (HF&RA) - 1%

The total non-domestic business rates rateable value at the 31st March 2023 was £215.05m.

The non-domestic business rates multiplier for the year was 49.9p for small businesses and 51.2p for other business properties.

After the granting of various reliefs and exemptions the net rates due totalled £83.3m.

In closing the 2022/23 accounts it was deemed necessary to make a provision of £10.3m for refunds on unresolved appeals.

3. Collection Fund surpluses and deficits

Surpluses or deficits on the Collection Fund must be either distributed or made good by specific contributions. Any surplus or deficit anticipated on both Council Tax & Business Rates revenues must be allocated between authorities precepting on the Collection Fund pro rata to their demands on the Collection Fund and transferred to or financed by their General, County Fire or Police Fund.

Council Tax

The Council Tax part of the Collection Fund has realised a surplus of £2.2m as at the 31st March 2023. The Council Tax side of the Collection Fund was estimated to result in a deficit of £0.7m in January 2023. The improvement in the outturn is attributable to an unexpected increase in the in-year collection rate and by extension the level of bad debt ultimately expected to materialise.

Business Rates

The Business Rates part of the Collection Fund has realised a surplus of £16.6m as at the 31st March 2023, compared with an estimated Collection Fund surplus of £6.1m in January 2023. The improvement on outturn is primarily attributable to a reduction in the level of provision required for expected outstanding appeals. The date for submitting appeals against the 2017 list has now passed and a large number of properties anticipated to lodge appeals did not do so.

This improvement in the Collection Fund will be distributed across the precepting bodies in the financial year 2024/25.

Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement in Reserves Statement.

2021/22 £000		2022/23 £000
	Expenditure	
23,881	Repairs & Maintenance	27,253
-	Supervision & Management	-
17,871	General	18,410
17,955	Special Services	19,577
1,021	Rent rates taxes & other charges	1,174
-	Depreciation (and Impairments) of Non-current Assets:	-
(3,180)	- Dwellings	(26,089)
9,682	- Other Assets	2,033
204	Amortisation of Intangible Assets	173
47	Amortisation of Revenue Expenditure Funded from Capital Under Statute	45
37	Debt management costs	45
200	Movement in allowance for bad debts	57
-	Sums directed by the secretary of state	-
67,718	Total Expenditure	**42,678**
	Income	
(66,437)	Dwelling rents (gross)	(71,664)
(2,948)	Non-dwelling rents	(3,213)
(12,959)	Service charges (Tenants charges for services)	(13,602)
(82,344)	**Gross rents**	**(88,479)**
(1,773)	Leaseholders charges for services & facilities	(1,721)
(1,118)	Other Charges for Services & Facilities	(902)
(480)	Contributions toward expenditure	(624)
(85,715)	**Total Income**	**(91,726)**
(17,997)	**Net Cost of HRA Services as included in the CIES**	**(49,048)**
228	HRA's share of corporate & democratic core	252
(17,769)	**Net cost of HRA Services**	**(48,796)**
(3,068)	(Gain) or loss on the sale of HRA non-current assets	(1,878)
5,674	Interest payable & similar charges	6,038
(241)	Interest and investment income	(489)
1,809	Pensions interest cost and expected return on pensions assets	1,560
0	Income, expenditure changes in the fair value of investment	0
(7,652)	Capital grants and contributions receivable	(2,944)
(21,247)	**Surplus / Deficit for the year on HRA services**	**(46,509)**

Movement on the HRA Statement

2021/22 £000		2022/23 £000
(23,388)	**Balance on the HRA at the end of the previous year**	**(24,605)**
(21,247)	(Surplus) or deficit for the year on the HRA Income & expenditure account	(46,509)
19,739	Adjustments between accounting basis & funding basis under statute	47,429
(1,508)	**Net (Increase) or decrease before transfers to or from reserves**	**920**
0	Transfers to / from reserves	(311)
291	Capital Expenditure charged to Revenue	311
(1,217)	**(Increase) / decrease in HRA in year**	**920**
(24,605)	**Balance on the HRA at the end of the current year**	**(23,685)**

The Income & Expenditure account shows the Housing Revenue Account's actual financial performance for the year, measured in terms of resources consumed and generated over the last twelve months. However, the City Council is required to raise rents on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed. In particular; £52.3m (£11.9m) of net upward revaluations were charged to Income & Expenditure in 2022/23. The credit of £52.3m (£11.9m) in the 2022/23 Income and Expenditure Account is reversed out by a debit in the Movement on the Housing Revenue Account Reserves Statement.

- Retirement benefits are charged as amounts payable to the pension funds and pensioners, rather than as future benefits are earned.

The Housing Revenue Account balance compares the City Council's spending against the rental income that is raised in the year, taking into account the use of resources built-up in the past and contributions to reserves for future expenditure.

The Movement on the Housing Revenue Account Reserves Statement summarises the differences between the outturn on the Income & Expenditure Account and the Housing Revenue Account balance.

The Movement on Reserves Statement analyses the adjustments between accounting basis and funding basis under statute.

Notes to the Housing Revenue Account

H1. Note to the Movement on the HRA Statement

2021/22 £000		2022/23 £000
	Adjustments between accounting basis & funding basis under regulations	
	- Adjustments involving the Capital Adjustment Account:	
	Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	
19,455	Charges for depreciation and impairment of non-current assets	52,226
-	Charges for revaluations of investment properties	(88)
3,068	Charges for amortisation of intangible non-current assets	1,878
(47)	Net gain/loss on disposal of non current assets	(45)
-	REFCUS written down	-
	Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	
-	Sums set aside from revenue to fund capital expenditure	-
7,652	**Other Adjustments**	2,944
(2,798)	Capital grants and contributions credited to the HRA	(3,240)
(10,489)	Reversal of Major Repairs Allowance credited to the HRA	(9,970)
3,214	Reversal of items relating to retirement benefits debited or credited to the HRA	3,534
(392)	Employer's pension contributions and direct payments to pensioners payable in the year	114
-	Transfer from accumulated absences	-
76	Reversal of finance leases	76
-	Other adjustments	-
19,739		**47,429**

H2. Gross Rent Income

This is the gross rent income for the year after allowance is made for voids etc. During the year, 1.90% of lettable dwellings were vacant. In 2021/22 the figure was 2.14%. The average dwelling rent was £93.83 per week in 2022/23 (£90.14 per week in 2021/22), an increase of £3.69 over the previous year. The amount of arrears as at the end of the financial year was £3.2million (£1.8million in 2021/22).

H3. Depreciation of non-current assets

The depreciation charge is broken down as follows:

	2021/22 £000	2022/23 £000
Council houses	23,363	24,986
Other assets	2,693	3,238
Intangible Assets	104	88
	26,160	**28,312**

H4. Revaluations Down & Impairments

The Revaluation & impairments to the HRA include both increases and reductions in the value of HRA assets as measured by specific criteria and reflected in the carrying amount held in the balance sheet. The table below shows the revaluation changes to the HRA Income and Expenditure Statement:

	2021/22 £000	2022/23 £000
Council Houses	(26,585)	51,053
Other Assets	6,988	1,378
Intangible Assets	99	(85)
	(19,498)	**52,346**

There were no impairments in either year.

H5. IAS 19 - Accounting for pensions

Applying IAS 19 to the Housing Revenue Account (HRA) will have no overall effect on the HRA balance as the debit to the Income and Expenditure Account is reversed out by an appropriation from the Pensions Reserve in the Statement of Movement of HRA Balances.

H6. Capital Reserve

A Capital Reserve was established during 1991/92 as part of the Housing Investment Programme (HIP) financing policy. There was no contribution made during the year from revenue surplus.

H7. Transfer to/from Major Repairs Reserve

The Major Repairs Reserve was established on the 1 April 2001. Movements on the Reserve during the current financial year were:

	2021/22 Total £000	Houses £000	Other £000	Repayment of borrowing £000	2022/23 Total £000
Balance at 1 April 2022	(25,704)	(22,751)	-	-	(22,751)
Transferred from HRA	(23,363)	(24,985)	-	-	(24,985)
Transferred to HRA	-	-	-	-	-
Financing of capital expenditure	26,316	34,847	-	-	34,847
Balance at 31 March 2023	(22,751)	(12,889)	-	-	(12,889)

H8. Housing stock

The City Council was responsible for managing an average of 14,819 dwellings (excluding mobile homes) during 2022/23. The stock as defined by the Housing Revenue Account Subsidy regulations at the 31st March 2023 was as follows:

	No.of dwellings	
	2021/22	**2022/23**
Houses	4,271	4,260
Flats	10,502	10,605
	14,773	14,865
Mobile homes	-	-
	14,773	**14,865**

The change in stock can be summarised as follows:

		No. of Dwellings
	2021/22	**2022/23**
Stock at 1 April	**14,653**	**14,773**
Mobile Homes no longer within HRA	-	-
Sales	(73)	(51)
Bedsit conversions	-	-
Demolitions	-	-
Repurchases	170	121
Additions	7	10
New builds	16	13
Change in use	0	(1)
Stock at 31 March	**14,773**	**14,865**

H9. Balance sheet value of land, houses and property held within the HRA

22/23	Council Dwellings	Other Land & Buildings	Vehicles, Plant and Equipment	Infrastructure Assets *	Community Assets	Other Land & Buildings - Surplus	Intangible Assets	Asset Under Construction	Total
Cost or Valuation									
At 01/04/2022	704,920	50,282	7,302		652	699	1,046	22,687	787,588
Opening Adjustments	-	-	-		-	-	-	-	-
Revised 1st April 2022	704,920	50,282	7,302		652	699	1,046	22,687	787,588
Appropriations to/from HRA	-	-	-		-	-	-	-	-
Additions (Including to WIP)	19,301	-	-		-	-	-	84,315	103,616
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	28,120	64	121		-	1,048	- 85	-	29,269
Disposals	- 2,784	- 72	-		-	-	-	-	(2,856)
Reclassifications	31,183	- 4	- 4		-	-	85	- 69,863	(38,602)
Reclassification from WIP impair no asset	- 21	-	- 140		-	-	-	-	(162)
Transfers in Class	-	-	-		-	-	-	-	-
Reclassification from HRA WIP to GF WIP	-	-	-		-	-	-	-	
At 31/03/2023	780,719	50,270	7,279		652	1,747	1,046	37,139	878,853
Depreciation and Impairment									
At 01/04/2022	-	- 2,828	- 6,503		-	-	- 892	-	(10,223)
Opening Adjustments	-	-	-		-	-	-	-	-
Revised 1st April 2022	-	- 2,828	- 6,503		-	-	- 892	-	(10,223)
Appropriations to/from HRA	-	-	-		-	-	-	-	-
Depreciation Charge in Year	- 24,986	- 3,003	- 235		-	-	- 88	-	(28,312)
Depreciation written out on revaluation	24,887	2,151	19		-	-	-	-	27,057
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-	-		-	-	-	-	-
Disposals	99	18	-		-	-	-	-	117
Transfers in Class	-	-	-		-	-	-	-	-
Reclassifications from WIP - Impair No Asset - Phase 1 & Phase 2	21	-	140		-	-	-	-	162
Derecognition of new assets with no value	- 21	-	- 140		-	-	-	-	(162)
Adjustments									
At 31/03/2023	-	- 3,662	- 6,719		-	-	- 980	-	(11,361)
Net Book Value									
At 01/04/2022	704,920	47,454	800		652	699	154	22,687	777,365
At 31/03/2023	780,719	46,608	560		652	1,747	66	37,139	867,492

*Note - In accordance with the Temporary Relief offered by CIPFA's update to the Code of Practice on Local Authority Accounting, PPE-Infrastructure assets have been shown on a net book value basis so does not separately show the gross cost and accumulated depreciation. The City Council has chosen not to disclose the gross figures as historic reporting practices and information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide a sound basis for the users of the accounts to take economic or other decisions relating to infrastructure assets.

There is no impact of not showing the gross figures on the financial statements as the balance sheet shows all asset categories on a net basis, with gross expenditure only being in a memorandum note. Infrastructure assets are by their very nature not tradeable/saleable assets or have an alternative use and are held at cost not revalued amount. The gross cost would simply be the original cost of the assets while the net cost represents this gross figure less depreciation to date. Depreciation is calculated on the current net value not the gross value (using carrying value and remaining life).

The City Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England and Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

To effectively show PPE-Infrastructure assets on a net basis, the infrastructure asset entries have been removed from the HRA Movement on PPE note and are instead shown separately in a Movement in Infrastructure Assets note (see below).

Movement on Balances	**2021/22 £000**	**2022/23 £000**
Net Book Value (Modified Historic Cost)		
At 1st April	**36**	**35**
Additions	-	-
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	-	-
Disposals	-	-
Reclassifications from Assets Under Construction	-	-
Reclassifications between categories	-	-
Depreciation Charge in Year	(1)	(1)
Depreciation written out on revaluation	-	-
At 31st March	**35**	**34**

H10. Vacant possession value of dwellings within the HRA

The vacant possession value of dwellings held within the HRA amounts to £1.879m as at the 1st April 2023.

The substantial difference between this figure and the net book value figure of £620m reflects the economic cost to government of providing council housing at less than open market rents.

H11. Capital expenditure within the HRA

Capital expenditure during the year and its financing was:

	Non-Current Assets			
	Land	Houses	Other property & Equipment	Total
	£000	£000	£000	£000
Borrowing	-	25,081	-	25,081
Usable capital receipts	-	2,339	-	2,339
Revenue contributions	-	-	311	311
Major Repairs Reserve	-	34,764	84	34,848
Grants and contributions	-	2,599	-	2,599
	-	64,783	395	65,178

H12. Bad Debt Provision

	31 March 2022	Additions and reductions	Write-offs	31 March 2023
	£000	£000	£000	£000
Housing rents provision	(2,986)	161	294	(2,531)
Sale of flats provision	-	-	-	-
Provision for other HRA bad debts	(46)	(14)	47	(13)
	(3,032)	147	341	(2,544)

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORTSMOUTH CITY COUNCIL

Disclaimer of opinion

We were engaged to audit the financial statements of Portsmouth City Council ('the Council) for the year ended 31 March 2023. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 41 including a summary of significant accounting policies, and the Expenditure & Funding Analysis.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 12
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024.

We completed the audit of the 2021/22 financial statements in January 2024 and issued our audit opinion on 30 January 2024.

The backstop date and the wider requirements of the local audit system reset; meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

Responsibility of the Director of Finance & Resources (S151 Officer)

As explained more fully in the Statement of the Director of Finance & Resources (S151 Officer)'s Responsibilities set out on page 37, the Director of Finance & Resources (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance & Resources (S151 Officer)determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance & Resources (S151 Officer) is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether Portsmouth City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Portsmouth City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Portsmouth City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Portsmouth City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Portsmouth City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

A Brittain

Andrew Brittain (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading

29th November 2024

The following footnote does not form part of our Auditor’s Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 22nd November 2024, available on the Authority’s website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

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Glossary of Terms

Accruals
The concept that income and expenditure is recognised as it is earned or incurred; not as money is received or paid.

Amortised Cost
Some assets and liabilities are be carried at 'amortised cost' where part of their carrying amount in the Balance Sheet will either be written down or written up via the surplus or deficit on the provision of services over the term of the financial instrument.

Amortisation reflects such things as the fact that an authority might have incurred transaction costs or bought an investment other than at par and is required to spread the effect over the life of the financial instrument.

Assets
An asset is an item having value to the City Council in monetary terms. Assets are categorised as either non-current or current. A non-current asset provides benefit to the City Council and to the services it provides for a period of time greater than one year and may be tangible (e.g., a school building, or intangible e.g., computer software licences.) A current asset will be consumed or cease to have material value within the financial year (e.g., cash or stock).

Budget
The Council's aims and policies set out in financial terms against which performance is monitored. Both revenue and capital budgets are prepared.

Capital Adjustment Account (CAA)
The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions.

Capital Expenditure
Expenditure for capital purposes comprises the acquisition, construction, replacement or enhancement of land, buildings, plant, machinery and vehicles which adds to and not merely maintains the value of an existing non-current asset, and which will be used to provide services beyond the current accounting period. Advances of long-term loans (e.g., house purchase mortgages) and grants for capital purposes are included.

Capital Financing
These are funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and ear-marked reserves.

Capital Receipts
These are the proceeds from the sale of capital assets. A proportion of housing receipts – 75% for dwellings – must be paid into a central Government pool, but the remainder is available for new capital projects.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This professional body for accountants in the public sector issues general guidance to local authorities defining the form and manner in which their accounts should be compiled. These recommendations are contained in a Statement of Recommended Practice. In addition, the Institute issues further guidance in the Service Reporting Code of Practice (SeRCOP) which sets out “Proper Practice” in relation to Financial Statements.

Collection Fund
This is a separate fund, maintained by the billing authority, which records the income and expenditure relating to council tax and non-domestic rates on behalf of the billing authority, precepting authorities and the Government.

Community Assets
Assets that the City Council intends to hold in perpetuity, which have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and open spaces.

Comprehensive Income & Expenditure Statement
The City Council's revenue account showing the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants, and other income in accordance with International Financial Reporting Standards (IFRS). This is reconciled to the statutory balance on the General Fund through the Movement in Reserves Statement.

Contingent Liabilities
A contingent liability arises from either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or
- a present obligation that arises from past events but is not recognised because:
    - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
    - the amount of the obligation cannot be measured with sufficient reliability

Continuing Service
The portfolio of services provided by the City Council is on-going from year to year. If however, a service were to cease, or if a new service were to commence, it would be necessary to show the effect on the Comprehensive Income & Expenditure Statement of the creation or discontinuation from one year to the next.

Corporate & Democratic Core
The corporate and democratic core comprises all activities that the City Council engages in specifically because it is an elected, multi-purpose authority. The costs of these activities are in addition to those which would have been incurred by a series of independent, single purpose nominated bodies managing the same services. There is therefore no logical basis upon which these costs can be apportioned to services.

Council Tax
A local tax levied by a Local Authority on its citizens.

Creditor
Amount owed by the City Council for work done, goods supplied, or services rendered within the accounting period, but for which payment had not been made by the end of the accounting period.

Debtor
Amount owed to the City Council for works done, goods supplied, or services rendered within the accounting period, but for which payment had not been received by the end of the accounting period.

Deferred Capital Receipts
Amounts arising from asset sales, where the income is received in instalments over agreed periods. They derive mainly from finance leases.

Depreciation
The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the City Council's non-current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

Exceptional Items
Material items which derive from unusual events or transactions that fall within the normal activities of the City Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value through Profit and Loss

Some investments are tradable and are classed as fair value through profit and loss. Movements in the fair value of such investments are posted to the surplus or deficit on the provision of services as they arise.

Fair Value through Other Comprehensive Income

Certain designated equity holdings are classed as fair value through other comprehensive income. Movements in amortised cost are debited/credited to the surplus or deficit on the provision of services, but movements in fair value debited/credited to other comprehensive income. Cumulative gains/losses on fair value are transferred to the General Fund balance on derecognition.

Financial Asset

A right to future economic benefits controlled by the Council that is represented by cash or other financial instruments or a contractual right to receive cash or another financial asset.

Finance Lease
A lease which transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument, of another entity.

Financial Liability
An obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

General Fund
The total services of the City Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by council tax, government grants and the NNDR.

Heritage Assets
Heritage Assets are those assets that are held and maintained by an entity principally for their contribution to knowledge and culture. Heritage assets can have historical, artistic, scientific, geophysical, or environmental qualities.

Housing Revenue Account (HRA)
A separate account to the General Fund which includes the income and expenditure arising from the direct provision of housing accommodation by the City Council, i.e.. council housing.

Impairment
A reduction in the value of a non-current asset, measured by specific criteria, to below its carrying amount in the balance sheet.

Infrastructure Assets
Examples of infrastructure assets are highways, bridges, and footpaths.

Intangible assets
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the City Council. An example would be computer software licences.

Interest Cost (pensions)
For a defined benefit scheme this is the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards prepared by the International Accounting Standards Board apply to Local Authorities where they comply with specific legal requirements and are relevant to local authority activities.

Inventories
Items of raw material and stores that the City Council has procured and holds in expectation of future use.

Investment (Pension Fund)
The investments of the pension fund will be accounted for in the statements of that fund. However, the City Council is also required to disclose as part of the disclosures relating to retirement benefits, the share of pension scheme assets associated with the City Council's underlying obligations.

Liability
A Liability is an obligation that the City Council expects to have to meet in monetary terms. Liabilities are categorised as either non-current or current. A non-current liability is an obligation that the City

Council expects to meet in more than one year. A current liability is expected to be met within one financial year.

Long-Term Debtor
Includes balances where the receivable amount will be collected more than one year into the future.

Long Term Investments
Investments where the receivable amount will be collected more than one year into the future.

Materiality
The concept that the Statement of Accounts should include all amounts which, if omitted or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to the revenue account each year to provide for the repayment of loans and other amounts borrowed by the City Council.

Movement in Reserves Statement
This reconciliation statement summarises the differences between the outturn on the Comprehensive Income & Expenditure Statement and the General Fund Balance.

Money Market Funds (MMF)
Pooled funds which invest in a range of short-term assets providing high credit quality and high liquidity.

Net Book Value
The amount at which Property Plant and Equipment are included in the balance sheet, i.e., their historical cost or current value less the cumulative amounts provided for depreciation.

Net Expenditure
Total expenditure for a service less directly related income.

Net Realisable Value
The open market value of an asset, less the expenses to be incurred in realising the asset.

Non-Current Assets
Assets that are not expected to be realised within a year.

Non-Distributed Costs
These are overheads for which no user now benefits and as such are not apportioned to services.

National Non-Domestic Rates (“NNDR”)
The non-domestic rate is a nationally set levy on business premises, set by the Government at a standard rate, charged to businesses and collected by the City Council. Forty-nine percent of non-domestic rates are retained by the City Council. Of the remainder, fifty percent is paid to the Government and one percent is paid to the Hampshire Fire and Rescue Authority.

Net Assets
The City Council’s value of total assets minus total liabilities = net assets.

Non-Operational Assets
Property Plant and Equipment held by the Council but not directly occupied, used, or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements or held for sale.

Operating lease
A lease where the risks and rewards of ownership of the asset remains with the lessor.

Operational Assets
Property Plant and Equipment held and occupied, used, or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Pension scheme liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Financial Statements are signed by the responsible financial officer.

Precept
The levy made by precepting authorities on the City Council requiring the latter to collect income from council taxpayers on their behalf. Both the Hampshire Police and Crime Commissioner and the Hampshire Fire and Rescue are precepting authorities.

Private Finance Initiative (PFI)
PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The City Council is deemed to control the services that are provided under its PFI schemes, as ownership of the property, plant and equipment will pass to the City Council at the end of the contracts for no additional charge. The City Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

Property, Plant and Equipment
Tangible assets that benefit the City Council and the services it provides for a period of more than one year.

Provision
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but where the amounts or dates of when they will crystallise are uncertain.

Public Works Loans Board (PWLB)
The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Revaluation Reserve
The Revaluation Reserve is an unusable reserve that contains the gains made by the City Council arising from increases in the value of its Property, Plant and Equipment.

Revenue Expenditure / Income
The cost or income associated with the day-to-day running of the services and financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Revenue expenditure funded from capital under statute (REFCUS) is expenditure that can be capitalised under statute, but which does not result in or remain matched with a tangible asset. Examples of REFCUS are grants of a capital nature to voluntary organisations or home improvement grants, where no repayment is expected.

Revenue Support Grant
A non-ringfenced grant paid, by central Government, to the City Council to contribute towards the general cost of its services.

Segmental Income

This is the Council's income analysed according to how the authority has been managed. In the City Council this is by member portfolio.

Short-Term Borrowing
Money borrowed for a period of less than one year.

Stock
Comprises the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components purchased for incorporation into products for sale
- Products and services in intermediate stages of completion
- Long-term contract balances
- Finished goods

Surplus or Deficit on the Provision of Services (SDPS)
This is the total of income less expenses, excluding components of Other Comprehensive Income and Expenditure as required or permitted by guidance. It represents the true economic cost of providing the City Council's services.

Treasury Management
The management of the City Council's debt and investment of surplus funds.

Trust Funds
Independent funds administered by the City Council for prizes, charities, specific projects and on behalf of minors.

Useful Economic Life (UEL)
Period over which the City Council will derive benefit from the use of a non-current asset.